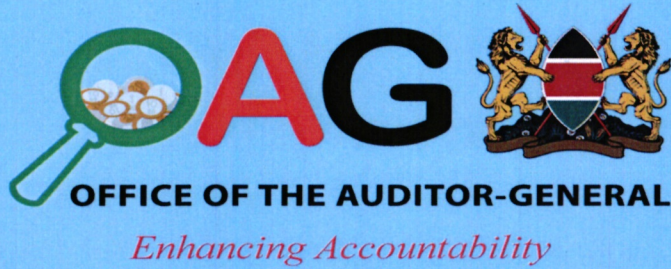


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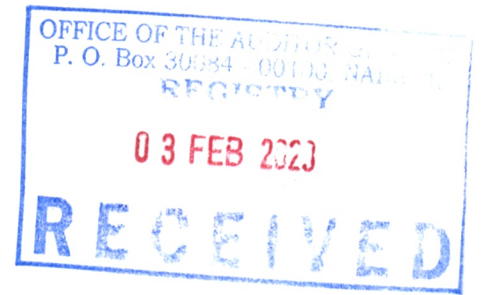
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**THE AUDITOR-GENERAL**

**ON**

**MATHIRA WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



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**MATHIRA WATER AND SANITATION CO LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2022**

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

**Mathira Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Mathira Water and sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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# **Mathira Water and Sanitation Company Ltd**

## **Annual Report and Financial Statements for the year ended June 30, 2022**

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### **I. Key Entity Information**

#### **Background information**

Mathira Water & Sanitation Company (MAWASCO) is a private limited company formed under Companies Act Cap 486 of laws of Kenya established in July 2005. After promulgation of the current constitution, the company became wholly owned by the County Government of Nyeri. MAWASCO got a license to officially operate as a water service provider in October 2005 and began operating in December 2005 in compliance with the provisions of Water Act 2002.

#### **Principal Activities**

The principal activity of the Company is to provide water and sanitation services to both rural and urban schemes of Mathira East and Mathira West Sub-Counties with population of 148,847 people. The target supply area covers an area of 260 km<sup>2</sup> which comprises of Konyu, Kirimukuyu, Karatina, Magutu, Iria-ini and Ruguru wards. Some parts of Kirinyaga County - Ndia division are also within company's area of coverage.

At its formation in the year 2005, the company took up most of the assets that belonged to National Water Conservation and Pipeline Corporation, Ministry of Water and Irrigation and Karatina Municipal Council who used to manage the supply of water and sewer services in the region.

#### **Vision**

To be a model Water and Sanitation Services Company in Kenya.

#### **Mission**

Ensure provision of quality, affordable, reliable, portable and sustainable water and sanitation services to all residents of Mathira and its environs.

#### **Core Values**

- i. Integrity
- ii. Quality
- iii. Professionalism
- iv. Customer friendly
- v. Team work
- vi. Total efficiency
- vii. Creativity and innovation
- viii. Reliability

#### **Strategic Objectives**

- i. Develop and operationalise a sustainable operation and maintenance programme for the assets under the management of the company.
- ii. Expand sewerage services to cover unsewered areas.
- iii. Improve and extend the infrastructure under Mathira Water and Sanitation Company Ltd.
- iv. Achieve operational financial sustainability by reducing the recurrent expenditure by 10%.

**Mathira Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Directors**

The Directors who served the Company during the year were as follows:

	<b>Name</b>	<b>Position</b>	<b>Date of Appointment</b>
1	Mr. Reuel Kibugi Muriuki	Chairman	6 <sup>th</sup> July 2018
2	Mr. David Gathogo Kamau	Managing Director	1 <sup>st</sup> July 2018
3	Mr. Peterson Muriuki Kigotho	Member	25 <sup>th</sup> June 2019
4	Mr. Richard Githui Ruhiu	Member	25 <sup>th</sup> June 2019
5	Mr. John Kariuki Muthuma	Member	29 <sup>th</sup> January 2016
6	Mrs. Margaret Muthoni Kinyua	Member	29 <sup>th</sup> January 2016
7	Mrs. Jane P. Warui Waithanji	Member	6 <sup>th</sup> July 2018
8	Mr. Simon Ndirangu Gachunia	Member	7 <sup>th</sup> March 2022
9	Mr. Sammy Kariuki Muturi	Member	25 <sup>th</sup> June 2019
10	Ms. Pauline Wachuka Ndegwa	Member	14 <sup>th</sup> October 2019

**Company Secretary**

Gikuhi Kiana & Co  
Certified Public Secretary,  
P.O Box 1271 -10100  
NYERI

**Registered Office**

Ragati Water Offices  
P. O. Box 1981 – 10101  
KARATINA

**Company Headquarters**

Ragati Water Offices  
P. O. Box 1981 – 10101  
KARATINA

**Company Contacts**

Tel: 020-2659069  
Email: [info@mawasco.co.ke](mailto:info@mawasco.co.ke)  
Website: [www.mawasco.co.ke](http://www.mawasco.co.ke)

**Mathira Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**Company Bankers**

Co-operative Bank of Kenya  
Karatina Branch  
P. O. Box 931 - 10101  
KARATINA

Family Bank of Kenya  
Karatina Branch  
P. O. Box 458 - 10101  
Karatina

**Independent Auditors**





Auditor General,  
Kenya National Audit Office,  
Anniversary Towers,  
P.O Box 30084,  
Nairobi






**Principal Legal Advisers**

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

Wahome Gikonyo and Company Advocate  
P.O Box 2088-10100,  
Tel 0612030822  
Nyeri, Kenya



**II. The Board of Directors**

<p>1.</p> 	<p><b>Mr. Reuel Kibugi Muriuki</b>          Representing Resident /Community Organizations          Holds B. A (Lands Economics)          Year of Birth: 19<sup>th</sup> June 1977  <b>Chairman – Board of Directors</b></p>
<p>2.</p> 	<p><b>Mr. Peterson Muriuki Kigotho</b>          Representing Business Community          Holds O Level division 3          Year of birth: 11<sup>th</sup> June 1957  <b>Member - Audit Risk and Governance Committee</b></p>
<p>3.</p> 	<p><b>Mr. Richard Githui Ruhiu</b>          Representing Farmers and Cooperative Societies          Holds Master of Business Administration (Strategic Management)          Year of Birth: 15<sup>th</sup> August 1976  <b>Member – Technical Committee</b></p>
<p>4.</p> 	<p><b>Mr. Simon Ndirangu Gachunia</b>          Representing County Government of Nyeri          Holds Masters of Arts (International Relations)          Year of Birth: 1<sup>st</sup> January 1981  <b>Member – Staff, Finance and Administration Committee</b></p>

<p>5.</p> 	<p><b>Ms. Pauline W Ndegwa</b>          Representing County Government of Nyeri          Holds Bachelor of Arts (Cultural Studies)          Year of Birth: 12<sup>th</sup> July 1979  <b>Member – Technical Committee</b></p>
<p>6.</p> 	<p><b>Mrs. Jane Purity Warui Waithanji</b>          Representing Commercial Consumers          Holds Bachelor of Arts (Education).          Year of Birth: 30<sup>th</sup> April 1971  <b>Chairperson – Staff, Finance and Administration Committee</b></p>
<p>7.</p> 	<p><b>Mr. Sammy Kariuki Muturi</b>          Representing Professional Bodies. LSK          Holds Bachelor of Laws (LLB)          Year of Birth: 18<sup>th</sup> February 1977  <b>Member - Staff, Finance and Administration Committee</b></p>
<p>8.</p> 	<p><b>Mr. John Kariuki Muthuma</b>          Representing Special Interest groups          Holds O Level          Year of Birth: 5<sup>th</sup> April 1976  <b>Chairperson – Technical Committee</b></p>
<p>9.</p> 	<p><b>Mrs. Margaret Muthoni Kinyua</b>          Representing Gender Organizations.          Holds O level Certificate          Year of birth: 28<sup>th</sup> December 1964  <b>Chairperson – Audit Risk and Governance Committee</b></p>

**Mathira Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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10.		<p><b>Mr. Gikuhi Kiana</b> Holds Master of Business Administration (Strategic Management) Certified Secretary Member No.285 Year of Birth: 25<sup>th</sup> December 1952 <b>Company Secretary</b></p>
11.		<p><b>Mr. David Gathogo Kamau</b> Holds B.A (Econ), MBA, CPA (K) Year of Birth: 26<sup>th</sup> July 1977 <b>Managing Director</b></p>

**III. Management Team**

<p>1.</p> 	<p><b>Mr. David Gathogo Kamau</b></p> <p>Holds B.A (Econ), MBA, CPA (K)</p> <p><b>Managing Director</b></p>
<p>2.</p> 	<p><b>Mr. James Kinyoko Githige</b></p> <p>Holds Bsc – Water Engineering</p> <p><b>Technical Manager</b></p>
<p>3.</p> 	<p><b>Mr. Martin Muhindi Murebu</b></p> <p>Holds B.A (Finance), CPA (K)</p> <p><b>Commercial Manager</b></p>
<p>4</p> 	<p><b>Mrs. Priscilla Muthoni Gikonyo</b></p> <p>Holds Master of Business Administration</p> <p><b>Human Resources &amp; Administration Manager</b></p>

**V. Chairman's Statement**

During this financial year, the company registered significant improvement on key performance indicators namely; Non-Revenue Water (NRW) management, revenue collections, water quality, water supply & sanitation coverage and most importantly, in ensuring good corporate governance as we execute our core mandate.

