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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MATHIRA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2014**



MATHIRA WATER & SANITATION COMPANY

AUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

Chairman – Eng J.M Muriuki

Board of Directors: Mr. Wambugu Koigi, Nicholas Mahihu, Mrs. Rosemary W. Wachira, Mr. Patrick Wachira Gabriel,
Mrs. Emerenziana Njuma, Mr. Charles Mwangi Karingithi,
Eng Timothy Ngunyangi (Nyeri county), Duncan Maina Mathenge –, CEO TWSB. Patrick .M Mburu Managing Director.

MATHIRA WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2014
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**MATHIRA WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2014**

INSTITUTIONAL DETAILS

REGISTERED OFFICE

Ragati Water Offices

P. O. Box 1981 – 10101

KARATINA

Tel: 020-2659069

Email: info@mawasco.co.ke

BANKERS

Co-operative Bank of Kenya

Karatina Branch

P. O. Box 931 - 10101

KARATINA

AUDITORS

Auditor General,

Kenya National Audit Office,

Anniversary Towers,

P.O Box 30084,

NAIROBI

COMPANY SECRETARY

Gikuhi Kiana & Co

Certified Public Secretary.

Po Box 1271 -10100

NYERI KENYA

MATHIRA WATER AND SANITATION COMPANY LIMITED
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BOARD OF DIRECTORS' REPORT

The Board of Directors presents their report and unaudited accounts for the year ended 30th June 2014 which discloses the state of affairs of MAWASCO as at that date.

MANDATE

Efficient and economical provision of water and sewerage services, within Mathira Sub-County in Nyeri County and immediate environs as per the service agreement with Tana Water Services Board as mandated by the Water Act 2002.

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

Integrity
Quality
Professionalism
Customer friendly
Team work
Total efficiency
Creativity and innovation
Reliability

STRATEGIC OBJECTIVES

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

MATHIRA WATER AND SANITATION COMPANY LIMITED
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LIST OF BOARD OF DIRECTORS

The Board of Directors who held office during the year were:

NAME	REPRESENTING INTEREST
1. Eng J.M Muriuki (Chairman)	Representing Professional Bodies.
2. Mr. John K Wambugu	Representing Business and manufacturing Community
3. Mr. Nicholas Mahihu	Representing Tea farmers Organizations
4. Mrs. Rosemary W Wachira	Representing Women Organizations
5. Mr. Patrick Wachira Gabriel	Representing Coffee farmers Organizations
6. Mr. Charles M Karingithi	Representing Youth and Persons living With Disabilities
7. Mrs. Emerenziana Njuma	Representing Health Institutions
8. Mr. Duncan Maina Mathenge	Representing County Government of Nyeri
9. Eng. Timothy Ngunyangi	Representing County Government of Nyeri
10. Chief Executive Officer	Tana Water Services Board.

MATHIRA WATER AND SANITATION COMPANY LIMITED
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Chairman Board of Directors

Eng J.M Muriuki - Board Chairman

Board Committees

1. Staff Finance and Administration Committee.

Mr. Wambugu Koigi - Chairman
Mr. Duncan Maina Mathenge
Mrs. Emezeriana Njuma
Chief Executive Officer, Tana Water Services Board.

2. Technical Committee.

Mrs. Rose Mary Wangari - Chair Person
Eng. Timothy Ngunyangi.
Chief Executive Officer, Tana Water Services Board.

3 Audit Risk and Governance Committee.

Mr. Nicholas Mahihu -Chairman
Mr. Patrick Wachira Gabriel
Mr. Charles Mwangi
Chief Executive Officer, Tana Water Services Board.

By Order of the Board

For and on its behalf



MANAGING DIRECTOR

Date 21/8/2015

MATHIRA WATER AND SANITATION COMPANY LIMITED
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STATEMENT BY THE CHAIRMAN OF THE BOARD

Mawasco is mandated to provide water and sanitation services to residents of Mathira Sub-County, with clear goals, steady spirit and support from our stakeholders. MAWASCO has made substantial progress during the last 9 years of its existence. We have always emphasized service improvement and staff team work. Together we have and we will move forward.

