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THE AUDITOR-GENERAL

ON

**MURANG'A SOUTH WATER AND SANITATION
COMPANY LIMITED**

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

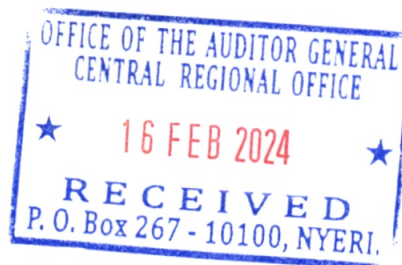
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MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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





Murang'a South Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

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1. Acronyms and Glossary of Terms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
WSTF	Water Services Trust Fund
AWWDA	Athi Water Works Development Agency
TWWDA	Tana Water Works Development Agency
Ksh	Kenyan Shillings
UoN	University of Nairobi
CPA-K	Certified Public Accountant of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
FVTOCI	Fair Value Through Other Comprehensive Income
NWCPC	National Water Conservation & Pipeline Corporation

2. Key Entity Information

Background information

The Murang’a South Water and Sanitation Company Ltd was established by the Companies Act of Parliament on 23rd May 2008. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and our legislation is the Articles and Memorandum of association.

Principal Activities

The principal activity of the Company is to provide water and sanitation services within Murang’a South, Kandara and Kigumo Sub-counties. Below is the vision, mission and mandate summary:

Vision;

“To be a model Water and Sanitation Services Provider in Kenya”

Mission;

To provide quality, affordable, reliable, and sustainable water and sanitation services by meeting and exceeding the customers' and stakeholders' expectations.

Mandate;

Murang’a South Water and Sanitation Company is mandated to provide efficient and economical water and sanitation services within the area as specified in the license issued by WASREB and maintenance of the developed National and County Governments assets for water and sanitation service provision as per the Water Act 2016.

Directors

The Directors who served the entity during the year/period were as follows:

Name	Designation	Appointed on:	Retired on:
1. Mr. Julius K. Manyeki	Chairman	29th March 2018	30 th June 2023
2. Ms. Mary Mwai	Member	28th June 2019	30 th June 2023
3. Mr. John Kiiru	Member	28th June 2019	
4. Mr. Mathew Chege	Member	15th July 2022	
5. Ms. Nancy Muhoro	Member	15th July 2022	
6. Ms. Rose Kinuthia	Member	15th July 2022	
7. Prof. Kiarie Mwaura	CECM-Finance & Economic Planning Murang’a County Govt.		
8. Ms. Mary Magochi	CECM-Water & Irrigation Murang’a County Govt.		
9. Ms. Mary Nyaga	Managing Director		

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Company Secretary

Gikuhi Kiana & Company
Certified Public Secretaries
P.o Box 1271-10100
Nyeri, Kenya.

Registered Office

Kandara Water Office
P.O Box 87-01034
Kandara, Kenya.

Corporate Contacts

Telephone: 0716 645 345
E-mail: murangasouth@gmail.com
Website: www.muswasco.co.ke

Corporate Bankers

Equity Bank Ltd
Thika Branch
P.O Box 253-01000
Thika.

Unaitas Sacco Limited
Kangari Branch
P.O Box 1145-10200
Murang'a.

Sidian Bank Limited
Thika Branch
P.O Box 6043-01000
Thika.

Kenya Commercial Bank
Thika Branch
P.O Box 271-01000
Thika.

Amica Sacco Ltd
Kandara Branch
P.O. Box 4062
Kandara.




Independent Auditor

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




Principal Legal Advisers

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

3. The Board of Directors

	Directors	Details
1.	 <p>Julius K. Manyeki (BOD Chairman) Year of Birth:1956</p>	<p>He was appointed on 29th March 2018 as a non-executive director representing the business community. He is a businessman with interests in energy sector. He has vast experience in both public and private sectors and has been contributing immensely to the community; he is also a Board chair and member of various institutions. He holds a degree in Bachelor of Commerce and is pursuing Master's degree in Business Administration.</p>
2.	 <p>Mathew Chege (Technical Committee Chair) Year of Birth:1966</p>	<p>He was appointed in on 15th July 2022 as a non-executive director representing farmers. He is a professionally trained teacher with over thirty years' experience. He holds a Masters of Education Planning Management & Administration and a Degree in Bachelors of Education.</p>
3.	 <p>Nancy Muhoro (Finance Committee Chair) Year of Birth:1975</p>	<p>She was appointed on 15th July 2022 as a non-executive director representing Religious organisations. She holds a Diploma in Community Development. She has worked with several NGO's. She is an established leader and is involved in various social and local development initiatives.</p>

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4.	 <p>Mary Mwai (Audit & Risk Committee Chair) Year of Birth:1956</p>	<p>She was appointed on 28th June 2019 as a non-executive director representing women. She holds a Diploma in Strategic Planning and Management of Projects. She has also engaged herself in voluntary paralegal & community work and is a respected opinion leader in the community.</p>
5.	 <p>John Kiiru (Director) Year of Birth:1960</p>	<p>He was appointed on 28th June 2019 as a non-executive director representing Professional bodies. He is a professionally trained teacher with over thirty years' experience. He holds a Bachelor Degree of Counselling and Psychology and a Diploma in Education Management.</p>
6.	 <p>Rose Wambui Kinuthia (Director) Year of Birth : 1984</p>	<p>She was appointed on 15th July 2022 as a non-executive director representing professional organizations. She holds Executive Master of Business Administration, Bachelor of Commerce Degree and CPA (K), and is a fellow of ICPAK. She is an accountant by profession with vast knowledge in finance and auditing having worked in various firms in managerial positions.</p>

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<p>7.</p>	 <p>Prof. Kiarie Mwaura CECM- Finance & Economic Planning (Murang'a County Govt) Year of Birth:1971</p>	<p>He is a professor of corporate law (UoN), certified governance auditor, fellow of the UK Higher Education Academy & Institute Certified Secretaries (ICS), CPS-K, an Advocate of the High Court of Kenya, Postgraduate Certificate in Higher Education Teaching, University of Wolverhampton (PhD), Staffordshire University (LLM), Legal Practice Diploma, University of Nairobi (LLB), and Certificate in Tribunal Administrative Justice. He is the immediate former dean of the University of Nairobi's School of Law, During his deanship, the School produced the highest number of graduates in its 50-year history and it secured, for the first time, the prestigious CB Madan Prize. He has served on the boards of the Transport Licensing Appeals Board and National Council for Law Reporting.</p>
<p>8.</p>	 <p>Eng. Mary Muthoni Magochi CECM- Water & Irrigation (Murang'a County Govt) Year of Birth:1983</p>	<p>She is the County Executive Committee Member-Water, Irrigation, Environment and Natural Resources at Murang'a County Government. She is a degree holder, an engineer by profession with vast knowledge and wide range of experience in water technical issues.</p>
<p>9.</p>	 <p>Richard K. Gikuhi (Company Secretary) Year of Birth:1952</p>	<p>He is the company secretary and has Master's degree in Business Administration from Moi University and Certified Public Secretary with a wide range of experience in Corporate Governance and management of over forty years. He is an accomplished leader and a fellow of the Institute of Certified Public secretaries of Kenya and a member of the Kenya Institute of Management.</p>

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10.	 <p>Mary Gathoni (Managing Director – Secretary to the BOD), Year of Birth: 1958</p>	<p>She is the current Managing Director of Murang'a South Water & sanitation Company since 2008. She has huge experience in Water sector and previously worked in the Ministry of water and irrigation. She is a water engineer and holds a Diploma in Water engineering and Bachelors of Business Administration (Entrepreneurship).</p>
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4. Key Management Team

Name & Passport size photo	Area of Responsibility & Key Professional/Academic Qualification,
 <p>Mary Gathoni Nyaga</p>	<p>Managing Director</p> <p>BBA (Entrepreneurship) Dip. Water Engineering (KEWI)</p>
 <p>John Macharia Wanjiku</p>	<p>Technical Services Manager</p> <p>B.S.C(Water & Environmental Engineering)-Egerton University</p>
 <p>CPA Tabitha Waithera Nderitu</p>	<p>Finance Manager</p> <p>Bachelor of Commerce (Finance Option)-Mount Kenya University. Certified Public Accountant (CPA-K) Masters of Science in commerce- Finance & Investment (ongoing).</p>

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 <p>Lucas Maina Wango'ndu</p>	<p>Commercial Services Manager</p> <p>Bachelor of Commerce (Finance Option)-Mount Kenya University. ACCA Level 2</p>
 <p>Purity Wachera Kihara</p>	<p>Ag. Internal Audit Manager</p> <p>B.COM (Accounting Option) - University of Nairobi.</p>
 <p>Richard K. Gikuhi</p>	<p>Company Secretary</p> <p>Master's degree in Business Administration from Moi University and Certified Public Secretary</p>

5. Chairman's Statement

It is with great pleasure and a sense of responsibility that I present to you the Chairman's Report on the financial statements of Murang'a South Water & Sanitation Company Limited for the financial year ending 30th June 2023. It has been a year of steadfast commitment to our mission of delivering safe, reliable, and sustainable water and sanitation services within our area of jurisdiction. Despite the challenges posed by the global economic environment, our company has demonstrated resilience, adaptability, and unwavering dedication to our core principles.

As we work towards achieving our strategic goals, we affirm our commitment to creating sustainable livelihoods as we strive to provide universal access to clean water, as it is the central, transformative promise of the 2030 Agenda for Sustainable Development and its Sustainable Development Goal 6 (SDG 6).

Achievements

- Completion and operationalization of the Maragua water and irrigation project by Ministry of Water and Irrigation, with a dam capacity of 800,000m³ and Treatment works of 8000m³/day at Gakoigo.
- Ongoing construction of Kenol Sewerage treatment plant to address sanitation coverage in the Kenol town, which has one of the fastest growing populations in Murang'a county.
- Ongoing Sabasaba Pipelines Rehabilitation Project (UPC 8th Call)
- Sanitation improvement by construction of Public Sanitation Facilities in Maragua, Kambiti, Kamahuha and Kabati.
- Increased distributions pipelines to ensure service delivery to the people.
- Solarization of Mangoto borehole funded by GATSBY leading to drastic drop in electricity costs.
- Drilling and rehabilitation of boreholes such as Ndiaraini, Gathungururu, Kaburugi, Wempa and Senior chief Gichohi. These have enabled water supply to the deserving areas.