However, our efforts towards achieving desired levels of service delivery have continued to be undermined by some challenges brought about by several key factors key among them high NRW levels due to old dilapidated supply network, inadequate water treatment capacity, overstretched sewerage infrastructure and lack of finances for investment towards improvement on water and sewerage service provision. Ongoing road construction activities within our area has also resulted in destruction of some pipelines along the road construction corridor leading to interruption of water supply especially when there are delays in reinstating the pipelines by the respective contractors.

To mitigate on some of these challenges, the company has continued making use of available resources in form of finances and human capital in renewing infrastructure and reorganization of operations by giving more emphasis on staff productivity, efficient water supply through proper rationing program and enhanced NRW management. Some small but key projects geared toward NRW management have also been undertaken though availability of finances is the main limiting factor to attainment of the desired results. External financial support is therefore key in dealing with some challenges that require significant capital investment to ensure realization of ideal service provision.

Following successful completion of Karatina Water Supply Rehabilitation Project (OBA project) in July 2020 that impacted positively on NRW reduction, improved water supply and significant reduction in O&M cost within the Urban scheme, we are now more focused in undertaking similar but smaller projects especially in the Rural scheme. Areas with high NRW levels are targeted for rehabilitation using internally generated funds. Other areas within the Urban scheme that were not covered under the project had their network renewed through support from Water Sector Trust Fund (WSTF) under Conditional Liquidity Support Grant (CLSG) extended to water companies to mitigate effects of COVID 19 pandemic. Consequently, NRW levels in the targeted areas have reduced significantly resulting in improved water supply.

As we improve on service delivery, the company has continued embracing new technology especially in enhancing efficiency on operations and as a cost cutting measure. We have therefore prioritized automation of operations in service delivery thus ensuring efficiency and optimal staff productivity. The already established Geographical Information System (GIS) section is spearheading mapping of the entire network and connections.

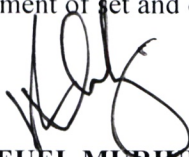
On customer service, the company has a well-established customer service center with trained personnel. The officers are accessible through our customer care numbers on 24/7 basis. All operations are automated with a customer management system that is also integrated with the billing system. Public barazas are also held in identified areas mainly to sensitize existing and potential customers on their role and that of the company especially on installation of new service lines and individual connections. The company also make use of other modes of communication in disseminating important messages and getting feedback from customers.

The County Government of Nyeri has also continued supporting the company in improving water supply through the department of Water, Irrigation, Environment and Climate Change. We recently extended water to Karogoto dispensary, Ngorano health centre and surrounding areas, drilling of Ndimaini borehole and construction of a storage tank at Gakuyu through their support.

**Way Forward**

The company will continue ploughing back any internally generated finances in undertaking small projects designed in improving water and sanitation coverage, reduction in NRW management and improvement on efficiency in service delivery in general. We are optimistic that the submitted proposals to Water Sector Trust Fund (WSTF) and Tana Water Works Development Agency (TWWDA) for funding on improvement on water and sanitation coverage will be considered and implemented in the coming days.

We also look forward to increased support from the two levels of government through funding and implementation of key projects both in water and sewerage to improve both in coverage and quality. It is only then that the company will be better positioned to overcome the outlined major challenges thus ensure achievement of set and desired targets and objective.



**MR. REUEL MURIUKI**  
**CHAIRMAN, BOARD OF DIRECTORS**

**V. Report of the Managing Director**

The company has continued recording steady growth and improvement on key performance indicators (KPIs) over time. The number of active connections and revenue collections have been on upward trend while NRW levels are declining. Revenue growth was significant during the year as compared to previous year whose performance was affected by negative economic effects of Covid 19 pandemic. In the reporting period, the company produced **2,202,012** cubic meters of water as compared to previous year production of **2,193,283** cubic meters. Revenue collected also increased marginally from Kshs. 119,913,727 recorded in the previous year to Kshs. 130,456,074. In addition, the collection efficiency increased from 97% to 99%. Improved performance recorded in the year can mainly be attributed to the recovery of the economy from effects of Covid 19 pandemic. Successful implementation of Karatina Urban Water Rehabilitation through support from Water Sector Trust Fund and World Bank in 2020 also impacted positively on revenue collections for the year.

NRW levels are also on downward trend though the company is still facing challenges in the rural scheme mainly due to interference of our supply network by community water projects. At the close of the year, NRW levels in the Urban scheme were at 33% while the levels in the Rural scheme averages at 47% and overall at 40%. The on-going road construction activities in our service area have also derailed NRW management due to occasional massive water losses from damaged pipelines.

**Water Coverage**

In ensuring enhanced water & sanitation coverage, the company have continued utilizing internally generated funds in extending water pipeline and distribution network and sewerage system. Public Barraza's are normally organized in liaison with local public administration in targeted areas in order to engage and sensitize potential customers. Consequently, water supply has greatly improved especially in areas that were previously uncovered mainly in Konyu, Kirimukuyu and Ruguru wards including Tumu-Tumu, Ngandu, Kiangoma, Kaiyaba, Kiamabara, Gatina, Hiriga and Ngorano. The company has also adopted a rationing program to ensure equitable water supply.

We have also benefited greatly from the support from the County Government of Nyeri toward improvement in water provision through some specific projects. These include;

- i) Muthira Water Project that involved construction of an intake weir, 4kms of main line and a masonry water storage tank at Njathaini.
- ii) Water pipe extension to Karembu and Gathugu tanks/areas in Konyu.
- iii) Pipeline extension to serve Ngorano health centre and surrounding areas in Ruguru
- iv) Extension of water network to Karogoto areas including Karogoto dispensary in Kirimukuyu
- v) Drilling of a solar powered borehole at Ndimani in Konyu.
- vi) Construction of a masonry water storage tank at Gakuyu in Konyu.

**Non-Revenue Water Management**

During the last three (3) years, our main area of focus has been on reduction of high NRW levels. For this purpose, a dedicated NRW management team was constituted and skills of its members enhanced through training and being equipped with relevant tools & equipment. The company also adopted District Metering Area (DMA) approach in managing and monitoring of progress in reduction of water losses. This has seen reduction in NRW levels in already created DMAs from as high as 60% to below 10%. The following are some of strategies and programs that are also being employed in efforts towards NRW reduction;

- i) Change of use of UPVC to HDPE pipes
- ii) Rehabilitation of old dilapidated network
- iii) Metering of flat rate connections

- iv) Surcharging and penalizing of illegal connections
- v) Mapping of the pipelines and connections
- vi) Upgrading of the billing system and integration with GIS system

#### **Sewerage Services**

- i) **Sewerage Extensions.** We recently extended sewer lines in Muthua, Karindundu Ragati and Saigon areas. Planned extension of the system to cover Karatina Secondary and surrounding areas has been delayed due to ongoing upgrade of the highway to dual carriage status.
- ii) **Kirigu Pumping Station.** Pollution of Kirigu River due to overflow of raw sewer experienced some years back has been addressed through routine disludging of pond and maintenance of pumps and procurement of new additional pumps.
- iii) **Kiaigi Sewerage Plant.** Routine application of bio enzymes at Kiaigi sewerage ponds has eliminated mosquito and bad smell in the area. The facility was also fenced to restrict access thus improve on security.

#### **Customer Services**

- i) **Customer Complaints Management.** The company has a well-established customer care office with trained personnel. In addition, customer complaints management system has been integrated with billing and GIS systems.
- ii) **Public Barazas.** In order to reach out to customers and the community at large, the company has been organizing public barazas to enlighten customers on specific areas such as revival of new supply lines, application of new connections, community policing to curb illegal connections and destruction of the supply network.
- iii) **Revenue Collection.** There is zero cash handling of revenue collected. Customers can pay their bills either through Mpesa, at any Post office or Family Bank. The Billing system is web-based thus customers' accounts are updated and customers notified instantly including on the outstanding balance after the payment.

#### **Current Challenges**

- i) **Low Supply Coverage:** The Company serves only about 43% of the target population. This is as a result of high NRW levels especially in the rural scheme and inadequate water supply.
- ii) **High Non-Revenue Water:** The Company inherited old dilapidated supply network with a lot of interconnections leading to high physical losses. In addition, there has been rampant water theft by consumers especially in the rural scheme through illegal connections and meter by-passes.
- iii) **Inadequate water treatment capacity.** Ihwagi treatment plant is overstretched while water supplied from Ragati, Hombe dam and Muthika intake is only chlorinated.
- iv) The sewerage system is overstretched to serve the growing urban population. However, the demand for sewer line extension is also high but the company is unable to meet.
- v) Inadequate finances to support investment in rehabilitating water supply network and improvement /expansion of sewerage system.