Our Strategic Plan, Asset Management Plan, and Business Plan for the period 2013 – 2014 is designed to cater for the increased area of service of 320 km² with a population of 148,000 people from previous census.

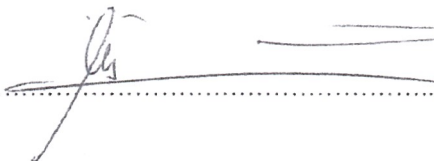
We take the challenges we are facing as opportunities to stabilize and strengthen our capacity to provide services. We are now concentrating on delivering operational excellence by continuing to provide affordable, safe and clean water and efficient and sustainable water supply system. In my opinion, the main issues which we should fully engage all our stakeholders from now onwards are:-

- (i) Earmarking and protecting water sources for present and future generation of Mathira residence.
- (ii) Expanding water and sewerage networks to cover the whole town of urban centers.
- (iii) Safe disposal of waste water including construction of new waste stabilization ponds to meet demand.

We are now working hard to solicit funds to enable these projects to be implemented. We have earmarked projects amounting to millions of shillings in order to improve the water and sewerage services to complement the booming economic growth of Mathira. Our aim is to make significant contribution to the development of the Mathira sub county by striving to accomplish our vision and mission.

MAWASCO promises to continue making these contributions while at the same time standing behind its mandate by delivering, quality and reliable services. We extend our deepest gratitude to all supporters and well wishers we ask for your continued support and encouragement for the activities we engage in.

CHAIRMAN SIGN



DATE..... 21/8/2015

MATHIRA WATER AND SANITATION COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2014

BOARD OF DIRECTORS

The structure of MAWASCO starts with the Board of Directors representing various stakeholders' interests. The Board of Directors exercises leadership, enterprise, integrity and judgment in directing MAWASCO.

The Board of Directors determines the purpose and values of MAWASCO, determine the strategy to achieve that purpose and implement its values in order to ensure the company survives and thrives.

The Board of Directors has enhanced the corporate governance practices in running of MAWASCO to bring the level of governance in the company in line with international standards. The essence of corporate governance is to protect stakeholders' interests.

STATEMENT OF DIRECTORS RESPONSIBILITIES

Duties of a Board of Directors

The individuals who are selected to be on the Board of Directors of a Mawasco have overall responsibility for the activities of the company. The Board acts on behalf of the shareholders to make overall policy decisions and provide oversight. Mawasco Board has great power and also great responsibility. Specific duties of the Board of Directors and of individual Board members, committees, and officers are set out by the corporate bylaws.

Fiduciary responsibility

Mawasco Board Members have a fiduciary responsibility to care for the finances and legal requirements of the company. They must act in good faith and with a reasonable degree of care, and they must not have any conflicts of interest. That is, the interests of the company must take precedence over personal interests of individual Board members.

Mission and Vision

Board Members are responsible for setting the mission of the company and assuring that all actions are related to and adhere to that mission.

Oversight

Mawasco Boards of Directors do not participate in day-to-day decision-making; instead, they set overall policy, based on the corporate mission and vision, and they exercise an oversight function, reviewing the actions of corporate officers and executives.

Annual General Meeting

At the annual general meeting of the company, the Board announces the company performance, oversees election of company Board members, elects or appoints officers and key executives, and amends the bylaws, if necessary.

MATHIRA WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30TH JUNE 2014

BOARD COMMITTEES

In ensuring that Corporate Governance is enhanced and that the power of MAWASCO is exercised in the stewardship of the company's total portfolio of assets and resources with the objective of maintaining stakeholders value, the Board of Directors have constituted the following committees: -

Staff, Finance and Administration Committee

MAWASCO takes cognizance of the fact that human resource is the single most important asset in any organization. It's the function of the staff and finance 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 the staff welfare is taken care of. The committee also oversees the financial reporting process, company's internal controls and efficient allocation and utilization of resources.