Challenges

Despite the above achievements, MUSWASCO has its own share of challenges that affects its overall performance. This include but not limited to;

- Delayed implementation of projects e.g. Kitui-Matuu project.
- High operational costs due to the impact of rising inflation.
- High levels of NRW attributed to the dilapidated infrastructure, aged meters etc.
- Operating under a non-cost recovery tariff.
- The Company lost Maragua Ridge scheme to a neighbouring water service provider (MUWASCO) as a result political interference.
- Pipe destruction during road construction works.
- Vandalism of water fittings along our pipelines.

The Way Forward: Charting a Course for the Future

Here is a glimpse of the way forward and the outlook for our organization:

- **Strategic Growth and Expansion:** We shall continue expanding our services to the unserved areas.
- **Sustainability and Environmental Stewardship:** We will continue to invest in green technologies, reduce water losses, and enhance water treatment processes to minimize our environmental impact.
- **Technology Integration:** We will invest in digital platforms to improve customer experiences and operational efficiency.
- **Follow up on tariff review process.**
- **Customer-Centric Approach:** We will continue to actively engage with our communities, seeking their input and feedback to enhance our services and ensure their needs are met.
- **Mobilize funds from development Partners:** Collaborative efforts can address complex water challenges more effectively.

Together, we will shape a future where clean, reliable water and sanitation services remains an accessible and sustainable for all.

Conclusion

I would like to extend my appreciation to our dedicated employees, esteemed customers, suppliers and stakeholders for their continued support and trust in our company. Murang'a County Government, Athi Water Works Development Agency (AWWDA), Water Services Regulatory Board (WASREB), Water Sector Trust Fund (WSTF), GATSBY Africa, CDF, Ministry of Water, Sanitation and Irrigation (MoWSI) and stakeholders deserve credit for once again enabling the company to successfully deliver water and sanitation services within our area of jurisdiction.

Finally, I applaud my colleagues on the Board for their constructive and positive collaboration throughout the year.

I am confident that our company is well-positioned to face the opportunities and challenges that lie ahead, and I look forward to another successful year of serving our communities and delivering value to our stakeholders.

God bless you all.



.....

NANCY WANJA MUHORO
BOD CHAIRPERSON.

6. Report Of the Managing Director

I am pleased to present an overview of the company's performance highlighting our strategic priorities and operational achievements for the year ended June 2023. A number of interventions to improving access to water and sanitation services have been achieved notably; pipeline extensions to new customers, distributed water points in markets, interventions to NRW reduction, launch of multiple boreholes, construction of hygienic ablution blocks in densely populated residential areas, and opening of Public Sanitation Facilities.

Without the trust and support of the Management and staff, we would not have made such remarkable progress, both in achieving our operational and strategic goals. Our achievements also have been built on the invaluable counsel and assistance provided by the Board of Directors and development partners.

Our efforts to provide customer-oriented services as well as achieve sustainable service levels, however, has been thwarted by the existing non-cost recovery tariff leading to straining of cash flow projections. Despite the fact, I am pleased to report that the Regular Tariff Adjustment is at its advanced stages, having successfully undergone public review and approval during the Public Consultation period.

Performance Review

The company's business and strategic objectives were realized through the effective running of operations and achievement of Key Performance Indicators. Achievements and challenges encountered in the year ended 2023 are as stated below.

Achievements

- *Increased the number of connections and billed volumes.*
- *The company obtained a three-year license from WASREB, valid from December 16, 2022, to December 15, 2025.*
- *Improved Meter Reading and Billing Quality.*

Continuous scrutiny of monthly meter reading and billing process has resulted in improved meter reading and billing quality, reducing doubtful billing and ultimately timely and effective bill payments.

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- ***Performance Management and Staff Capacity Building for improved staff productivity***
 - Effective tracking of performance to ensure achievement of KPIs
 - Continuous on the job training for the billing software upgrade to ensure every user understands his/her role and can execute it efficiently and effectively.
 - GATSBY Africa sponsored various technical trainings within the year.
- ***Adoption of a new Collective Bargaining Agreement***

The Company and Kenya County Government Workers Union negotiated and signed a CBA.
- ***Reduction of Non-Revenue Water (NRW) ratio to 45% in 2023.***
- ***Exhauster services***

By the support of Athi Water Works Development Agency (AWWDA), Ministry of Water, Sanitation and Irrigation (MoWSI) and African Development Bank (ADB) through the Kenya Towns Sustainable Water Supply and Sanitation Program, we secured an exhauster and commenced exhauster services to address the sanitation needs.
- ***Increased service hours due to increased water coverage particularly in Maragua***
- ***Improved overall performance as rated on the 15th Impact Report by WASREB from position 31/99 WSPs in 2022 to 23/99 WSPS in 2023.***


Challenges.

- Inadequate water resource leading to low water coverage and strict rationing of water.
- None cost recovery tariff (From 2012-Date), resulting to financial sustainability constraints.
- Pipe destruction during road construction works e.g. Kinyona-Ikumbi, Kinyona-Gachocho, Kenol-Marua etc.
- Non-payments by customers for services rendered.
- High operational costs due to inflation.
- Vandalism of water fittings along our pipelines leading to disruption of service provision and replacement costs.
- The company lost the Maragua Ridge scheme to a neighboring water service provider (MUWASCO) due to political interference, resulting in a decrease in revenue.

Appreciation

I wish to state that MUSWASCO is fortunate to have the staunch support of very capable, professional, dedicated and enthusiastic staff, whose commitment and hard work have been indispensable in enabling the company to achieve its mission and to deliver the level and quality of performance clearly demonstrated in this report. My special gratitude to the Board of Directors for their strategic input and counsel, our partners and principals Murangá County Government, AWWDA, WSTF, GATSBY Africa for their contribution and support both in cash and in kind, CDF, DWO'S from the three sub-counties of Kandara, Kigumo, and Murang'a South (Maragua) for their continued support. Finally appreciating all consumers of our services and suppliers who have walked the journey with us throughout the year.

It is my strong belief that MUSWASCO will continue to prosper well into the future.



.....
MARY NYAGA

MANAGING DIRECTOR

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7.Statement Of Performance Against Predetermined Objectives for FY 2022/23

MUSWASCO'S strategic objectives within the current strategic plan are as follows:

- ❖ To increase access and coverage to safe water and sanitation services.
- ❖ To reduce Non-revenue water to standard levels.
- ❖ To enhance institution capacity.
- ❖ To enhance financial sustainability.
- ❖ To enhance ICT capacity.
- ❖ To enhance accurate and reliable data.
- ❖ To enhance mainstreaming of cross cutting issues.

The company achieved its performance targets set for the year FY 2022/2023 period for its strategic pillars, as indicated in the table below;

S / No	Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1	To increase the proportion of the population accessing safe water and sanitation services.	Increase service coverage from 56% to 75% over the period	Concept paper, Project Proposal, Designs, BOQs and project implementation	Project undertaken in areas of jurisdiction e.g Mangoto Borehole, Maragua Dam project, drilled boreholes, Kiosks	Water Coverage for MUSWASCO has increased from 56% to 65% and Kenol sewerage is ongoing and at 56% currently
2	Reduction of High levels of Non-Revenue Water	To Reduce Non-Revenue from 47% to 37%.	LPOs, Delivery notes, replaced meters, F/R to metered conversions	Customer metering (Replacement) and reduction of all Flat rate connections	Current NRW at 45.3%
3	To Strengthen Information Management System.	To improve the ICT system within the organization	ERP System, LPOs on mobile phones, Intercom, desktops	Purchase of systems for data harmonization and integration	Improved billing, Collection efficiency and timely data integration
4	To Enhance MUSWASCO's Financial Sustainability.	To establish a financially sustainable tariff	Wasreb Letter towards approval	Finalize on Tariff Approval	At advanced stage, awaiting WASREB to gazette.
		To expand the customer base	Achieve 33,000 connections	Increase the number of Connections	Achieved 33,485.
		To improve the collection	Collection Efficiency > 95%	Maintain revenue collection Efficiency > 95%	Achieved 99%
		To secure funding to support capital investments or specific projects.	Concept paper, Project Proposal, Initial designs	Mobilizing funds for the development Partners.	Awarded funding for UPC 8 th call project from WSTF and Gatsby Africa

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					funded various projects.
5	To enhance institutional capacity	To enhance staff capacity	Training Reports	Identify tailor made courses for the staff	Achieved progressively
		To reform and fully improve the MUSWASCO's Organizational structure in the year	Staff Establishment reports & Annual M&E Reports	Progressive implementation of the organogram within the strategic Plan Period	Achieved progressively
6	To enhance mainstreaming of cross cutting issues.	To institute an occupational safety.	OSHE Policy	Develop and implement an Occupational Safety ,Health and environmental policy	Acquired and Implemented OSHE Policy.
		To address social and environmental issues.	Sensitization Reports	Disseminate and create awareness on all cross-cutting policies and related interventions	Conducted all necessary awareness through various forums.
7	Enhance quality of the Database to assist in planning.	Develop Database of Quality and reliable data.	Operational Data Centre	Conducted a need assessment	The company has acquired an ERP system, currently using the billing and customer resolution module. Enhanced quality of customer data. Enhanced data security. Increased operational efficiency.
			Baseline Survey Report	Conducted CIS(Customer Identification Survey) and validated the collected data	
8	Enhance quality Corporate Communication	To create awareness.	Social media post, website updates, mainstream medias.	Updating social media, held barazas , stakeholder engagements, CSR activities & partnerships, sms.	Enhanced corporate image and awareness on issues pertinent to our services provision.

8. Corporate Governance Statement

Approach to Corporate Governance

Murang'a South Water & Sanitation Company Limited (MUSWASCO) and its Board of Directors are committed to achieving and upholding the highest standards of corporate governance.