#### **Future Plans**

- i) Rehabilitation and expansion of Ihwagi Treatment Plant to increase the treatment capacity.
- ii) Construction of new water treatment plants at Ragati and Njathaini to have water served in the rural scheme is fully treated.

**Mathira Water and Sanitation Company Ltd**  
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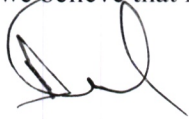
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- iii) Rehabilitation of the entire reticulation system and storage capacity through support from the County Government of Nyeri, Tana Water Works Development Agency (TWWDA) development partners and through commercial financing.
- iv) Construction of alternative sewer treatment plant downstream Kirigu River and extension of sewer network to uncovered areas in Mathaithi, Karindundu, Muthua, Ragati and Gathugu areas through support from TWWDA.
- v) Procure and implement a complete Enterprise Resource Planning (ERP) system to be integrated with recently implemented billing and Geographical Information Systems (GIS).
- vi) Continuous automation of operations and capacity building on human capital especially in NRW management and O&M

**Way forward**

Moving forward, we will continue embracing technology in all areas of company's operations in order to improve efficiency and ensure optimal utilization of available resources including human capital. We shall also continue reaching out and engaging all our stakeholders especially the community within our area of coverage mainly in conserving the environment and more so our sources of water and infrastructure through planting of trees and in embracing community policing. We also look forward to more collaboration with other institutions and development partners in various areas of interests.

In conclusion, with the continued efforts and investment on NRW management and expansion of supply network through internally generated funds, commercial financing and support from the county government, we believe that MAWASCO has a great future.



**CPA DAVID GATHOGO**  
**MANAGING DIRECTOR**

**Mathira Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**VI. Statement of Performance against Predetermined Objectives for FY 2021/2022**

MAWASCO has 9 strategic pillars and objectives within the current Strategic Plan for the FY 2021- FY 2026. These strategic pillars are as follows:

- i. Water Supply Coverage
- ii. Non-Revenue Water (NRW)
- iii. Sanitation
- iv. Human Resource Capacity
- v. Finance
- vi. Customer Service and Public Relations
- vii. Utilization of Information Communication Technology (ICT)
- viii. Corporate Governance
- ix. Mainstreaming of Emerging Issues and Cross Cutting Issues

MAWASCO develops its annual work plans based on the above 9 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. MAWASCO achieved its performance targets set for the FY 2021/2022 period for its 9 strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
1. Water Supply Coverage	increase to 43% of the target population	Increase in number of active connections	Extension water supply net work  Rehabilitation of water storage tanks and dilapidated supply network  Re-activation of inactive connections	Increased water supply coverage to 46%  Rehabilitated 14.4 Km of water network  Increased active connection from 11,087 to 11,868  Extended water supply network by 8.6 Km
2. Non-Revenue Water (NRW)	Reduce NRW levels to 43%	Reduction in NRW levels	Having 100% metering ratio  Creation of district metered areas (DMAs)  Continuous training of NRW team	Reduced NRW level to 41% from 43%  Created 30 No District Metering Areas  Held 2 trainings for NRW teams
3. Sanitation	Increase sanitation coverage for Karatina Urban	Increase in sewerage connections	Extension of sewer network  Sensitization of all potential customers in	Increased sewerage coverage from 81% to 83%

**Mathira Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	and it's environ by 2%		area covered by sewer network	Extended sewer line network by 0.6 Km  Increased sewer connections from 3,302 to 3,465
4. Human Resource Capacity	Improve on human resource capacity	Improved skills and motivated staffs	Continuous training of staff  Engagement of staff on benchmarking tours  Introduction of staff performance contract and rewarding the best performers	Facilitated various staff on professional trainings  Facilitated training for Non-Revenue Water staff  Facilitated bench marking of various staff to Nakuru rural, Meru and Naivasha water companies
5. Finance	To achieve financial viability and risk management	Increase in revenue  Improved collection efficiency	Continuous monitoring of meters of key consumers  Prompt disconnection and reconnections  Accurate and effective meter reading	Increase in revenue from Ksh 119 Million to 130 Million
6. Customer service and public relations	To promote quality customer service and enhance public relations	Improved customer service  Improved customer dispute management	Conduct customer satisfaction survey  Enhance company website  Holding customer barazas	Conducted customer satisfaction survey  Reviewed the company website Held 7 barazas
7. Utilization of information communication technology (ICT)	To integrate management information system	Effective and timely billing and dispatch of bills  Effective revenue collection	Procurement of a complete enterprise resource planning (ERP) system  Continuous upgrading of GIS system	Initiated the process of procuring complete ERP  Upgraded company GIS system and

		Accurate and timely reports  Effective and efficient operations	Continuous training of staff on ICT emerging issues	integrated it with billing system  Developed an ICT policy
8. Corporate Governance	To promote good corporate governance and effective management	Accountability and transparent usage of resources	Training of both board members and corporate management team	The board of directors and senior management managed to have bench marking tour at Malindi and Kilifi Mariakani
9. Mainstreaming of emerging and cross cutting issues	To develop and operationalize policies in addressing cross cutting issues in compliance with the relevant acts	Full compliance to all relevant laws	Developing policies mainstreaming of policies in relation to the relevant laws	The company conducted trainings to staff on alcohol, substance abuse and HIV/AIDS and installation of condom dispenser as a measure of curbing spread of sexually transmitted disease  The company have conducted trainings to staff aimed at combating corruption and electing of sing boards

In developing the staff performance contracts, the above strategic pillars are cascaded down to staff by embedding them with achievable, specific, measurable, realistic and timely targets

**VII. Corporate Governance Statement**

MAWASCO is committed to be operating under a clear governance framework and strongly adheres to sound management and control practices. The company is also committed in ensuring compliance with the provisions of Water Act 2016 and adherence to Company’s operating license conditions issued by Water Services Regulatory Board (WASREB) and other guiding company governance requirements.

**a) Operations of the Board**

In ensuring that Company governance is enhanced and that the power of MAWASCO is exercised in the stewardship of the company total portfolio of assets and resources with the objective of maintaining stakeholder value, the Boards of Directors have constituted the following committees:

**Mathira Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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**i) Staff & Finance and Administration Committee**

The Staff, Finance & Administration Committee is the overseer of the financial reporting process and sourcing of funds for Company's capital works.

MAWASCO makes cognizance of the fact that Human resources is one single asset in achieving the goals of the Company. It's the duty of the Finance and Administration Committee to ensure that MAWASCO has the right staff, at the right place and doing the right thing. More so, the Committee will ensure that staff welfare is guaranteed.

**ii) Technical Committee**

The Committee is the overseer of the technical reporting process.

It shall ensure that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

**iii) Audit, Risk and Governance Committee**

In order to promote good Company governance, MAWASCO has constituted an Audit Committee for purposes of

- Safeguarding of the assets.
- Scope and effectiveness of the internal controls.
- Review of the Annual financial statements.
- Compliance with all applicable regulatory requirements and accounting standards.

**Mathira Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**b) Board Meetings**

The following is a list of Board Meetings that were held during the year.

Period	Date	Meeting	Meeting Attendance
1 <sup>st</sup> Quarter	02 <sup>nd</sup> to 4 <sup>th</sup> August 2021	Induction & Corporate Governance Workshop, Thika	8 members
	06 <sup>th</sup> September 2021	Inaugural BOD meeting	9 members
	13 <sup>th</sup> September 2021	Technical committee meeting	2 members
	15 <sup>th</sup> September 2021	Staff & Finance committee meeting	3 members
	16 <sup>th</sup> September 2021	Audit, Risk & Governance committee	3 members
	16 <sup>th</sup> September 2021	Field visit	2 members
	24 <sup>th</sup> September 2021	Full Board meeting	10 members
2 <sup>nd</sup> Quarter	29 <sup>th</sup> October 2021	Staff & Finance committee meeting	3 members
	08 <sup>th</sup> November 2021	Technical committee meeting	3 members
	10 <sup>th</sup> November 2021	Staff & Finance committee meeting	2 members
	11 <sup>th</sup> November 2021	Audit, Risk & Governance committee	3 members
	18 <sup>th</sup> November 2021	Full Board meeting	9 members
	16 <sup>th</sup> & 17 <sup>th</sup> December 2021	Review of HR Policy (Draft) and ICT Policy Workshop, Nanyuki	9 members
3 <sup>rd</sup> Quarter	17 <sup>th</sup> to 19 <sup>th</sup> January 2022	Benchmarking tour to Kilifi - Mariakani and Malindi Water companies	10 members
	14 <sup>th</sup> February 2022	Technical committee meeting	3 members
	17 <sup>th</sup> February 2022	Audit, Risk & Governance committee	3 members
	16 <sup>th</sup> February 2022	Staff & Finance committee meeting	2 members
	24 <sup>th</sup> February 2022	HR Policy Manual	3 members
	25 <sup>th</sup> February 2022	Full Board meeting	8 members
	09 <sup>th</sup> March 2022	HR Policy Manual Finalization	3 members
4 <sup>th</sup> Quarter	09 <sup>th</sup> May 2022	Technical committee meeting	2 members
	12 <sup>th</sup> May 2022	Audit, Risk & Governance committee	3 members
	12 <sup>th</sup> May 2022	Staff & Finance committee meeting	2 members
	17 <sup>th</sup> May 2022	Special Staff & Finance committee meeting	2 members
	19 <sup>th</sup> May 2022	Full Board meeting	7 members
	23 <sup>rd</sup> & 24 <sup>th</sup> May 2022	Board Governance & Evaluation Workshop, Naivasha	9 members
	31 <sup>st</sup> May 2022	Special Full Board meeting	9 members
	14 <sup>th</sup> June 2022	Stakeholders Conference	7 members

**c) Succession Plan**

The Board of Directors comprises of seven (7) independent directors that are appointed from the stakeholders' groups as stipulated in the Company's Memorandum of Articles and Association. Two (2) other directors are nominated by County Government of Nyeri. The independent directors serve for a three (3) years term and a third of the directors must retire annually. Retiring directors that have served for one term are eligible for re-election of another term of similar duration.