Technical Committee

The committee ensures that there is adequate operations and maintenance, including infrastructure improvement geared towards customer satisfaction.

Audit, Risk and Governance Committee

The Audit Committee shall assist the Board of Directors in the oversight and maintaining the integrity of the financial statements of the Company, Enhancing the effectiveness of the internal control over financial reporting, strengthening the performance of the Company's internal audit function, Ensuring the Company's compliance with legal and regulatory requirements.

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

Mathira Water and Sanitation Company Limited keep proper books and records of accounts as required by the Companies' Act (CAP 486) and the Public Audit Act. This requires the Board of Directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the Financial Year and of its operating results for the year. It also requires the Board of Directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safe guarding the assets of the company.

The Board of Directors accept responsibility for the annual accounts, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Companies' Act (CAP 486). The Directors are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the company and of its operating results. The Board of Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of accounts as well as adequate systems of internal control.

Nothing has come to the attention of the Board of Directors to indicate that the company will not remain a going concern for at least the next twelve (12) months from the date of this statement.

MATHIRA WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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CORPORATE GOVERNANCE STATEMENT

MAWASCO is committed to operating under a clear governance framework and strongly adheres to sound management and internal control practices.

MAWASCO is committed to ensuring compliance with the provisions of the Constitution of Kenya, Water Act 2002 and other regulatory and supervisory corporate governance requirements. 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.

CORPORATE RESPONSIBILITY STATEMENT

1.1 Ethical conduct: As a public service company we have a responsibility to act as a good corporate 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.

1.2 Customers: 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.

1.3 Business partners and suppliers: As with our relationships with our other stakeholders, we aim to develop relationships and improve networking with business partners and suppliers based on mutual trust. We believe one of our major strengths is our approach to alliances and partnerships with suppliers. Many of our new contracts come through these alliances and our partners' contributions help us to deliver the solutions required by our customers and the market.

1.4 Environment: 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

MATHIRA WATER AND SANITATION COMPANY LIMITED
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ENDED 30TH JUNE 2014

MANAGING DIRECTORS STATEMENT

Mawasco Company operates water and wastewater utilities. Its services include water production, treatment, and distribution; wastewater collection and treatment; customer services; and utility infrastructure construction management. After promulgation of the new constitution, the Company is now wholly under the Nyeri County Government.

The company's services as result of water production and distribution systems is the surface water production, water treatment and purification, meter reading, customer billing and collection, customer service and dispatch, 24-hour emergency response, water quality assurance and laboratory services, facility inspections, installation and maintenance, preventive and corrective maintenance, equipment installation, leak detection and repair, of engineering services.

The services for wastewater collection and treatment systems comprise treatment plant operation and maintenance, sewer line cleaning, sewer line inspection and repair, inflow and infiltration analysis, bio-solids management , waste monitoring, compliance monitoring, and laboratory testing services. We look forward for the going concern of MAWASCO

MAWASCO has a Corporate Management Team headed by the Managing Director, Commercial Manager and Technical Manager. The company has Administration Organization Structure headed by the Board of Directors, Managing Director and three departments;

- a) The Technical Department headed by Technical Manager
- b) The commercial Department headed by Commercial Manager
- c) The Human Resource and Administration Department headed Human Resources Officer.