The Board of Directors and entire management have committed themselves to act honestly, ethically, diligently and in accordance with the law, WASREB issued regulatory guidelines and License requirements in serving the interests of MUSWASCO's stakeholders, i.e employees, customers and the communities within our area of jurisdiction (Kandara, Kigumo and Murang'a South Sub counties).

Functions and Responsibilities of the Board of Directors

The implementation of corporate strategies and day-to-day management of MUSWASCO affairs are delegated to management through the managing director, however the Board retains specific responsibility for:

- Defining the limits of authority of the Managing Director and the other corporate management team members in a schedule of duties;
- Reviewing and approving business plans and (annual) budgets in accordance with the Service Provision Agreement;
- Reviewing and approving major expenditure, capital management and acquisitions;
- Reviewing and approving systems of risk management, internal controls and compliance, codes of conduct and legal compliance;
- Approving the Company's financial and accounting policies and financial statements;
- Monitoring the Company's operational and financial position and performance;
- Monitoring compliance with statutory requirements, regulatory directives and guidelines issued by WASREB and ethical standards;
- Evaluating its own performance at least once every year based on the Service Provision Agreement;
- Approving the Company's financial and accounting policies and financial statements;
- Monitoring the Company's operational and financial position and performance;
- Monitoring compliance with statutory requirements, regulatory directives and guidelines issued by WASREB and ethical standards;
- Deciding on any matters which exceed the authority limits delegated to the Managing Director.

Board Composition and Succession

Directors constituting a professional mix are appointed from the Stakeholders through a competitive stakeholder participation procedure (advertisement for positions) such that no individual or group of individuals or interests can dominate its decision-making.

Athi Water Services Board is responsible for advertising in the local media positions for the Board of directors and setting the criteria for those eligible to apply in accordance with the corporate governance guidelines.

The Board has also adopted a policy on the appointment, tenure and retirement of Directors.

Director Induction and Training

All directors undergo formal training on their role, duties, responsibilities and obligations as well as Board practices and procedures on first appointment and subsequently at least once every three years. This includes full briefings on current and emerging issues, meetings with key managers and tours of operational sites.

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Board Committees and Meetings

The Board convenes an average of four meetings per year. The Chairman in consultation with the Managing Director determines the agenda, frequency and length of meetings.

To assist in the execution of its responsibilities and to allow detailed consideration of complex issues, the Board has established three committees:

- Technical Committee
- Finance & Administration Committee
- Audit, Governance and Risk Committee.

In the financial year 2022/2023, the BOD attended 3 Finance and Admin Committee meetings, 3 Technical Committee meetings, 3 Audit, Governance and Risk Committee meetings, 4 full board meetings and 2 special full board meetings.

In Quarter 1, reporting period, the full Board convened a special meeting on 14th July 2022, the BOD committees convened from 30th August 2022 to 2nd September 2022 and the Full Board held on 9th September 2022. In Quarter 2 reporting period, the committees convened from 14th November 2022 to 16th November 2022 and the Full Board held on 24th November 2022. In Quarter 3 reporting period, the committees convened from 14th February 2023 to 16th February 2023 and the Full Board held on 23rd February 2023. In Quarter 4 reporting period, the full Board convened a special meeting on 26th April 2023 and the Full Board held on 10th May 2023.

Ad hoc Board and committee meetings may be convened to consider particular unforeseen matters. Unless expressly delegated by the Board to one of its committees, all matters determined by committees are submitted to the full Board as recommendations for Board decision and approval.

The remuneration of the directors individually and collectively

Sitting Allowances of Director for the FY 2022-2023		
S/no	Name Of Director	Amount- Ksh.
1	Julius Manyeki	180,000
2	Nancy Muhoro	291,000
3	John Kiiru	240,000
4	Mary Mwai	273,000
5	Matthew Chege	291,000
6	Samuel Kinyanjui	195,000
7	George M Kamau	45,000
8	Rose W Kinuthia	135,000
9	Mary Magochi	15,000
	Total-Ksh.	1,665,000

9. Management Discussion and Analysis

Murang'a South Water and Sanitation Company is a registered Company operating under Water Act 2016 and manages the water supplies of Kandara, Kigumo and (Murang'a South) sub-counties within Murang'a County. The company consists of five corporate management team who heads five major key departments as shown above.

The company has 13 schemes which run as branches to the company though they are centrally managed at Kandara headquarter office. This due to the wide geographical area that the company covers of 934Km2.

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The company also has 162 hardworking and committed staff who operate on the 13 schemes the company has within Murang'a South, Kandara and Kigumo sub-counties as licensed by Water Services Regulatory Board (WASREB).

In addition, the management is committed to ensure the company complies with statutory obligations such as payment of PAYE, NHIF, NSSF and taxes are compiled to on monthly basis, however the Company had statutory arrears as at close of the financial year.

During the year, the company has continued to be hit by effects of the rising rate of inflation while still operating under a non-cost recovery tariff, hence making it difficult for the company to meet most of its operation and maintenance costs.

Key Projects Analysis;

	Project Name	/Status/Progress	Cost (Ksh. Million)	Beneficiaries (Pop)	Result area
A	Project				
1	Maragua Dam Project	Water project, 100%	889.3	15,800	Increased water supply, connections and coverage
2	Maragua Last mile connectivity	Water distribution, 100%	55	5,000	Increase water supply and sanitation
3	Makutano water and sewerage project (Kangari and Kenol)	Water project, Ongoing at 85%	689.6	28,456	Increase water supply and sanitation
4	Kinyona-Karimamwaro Project	Water project, Ongoing at 65%	136.4	18,654	Increase water supply, increased coverage and increased new connections
5	Solarization of Mangoto Borehole	Water project, 100% complete	3.5	800	Increase water supply and sanitation
	Sub totals		1,773	68,710	
B	Boreholes Drilling and Equipping				
1	Kaburugi Borehole	Incomplete, 80%	10.65	300	Increased water supply connections
2	Ndiara-ini Borehole	Incomplete, 80%	10.65	150	Increased water supply connections
3	Gatumbo Borehole	Complete and in use	10.65	200	Increased water supply connections
4	Chief Wempa Borehole	Incomplete, 80%	10.65	300	Increased water supply connections
5	Senior Gichohi Borehole	Incomplete	10.65	160	Increased water supply connections

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6	Mangoto Borehole	Complete and in use	10.65	250	Increased water supply connections
7	Kangangu Borehole	Complete and in use	10.65	150	Increased water supply connections
8	Kariti Borehole	Incomplete, 60%	10.65	98	Increased water supply connections
	Sub totals for boreholes		85.4	1,608	
	Total Investment		1,859.3	70,318	

10. Environmental And Sustainability Reporting

MUSWASCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services and improving operational excellence. Below is an outline of the organizations policies and activities that promotes sustainability.

i) Sustainability strategy and profile –

The management has made several proposals to potential donors such as National government, County government, WSTF, ATHI, World Bank, Gatsby Africa and private partnership programs whereby we have received ongoing grant projects.

ii) Environmental performance

The company has made some significant efforts to improve environmental performance such as an ongoing Decentralized treatment facility which will help improve waste management, construction of over 500 subsidized toilets to residents of Kenol, Kambiti, Sabasaba and Maragua areas whereby it will improve sanitation and construction of ablution blocks in towns of Kimorori, Kamahuha, Kambiti and Maragua.

iii) Employee welfare

The policies guiding the hiring process are the company's human resource policy, labour laws and employment act. The company also holds a stakeholders meeting annually and when need arises and matters pertaining welfare and hiring process are normally outlined. The company has a performance management system where staff are appraised on quarterly basis and rewarded after the appraisals. We have also completed the process of registering with OSHA and awarded certification.

iv) Market place practices-

(a) Responsible competition practice

The company has an anti-corruption policy which is adhered to, involves the County Government of Murang'a on all projects we intend to carry out whereby they issue a letter of no objection. Fair competition and respect for competitors is guided by WASREB boundaries clearly specified in the license.

(b) Responsible supply chain and supplier relations

The company has a one-year contract with our suppliers who underwent tender evaluation process FY 2022/2023 under procurement act laws. Payment terms with our suppliers is on credit term basis and payment is made upon delivery of all goods requested. In case of part payments or delayed payments, the company enters into a part payment agreement with the supplier on a reasonable agreed monthly commitment payment structure.

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(c) Responsible marketing and advertisement

The company maintains healthy ethical marketing practices such as engaging our customers through holding baraza's, have a customer care contact person in all our 13 branches, engages the customers through sms platforms, introduction and sensitization of customers on self-service portal which includes USSD Code (*483*007#) and Muswasco maji-app available on google play store, advertising through the company's website, Facebook page and public relations department.

(d) Product stewardship

The company makes efforts to safeguard consumer rights and interests through:

- ❖ Provision of quality water
- ❖ Adherence to the regulated tariff by WASREB
- ❖ Customer relations module to sort customer's queries
- ❖ Customer care department
- ❖ Maintaining of confidentiality on customer database.

v) Corporate Social Responsibility / Community Engagements

MUSWASCO is committed to operate with great regard to the quality of life of the people we serve, our local communities and the society at large. In this regard, we consciously and sustainably contribute to the socio-economic and ecological well-being of our communities.

Our Social Impact

In the financial year 2022-2023, we undertook a number of activities as outlined.

Pro-poor and CSR

- Upon conducting necessary socio-economic assessments for a number of needy cases identified and discussions and resolutions with and by the bill adjustment committee, the company waived bills totaling to KES. 89,040 for extremely needy families as well as negotiated a payment plan for future bills.
- Installed free domestic water connections for economically challenged families at a total cost of 21,140
- Installed 40+ domestic water connections in the informal settlements of Border and Mjini areas in Maragua under the social connection policy giving the beneficiaries access to water as they pay for the installation fee in affordable monthly instalments.
- Delivered free 655m³ to public offices that were experiencing challenges in clean water access.

Conservation

- Distributed to farmers and planted 700+ indigenous and fruit trees on different public and National holidays including World Water Day and World Environment Day
- Participated in the National Tree Planting & Restoration of Sasumua Water Catchment Campaign on 14th April 2023 in Nyandarua County where 10,000 trees were planted, a step towards rehabilitating the catchment area.