**d) Process of appointment and removal of directors**

The independent directors are appointed by the shareholders during the company's annual general meeting (AGM). The prospective candidates must first be nominated by a stakeholder group that should have a representative in the board as per company's memorandum and articles of association. There must also be a

vacancy under such category. Such vacancies are normally declared by the board and advertised in one national daily newspaper. The applicants must meet set requirements which include compliance with Chapter six of Constitution of Kenya. A selection committee made up of members from the stakeholders analyses the applications and present list of qualified candidates during the AGM.

Two (2) board members are nominated by the County Government of Nyeri. Their nomination is presented to the board of directors for adoption.

Annually, one third of the independent directors must retire. This is based on the age of individual member in the board. A director may also be removed from the board for gross misconduct, violation of signed code of conduct or the constitution.

**e) Induction and training**

Every new board member is undertaken through induction on company's operations. Training on Company governance including the role of the board and management is organized for all board members once a year.

**Board and Members Performance**

The board and board committees have their terms of reference and annual targets based on which members conduct performance evaluation annually.

**f) Conflict of Interest**

It is a requirement that all board members make declaration of any conflict of interest in agenda of every board meeting. This is done in writing in a book provided for this purpose and the same recorded in the minutes for board meetings. Any member with a conflict of interest must excuse themselves in deliberations of that agenda.

**h) Remuneration for Board Members**

Board members are paid a consolidated allowance to cater for sitting and other expenses for every meeting attended. The directors are also paid subsistence allowances while on assignment or attending meetings and official functions outside the county.

Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision-making process, assessment and improvement of conformance as shown below.

**a) Ethical Conduct:**

As a public service company, we have a responsibility to act as a good Company citizen all around the county. As a company we recognize and perform the obligations we have towards our people, investors, customers, suppliers, competitors and the community as a whole. We believe our reputation, together with the trust and confidence of those with whom we deal, to be one of our most valuable assets. In order to keep this reputation and trust, we demand and maintain the highest ethical standards in carrying out our business activities. All of our employees are required to abide by our ethical policy, which outlines company core values and approach to doing business. The protection of our reputation is of fundamental importance, and employees are aware of the disciplinary implications of breaches of policy. The policy helps to uphold the reputation of our company and staff, and maintains public confidence.

**VIII. Management Discussion and Analysis**

MAWASCO provides water and sanitation services to both rural and urban schemes of Mathira East and Mathira West Sub-Counties. The company collaborate with development partners and the local community to ensure that it fulfils its mandate. The Company operations are sustained by funds that are collected from payment by its customers for services offered and also from its partners through grants, subsidies and donations. In 2021/2022 Fy the Company managed to collect a total of Kes. 129.8 Million for services offered from the billing of Ksh.130.5 Million, up from the Ksh. 119.9 Million collected in the previous 2020/2021 Fy.

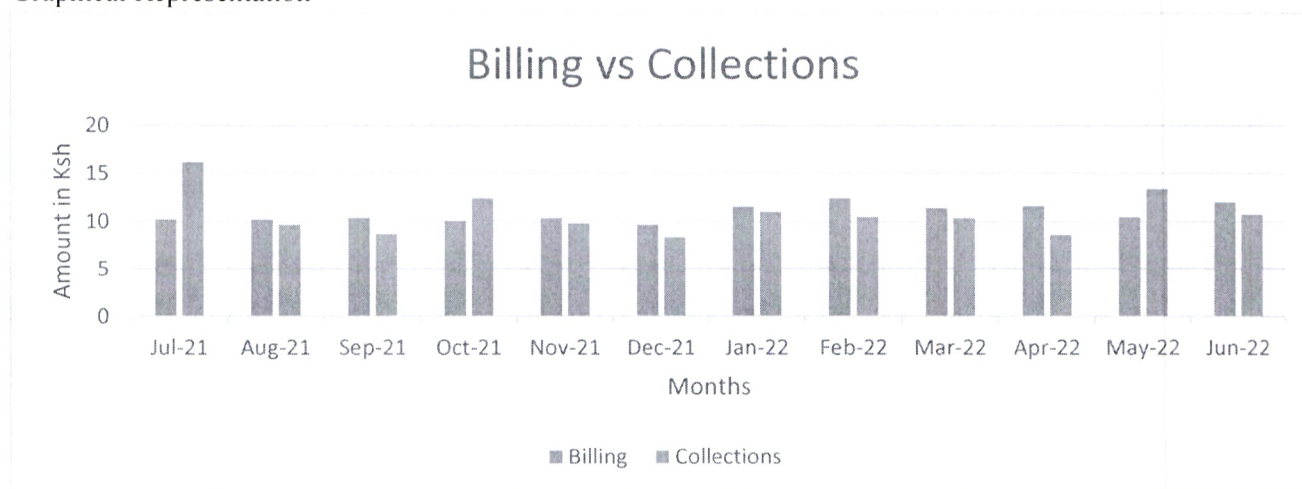
**Mathira Water and Sanitation Company Ltd**  
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The company also benefited from grant of Ksh. 39.3 Million from Water Services Trust Board (WSTF).

**Billing vs Collections During the 2021/2022 FY (Ksh in Million)**

Month	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Totals
Billing	10.2	10.2	10.4	10.1	10.4	9.7	11.5	12.4	11.4	11.6	10.5	12.0	130.5
Collections	16.2	9.7	8.7	12.4	9.8	8.4	11.0	10.5	10.4	8.6	13.4	10.7	129.8

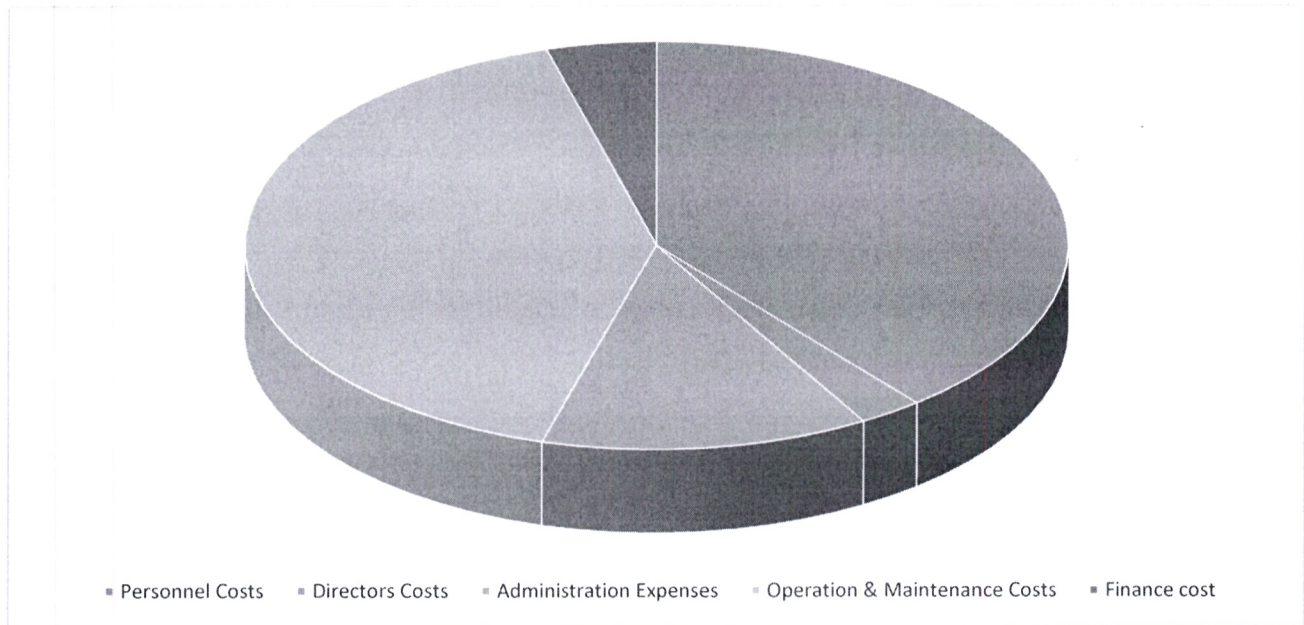
Graphical Representation



**Cost Summary Comparison for 2021/2022FY and 2020/2021FY**

Cost Item	Amount (Ksh)2021/2022FY	Amount (Ksh)2020/2021FY
Personnel Costs	59,076,699	55,859,866
Directors Costs	4,555,200	3,564,050
Administration Expenses	27,200,717	18,666,064
Operation & Maintenance Costs	64,102,016	63,668,071
Finance cost	4,836,030	6,738,892
<b>TOTAL</b>	<b>159,770,663</b>	<b>148,496,925</b>

Chart presentation of expenditure for the 2021/2022FY.