Recent Achievements

1. Installation of water treatment unit at Karatina University, Kagochi campus with support from Tana Water Services Board.
2. Procurement of 8 No. motorcycles to improve on transport logistics,
3. Procurement of new and more efficient sewerage pumps at Kirigu,
4. construction of customer care and extension of administration offices,
5. Extension of water supply to Ndimaini area through the support of WSTF.
6. Laying of 51.83 km pipeline for water supply in various target of operation,
7. computerization and up-grading of billing, budget and accounting systems,
8. Acquisition of customer complaint management software through support from WASREB,
9. Desilting and expansion of Ragati Intake Weir and Ihwagi Intake weir,
10. Disludging of Kiaigi sewerage ponds
11. Capacity building of staff on key and challenging issues such as culture change, customer care, staff motivation and result based management.
12. Installation of Majivoice and Majisoft software

MATHIRA WATER AND SANITATION COMPANY LIMITED
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Current Challenges

Notwithstanding our stated achievements, we have some key challenges to address as we plan for the future of the company. These include:

1. Declining levels of Ragati River
2. Operational Costs
3. Low Supply Coverage
4. High Number of Inactive connections
5. High Non Revenue Water
6. Old dilapidated sewerage system and inadequate treatment sewer capacity.

KEY PROFILE OF MAWASCO MANAGEMENT STAFF

<u>NAME</u>		<u>POSITION</u>	<u>QUALIFICATION</u>
Patrick Mungai Mburu	-	Managing Director	B.s.c – Civil Engineering
David Gathogo Kamau	-	Commercial Manager	B.A (Econ), MBA, CPA (K)
James Githige Githige	-	Technical Manager	Bsc – Water Engineering

MATHIRA WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR
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MAWASCO BOARD OF DIRECTORS PROFILE

N O	NAME	TEL. NO	NOMINATED BY	POSITION HELD	PROFESSIONAL/ACADEMIC QUALIFICATION
1	Eng. J. M. Muriuki 61 yrs	0733287130	Professional Bodies Institute of Engineers of Kenya (I.E.K)	Chairman – Board of Directors	B.S.C - Civil Engineering
2	Nicholas M. Mahihu 64	0725044049	Tea Organization Ndimia Tea Factory	Chairman - Audit, Risk and Governance Committee	Dip in Hotel Mgt , Corporate Governance
3	Rosemary W. Wachira 55	0722234711	Registered Women Organization Maendeleo ya Wanawake	Chairperson – Technical Committee	University Graduate, Consultant, District Gender & Social Development.
4	John K. Wambugu 55	0722892456	Business and Manufacturing Industries Kenya National Chamber of Commerce and Industries	Chairman - Staff, Finance and Administration Committee	EAACE 1 Principal
5	Emereziana N. Njuma 54	0721402439	Health Institution P.C.E.A Tumutumu Hospital	Member - Staff, Finance and Administration Committee	Div 2, Kenya Registered Nurse
6	Charles M. Karingithi 65	0721583386	Youth and People with Disabilities	Member - Audit, Risk and Governance Committee	Former Primary School Teacher, Mathira Disability Organization
7	Patrick W. Gabriel 50	0722461843	Rutuma Amalgamated Farmers Co-operative Society Coffee Society	Member – Technical Committee	O-Level, several years experience in teaching Profession.
8	Eng. M. Naivasha	0612032282	Tana Water Services Board	Chief Executive Officer	Registered Eng (B.S.C Civil Eng)



Managing Director

Date 21/8/2015



Chairman – Board of Directors

Date 21/8/2015

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MATHIRA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Mathira Water and Sanitation Company set out on pages 13 to 23, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Property, Plant and Equipment

As reported in the previous year, property, plant and equipment balance of Kshs.23,405,756 as at 30 June 2014, include capital expenditure incurred by the Company since inception amounting to Kshs.11,855,607 and related accumulated depreciation of Ksh.7,573,778 in respect of water distribution infrastructure. However, as per the Service Provision Agreement, these assets belonged to Tana Water Service Board and the Company could only incur capital expenditure with prior approval from the Board and then place a reimbursement claim of the expenditure incurred with the Board. Also, the Company did not maintain a fixed asset register (FAR) to show the movement, transactions and balances at any given point in time.