Partnerships and Sponsorships

In giving back to the society, MUSWASCO sponsored several social causes to the tune of Ksh. 170,000. These included facilitating a Mentorship and Career Day organized by the Joe Nyutu Foundation at Kigumo Bendera High School on 14th April 2023, sponsored the Maragua Town clean up and tree planting exercise organized by a local CBO, Environment Defenders, in December 2022 and undertook a Hygiene Sensitization program in partnership with the Ministry of Health - Sabasaba Public health office at Sabasaba Primary on 22/11/22, equipping the learners with essential personal hygiene and health skills as well as providing essential inner wear and sanitary towels.

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11. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the company's affairs.

i) Principal activities

The principal activity of the Company is to provide quality, affordable, reliable and sustainable water and sanitation services to the residents of Murang'a South, Kandara and Kigumo Sub-counties.

ii) Results

The net deficit for the year was Ksh. 26,017,580.

Dividends

The Company does not declare dividends, where surplus is recognized, it's normally added to the retained earnings.

iii) Directors

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

iv) 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 to carry out the audit of the Company for the year/period ended June 30, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....
Name: Mary Nyaga
Company Secretary/Secretary to the Board
Date: 14th February 2024

12. Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 and Memorandum and Articles of Association 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, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

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Annual Report and Financial Statements for the year ended June 30, 2023

Statement Of Directors' Responsibilities (Continued)

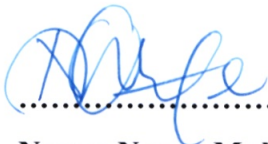
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting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

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and has outlined the measures put in place to mitigate against the uncertainty in relation to going concern (see note 54).

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 14th February 2024 and signed on its behalf by:



.....
Name: Nancy Muhoro
Chairperson of the Board



.....
Name: Mary Nyaga
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a South Water and Sanitation Company Limited set out on pages 1 to 71, which comprise of the statement

of financial position as at 30 June, 2023 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 the Murang'a South Water and Sanitation Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Material Uncertainty in Relation to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.188,822,705 which exceeds the current assets balance of Kshs.80,632,181, resulting in a negative working capital of Kshs.108,190,524 as at 30 June, 2023. The precarious financial position is an indication of the existence of a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern and to meet its obligations as and when they fall due. The financial statements have therefore been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Murang'a and its creditors.

In addition, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company Management to reverse the undesirable precarious financial situation have not been disclosed in the notes to the financial statements.

In the circumstances, the going concern of the Company is in doubt.

2.0 Long Outstanding Trade Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.71,811,346 net of provision for bad and doubtful receivables amount of Kshs.7,248,209 which, as disclosed in Note 29 to the financial statements includes trade receivables balance of Kshs.72,482,085. However, the latter balance includes trade receivables amounting to Kshs.55,536,497 which had been outstanding for more than 180 days without being collected.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.71, 811,346 could not be confirmed.

3.0 Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.114,017,305 and as disclosed in Note 42 to financial statements. Included in the balance is trade payables balance of Kshs.40,343,205 which had been outstanding for over three (3) years. However, Management did not provide any explanation or strategy adopted to clear the long outstanding payables.

In the circumstances, the validity and full settlement of long outstanding trade payables balance of Kshs.40,343,205 could not be confirmed and the Company may end up incurring additional expenditure due to litigations, fines, penalties and interest.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to resolve the issues.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's Statement, Managing Director's Report, Statement of Performance against Predetermined Objectives, Report of the Directors, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Non-compliance with Law on Staff Ethnic Composition

As previously reported, review of the Company's staff records for the year under review revealed that it had one hundred and seventy-four (174) staff out of which one hundred and sixty-four (164) or 94% of the total number were members from one dominant ethnic community in the county. This is contrary to Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

2.0 Personnel Costs in Excess of the Recommended Threshold

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.110,371,957 representing approximately 45% of the total expenditure of Kshs.245,827,558 for the year ended 30 June, 2023. However, as previously reported, this ratio is higher than the recommended limit of 35% for large companies where the water service provider has been categorized as recommended by Section 3.9(10) of Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018.

In the circumstances, the excess personnel costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable levels.

3.0 High Non-Revenue Water Threshold

During the financial year under review, the Company produced a total of 6,168,925 cubic meters (m³) of water out of which only 3,372,588m³ was billed to consumers and generated Kshs.202,223,569. The resulting difference of 2,796,337m³ on total volume of water produced or approximately 45% represents Non-Revenue Water (NRW), which is 20% over and above the allowable water loss threshold of 25% as per the Water Service Regulatory Board guidelines.

In the circumstances, the high NRW is an indicator of inefficiency and ineffectiveness in use of public and water resources, which may negatively impact on the Company's profitability and ability to sustain service delivery to the public.

4.0 Delayed Transfer of Company's Ownership

Review of the Memorandum of Association of the Company revealed that, the share capital stands at Kshs.100,000 divided into 5,000 shares of Kshs.20 each, with 4,999 shares owned by the Chief Executive Officer, Tana Water Services Board and 1 share owned by County Government of Murang'a. This was contrary to clause 3.3.1 of Water Services Regulatory Board (WASREB) Corporate Governance guidelines, 2018 which states that the shareholder of a water service provider will for public providers remain the County Government especially with regard to companies which have been providing services with assets developed publicly either by the former local authorities, water service boards, national water conservation and pipeline corporation or the Ministry of Water under the Water Act, 2002.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 March, 2024

Murang'a South Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2023

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

	Note	2022-2023	2021-2022
		Ksh.	Ksh.
Revenue			
Operating Revenue	6	207,607,462	200,077,305
Grants Income	7	8,258,880	37,988,575
Other Income	8	3,781,396	25,482,767
Finance income	9	162,240	162,938
Other gains/(losses)	10	-	-
Total Revenue		219,809,978	263,711,585
Expenses			
Staff Costs	11	110,371,957	95,255,790
General and Operations expenses	12	79,067,820	84,263,303
Board Expenses	13	2,563,490	2,698,704
Maintenance Expenses	14	41,035,948	61,511,711
Depreciation and Amortization expenses	15	9,364,343	8,868,049
Finance Costs	16	3,424,000	3,564,527
Total Expenses		245,827,558	256,162,084
Profit/(Loss) Before Taxation		(26,017,580)	7,549,501
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		(26,017,580)	7,549,501
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(26,017,580)	7,549,501
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		-	-
Total Comprehensive Income for The Year		-	-

Murang'a South Water and Sanitation Company Limited
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15. Statement Of Financial Position As at 30 June 2023

	Note	2022/2023	2021/2022
		Ksh.	Ksh.
Assets			
Non-current assets			
Property, plant and equipment	20	243,904,501	180,744,098
Intangible assets	21	1,352,398	1,847,300
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
Total non-current assets		245,256,899	182,591,398
Current assets			
Inventories	28	1,821,927	1,634,599
Trade and Other receivable	29	71,811,346	94,550,828
Tax recoverable	30	-	-
Short-term deposits	31	-	-
Bank and cash balances	32	6,998,907	6,717,018
Total current assets		80,632,181	102,902,445
Total Assets		325,889,079	285,493,843
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	33	100,000	-
Revaluation reserve	34	-	-
Fair value adjustment reserve	35	-	-
Retained earnings and Capital Reserve	36	(45,587,511)	2,049,293
Capital and Reserves		(45,487,511)	2,049,293

Murang'a South Water and Sanitation Company Limited
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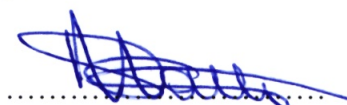
Non-current liabilities			
Deferred tax liability	37	-	-
Borrowings	38	50,881,443	1,583,302
Lease liability	39	-	-
Provisions	40	-	-
Retirement benefits	41	-	-
Deferred income	44	131,672,441	121,759,270
Total non-current liabilities		182,553,884	123,342,572
Current liabilities			
Borrowings	38	10,842,496	14,177,375
Lease liability	39	-	-
Provisions	40	-	-
Retirement benefit obligations	41	-	-
Trade and other payables	42	114,017,305	* 86,072,577
Refundable deposits and prepayments	43	63,962,905	**59,852,026
Dividends payable	45	-	-
Taxation	46	-	-
Total current liabilities		188,822,705	160,101,978
Total equity and liabilities		325,889,079	285,493,843

Narrative:

*The figure for Trade and other payables prior year has been reinstated to classify prepayments by customers of Ksh. 2,221,679 under refundable deposits and prepayments to comply with the new reporting template.

** The figure for customer deposits prior year has been reinstated to include prepayments by customers of Ksh. 2,221,679 that is now classified under refundable deposits and prepayments.

The financial statements were approved by the Board on 14th February 2024 and signed on its behalf by:



Name: Mary Nyaga
Managing Director



Name: CPA Tabitha Nderitu
Head of Finance
ICPAK M/No: 17690



Name: Nancy Muhoro
Chairperson of the Board

Murang'a South Water and Sanitation Company Limited
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16. Statement Of Changes in Equity for the Year Ended 30 June 2023

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
As at July 1, 2021 (Previous FY)		-	-	-	(8,030,551)	-	10,791,181	2,760,630
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	7,549,501	-	-	7,549,501
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortization from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
Prior year adjustment		-	-	-	(8,260,837)	-	-	(8,260,837)
As at June 30, 2022 (Previous FY)		-	-	-	(8,741,888)	-	10,791,181	2,049,293

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	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
As at July 1, 2022 (Current FY)		-	-	-	(8,741,888)	-	10,791,181	2,049,293
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(26,017,580)	-	-	(26,017,580)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
Prior year adjustment		100,000	-	-	(21,619,224)	-	-	(21,519,224)
At June 30, 2023 (Current FY)		100,000	-	-	(56,378,692)	-	10,791,181	(45,487,511)

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Note:

1. Prior year adjustment relates to;

- i.** *Long outstanding VAT receivables of Ksh. 22,717,071.00 that was written off from our books as its recoverability from Kenya Revenue Authority failed.*
- ii.** *An amount of Ksh. 1,095,997.00 that was deposited to UPC 8th Call Project Account from guarantor's fund in the previous year, the guarantors fund transfer used to be expensed hence affecting our retained earnings instead of being posted as savings.*
- iii.** *An amount of Ksh.1,850.00 that was transferred to UPC 8th call project account in the previous year and expensed hence affecting the retained earnings instead of just being posted as interbank transfer.*
- iv.** *Aligning share capital amount of Ksh. 100,000.00 (5,000 shares @ sh. 20) as stated on the memorandum of association with the Financial Statements.*