**IX. Environmental and Sustainability Reporting**

MAWASCO exist to ensure there is provision of quality, affordable, reliable, portable and sustainable water and sanitation services to all residents of Mathira and its environs. This is our purpose; the driving force behind everything we do. It’s what guide us to deliver our strategy. Below are our brief highlights of our achievement in delivering our pillars.

**i) Sustainability strategy and profile**

The Company is committed in ensuring provision of quality, affordable, reliable, portable and sustainable water and sanitation services in its area of jurisdiction. We are focused on creating sustainable value for both our customers and stakeholders by aligning our long-term Company’s strategies with their interests. As we continue to extend our services across the area of Jurisdiction, we seek to address the environmental, social and governance risks that effects our operations in a manner that is consistent with our values. Our approach to sustainability is to address the material risks and opportunities that may impact on our customers and the communities in which we operate in. This will be achieved through collaboration with the County Government of Nyeri, our regulator, local communities and other stakeholders.

**ii) Environmental performance**

The Company believes that, by their nature, our operations have a minimal impact on the environment. However, we acknowledge that there are inevitable environmental impacts associated with daily operations. We aim to minimize any harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. It is anticipated that by adopting simple, environmentally friendly initiatives, the company will raise awareness amongst stakeholders and the wider community

**iii) Employee welfare**

Employee hiring is on competitive basis all jobs are advertised and employment is on merit. Gender ratio is put into consideration and 1/3 rule is always considered. Employee takes in stakeholder’s engagement i.e. the customers and improves the customer’s services. The company trains its employee on various interest and needs this help to improve their working skills. Job placement is done on skilled possessed by employees. Appraisal of staff is done and this help to gage their performance. A reward system has been established and the best performance are rewarded.

**iv) Market place practices-**

The organisation should outline its efforts to:

**a) Responsible competition practice**

The company ensure there is responsible competition practices with issues like anticorruption by reporting all corruption practices, Establishment of anticorruption suggestion boxes. The company does not involve itself with political activities however it recognizes the political holders of the day in power. The company allows supply of water to the residence of Mathira by the neighbouring WSP in areas that the company is not in a position to supply.

**b) Responsible supply chain and supplier relations**

The company engage its suppliers on competitive bids through annual tenders or quotations and ensures they are paid on time

**c) Responsible marketing and advertisement**

The company ensures there is healthy advertisement of its products and services both on print and electronic media without misleading its customer.

**d) Product stewardship**

The company ensures that customer receives services paid for, and are only billed for services received.

**v) Corporate Social Responsibility / Community Engagements**

Mathira water and sanitation company ltd practices Company social responsibility within its area of jurisdiction. The company in liaison with the office of the assistant chiefs has identified persons living with disabilities and other needy cases. MAWASCO has connected such identified persons with water.

The work involves: -

- a) Free cost of installation for metered service lines
- b) Free water consumption
- c) Free maintenance of such connections

The company also sponsors Mathira education fund which is a kitty meant to benefit less privileged students in the society.

The company has maintained an annual visitation to children home within its area of jurisdiction where it provides social amenities to them. In addition, the company provides free tree planting seedlings to local communities to enhance a forestation.

We strongly believe that integrity in dealings with customers is a prerequisite for a successful and sustained business relationship. We operate a highly effective and efficient organization, focused on meeting customer objectives. Our aim is to provide products and services which give fair value and consistent quality, reliability and safety in return for fair reward. We operate policies of continual improvement, of both processes and the skills of our staff, to take best advantage of advances in technology. This safeguards our operations for the future, ensuring that we continue to add value to our customers' businesses.

**X. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30 2022 which show the state of the company's affairs.

**i) Principal activities**

The principal activities of the Company are provision of water and sanitation services to the residence of Mathira East and west sub counties

**ii) Results**

The results of the company for the year ended June 30 2022 are set out on page 33.

**iii) Dividends**

The company has not declared dividends for the year ended June 30 2022

**iv) Directors**

**Mathira Water and Sanitation Company Ltd**  
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The members of the Board of Directors who served during the year are shown on page (VI) In accordance with the company's Articles of Association.

**v) Auditors**

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30 2022

By Order of the Board



**FCPS Gikuhi Kiana**  
**Corporate Secretary/Secretary to the Board**

**XI. Statement of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of MAWASCO, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of 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 2022. 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.

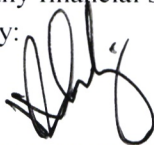
The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM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

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 2022, 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.

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 23/09 2022 and signed on its behalf by:



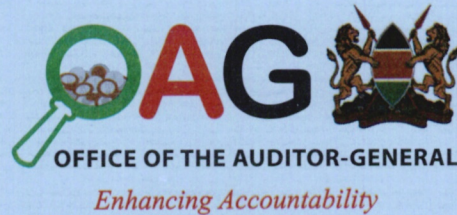
.....  
**Reuel Muriuki**  
**Board Chairman**



.....  
**David Gathogo**  
**Managing Director**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON MATHIRA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, 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 Mathira Water and Sanitation Company Limited set out on pages 1 to 31, which comprise of the statement of financial

position as at 30 June, 2022, 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 Mathira Water and Sanitation Company Limited as at 30 June, 2022, 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 Public Finance Management Act, 2012, the Companies Act, 2015, and the Water Act, 2016.

## **Basis for Conclusion**

### **1. Long Outstanding Trade and Other Receivables**

The statement of financial position reflects trade receivables of Kshs.52,668,222 which comprises of Kshs.52,629,226 and Kshs.38,996 in respect of trade receivables and staff salary advance respectively as disclosed in Note 17 to the financial statements. The aging analysis provided showed that debtors amounting to Kshs.39,667,424 which is 75% of the total receivables were outstanding for over six months as at 30 June, 2022. In addition, the provision for doubtful debts made of Kshs.2,769,959 for all the trade receivables may be inadequate to cover the potential unrecoverable amounts.

In the circumstances, accuracy and recoverability of the trade receivables amount of Kshs.52,668,222 could not be confirmed.

### **2. Revaluation and Disposal of Assets with Zero Net Book Value**

The statement of financial position reflects Kshs.48,589,227 in respect of property, plant and equipment as disclosed in Note 14 to the financial statements. However, as previously reported, review of the Company's assets register revealed that the Company had several assets with an initial cost of Kshs.3,750,860 which had been fully depreciated, but which were still in use. The assets had a significant future economic benefit embodied in them and should have been revalued to reflect the residual value and the useful life of an asset as required by paragraph 31 of International Accounting Standards (IAS)16 - Property, Plant and Equipment which requires that after recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

In addition, the assets register includes items of property, plant and equipment with an initial cost of Kshs.1,203,192 which had been fully depreciated, and which were not in use. Although these assets have no economic value to the Company, they may earn the Company some income if disposed off.

In the circumstances, the accuracy and completeness of the reported balance of Kshs.48,589,227 for property, plant and equipment could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mathira 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 Matters**

In the audit report of the previous year, several matters were raised under 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 the failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and firmed by The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June 2019.

### **Other Information**

The Management is responsible for the other information, which comprises the chairperson's report, report of the managing director, statement of performance against predetermined objectives, corporate governance statement, Management discussion and analysis, environmental and sustainability reporting, report of the directors and 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 other form of assurance or conclusion thereof.

## **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. Billing Using Un-Approved Water Tariffs**

Review of records provided for audit revealed that the Company billed its customers for the year ended 30 June, 2022 based on water tariffs which expired in the financial year 2013/2014. Further, there was no evidence that the Management had sought for approval from Water Services Regulatory Board (WASREB) for tariff adjustment.

In the circumstances, the company continues to earn lower revenues as a result of using outdated water tariffs and which may have affected the financial performance of the company.

### **2. Excessive Non-Revenue Water**

During the year under review, the Company produced 2,191,012 cubic meters (m<sup>3</sup>) of water and out of this volume only 1,302,438 cubic meters (m<sup>3</sup>) was billed to consumers. The balance of 888,574 m<sup>3</sup> or approximately 41% of the total volume represents Non-Revenue Water (NRW) which is 16% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines.

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

### **3. Non-compliance with Ethnic Diversity**

Review of human resource records revealed that during the year, the Company had a total of seventy-three (73) employees out of which sixty-seven (67) or 92% were from the dominant ethnic community. 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.