In the circumstances, the accuracy and ownership of the property, plant and equipment balance of Kshs.23,405,756 as at 30 June 2014, could not be confirmed.

2. Customer Deposit

Included in note 12 of the financial statements is a balance of Kshs.5,997,191 for customer deposits. However a review of bank confirmation certificate and bank statements revealed that the actual Customer Deposit balance as at 30 June 2014 stood at Kshs.3,745,137. The variance of Kshs.1,952,054 constitute money spent by management without authority from Tana Water Services Board and which had not been refunded to the account as at the time of audit. The validity and accuracy of the customer deposits of Kshs.5,997,191 as at 30 June 2014, therefore could not be confirmed.

3 Share Capital

As previously reported, the share capital of Kshs.100,000 divided into 5,000 shares of Kshs.20 each represents shares issued to the defunct Municipal Council of Karatina. However, the former Council had not paid for the shareholding as at 30 June 2014. In the circumstances, it has not been possible to confirm whether or not the former Council was desirous of having the Company achieve its objectives as outlined in the Memorandum and Article of association.

4 Capital Grants

As previously reported, the statement of financial position capital grants balance of Kshs.57,529,099, includes development grants totaling Kshs.41,597,900. However, only grants amounting to Kshs.32,673,194 were supported by a listing of the Government of Kenya funded projects undertaken before the inception of the Company thus leaving unexplained variance of Kshs.8,924,706, which has not been resolved as at 30 June 2014.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Water Act 2002, and the Companies Act, Cap 486 of the Laws of Kenya.

Other Matter

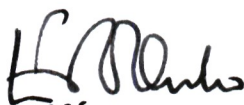
Unaccounted for Water (UFW)

During the year under review, the Company produced 2,584,558 cubic meters (m³) of water. However, out of this volume only 1,634,634m³ was billed to customers. The balance of 2,584,558m³ which is approximately 62% of water produced represented Unaccounted for Water (UFW). The UFW of 62% was over and above the allowable loss of 25% according to Water Services Regulatory Board guidelines. The UFW of 62% may have resulted in loss of sales estimated at Kshs.21,593,565. The significant level of UFW may negatively impact on the Company's profitability and its long term sustainability.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan 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; and
- (ii) In my opinion, proper books of account have been kept by the company, so far as appears from my examination of those books; and,
- (iii) The Company's statement of financial position is in agreement with the books of account.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

08 October 2015



MATHIRA WATER AND SEWERAGE COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2013/2014 Kshs	2012/2013 Kshs
INCOME	2	91,347,317	73,499,123
EXPENDITURE			
Personnel Costs	3	42,486,158	33,087,055
Directors Costs	4	2,474,850	1,925,300
Administration Expenses	5	15,540,613	9,358,127
Operation & Maintenance Costs	6	32,731,203	34,942,160
Finance Costs	7	317,582	573,663
TOTAL		93,550,406	79,886,305
SURPLUS / (DEFICIT)		(2,203,089)	(6,387,182)
TAX PROVISION			



MATHIRA WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	2013/2014 Kshs	2012/2013 Kshs
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	8	23,405,756	15,753,334
		23,405,756	15,753,334
CURRENT ASSETS			
Cash and Cash Equivalent	9	6,550,119	6,058,548
Inventories	10	7,033,529	6,730,563
Receivables	11	33,021,170	36,203,609
		46,604,818	48,992,720
CURRENT LIABILITIES			
Payables	12	22,240,116	15,195,692
Over draft	13	1,783,268	2,776,654
Accruals	14	1,492,000	1,542,000
Corporation tax	15	0	6,087,657
		25,515,384	25,602,003
Working Capital		21,089,433	23,390,717
TOTAL NET ASSETS		44,495,189	39,144,052
LIABILITIES			
Long term Liabilities	16	3,709,200	3,215,661
		3,709,200	3,215,661
FINANCED BY			
Retained Earnings	17	(16,843,109)	(14,640,020)
Capital Grants	18	57,529,099	50,468,411
Authorised and Issued Share Capital	19	100,000	100,000
		40,785,989	35,928,391
TOTAL EQUITY AND LIABILITIES		44,495,189	39,144,052

The financial statements on pages 8 to 18 were approved for issue by the board of Directors on 30/6/2014.....2014 and were signed on its behalf by:



 Managing Director



 Chairman Board of Directors.