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

	Note	2022-2023	2021-2022
Cash flows from operating activities		Ksh.	Ksh.
Loss before income tax		(26,017,580)	7,549,501
Adjustments for:			
Depreciation of property, plant and equipment	15	9,364,342	8,868,049
Retained earnings & share capital adjustment		(21,519,224)	(2,700,000)
Operating profit/(loss) before working capital changes		(38,172,462)	13,717,550
Decrease/(increase) in:			
Inventories	28	(187,328)	148,049
Trade and other receivables	29	22,739,481	(3,120,023)
Increase/(decrease) in:			
Trade and other payables	42&43	32,055,606	10,903,792
Deferred Income	44	9,913,172	(1,009,295)
Cash generated from operations		64,520,931	6,922,523
Net cash generated from operating activities		26,348,471	20,640,073
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(72,029,843)	(6,294,629)
Net cash generated used in investing activities		(72,029,843)	(6,294,629)
Cash flows from financing activities			
Borrowings	38(b)	63,308,664	-
Repayments of loan	38(b)	(17,345,401)	(15,664,201)
Net cash generated used in financing activities		45,963,263	(15,664,201)
Net (decrease)/increase in cash and cash equivalents		281,889	(1,318,757)
Cash and cash equivalents at the beginning of the period	32	6,717,018	8,035,776
Cash and cash equivalents at the end of the period		6,998,907	6,717,018

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

Particulars	Original Budget	Adjustment	Budget Full Year	Actual on comparable basis	Performance difference	% of utilization
	A	b	C=a +b	d	e=c-d	f=d/c %
Revenue	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	%
Operating Revenue	227,640,000	2,825,000	230,465,000	207,607,462	(22,857,538)	90.08%
Other Income	0	0	0	3,781,396	3,781,396	0.00%
Finance Income	120,000	130,000	250,000	162,240	(87,760)	64.90%
Grants		21,803,294	21,803,294	18,172,053	(3,631,241)	83.35%
External Funds		63,649,144	63,649,144	62,905,664	(743,480)	98.83%
Total Revenue	227,760,000	88,407,438	316,167,438	292,628,815	(23,538,623)	92.56%
Expenses						
Staff Costs	98,043,084	13,579,880	111,622,964	110,371,957	1,251,007	98.88%
General and Operations Expenses	60,322,428	19,363,687	79,686,115	79,067,820	618,295	99.22%
Board Expenses	3,960,000	(1,300,000)	2,660,000	2,563,490	96,510	96.37%
Maintenance Expenses	42,781,880	(1,262,000)	41,519,880	41,035,948	483,932	98.83%
Finance Costs	1,427,818	2,073,000	3,500,818	3,424,000	76,818	97.81%
Total Recurrent Expenditure	206,535,210	32,454,567	238,989,777	236,463,215	2,526,562	98.94%
Profit or Loss	21,224,790	55,952,871	77,177,661	56,165,600	(26,065,185)	
Capital Expenditure	16,184,790	60,992,871	77,177,661	72,029,842	5,147,819	93.33%
Creditors Repayments	5,040,000	(5,040,000)				
Total Expenditure	227,760,000	88,407,438	316,167,438	308,493,057	7,674,381	97.57%

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Explanations of differences between actual and budgeted amounts (10% difference over/ under)

Other Income	We had not budgeted for Decrease in provision for bad debts, the Company earned income from exhauster services from an exhauster that was received in course of the year from AWWDA and we also received compensation from KEHNA which we had not budgeted.
Grants	We had anticipated WSTF to have released full UPC 8TH Call Funds but as the close of financial year all funds had not been disbursed hence the under compliance.
Finance Income	The Company added shares within the Financial Year with Amica Sacco that led to increase interest & dividend received hence the over compliance.

Reconciliation between the Statement of comprehensive income and Statement of Budget Comparison

Particulars	Statement of Comparison of Budget	Statement of Comprehensive income	Variance	Explanation on the Variances
Revenue	Ksh.	Ksh.	Ksh.	
Grants	18,172,053	8,258,881	(9,913,172)	The variation arises since under the statement of budget comparison we had captured the total grants to be received within the year (both capital & revenue grants), but under the statement of comprehensive income you recognize the grants that are revenue in nature e.g amortization, salaries etc hence the variation.
External Funds	62,905,664	0	62,905,664	This variation relates to external funds included in the budget that is loan from commercial banks. However, loans are not considered part of the revenue streams earned by the company, and therefore they do not appear as income in the statement of comprehensive income rather it appears on the statement of financial position as a liability.
Total Revenue	81,077,717	8,258,881	72,818,836	
Expenses				
Depreciation & Amortization	0	9,364,343	(9,364,343)	This variance arose from provision for depreciation and amortization reflected on the statement of comprehensive income but was not in the budget.
Total Expenses	0	9,364,343	(9,364,343)	
Difference	81,077,717	(1,105,463)	82,183,180	
Profit or Loss	56,165,600	(26,017,580)	82,183,180	The variance is as a result of the above narrations.

19. Notes To the Financial Statements

1. General Information

Muranga South Water & Sanitation Company Ltd is established by and derives its authority and accountability from Companies Act. The Company is wholly owned by the Muranga County Government and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to three Sub-counties within Murang'a County namely; Murang'a South, Kandara and Kigumo Sub-counties. 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, Memorandum and Articles of Association and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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Notes to the financial statements (continued)

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. <i>(Entity to state whether this has brought about changes to the accounting policies disclosed)</i>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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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.

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Notes to the Financial Statements (Continued)

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

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

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

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(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

Murang'a South Water & Sanitation Company Limited did not early – adopt any new or amended standards in year under review.

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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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

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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/reducing balance 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
Freehold Land	-	-
Leasehold Land	-	-
Buildings and civil works	-	-
Infrastructure works	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3.3	30%
Office equipment, furniture and fittings	8	12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

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

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Notes to the financial statements (continued)
Summary of Accounting Policies

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). *(Whichever is applicable)*.

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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. Cost is calculated using the weighted average cost method/ FIFO (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page xxx of this report.

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Notes to the financial statements (continued)

Summary of Accounting Policies

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Notes to the financial statements (continued)

Summary of Accounting Policies

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

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 from July 1, 2022. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. 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 Kshs. 1,080 per employee per month.

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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on on 25th May 2022. 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. Accordingly, the Company recorded re-allocations on the 2022-2023 budget following the Board of Directors approval on 23rd February 2023. 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 section xxx of these financial statements.

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, 2023.

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.

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Notes to the financial statements (continued)

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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. The Company made a general provision for bad debts of 10% at the end of the financial year, without writing them off from our books.

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Notes to the financial statements (continues)

6. Operating Revenue

	2022 /2023	2021/2022
	Ksh.	Ksh.
Operating income		
Water Sales	202,223,569	193,938,036
Connection fee	3,543,931	4,386,970
Reconnection fee	1,839,962	1,752,299
Total	207,607,462	200,077,305

7. Grants Income

	2022/ 2023	2021/2022
	Ksh.	Ksh.
CLSG Revenue Grant	-	28,286,222
Capital grants amortized	6,041,409	6,674,273
GOK salary grants	1,552,080	1,528,080
AWWDA- Water Lines Labour Grant	-	1,500,000
UPC 8TH Call Project	665,391	-
Total	8,258,880	37,988,575

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Ksh.	Amount deferred under deferred income Ksh.	Amount recognised in capital fund. Ksh.	Total grant income during the year Ksh.	2022-2023 Ksh.
Water Sector Trust Fund	665,392	-	10,954,581.04	11,619,973.04	FY 2022/2023
Murang'a County Govt.	1,552,080	-	-	1,552,080	FY 2022/2023
Gatsby Africa	-	-	5,000,000	5,000,000	FY 2022/2023
Amortization	6,041,409	-	-	6,041,409	FY 2022/2023
Total	8,258,881	-	15,954,581.04	24,213,462.04	

(Note: For Capital grants amortization of Ksh. 6,041,409 refers to depreciation/amortisation of the capital/development grants received from different ministries in different financial years.

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Notes to the financial statements (continued)

8. Other Income

	<i>2022/2023</i>	<i>2021/2022</i>
	Ksh.	Ksh.
Sale of Tender	2,000	-
Fine and penalties	-	-
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (specify)	-	-
Compensation from KENHA	744,984	21,347,762
Meter accessories & water fittings	68,000	4,135,005
Social Connection	2,709,129	-
Exhauster services	151,000	-
Decrease in Provision for Bad debts	106,283	-
Total	3,781,396	25,482,767

9. Finance Income

	<i>2022/2023</i>	<i>2021/2022</i>
Description	Ksh.	Ksh.
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	162,240	162,938
Interest on staff loans	-	-
Dividends	-	-
Total	162,240	162,938

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10. Other Gains and Losses

	2022/2023	2021/2022
Description	Ksh.	Ksh.
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

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11. Staff Costs

Description	2022/2023	2021/2022
	Ksh.	Ksh.
Gross Salary and Allowances	94,914,216	81,064,093
Casual workers' Wages	5,214,726	6,228,871
Medical insurance schemes	-	-
Employer's contributions to social security schemes	1,285,080	441,600
Employer's contributions to pension scheme	3,830,855	3,109,146
Provisions for Leave pay	1,157,000	931,000
Gratuity provisions	2,418,000	1,953,000
Fringe Benefit tax	-	-
Staff welfare	-	-
Other allowances	-	-
GOK Salary Grant	1,552,080	1,528,080
Total	110,371,957	95,255,790
The average number of employees during the year	162	156

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12. General and Operations Expenses