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 Kenya Companies Act, 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 agree 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 for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**17 February, 2023**

**Mathira Water and sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**XIII. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.**

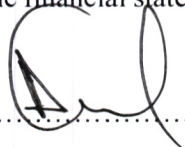
	Note	2021-2022	2020-2021
	Note		
		Kshs	Kshs
<b>REVENUES</b>			
Operating Revenue	6	130,456,074	119,913,727
Other income	7	39,506,017	43,691,609
<b>TOTAL REVENUES</b>		<b>169,962,092</b>	<b>163,605,336</b>
<b>OPERATING EXPENSES</b>			
Personnel Costs	8	59,076,699	55,859,866
Administration Costs	9	27,200,717	18,666,046
Directors Expenses	10	4,555,200	3,564,050
Operation and Maintenance	11	64,102,016	63,668,071
Finance Costs	12	4,836,030	6,738,892
<b>TOTAL OPERATING EXPENSES</b>		<b>159,770,663</b>	<b>148,496,925</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>10,191,429</b>	<b>15,108,409</b>

**Mathira Water and Sanitation Company Ltd**  
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**XIV. Statement of Financial Position As at 30 June 2022**

	Note	2021-2022	2020-2021
	Note		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	48,589,227	59,127,236
Intangible assets	15	3,042,600	3,803,250
<b>Total Non-Current Assets</b>		<b>51,631,827</b>	<b>62,930,487</b>
<b>Current Assets</b>			
Inventories	16	15,728,432	16,189,226
Trade and other receivables	17	52,668,222	54,760,588
Deferred Tax Asset	18	1,666,713	1,499,922
Bank and cash balances	19	35,065,670	22,425,202
<b>Total Non-Current Assets</b>		<b>105,129,037</b>	<b>94,874,939</b>
<b>TOTAL CURRENT AND NON-CURRENT ASSETS</b>		<b>156,760,864</b>	<b>157,805,425</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	20	100,000	100,000
Capital reserve	21	65,904,745	65,904,745
Retained earnings	22	(8,503,256)	(18,694,685)
<b>Capital and Reserves</b>		<b>57,501,489</b>	<b>47,310,060</b>
<b>Non-Current Liabilities</b>			
Borrowings	23	33,332,313	42,404,262
<b>Total Non-Current Liabilities</b>		<b>33,332,313</b>	<b>42,404,262</b>
<b>Current Liabilities</b>			
Trade and other payables	24	65,927,062	68,091,103
<b>Total Current Liabilities</b>		<b>65,927,062</b>	<b>68,091,103</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>156,760,864</b>	<b>157,805,425</b>

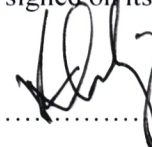
The financial statements were approved by the Board on 23/09 2022 and signed on its behalf by:



**Managing Director**  
**David Gathogo**



**Head of Finance**  
**Martin Murebu**  
**ICPAK M/NO:25425**



**Board Chairman**  
**Reuel Kibugi**

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**XV. Statement of Changes In Equity For The Year Ended 30 June 2022**

	Ordinary share capital	Capital reserve	Retained earnings	Total
<b>At July 1, 2021</b>	<b>100,000</b>	<b>65,904,745</b>	<b>(18,694,685)</b>	<b>47,310,060</b>
Total comprehensive income	-	-	10,191,429	10,191,429
<b>At June 30, 2022</b>	<b>100,000</b>	<b>65,904,745</b>	<b>(8,503,256)</b>	<b>57,501,489</b>
<b>At July 1, 2020</b>	<b>100,000</b>	<b>65,904,745</b>	<b>(33,803,095)</b>	<b>32,201,650</b>
Total comprehensive income	-	-	(15,108,409)	(15,108,409)
<b>At June 30, 2021</b>	<b>100,000</b>	<b>65,904,745</b>	<b>(18,694,686)</b>	<b>47,310,060</b>

**XVI. Statement of Cash Flows for the Year Ended 30 June 2022**

	Note 25	2021-2022 Kshs	2020-2021 Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>			
Operating profit/(loss)		10,191,429	15,108,409
Depreciation		18,414,929	24,544,314
Amortisation		760,650	1,901,597
Operating profit/(loss) before working capital changes		<b>29,367,008</b>	<b>41,554,320</b>
(Increase)/decrease in inventories		460,794	(4,135,677)
(Increase)/decrease in trade and other receivables		2,092,366	(1,095,061)
Increase/(decrease) in trade and other payables		(2,164,042)	(621,833)
Increase/(decrease) Deferred tax		(166,791)	10,165,993
Cash generated from/(used in) operations		<b>222,328</b>	<b>4,313,423</b>
Net Cash generated from/(used in) operations		<b>(29,589,336)</b>	<b>45,867,744</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		(7,876,920)	(2,926,250)
<b>Net Cash From/(Used In) Investing Activities</b>		<b>(7,876,920)</b>	<b>(2,926,250)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment Of Borrowings		(9,071,948)	(45,930,945)
<b>Net Cash From/(Used In) Financing Activities</b>		<b>(9,071,948)</b>	<b>(45,930,945)</b>
<b>Increase/(Decrease) In Cash And Cash Equivalents</b>		<b>12,640,467</b>	<b>(2,989,452)</b>

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	Note	2021-2022	2020-2021
	25	Kshs	Kshs
Cash And Cash Equivalents At Beginning Of Year		22,425,202	25,414,654
Cash And Cash Equivalents At End Of The Year		35,065,670	22,425,202

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**XVII. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	150,343,043	0	150,343,043	130,456,074	19,886,969	87%
Other Income	0	39,506,017	39,506,017	39,506,017	0	100%
<b>Total Revenue</b>	<b>150,343,043</b>	<b>39,506,017</b>	189,849,060	<b>169,962,091</b>	19,886,969	90%
<b>Expenses</b>			0		0	
Staff Costs	59,250,000		59,250,000	59,076,699	173,301	100%
Board Expenses	4,000,000	600,000	4,600,000	4,555,200	44,800	99%
Administration Costs	26,136,400	2,290,000	28,426,400	27,200,717	1,225,683	95%
Operation and Maintenance	43,153,554	36,102,427	79,255,981	64,102,016	15,153,965	81%
Finance costs	13,656,679		13,656,679	4,836,030	8,820,649	37%
Total Recurrent Expenditure	146,196,633	38,992,427	185,189,060	159,770,662	25,418,398	4
<b>Profit or Loss</b>	4,146,410	10,016,017	14,162,427	10,191,429	3,970,998	
			0		0	
<b>Capital Expenditure</b>	<b>4,500,000</b>	<b>160,000</b>	4,660,000	<b>7,927,520</b>	-3,267,520	<b>170%</b>
			0		0	
<b>Total Expenditure</b>	<b>150,696,633</b>	<b>39,152,427</b>	189,849,060	<b>167,698,182</b>	22,150,878	<b>95%</b>

**XVIII. Notes to the Financial Statements**

**1. General Information**

Mathira water and Sanitation Company limited is established by and derives its authority and accountability from water Act 2002. The Company is wholly owned by the County Government of Nyeri and is domiciled in Kenya. The Company's principal activity is distribution of water and provision of sewerage services to the residence of Mathira East and Mathira West in Nyeri County

**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 areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the financial statements

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

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

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

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. Or the following has been assessed to be significant for the company and has been addressed as follows.

**i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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Title	Description	Effective Date
Improvements to IFRS Standards 2018-2020)	on fair value measurement with those in other IFRS	

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**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 2022.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, 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, 2023. Earlier application is permitted.
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 <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a	The amendments are effective for annual reporting periods

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<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Policies, Errors and Estimates	definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	beginning on or after January 1, 2023. Early adoption is permitted.

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

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2021/2022

**Mathira Water and Sanitation Company Ltd**  
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**4. Summary of Significant Accounting Policies**

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

**a) Revenue recognition**

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

**b) In-kind contributions**

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, utilities or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded but disclosed.

**c) Property, plant and equipment**

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

**d) Depreciation and impairment of property, plant and equipment**

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

Depreciation on property, plant and equipment is recognized in the income statement on a 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:

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<b>Item</b>	<b>Rates</b>
Freehold Land and buildings	2.5%
Computer software	20%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Plant equipment's and meters	33.3%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

**e) Intangible assets**

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

**f) Amortisation and impairment of intangible assets**

Amortisation is calculated on the Reducing balance 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 so that the asset is written down immediately 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 on de recognition 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 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

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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 income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

**j) Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

**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. 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 fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

**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 statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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.

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**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.

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.

**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

**Mathira Water and Sanitation Company Ltd**  
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various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**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 amortised cost using the effective interest rate method. Amortised 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 capitalised 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 amortised 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.

**t) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by an external body Lap trust 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. 200 per employee per month.

**u) Provision for staff leave pay**

Employees' entitlements to annual leave are recognised 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 recognised in profit or loss.

**w) Budget information**

The original budget for FY 2021-2022 was approved by the Board of Directors on 21-05-2021. 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 additional appropriations of 29,650,000 on the 25<sup>th</sup> February, 2022 budget following the governing body's approval. 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 financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the

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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 page number 31 of these financial statements.

**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 2022.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

provisions applicable . provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)and are determined by estimates Percentage.