MATHIRA WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital	Retained Earnings	Capital Reserves	Total
	Kshs	Kshs	Kshs	Kshs
As at 1st July 2012	100,000	(8,252,838)	44,819,861	36,667,023
Surplus/Deficit	100,000	(6,387,182)	5,648,550	638,632
At 30th June 2013	100,000	14,640,020	50,468,411	36,028,391
As at 1st July 2013	100,000	(14,640,020)	50,468,411	36,028,391
Surplus/Deficit		(2,203,089)	7,060,688	4,857,598
At 30th June 2014	100,000	(16,843,109)	57,529,099	40,785,989



MATHIRA WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND ACCCOUNTS FOR THE YEAR ENDED 30 JUNE 2014
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	2013/2014 Kshs	2012/2013 Kshs
Cash flows from operating activities		
Surplus/deficit during the year	(2,203,089)	(6,387,182)
Add back:		
Depreciation	1,915,848	2,834,506
Total from Operating Activities	(287,241)	(3,552,676)
Working capital Changes		
(Increase)/Decrease in Inventories	(302,966)	(5,643,903)
(Increase)/Decrease in Recievables	3,182,439	13,028,501
Increase/(Decrease) Accruals	(50,000)	464,000
Increase/(Decrease) Payables	7,044,424	(703,858)
Increase/(Decrease) Corporation tax	(6,087,657)	1,592,361
Bank overdraft	(993,386)	1,144,537
Cash generated from operations	2,792,854	9,881,638
Net cash generated from operating activities	2,505,613	6,328,962
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,492,911)	(6,535,137)
Net cash used in investing activities	(9,492,911)	(6,535,137)
Cash flows from financing activities		
Longterm liabilities	493,539	(664,551)
Capital grant	7,060,688	5,648,550
Net cash flow from financing activities	7,554,227	4,983,999
Net (decrease)/increase in cash and cash equivalents	491,571	4,777,824
Cash and cash equilents at the start of the year	6,058,548	1,280,726
Cash and cash equivalent at the end of the year	6,550,119	6,058,548

**MATHIRA WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2014**

(f) Employee Benefits

Employees are entitled to retirement's benefits under defined contribution plan. Contributions to the defined contribution plan are charged to the income statement as incurred.

(g) Cash and cash equivalent

For the purposes of cash flow statements, cash and cash equivalents comprises cash in hand and bank balances.

(h) Incorporation

The company is incorporated in Kenya under the Companies Act (CAP 486) Laws of Kenya.

(i) Currency

The Financial Statements have been prepared using Kenya Shillings (Ksh.)

(j) Nature and Purpose of Revenue Reserve Account

Surplus in the revenue reserve relates to revenue generated from water sales fully committed in the financial year but not yet spent, net of any provisions for specific commitments.

MATHIRA WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICES

The principal accounting policies adopted in the preparation of these statements are set out below:-

(a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and are prepared under historical convention.

(b) Revenue recognition

Revenue is recognized to the extent that it is probable for economic benefit to flow to the company and can be reliably measured.

(c) Property, Plant and Equipments

Items of property, plant and equipment are stated at historical costs or valuation less accumulated depreciation.

Depreciation is charged on a reducing balance basis over the estimated useful lives of the assets.

The annual rates of the depreciation used are as follows:-

▪ Motor Vehicles	25%
▪ Motor bikes	25%
▪ Computer Equipment	30%
▪ Furniture, Fixtures, Fittings and Office Equipments	12.5%
▪ Plant, Equipments and Meters	33.3%

(d) Inventories

Inventories are stated at lower of cost and net realizable value.