	2022/2023	2021/2022
Description	Ksh.	Ksh.
Chemicals	2,465,419	293,085
Electricity	6,544,693	3,781,501
Fuel, oil, lubricants, and gases	20,182,648	12,857,027
Bulk water Costs	1,476,420	1,053,055
Office supplies	611,700	611,625
Uniform and protective clothing	376,700	-
Telecommunication	4,610,178	4,229,233
Postage and courier	22,236	34,521
Insurance	1,701,769	2,644,973
Domestic Traveling and subsistence	4,253,845	4,320,130
Staff training and development	659,250	1,142,200
Bank Charges	2,556,664	1,359,423
Security services	2,747,520	1,991,545
Publicity and advertising	1,545,366	1,115,804
Audit fees	348,000	348,000
Legal fees	2,894,900	2,444,246
Consultancy fees	299,015	-
Licensing and levies	10,161,047	9,784,449
Donations/CSR	298,852	297,306
Hospitality expenses	2,908,518	2,338,021
Increase in Provision for doubtful debts	-	527,418
Printing service & stationeries	2,788,963	3,194,201
Subscription (Waspa + Professional bodies)	256,800	165,800
E-Billing Services	4,449,395	3,977,749
Water Quality	1,322,642	1,103,968
Revenue Enhancement Activities	1,594,520	1,434,658
Compensation of KENHA activities	704,980	21,147,029
Covid-19 Mitigation expenses	-	633,596
Bowser Distribution Expenses	70,929	190,691
Occupational safety and Health	150,210	15,000
Customer satisfaction Survey	30,000	40,000
Employee satisfaction Survey	-	111,500
Review of Business/Strategic plan	-	1,075,550
Corporate income tax	244,848	-
UPC 8TH Call Software expenses	789,792	-
Total	79,067,820	84,263,303

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13. Board Expenses

Description	2022/2023	2021/2022
	Ksh.	Ksh.
Chairman Honoraria	-	-
Sitting allowances	1,665,000	1,146,000
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	898,490	1,552,704
Other allowances	-	-
Total Board Expenses	2,563,490	2,698,704

14. Maintenance Expenses

Description	2022/2023	2021/2022
	Ksh.	Ksh.
Plant and Equipment	-	-
Buildings	668,177	771,300
Infrastructural networks	21,313,668	41,401,085
Motor vehicles/Cycles	9,462,201	9,407,024
Soft wares Maintenance	791,961	728,960
ICT (Information Communication Technology)	107,006	100,920
Water Meter maintenance/NRW costs	3,710,983	4,107,891
Repairs & Maintenance of water pumps	1,383,721	347,700
Repair & Maintenance of chambers & Air valves	2,607,831	2,858,880
Computer Repairs & Accessories	965,600	1,785,051
Generator Maintenance	24,800	2,900
Total Maintenance Expenses	41,035,948	61,511,711

15. Depreciation and Amortization Expenses

Description	2022/2023	2021/2022
	KSh.	KSh.
Property, plant, and equipment	8,869,440	8,076,349
Right of Use Assets	-	-
Intangible assets	494,902	791,700
Investment property carried at cost	-	-
Total Depreciation and Amortization	9,364,342	8,868,049

16. Finance costs

Description	2022/2023	2021/2022
	Kshs	Ksh.
Interest expense on loans	3,352,124	3,498,753
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Loan Charges	4,848	65,072
interest charge paid	67,028	702
Total	3,424,000	3,564,527

17. Income Tax Expense/(Credit)

	2022/2023	2021/2022
	Ksh.	Ksh.
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

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Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2022-2023	2021-2022
	Ksh.	Ksh.
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total Ksh	-	-

Notes to the financial statements (continued)

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year. There were not dilutive or potentially dilutive ordinary share as at the reporting date. The Company **did not** issue shares during the year

19. Dividend Per Share

The Company does not declare dividends, where surplus is recognized, its normally added to the retained earnings

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Notes to the financial statements (continued)

20. Property, Plant and Equipment

2021/2022	Motor vehicle & motor cycles	Furniture & equipment	Equipment /water kiosks/water pumps	Water meters	Computers & related equipment	Infrastructure	Work-in-progress	Total
COST	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh	Ksh.	Ksh.
As at 1st July 2021	6,804,220	1,639,951	8,685,673	34,971,456	9,713,096	77,362,644	100,149,404	239,326,445
Additions	13,110,000	31,668	80,200	-	409,400	-	(7,336,639)	6,294,629
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 30th June 2022	19,914,220	1,671,619	8,765,873	34,971,456	10,122,496	77,362,644	92,812,765	245,621,074
DEPRECIATION								
As at 1st July 2021	5,255,124	632,330	6,055,792	24,910,703	6,497,596	13,449,082	-	56,800,627
Charge for the year	3,664,774	129,911	338,760	1,257,594	1,087,470	1,597,839	-	8,076,349
Impairment Loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
As at June 30,2022	8,919,898	762,242	6,394,552	26,168,297	7,585,066	15,046,921	-	64,876,975
NBV								
As at June 30, 2022	10,994,323	909,378	2,371,321	8,803,159	2,537,430	62,315,723	92,812,765	180,744,098
As at June 30, 2021	1,549,097	1,007,621	2,629,881	10,060,753	3,215,500	63,913,562	100,149,404	182,525,818

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2023	Motor vehicles, including, motor cycles	Office equipment, furniture & fittings	Equipment/Water kiosks/Water pumps	Water Meters	Infrastructure	Computers & related equipment	Capital work in progress	Total
Cost or valuation								
As at 1 July 2022	19,914,220	1,671,619	8,765,873	34,971,456	77,362,644	10,122,496	92,812,766	245,621,074
Additions	-	-	3,704,608	1,096,909	5,385,244	618,380	61,224,701	72,029,842
Transfers	-	-	-	-	90,837,280	-	(90,837,280)	-
Disposals	-	-	-	-	-	-	-	-
As at 30th June 2023	19,914,220	1,671,619	12,470,481	36,068,365	173,585,168	10,740,876	63,200,187	317,650,916
Depreciation								
At July 1, 2022	8,919,898	762,242	6,394,552	26,168,297	15,046,921	7,585,066	-	64,876,976
Charge for the year	2,501,470	108,454	494,904	1,114,020	3,859,372	791,219	-	8,869,439
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
As at 30th June 2023	11,421,368	870,696	6,889,456	27,282,317	18,906,293	8,376,285	-	73,746,415
NBV								
At June 30, 2023	8,492,852	800,923	5,581,025	8,786,048	154,678,875	2,364,591	63,200,187	243,904,501
At June 30, 2022	10,994,323	909,378	2,371,321	8,803,159	62,315,723	2,537,430	92,812,764	182,591,398

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Notes to the financial statements (continued)

20 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Ksh.	Ksh.	Ksh.
Land	-	-	-
Buildings	-	-	-
Plant and machinery	-	-	-
Motor vehicles, including motorcycles	19,914,220	11,421,368	8,492,852
Computers and related equipment	10,740,876	8,376,285	2,364,591
Office equipment, furniture, and fittings	1,671,619	870,695	800,924
Infrastructure	173,585,168	18,906,293	154,678,875
Equipment /water kiosks/water pumps	12,470,481	6,889,456	5,581,025
Water Meters	36,068,365	27,282,317	8,786,048
Work-in-progress	63,200,187	-	63,200,187
	317,650,916	73,746,415	243,904,501

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal Annual Depreciation Charge
Plant and machinery	-	-
Motor vehicles, including motorcycles	19,914,220	2,501,470
Computers and related equipment	10,740,876	791,219
Office equipment, furniture and fittings	1,671,619	108,454
Infrastructure	173,585,168	3,859,372
Equipment/water kiosks/water pumps	12,470,481	494,904
Water Meters	36,068,365	1,114,021
Total	254,450,729	8,869,440

Notes to the financial statements (continued)

21. Intangible Assets

	2022-2023	2021-2022
	Ksh.	Ksh.
COST		
At July 1	3,770,000	-
Additions	-	3,770,000
Disposals	-	-
At June 30	3,770,000	3,770,000
AMORTISATION		
At July 1	1,922,700	1,131,000
Charge for the year	494,902	791,700
Disposals	-	-
Impairment loss	-	-
At June 30	(2,417,602)	(1,922,700)
NET BOOK VALUE		
At June 30	1,352,398	1,847,300

[Intangible assets constitutes of computer soft wares]

22. Investment Property

	2022-2023	2021-2022
	Ksh.	Ksh.
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-
DEPRECIATION (IF AT COST)		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	-	-
NET BOOK VALUE		
At June 30	-	-

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23. Right-of-use assets

	Buildings	Plant	Equipment	Total
	Ksh.	Ksh.	Ksh.	Ksh.
Cost				
As at 1 July 2021	-	-	-	-
Additions	-	-	-	-
As at 30 June 2022	-	-	-	-
Additions	-	-	-	-
As at 30 June 2023	-	-	-	-
Accumulated Depreciation				
As at 1 July 2021	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2022	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2023	-	-	-	-
Carrying Amount				
As at 30 June 2022	-	-	-	-
As at 30 June 2023	-	-	-	-

24. Biological Assets

	2022-2023	2021-2022
	Ksh.	Ksh.
Cattle	-	-
Trees	-	-
Others (Specify)	-	-
Total	-	-

Notes to the financial statements (continued)

25. Fixed Interest Investments (Bonds)

	2022-2023	2021-2022
	Ksh.	Ksh.
Central Bank of Kenya 12.5% 15-Year Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
Total	-	-

[The movement in investment during the year is as follows:]

Details	2022-2023	2021-2022
	Ksh.	Ksh.
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Balance at 30 June	-	-

26. Quoted Investments

	2022-2023	2021-2022
	Ksh.	Ksh.
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-

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Notes to the financial statements (continued)

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Ksh.	Ksh.	Ksh.
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-

27. Unquoted Investments

	2022-2023	2021/2022
	Ksh.	Ksh.
COST		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	-	-
IMPAIRMENT		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	-	-
NET BOOK VALUE	-	-

Notes to the financial statements (continued)

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Ksh.	Current year	Prior year
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-

28. Inventories

	2022-2023	2021-2022
	Ksh.	Ksh.
General stores	-	-
Chemicals & Laboratory items	-	-
Pipes, Water fittings and Accessories	1,552,389	1,450,960
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery	192,237	183,639
Finished goods- Water stocks	77,301	-
Work in progress	-	-
Less: Impairment of stocks	-	-
Total	1,821,927	1,634,599