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**6. Operating Revenue**

	2021-2022	2020-2021
	Kshs	Kshs
Water sales	89,043,353	80,418,831
Sewerage Services	27,287,500	25,483,597
Billing for other services (Miscellaneous income (Reconnection, Surcharges, Disconnection at owners request etc.)	14,125,222	14,011,299
<b>Total</b>	<b>130,456,074</b>	<b>119,913,727</b>

**7. Other Income**

	2021-2022	2020-2021
	Kshs	Kshs
Recurrent/operational grants from other agencies (Subsidy Income WSTF)	39,341,094	43,691,609
Interest Income	110,381	
Decrease Provision bad debts	54,542	
<b>Total</b>	<b>39,506,017</b>	<b>43,691,609</b>

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2021-2022 KShs
WSTF	39,341,094				39,341,094
<b>Total</b>	<b>39,341,094</b>				<b>39,341,094</b>

**8. Personnel Costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	50,826,853	47,327,405
Casual workers Wages	138,300	122,850
Employer's contributions to social security schemes	179,600	384,400
Employer's contributions to pension scheme	3,783,402	3,603,174
Others	1,899,822	1,000,150
Gratuity provisions	2,248,722	3,421,887
<b>Total</b>	<b>59,076,699</b>	<b>55,859,866</b>

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Description	2021-2022	2020-2021
	Kshs	Kshs
<b>The average number of employees during the year</b>	<b>73</b>	<b>73</b>

**9. Administration Expenses**

Description	2021/2022	2020/2021
	Kshs	Kshs
Travelling & Subsistence	2,137,355	1,137,540
Printing and Stationery	606,655	792,035
Audit Cost	464,000	220,400
Advertising and Public Relations	401,357	102,100
Company social responsibility	384,422	107,895
Newspaper & Periodicals	150	
Entertainment	444,490	315,834
Staff Welfare expense	446,785	316,370
Functions celebrations expense	2,558,670	714,000
Insurance	4,642,233	4,111,019
Training	1,382,091	465,180
Consultancy	1,176,310	
Legal services		
Electricity	1,566,509	2,148,672
Cleaning Materials	172,124	221,304
Seminars	1,547,179	820,090
Uniforms	326,392	307,729
Security Services	5,097,310	4,918,108
Telephone	1,326,197	871,921
Postage	71,890	51,157
General office expenses	457,656	330,699
Sports	1,407,395	62,200
Provision for audit fee	400,000	400,000
Bank Charges	183,547	251,793
<b>Total</b>	<b>27,200,717</b>	<b>18,666,046</b>

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**10. Directors Expenses**

Description	2021-2022	2020-2021
	KShs	KShs
Sitting allowances	4,555,200	3,564,050
<b>Total Board Expenses</b>	<b>4,555,200</b>	<b>3,564,050</b>

**11. Operation and Maintenance Expenses**

Description	2021-2022	2020-2021
	Kshs	Kshs
Motor vehicle & bikes running cost - Fuel & Oil	2,312,104	2,140,920
Motor vehicle & bikes running cost - Repairs	997,438	870,340
Renewal of Water permit license & subscription	545,900	410,784
Maintenance of Pumps		9,800
Maintenance of water supply system	1,793,450	4,387,197
Maintenance of sewerage systems	1,610,171	1,752,430
Repair & Maintenance -Equipment, Building	3,710,463	1,993,372
Repair & Maintenance - Computers	15,300	62,100
Software Maintenance	1,580,900	1,109,632
Engineering design & maps	357,744	97,904
Service Lines Rehabilitation	3,570,556	4,473,225
Pipes & Fittings	16,553,372	8,328,556
Chemicals	1,964,592	3,118,675
Ground maintenance	6,000	69,850
Loose tools and equipment's	50,600	22,845
Depreciation	18,414,929	24,544,314
Amortization Soft ware	760,650	1,901,597
Tanks rehabilitation and intaKsh	747,774	297,415
Other levies and fees/Lab analytical fee	157,000	140,000
Environmental audit Assessment	649,750	
Provision for bad debts		55,477
Wasreb levy	5,218,243	4,796,549
WRA levy	3,085,080	3,085,090
<b>Total</b>	<b>64,102,016</b>	<b>63,668,071</b>

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**12. Finance Cost**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>KShs</b>
Finance Cost	4,836,030	6,738,892
<b>Total Expenses</b>	<b>4,836,030</b>	<b>6,738,892</b>

**13. Earnings Per Share**

The earnings per share is calculated by dividing the profit before tax of Kshs. 15,108,409 (2020-2021: by the average number of ordinary shares in issue during the year of (2021-2022: 10,191,429). There were no dilutive or potentially dilutive ordinary share as at the reporting date.

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**14. Property, Plant and Equipment**

2021/2022	Freehold land and building	Motor vehicles, including, motor cycles	Furniture and Fittings	Computers & related equipment	Plant and Equipment	Total
<b>COST OR VALUATION</b>						
At July 1, 2021	11,103,359	14,024,621	1,830,729	7,308,215	116,401,145	150,668,069
Additions		6,703,100	827,468	346,352		7,876,920
<b>At June 30, 2022</b>	11,103,359	20,727,721	2,658,197	7,654,567	116,401,145	158,544,989
<b>DEPRECIATION</b>						
At July 1, 2021	1,904,525	11,748,023	1,295,581	6,120,273	70,472,430	91,540,833
Charge for the year	229,971	2,244,924	170,327	460,288	15,309,419	18,414,929
As At 30 <sup>th</sup> June 2022	2,134,496	13,992,948	1,465,908	6,580,561	85,781,848	109,955,762
<b>NET BOOK VALUE As at June 30, 2021</b>	9,198,834	2,276,598	535,148	1,187,942	45,928,715	59,127,236
<b>NET BOOK VALUE As at June 30, 2022</b>	8,968,863	6,734,773	1,192,289	1,074,006	30,619,297	48,589,227

Property, plant and equipment include the following items that are fully depreciated:

2021/2022	Cost or Valuation	Normal annual depreciation Charge
Motor vehicles, including, motor cycles	6,155,258	2,051,752.50
Furniture and Fittings	487,434	60,929.40
Computers and related equipment	5,103,921	1,701,307.65
Plant and Equipment	14,663,528	4,887,842.40
<b>TOTAL</b>	<b>26,410,141</b>	<b>8,701,831.95</b>

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2020/2021	Freehold land and building	Motor vehicles, including, motor cycles	Furniture and Fittings	Computers & related equipment	Plant and Equipment	Total
<b>COST OR VALUATION</b>						
At July 1, 2020	11,103,359	13,001,621	1,830,729	7,004,965	114,801,145	147,741,819
Additions		1,023,000		303,250	1,600,000	2,926,250
<b>At June 30, 2021</b>	<b>11,103,359</b>	<b>14,024,621</b>	<b>1,830,729</b>	<b>7,308,215</b>	<b>116,401,145</b>	<b>150,668,069</b>
<b>DEPRECIATION</b>						
At July 1, 2020	1,668,658	10,989,158	1,219,132	5,611,156	47,508,417	66,996,519
Charge for the year	235,868	758,866	76,450	509,118	22,964,013	24,544,314
As At 30 <sup>th</sup> June 2021	1,904,525	11,748,023	1,295,581	6,120,273	70,472,430	91,540,833
<b>NET BOOK VALUE As at June 30, 2020</b>	<b>9,434,701</b>	<b>2,012,463</b>	<b>611,597</b>	<b>1,393,809</b>	<b>67,292,728</b>	<b>80,745,300</b>
<b>NET BOOK VALUE As at June 30, 2021</b>	<b>9,198,834</b>	<b>2,276,598</b>	<b>535,148</b>	<b>1,187,942</b>	<b>45,928,715</b>	<b>59,127,236</b>

Property, plant and equipment include the following items that are fully depreciated:

2020/2021	Cost or Valuation	Normal annual depreciation Charge
Motor vehicles, including, motor cycles	5,862,150	1,954,050
Furniture and Fittings	464,223	58,028
Computers and related equipment	4,860,877	1,620,293
Plant and Equipment	13,965,265	4,655,088
	<b>25,152,515</b>	<b>8,287,459</b>

**Valuation**

Land and buildings, have not been revalued during the year.