(e) Trade and other Receivables

Receivables are recognized and carried at the net of the specific provision for bad and doubtful debts.

	2013/2014	2012/2013
	Kshs	Kshs
2. INCOME		
are recognised upon billings to the customer		
Water sales	65,067,780	52,601,975
Sewer	18,323,163	15,495,343
Miscellaneous	3,901,022	1,734,195
Billing	87,291,965	69,831,513
Other Income		
Tender sales	86,000	216,000
Salary grant	3,969,352	3,451,610
	4,055,352	3,667,610
TOTAL INCOME	91,347,317	73,499,123
3. PERSONNEL COSTS		
Staff -Salaries	37,944,306	29,176,545
Ministry staff salary	3,969,352	3,451,610
Casual wages	572,500	458,900
	42,486,158	33,087,055
4. DIRECTORS COSTS		
Sitting Allowance	1,732,395	1,155,180
Travelling Allowance	742,455	770,120
	2,474,850	1,925,300
5. ADMINISTRATIVE COSTS		
Travelling & Subsistence	1,996,248	1,340,528
Printing and Stationery	1,291,546	879,872
Advertising and Public Relations	362,342	675,912
Corporate social responsibility	157,560	
Newspaper & Periodicals	129,690	111,510
Entertainment	261,215	144,080
Staff Welfare expense	400,733	265,555
Functions celebrations expense	668,680	388,885
Insurance	299,891	230,114
Training	502,860	8,400
Consultancy	842,456	
Legal and Secretarial services	473,868	152,656
Electricity	1,896,089	1,077,675
Cleaning Materials	112,262	38,645
Seminars	706,839	109,650
Uniforms	251,891	6,930
Security Services	2,495,048	1,628,640
Legal Fees		507,573
Telephone	496,926	411,021
Audit Cost	962,800	550,000
Postage	49,875	40,456
General office expenses	213,360	27,625
sports	568,434	298,400
Provision for audit fee	400,000	464,000
TOTALS	15,540,613	9,358,127

	2013/2014	2012/2013
	Kshs	Kshs
6. OPERATION & MAINTENANCE COSTS		
Build fee	7,112,982	5,893,798
Motor vehicle & bikes running cost - Fuel & Oil	1,483,531	1,459,735
Motor vehicle & bikes running cost - Repairs	590,276	544,373
Renewal of Water permit license & subscription	124,030	61,720
Maintenance of Pumps	334,130	170,405
Maintenance of water supply system	646,328	668,304
Maintenance of sewerage systems	617,420	601,757
Repair & Maintenance - Building and Properties	1,263,052	993,724
Repair & Maintenance - Computers	44,060	21,615
Software Maintenance	90,000	60,000
Manhole covers	23,400	24,850
Engineering design & maps	150,000	340,070
Service Lines Rehabilitation	55,950	36,760
Core Line Rehabilitation		9,800
Pipes & Fittings	2,863,135	2,107,165
Chemicals	1,669,627	1,473,340
Ground maintainance	34,900	33,000
Loose tools and equipments	306,010	
Milliage Allowance Expense		14,266
Depreciation	1,915,848	2,834,506
Specific Bad debts	11,885,193	16,125,630
Other levies and fees	131,000	215,245
Wasreb levy	790,331	652,097
Warma levy	600,000	600,000
TOTALS	32,731,203	34,942,160
7. FINANCE COSTS		
Bank Charges	121,659	144,738
Bank Loan Interest	195,923	428,925
TOTALS	317,582	573,663



**MATHIRA WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND ACCCOUNTS FOR THE YEAR ENDED 30 JUNE 2014**

Notes to the accounts (continued)