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28. a) Reconciliation of Impairment Allowance for Inventories

Description	2022-2023	2021-2022
	Ksh.	Ksh.
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29. Trade and Other Receivables

	2022-2023	2021-2022
	Ksh.	Ksh.
Trade receivables (note (29a))	72,482,085	73,545,823
Prepayments	266,310	563,765
VAT recoverable	-	22,717,071
Staff receivables (note 29 (c))	-	-
Other receivables;		
TWWDA-Customer Deposit	775,751	775,751
WASREB- Performance Guarantee	2,344,677	2,000,000
Gatanga community water scheme deposit	100,000	100,000
Amica Sacco Shares	538,287	203,000
Investment Deposit Amica Sacco	2,000,000	2,000,000
AWWDA	452,445	-
Un-paid share capital	100,000	-
Gross trade and other receivables	79,059,555	101,905,410
Provision for bad and doubtful receivable	(7,248,209)	(7,354,582)
Net trade and other receivables	71,811,346	94,550,828

29. (a) Trade Receivables

	2022-2023	2021-2022
	Ksh.	Ksh.
Gross trade receivables	72,482,085	73,545,823
Provision for doubtful receivables	(7,248,209)	(7,354,582)
Net trade receivables	65,233,877	66,191,241
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	4,021,057	3,935,777
Between 30 and 60 days	4,904,354	1,684,787

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Between 61 and 90 days	1,680,683	1,306,765
Between 91 and 120 days	1,424,262	3,981,946
Between 121 and 150 days	1,292,686	1,968,637
Between 151 and 180 days	3,622,546	1,199,976
Over 181 days	55,536,497	59,467,935
Total	72,482,085	73,545,823

29. (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022-2023	2021-2022
	Ksh.	Ksh.
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29. (c) Staff Receivables

	2022-2023	2021-2022
	Ksh.	Ksh.
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

29. (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2022-2023	2021-2022
	Ksh.	Ksh.
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

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Notes to the financial statements (continued)

30. Tax Recoverable

	2022-2023	2021-2022
	Ksh.	Ksh.
At beginning of the year	-	-
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

31. Short Term Deposits

	2022-2023	2021-2022
	Ksh.	Ksh.
Commercial banks		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (specify)	-	-

32. Bank and Cash Balances

	2021-2022	2020-2021
	Ksh.	Ksh.
Cash at bank	6,936,241	6,566,746
Cash in hand	-	-
Mobile money account	62,666	150,272
Totals	6,998,907	6,717,018

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2022 / 2023	2021 / 2022
(a) Current account			
Equity Bank-Collection Account	0890269245257	-	41,510
K.C.B Bank	1114420859	138,505	116,205
Unaitas Bank	002020037	468	128,001
Amica Sacco	006101000019618	740,105	368,891
Amica Sacco-Loan Account	006109000000020	118,456	118,602
Sidian Bank -1675	01012020001675	164,965	207,351
Equity Bank	0090292737794	968,237	1,352,480
Sidian Bank -3831	01012020003831	65,562	70,084
Sidian Bank -5208	01012020005208	4,160,927	4,163,807
Equity Bank CLSG Project	0090280437391	-	(183)
NBK-Operational account	01020247827200	713	-
NBK-UPC 8 TH Call Project	01020246328900	578,303	-
Sub-total		6,936,241	6,566,746
Others			
M-PESA Facility	346350	9,681	88,779
M-PESA Facility	600654	2,385	28,000
M-PESA Holding	854979	25,685	33,493
M-PESA Bowser & Exhauster	4099279	24,915	-
Cash in hand		-	-
Sub-total		62,666	150,272
Grand Total		6,998,907	6,717,018

33. Ordinary Share Capital

	2022-2023	2021-2022
	Ksh.	Ksh.
Authorized:		
5,000 ordinary shares of Ksh 20 par value each	100,000	-
Issued and fully paid:		
XXX ordinary shares of Ksh par value each	-	-
Total Share Capital	100,000	-

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Notes to the financial statements (continued)

34. 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.

35. 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.

36. Retained Earnings and Capital Reserve

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

	2022-2023	2021-2022
	Ksh	Ksh
Capital Reserve	10,791,181	10,791,181
Retained earnings: As at beginning of the year	(8,741,888)	(8,030,551)
Profit/ (loss) for the year	(26,017,580)	7,549,501
Adjustments- prior year	(21,619,224)	(8,260,837)
Retained Earnings & Capital Reserve As at the end of the year	(45,587,511)	2,049,293

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37. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2022-2023	2021-2022
	Ksh.	Ksh.
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2022-2023	2021-2022
	Ksh.	Ksh.
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

38. Borrowings

Description	2022-2023	2021-2022
	Ksh.	Ksh.
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	15,760,677	25,864,041
Domestic borrowings during the year	63,308,664	-
Adjustment prior year	-	5,560,837
Repayments during the year	(17,345,401)	(15,664,201)
Balance at end of the year	61,723,939	15,760,677
c) Total Balance at end of the period c = a+b	61,723,939	15,760,677

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Notes to the financial statements (continued)

The analyses of both external and domestic borrowings are as follows:

	2022-2023	2021-2022
	Ksh.	Ksh.
External Borrowings		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from 'zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from Sidian Bank	-	10,556,344
Kenya Shilling loan from Amica Sacco	61,723,939	5,204,333
Total balance at end of the year	61,723,939	15,760,677

Description	2022-2023	2021-2022
	Ksh.	Ksh.
Short term borrowings (current portion)	10,842,496	14,177,375
Long term borrowings	50,881,443	1,583,302
Total	61,723,939	15,760,677

39. Lease Liability

Description	2022-2023	2021-2022
	Ksh.	Ksh.
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

	2022-2023	2021-2022
Maturity analysis	Ksh.	Ksh.
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
Less: unearned interest	-	-
Analysed as:		
Non-Current	-	-
Current	-	-

40. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	Ksh.		Ksh.	Ksh.	Ksh.
Balance at the beginning of the year	-	-	-	-	-
Additional Provisions	1,157,000	-	2,418,000	-	3,575,000
Provision utilised	(1,157,000)	-	(2,418,000)	-	(3,575,000)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-

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Notes to the financial statements (continued)
Provisions details

Description	2022-2023	2021-2022
	Ksh.	Ksh.
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
Total	-	-

41. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2022-2023	2021-2022
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

Notes to the financial statements (continued)

	2022-2023	2021-2022
	Ksh	Ksh
Discount rates	0%	0%
Future salary increases	0%	0%
Future pension increases	0%	0%
Mortality (Pre- retirement)	0%	0%
Mortality (Post- retirement)	0%	0%
Withdrawals	0%	0%
Ill health	0%	0%
Retirement	0 years	0 years

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Comprehensive Income

	2022-2023	2021-2022
Description	Ksh.	Ksh.
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Remeasurement of the net defined benefit liability (asset)	-	-

b) Amounts recognised in the Statement of Financial Position

	2022-2023	2021-2022
Description	Ksh.	Ksh.
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

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Notes to the financial statements (continued)

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month. Other than NSSF the entity also has a defined contribution schemes operated by County Pension Fund(CPF) and National Water Conservation & Pipeline Corporation(NWCPC). Employees contributes 5% and 7.5% while employers contribute 10% and 15% of basic salary to County Pension Fund and NWCPC respectively . Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

42. Trade and Other Payables

	2022-2023	2021-2022
	Ksh.	Ksh.
Trade payables	78,244,555	66,229,150
Accrued expenses	348,000	348,000
Revenue received in advance	-	-
Retention/ contract monies	-	-
Employee payables	35,424,750	19,495,425
Other payables	-	-
Total	114,017,305	86,072,577

Aging Analysis for Trade and other Payables

	2022/2023	% of the total	2021/2022	% of the total
Under one year	32,743,075	29%	20,394,488	24%
1-2 years	20,685,364	18%	16,174,106	19%
2-3 years	20,245,661	18%	24,151,469	28%
Over 3 years	40,343,205	35%	25,352,514	29%
Total	114,017,305		86,072,577	

43. Refundable Deposits and Prepayments

	<i>2022/2023</i>	<i>2021/2022</i>
	<i>Ksh.</i>	<i>Ksh.</i>
Customer deposits	61,739,128	57,630,347
Prepayments by customers	2,223,777	2,221,679
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	63,962,905	59,852,026

Aging Analysis for Refundable Deposits and prepayments

	<i>2022/2023</i>	<i>% of the total</i>	<i>2021/2022</i>	<i>% of the total</i>
Under one year	6,299,766	10%	6,931,393	11%
1-2 years	4,968,728	8%	4,235,004	8%
2-3 years	4,839,052	7%	4,939,052	8%
Over 3 years	47,855,358	75%	43,746,577	73%
Total	63,962,904		59,852,026	

44. Deferred Income

<i>Description</i>	<i>2022-2023</i>	<i>2021-2022</i>
	<i>Ksh.</i>	<i>Ksh.</i>
National/County government	131,672,441	121,759,270
International funders	-	-
Public contributions and donations	-	-
Total deferred income	131,672,441	121,759,270

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The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward		121,759,269	-	121,759,269
Additions		15,954,581	-	15,954,581
Transfers to Capital fund		-	-	-
Transfers to income statement		(6,041,409)	-	(6,041,409)
Other transfers			-	
Balance carried forward		131,672,441	-	131,672,441

45. Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analyzed in annual amount below.