**15. Intangible Assets**

	2021/2022	2020/2021
	Kshs	Kshs
<b>COST</b>		
At July 1	8,556,843	8,556,843
Additions		

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Disposals	0	
At June 30	<b>8,556,843</b>	<b>8,556,843</b>
<b>AMORTISATION</b>		
At July 1	4,753,593	2,851,996
Charge for the year	760,650	1,901,597
Disposals	0	
Impairment loss	0	
At June 30	5,514,243	4,753,593
<b>NET BOOK VALUE</b>		
At June 30	<b>3,042,600</b>	<b>3,803,250</b>

**16. Inventories**

	2021/2022	2020/2021
	Kshs	Kshs
Chemicals	9,576	57,488
stationery , Consumables and loose tools	1,220,931	1,065,545
meters	4,600,950	5,916,600
Water pipes and Fittings	9,896,974	9,149,593
	<b>15,728,432</b>	<b>16,189,226</b>

**17. (a) Trade and Other Receivables**

	2021/2022	2020/2021
	Kshs	Kshs
Trade receivables (note 16 (b))	52,629,226	54,719,588
Salary Advance	38,996	41,000
Net trade and other receivables	<b>52,668,222</b>	<b>54,760,588</b>

**17. (b) Trade Receivables**

	2021/2022	2020/2021
	Kshs	Kshs
Gross trade receivables	55,399,185	57,599,566
Provision for doubtful receivables	(2,769,959)	(2,879,978)
	<b>52,629,226</b>	<b>54,719,588</b>
Less than 30 days	2,915,828	2,776,979
Between 30 and 60 days	5,745,557	5,471,959
Between 61 and 90 days	11,162,796	10,943,918

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Between 91 and 120 days	15,359,605	16,415,876
Over 120 days	17,484,436	19,151,856
	<b>52,668,222</b>	<b>54,760,588</b>

**18. Deferred Tax Asset**

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:

	2021/2022	2020/2021
	Kshs	Kshs
Accelerated capital allowances	10,224,511	13,165,837
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses/gains carried forward	(8,503,256)	(14,430,288)
Provisions for liabilities and charges	(54,542)	1,264,451
Net deferred tax asset (liability)	<b>1,666,713</b>	<b>1,499,922</b>

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:

**19. Bank and Cash Balances**

	2021/2022	2020/2021
	Kshs	Kshs
Cash at bank	35,053,844	22,340,133
Cash in hand	11,826	85,069
	—————	—————
	<b>35,065,670</b>	<b>22,425,202</b>

The bulk of the cash at bank was held at the Company's main bankers; Family Bank of Kenya, Cooperative Bank of Kenya and Safaricom's Mpesa Mobile Money platform,.

**b) Bank And Cash Balances**

The detailed make – up of bank balances and short term deposits is as follows:

		2021/2022	2020/2021
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
Cooperative bank	0113659779200	0	159,002
Family	056000020173	(3,678,136)	(3,796,263)
<b>b) Savings Account</b>			
<b>Family Bank</b>			
Savings account	056000020157	7,357,033	6,993,353

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Customer deposit account	056000020158	446,634	1,859,666
Escrow Account	056000020172	1,248,272	1,243,181
Project Account	056000021270	301,328	26,619
Revenue Account	056000021192	3,789,766	340,282
WSTF Grant	056000023996	130	396
<b>Cooperative bank</b>			
Savings Account	01100059779200	5,686,655	1,421,067
Customer Deposit Account	01100059779201	36,325	8,732,023
<b>e) Others(specify)</b>			
cash in hand		11,826	85,069
M pesa		17,865,837	5,360,806
Short term Deposit bank Guarantee		2,000,000	
<b>Grand total</b>		<b>35,065,670</b>	<b>22,425,205</b>

**20. Ordinary Share Capital**

	2021/2022	2020/2021
	Kshs	Kshs
<b>Authorized:</b>		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====
<b>Issued and fully paid:</b>		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====

**21. Capital 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.

**22. Retained Earnings**

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.

**23. Borrowings**

	2021/2022	2020/2021
Description	Kshs	Kshs
Balance at beginning of the year	42,404,262	88,335,207
External borrowings during the year		
Domestic borrowings during the year	0	

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Repayments of external borrowings during the year	(9,071,949)	(45,930,945)
Repayments of domestics borrowings during the year	(0)	
Exchange rate gains/(losses) on revaluation of borrowings	0	
Balance at end of the year		<b>42,404,262</b>
Less: Amounts due with one year (current portion)	0	
Amounts due after one year (non-current portion)	<b>33,332,313</b>	<b>42,404,262</b>

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

	2021/2022	2020/2021
	Kshs	Kshs
<b>Domestic Borrowings</b>		
Kenya Shilling loan from family bank	33,332,313	42,404,262
Total balance at end of year	<b>33,332,313</b>	<b>42,404,262</b>

**24. Trade And Other Payables**

	2021/2022	2020/2021
	Kshs	Kshs
Trade payables	63,955,585	52,278,619
Prepayments	380,772	140,648
Retention/ contract monies customer deposits	1,590,704	15,671,837
Total balance at end of year	<b>65,927,062</b>	<b>68,091,103</b>

**25. Notes to The Statement of Cash Flows**

	2021/2022	2020/2021
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	10,191,429	15,108,409
Depreciation	18,414,929	24,544,314
Amortisation	760,650	1,901,597
Operating profit/(loss) before working capital changes	29,367,008	41,554,320
(Increase)/decrease in inventories	460,794	(4,135,677)
(Increase)/decrease in trade and other receivables	2,092,366	(1,095,061)
Increase/(decrease) in trade and other payables	(2,164,042)	(621,833)
Increase/(decrease) Deferred tax	(166,791)	10,165,993
Cash generated from/(used in) operations	<b>222,328</b>	<b>45,867,743</b>
	=====	=====
<b>(b) Analysis of changes in loans</b>		

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Balance at beginning of the year	42,404,262	88,335,207
Receipts during the year		
Repayments during the year	(9091.948)	45,930,945
Balance at end of the year	<b>33,332,313</b>	<b>42,404,262</b>
	=====	=====
<b>(c) Analysis of cash and cash equivalents</b>		
Cash at bank	35,053,844	22,340,133
Cash in hand	11,826	85,069
Balance at end of the year	<b>35,065,670</b>	<b>22,425,202</b>
	=====	=====

**Other Disclosures**

**26. Related party disclosures**

**County Government of Nyeri**

The County Government of Nyeri is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County Government of Nyeri 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 Nyeri
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

**Transactions with related parties**

	2021/2022	2020/2021
	Kshs	Kshs
<b>a) Grants from the Government</b>		
Subsidy income WSTF	39,341,094	43,691,609
<b>Total</b>	<b>39,341,094</b>	<b>43,691,609</b>
<b>b) Key management compensation</b>		
Directors' emoluments	4,555,200	3,564,050
Compensation to key management	12,660,879	10,212,954
<b>Total</b>	<b>17,216,079</b>	<b>13,777,004</b>
	=====	=====

**27. 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

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performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

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

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due but not Impaired Kshs</b>	<b>Past due and Impaired Kshs</b>
<b>At 30 June 2022</b>				
Trade Receivables	52,668,222	22,876,816	34,315,225	0
Bank balances	35,065,670	35,065,670	0	0
<b>Total</b>	<b>87,733,892</b>	<b>57,942,486</b>	<b>34,315,225</b>	<b>0</b>
<b>At 30 June 2021</b>				
Receivables	54,760,588	21,904,235	32,856,353	0
Bank balances	22,425,202	22,425,202	0	0
<b>Total</b>	<b>77,185,790</b>	<b>44,329,437</b>	<b>32,856,353</b>	<b>0</b>

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 company has significant concentration of credit risk on amounts due from Ksh 5,000

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.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2022 current year</b>				
Trade payables	2,441,854	4,687,644	58,797,564	65,927,062
Current portion of borrowings			33,332,313	33,332,313
<b>Total</b>	<b>2,441,854</b>	<b>4,687,644</b>	<b>92,129,877</b>	<b>99,259,375</b>
<b>At 30 June 2021 previous year</b>				
Trade payables	1,865,835	2,976,690	63,248,578	68,091,103
Current portion of borrowings	0	0	42,404,262	42,404,262
<b>Total</b>	<b>1,865,835</b>	<b>2,976,690</b>	<b>105,652,840</b>	<b>110,495,365</b>

**(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 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
	Kshs	Kshs	Kshs
<b>At 30 June 2022 Current Year</b>			
<b>Financial assets</b>			
Investments	0	0	0
Cash	0	0	0

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Debtors	0	0	0
<b>Financial Liabilities</b>			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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
	Kshs	Kshs	Kshs
<b>At 30 June 2021 Previous year</b>			
<b>Financial assets</b>			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
<b>Financial Liabilities</b>			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

**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 possible 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
	Kshs	Kshs	Kshs
<b>2022 Current FY</b>			
Euro	0	0	0
USD	0	0	0
<b>2021 Previous FY</b>			
Euro	0	0	0
USD	0	0	0

**b) 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 mainly 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.

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**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.

**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.

**28. Incorporation**

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

**29. Events After the Reporting Period**

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

**30. Currency**

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

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**XIX. 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	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Water Tariffs	Review of the tariffs is ongoing anticipating to have final approval by WASREB by 31 <sup>st</sup> December 2022	DAVID GATHOGO MD	Not Resolved	31/12/2022
2	Capital Reserves	This relates to funding done to the company by various stake holders. However, no documentation was provided to the company for record purposes. We have written to Tana Water Works Development Agency who carried out various funded projects to provide supporting documentation for our record and clear this issue.	DAVID GATHOGO MD	Resolved	31/12/2021
3	Revaluation and disposal of assets with Zero Net Value	The company is in the process of engaging a valuer to ascertain their current market value. This will help the company to include their value in subsequent years. Appointed disposal committee shall ascertain all assets with no economic value for disposal.	DAVID GATHOGO MD	Not resolved	31/12/2022

**APPENDIX 2: PROJECTS IMPLEMENTED BY THE COMPANY**

There was no project implemented by the State Corporation/ SAGA or Funded by development partners

Managing Director

Sign 

Date 23/09/2022