8 Property, Plant and Equipment

	Buildings		Motor Vehicles & cycles		Furniture and Fittings		Computers and Accessories		Plant and Equipment		W.I.P		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 30 June 2013		7,387,315		6,741,846		980,134		3,283,179		7,002,562		4,834,787		30,229,823
Additions during the year								518,223		1,914,000		7,060,688		9,492,911
Cost As at 30 June 2014		7,387,315		6,741,846		980,134		3,801,402		8,916,562		11,895,475		39,722,734
Depreciation														
As at 30 June 2014		257,881		4,152,677		511,208		2,566,959		6,912,406		-		14,401,130
Charge for the year		178,236		647,292		58,616		370,333		661,371				1,915,848
As at 30 June 2014		436,116		4,799,969		569,823		2,937,292		7,573,778		-		16,316,978
NBV as at 1 July 2013		4,115,029		2,589,170		468,927		716,620		3,029,201		4,834,787		15,753,734
NBV as at 30 June 2014		6,951,199		1,941,877		410,311		864,110		1,342,784		11,895,475		23,405,756

Note : W.I.P (Work in progress) .Represents pipe work extension funded through Water Servises trust fund

	2013/2014 Kshs	2012/2013 Kshs
9 CASH & CASH EQUIVALENTS		
Savings Account	1,277,697	3,088,501
M-pesa	660,269	
Customers Deposit Account	3,745,137	1,643,143
Project Account	780,821	592,684
Gratuity Account		661,284
Cash at Hand	86,195	72,936
Totals	6,550,119	6,058,548
10 INVENTORIES		
This represents Pipes for repairs and maintenance of water supply systems and Chemicals in the stores as at 30th June 2014		
i Pipes	1,510,531	842,506
ii Fittings	2,547,983	2,542,313
iii Chemicals	53,705	48,000
iv stationery & Consumables	296,850	195,944
v meters	2,624,460	3,101,800
Totals	7,033,529	6,730,563
11 RECEIVABLES		
Opening Balance	36,203,609	48,996,764
Billing for the year	87,291,965	68,097,318
Totals	123,495,574	117,094,082
Collection	(79,033,130)	(65,120,927)
Totals	44,462,444	51,973,155
Less: Specific bad debts provision	(11,885,193)	(16,125,630)
Closing Balance	32,577,251	35,847,525
Share capital	0	100,000
Salary advance	443,919	97,184
Unsurrendered imprest	0	158,900
Totals	33,021,170	36,203,609
12 PAYABLES		
General Creditors	15,560,557	7,329,417
Gratuity	298	850,000
TWSB Loaned meters	682,070	1,032,070
Customer Deposit	5,997,191	5,697,191
Customer pre-payments		287,014
Totals	22,240,116	15,195,692
13 OVERDRAFT		
Gratuity Account	298	
Current Account	1,782,970	2,776,654
Totals	1,783,268	2,776,654

14 ACCRUALS

Provision for Audit fee .	1,492,000	1,542,000
Totals	1,492,000	1,542,000

15 TAX LIABILITIES

Corporation Tax		6,087,657
Totals	0	6,087,657

16 LONG TERM LIABILITIES

Advance -County Govt Nyeri /Defunct Municipal Council of Karatina	2,000,000	2,000,000
Loan - Co-operative Bank KBN 009E	382,094	1,215,661
loan - Co-operative Bank Sewerage Pump	1,327,106	
Totals	3,709,200	3,215,661

17 RETAINED EARNINGS

Surplus / (Deficit) B/f	(14,640,020)	(8,252,838)
Surplus /deficit for the Year	(2,203,089)	(6,387,182)
Totals	(16,843,109)	(14,640,020)

18 CAPITAL GRANT

Capital grant b/f	50,468,411	56,116,959
Grant Added	7,060,688	
Totals	57,529,099	50,468,411

19 SHARE CAPITAL

Authorised and paid up issued Share Capital	100,000	100,000
5,000 Ordinary Shares@Ksh20	100,000	100,000