	2022-2023	2021-2022
	Ksh.	Ksh.
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	-	-

Dividend Payable analysis

	2023/2022	% of the total	2021/2022	% of the total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

The Company does not declare dividends

Notes to the financial statements (continued)

46. Taxation

	2022-2023	2021-2022
	Ksh.	Ksh.
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	-	-
At end of the year	-	-

47. Notes to The Statement of Cash Flows

	Note	2022-2023	2021-2022
Cash flows from operating activities		Ksh.	Shs
Loss before income tax		(26,094,880)	7,549,501
Adjustments for:			
Depreciation of property, plant and equipment		9,364,342	8,868,049
Retained earnings adjustment		(21,619,224)	(2,700,000)
Operating profit/(loss) before working capital changes		(38,349,762)	13,717,549
Decrease/(increase) in:			
Inventories		(110,028)	148,049
Trade and other receivables		22,839,481	(3,120,023)
Increase/(decrease) in:			
Trade and other payables		32,055,606	10,903,792
Deferred Income		9,913,172	(1,009,296)
Cash generated from operations		64,698,231	6,922,522
Net cash generated from operating activities		26,348,469	20,640,071
Cash flows from investing activities			
Purchase of property, plant and equipment		(72,029,843)	(6,294,629)
Net cash generated used in investing activities		(72,029,843)	(6,294,629)
Cash flows from financing activities			
Borrowings		63,308,664	-
Repayments of loan		(17,345,401)	(15,664,201)

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Net cash generated used in financing activities		45,963,263	(15,664,201)
Net (decrease)/increase in cash and cash equivalents		281,889	(1,318,759)
Cash and cash equivalents at the beginning of the period		6,717,018	8,035,776
Cash and cash equivalents at the end of the period		6,998,907	6,717,018

Notes to the financial statements (continued)

Other Disclosures

48. Related Party Disclosures

County Government of Murang'a

The County Government of Murang'a is the principal owner of the Company, holding 100% of the Company's equity interest. The County of Government of Muranga has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- County Government of Murang'a
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2022-2023	2021-2022
	Ksh	Ksh
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	17,270,293	7,489,010
Interest income from Govt Commercial Banks	162,240	162,938
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	17,432,533	7,651,948
b) Purchases from related parties		
Purchase of water from govt service providers	1,476,420	1,053,055
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	2,556,666	1,359,423
Interest expense to investments by other govt. entities	-	-

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	2022-2023	2021-2022
	Ksh	Ksh
Others (specify)	-	-
Total	4,033,086	2,412,478
b) Grants from the Government		
Grants from National Govt Agencies	11,619,972.70	34,059,583
Grants from County Government	1,552,080	1,528,080
Grant from Gatsby Africa-Capital Grant	5,000,000	-
Donations in kind	-	-
Total	18,172,052.70	35,587,663
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	2,563,490	2,698,704
Compensation to key management	-	-
Total	2,563,490	2,698,704

49. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2022-2023	2021-2022
	Ksh	Ksh
Amounts authorized and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-

50. Contingent Assets and Liabilities

Contingent Assets

	2022-2023	2021-2022
	Ksh.	Ksh.
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

Contingent Liabilities

	2022-2023	2021-2022
	Ksh.	Ksh.
Contingent liabilities		
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
Total	-	-

51. 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.

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Notes to the financial statements (continued)

(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:

	Total amount Ksh.	Fully performing Ksh.	Past due but not Impaired Ksh.	Past due and Impaired Ksh.
At 30 June 2023				
Trade Receivables	72,482,085	65,233,877	-	7,248,209
Other Receivables	6,577,470	6,577,470	-	-
Investments	-	-	-	-
Bank balances	6,998,907	6,998,907	-	-
Total	86,058,462	78,810,254		7,248,209
At 30 June 2022 (previous Year)				
Trade Receivables	73,545,823	66,191,241	-	7,354,582
Other Receivables	28,359,587	28,359,587	-	-
Investments	-	-	-	-
Bank balances	6,717,017	6,717,017	-	-
Total	108,622,427	101,267,845	-	7,354,582

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Ksh.	Ksh.	Ksh.	Ksh.
At 30 June current year				
Trade payables	8,935,115	7,506,891	61,802,549	78,244,555
Current portion of borrowings	-	-	10,842,496	10,842,496
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	8,935,115	7,506,891	72,645,045	89,087,051
At 30 June previous year				
Trade payables	6,625,470	5,178,480	54,425,201	66,229,151
Current portion of borrowings	-	-	14,177,375	14,177,375
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	6,625,470	5,178,480	68,602,576	80,406,526

(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) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

Notes to the financial statements (continued)

(iii) Market risk (Continued)

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh.	Other currencies	Total
	Ksh.	Ksh.	Ksh.
At 30 June 2023 Current Year			
Financial assets			
Investments	-	-	-
Cash	6,998,907	-	6,998,907
Debtors	65,233,877	-	65,233,877
Financial Liabilities			
Trade and other payables	177,980,209	-	177,980,209
Borrowings	61,723,939	-	61,723,939
Net foreign currency asset/(liability)			

The Company manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Ksh.	Other currencies	Total
	Ksh.	Ksh.	Ksh.
At 30 June 2022 Previous year			
Financial assets			
Investments	-	-	-
Cash	6,717,018	-	6,717,018
Debtors	66,191,241	-	66,191,241
Financial Liabilities			
Trade and other payables	114,017,305	-	114,017,305
Borrowings	15,760,677	-	15,760,677
Net foreign currency asset/(liability)			

Notes to the financial statements (continued)

b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on Equity
	Ksh.	Ksh.	Ksh.
2023 Current FY			
Euro	10%	-	-
USD	10%	-	-
2022 Previous FY			
Euro	10%	-	-
USD	10%	-	-

c) 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.

Notes to the financial statements (continued)

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. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease.

As at 30th June 2023, an increase/decrease of 5 % on average borrowing rates would have resulted in an increase/decrease in the surplus of **Ksh. 167,606**, (FY 2021/2022: Ksh. **174,938**)

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.

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Notes to the financial statements (continued)

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

At 30 June 2023 Current FY	Level 1 Ksh.	Level 2 Ksh.	Level 3 Ksh.	Total Ksh.
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
At 30 June 2022 Previous FY				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year.

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.

Notes to the financial statements (continued)

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:

	2022-2023	2021-2022
	Ksh.	Ksh.
Revaluation reserve	-	-
Retained earnings	(56,455,992)	(8,741,888)
Capital reserve	10,791,181	10,791,181
Total funds		
Total borrowings	61,723,939	15,760,677
Less: cash and bank balances	(6,998,907)	(6,717,018)
Net debt/(excess cash and cash equivalents)	54,725,032	9,043,659
Gearing	%	%

52. Incorporation

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

53. Events After the Reporting Period

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

54. Going Concern Disclosure

The Company has made loss in the current year and has a negative working capital which poses challenge to the going concern of the Company. The following measures have been put in place to mitigate against the uncertainty in relation to going concern; The Company was at an advanced stage of approval of a cost recovery tariff review by close of the financial year and has now acquired the approval from Water Service Regulatory Board (WASREB), the Company has various ongoing projects, the company is following up with the road contractors to ensure timely completion of the projects and compensation of damaged pipes where necessary for rerouting, the negative impact of COVID-19 effects has greatly improved. All the above measures will lead to increase in revenues which will have a positive impact in our working capital as the Company will utilize the additional revenue to settle some of the pending bills.

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Long outstanding trade and other receivables.	The Company is continuously engaging stringent debt control measures, written off VAT receivables and corrected the casting error.	Not resolved	Continuous
2.	Long outstanding Trade and other payables.	The Company has entered into structured payment plans.	Not resolved	Continuous
3.	Non-compliance with law on ethical composition.	Will Continuously be addressed through recruitment process by prioritizing and offering employment opportunities to those from other communities.	Not resolved	Continuous
4.	Personnel cost in excess of the recommended threshold.	The Company has progressively improved on this compliance as we are 37% almost to the threshold of 35%. Applied for tariff that will aid this compliance	Not resolved	Continuous
5.	Failure to update water tariff structure	The Company acquired an updated tariff on 11 th August 2023, gazette notice no. 10543	Resolved	
6.	High Non-Revenue Water	Progressively being reduced through various measures.	Not resolved	Continuous

Name :- **Mary Nyaga** (Managing Director)

Signature:- 

Date:- 14th February 2024

Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.	Maragua Dam Project	National Government	3 years	Excellent	No	No
2.	Makutano water and sewerage project	AWWDA	4 years	Excellent	No	No
3.	Kinyona-Karimamwaro Project	AWWDA	4 years	Excellent	No	No
4.	Solarisation of Mangoto Borehole	Gatsby Africa	3 Months	Excellent	No	Yes

Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)

	Project	Total project Cost(Ksh. Million)	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Maragua Dam Project	889.3		100%	889.3		Ministry of Water & irrigation
2	Makutano water and sewerage project	689.6		85%	689.6		AWWDA
3	Kinyona-Karimamwaro Project	136.4		65%	136.4		AWWDA
4.	Mukoe DMA project & Solarisation of Mangoto Borehole	5		100%	5		Gatsby Africa

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Appendix III- Inter-Entity Confirmation Letter


Murang'a South Water & Sanitation Company Limited
P.O Box 87-01034, Kandara

Murang'a South Water and Sanitation Company Limited wishes to confirm the amounts disbursed to us as at 30th June 2023 as indicated in the table below. the space provided and return it to us.

Confirmation of amounts received by Murang'a South Water & Sanitation Co. Ltd as at 30th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Ksh.) as at 30th June 2023				Amount Received by [beneficiary entity] (KSh.) as at 30 th June 2023 (E)	Differences (KSh.) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
1	02/02/2023	665,392	10,954,280.70		11,619,972.70	11,619,972.70	-
2	13/02/2023		3,532,918.15				-
3	05/05/2023		1,467,081.85		5,000,000	5,000,00	
Total					<u>16,619,972.70</u>	16,619,972.70	-

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary entity:

Name: CPA Tabitha Nderitu Sign:  Date: 14th February 2024

Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix V: Reporting Disaster Management Expenditure

Date:						
Entity						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Ksh.)	Comments

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MD A/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/others	Total amount-Ksh.	Where recorded/recognized					Total transfers during the year
				Statement of Financial Performance	Capital fund	Deferred Income	Receivables	Others-must be specific	
Water Sector Trust Fund	23/09/2022	Development	5,809,986.35	665,392	10,954,280.70				11,619,972.70
	02/02/2023		5,809,986.35						
Gatsby Fund	13/02/2023	Development	3,532,918.15		5,000,000				5,000,000
	05/05/2023		1,467,081.85						
KENHA	06/08/2022	Recurrent	175,750	744,984				744,984	
	01/02/2023		270,480						
	26/06/2023		45,440						
	26/06/2023		253,440						