

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**



**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**THE FINANCIAL STATEMENTS OF**  
**MURANG'A WATER AND SANITATION**  
**COMPANY LIMITED**

**FOR THE YEAR ENDED**  
**30 JUNE 2014**



**MURANG'A WATER & SANITATION CO. LTD.**

**ANNUAL REPORT &  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2014**



**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

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**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

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**CORPORATE INFORMATION**

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**Incorporation**

The company is a limited company by guarantee established under the companies Act Cap 486 and licensed by Tana Water Services Board through Service Provision Agreement (SPA) signed on 2<sup>nd</sup> May 2006 and reviewed on 4<sup>th</sup> May 2012.

**Principal Activity**

The principal activity of the company is to provide water and sanitation services

**THE BOARD OF DIRECTORS**

<b><u>NAME</u></b>	<b><u>DESIGNATION</u></b>
P.K. Munga	Chairman
D. Ng'ang'a	Managing Director
G. N. Njeru	Member
H. M. Mwithiga	Member
S.G. Njogu	Member -Left on 13 <sup>th</sup> August 2013
J. Ng'ang'a	Member
P.Kiguta	Member
Eng.M.Naivasha	Tana Water Services Board
M. Wambui	District Water officer Murang'a East

**COMPANY SECRETARY**

Gichuke Ribathi & Company Advocates  
P.O BOX 5556-00200  
NAIROBI

**REGISTERED OFFICE**

Muwasco Building, Murang'a  
Kangema Road  
P. O. Box 1050 - 10200  
MURANG'A.

**COMPANY CONTACTS**

Telephone-0712292544  
E-Mail-managingdirector@muwasco.co.ke  
Website-www.muwasco.co.ke

**BANKERS**

Equity Bank Ltd.  
P. O. BOX 1060 - 10200,  
MURANG'A.









**AUDITORS**

Auditor General  
Kenya National Audit Office  
P.O. Box 30084 - 00100  
NAIROBI.

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**




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**THE BOARD OF DIRECTORS**

P.K MUNG'A		CPA(K)
D.NG'ANG'A		BSC CIVIL ENGINEERING
G.N NJERU		P1
H.M MWITHIGA		CERTIFICATE
J.NG'ANG'A		CERTIFICATE
P.KIGUTA		CPA(K)
PETER M.GICHAAGA		DEGREE
M.WAMBUI		DIPLOMA

## Senior Management

The Company's senior management team is as follows:

<b>1</b>	D.NG'ANG'A		BSC CIVIL ENGINEERING	MANAGING DIRECTOR
<b>2</b>	J.MAINA		CPA(K), B.COM	COMMERICAL MANAGER
<b>3</b>	E.MAINA		BSC CIVIL ENGINEERING	TECHNICAL MANAGER

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

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## **Chairman's Statement**

It pleases me to present to you the results of yet another successful year in the history of the company. In the year 2013-2014, the company made great achievement despite the difficult operating environment brought about by slow economic growth and the continued rise in input prices.

### **Growth programmes**

The company has improved its production capacity to 15,000m<sup>3</sup> of water per day which comprise of the two treatment works of Kayahwe and the newly completed Kiawambeu. The estimated demand in our area of jurisdiction is 6,500m<sup>3</sup> which means we have enough supply to cater for our customers' needs for the next two decades.

We are therefore undertaking an expansion and growth programme that encompasses expansion of the network and enhancement of operational efficiency. In this regard, with collaboration from Murang'a county government, the Kiharu CDF, Tana water services board and other partners we are aggressively reaching out for the unserved areas of our jurisdiction.

From our good rapport with donors and other financiers I am delighted to report that we have been able to extend our services to Kabuta, Kiangage and Ndikwe areas at a total cost of over ksh.25million.

### **Financial Performance**

I am pleased to report a year of continued progress for Muwasco and present to you the company results of yet another successful operating year in which our financial performance showed improvement. Water and sewerage revenues increased to ksh.90.4 million in the year from ksh.70.3million in the previous year. This growth is attributed to increased sales volume since the tariffs remained unchanged.

Our positive sales growth, together with consistent efforts to reduce costs as well as effective cash management has enabled us to deliver an investment of ksh.29.4million in fixed assets.

### **Customer service and social responsibility**

Customers' satisfaction and enhancing stakeholder value remain our esteemed goals. As we look into the future, our resolve is to remain focused to achieve these goals through providing adequate water supply, distribution capacity, reducing losses and expansion of our customer base.

We are also expanding our social responsibility by providing our services to the low income areas through construction of water kiosks where water is affordable to all residents of those areas at the least cost.

### **Future position**

Our constitution places the water and sanitation services under the county government and also declares access to clean water a human right. This, together with the new water Act which is under review will present some changes in the sector.

Murang'a town being the headquarters of our County is already experiencing increased economic activities and therefore demand for water and sanitation

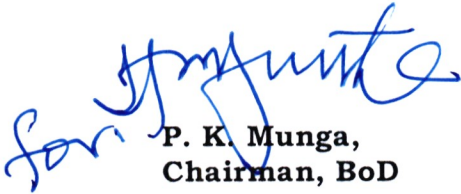
services is expected to continue growing. My board has actively participated in the formulation of Murang'a county integrated development plan.

I therefore wish to state that with continued support from all our partners and continued commitment of our staff, the company is running on the path of sustained success.

I wish also to urge our stakeholders to support every effort being put forward by the company for the benefit of all.

**Tribute**

Finally, I give acknowledgment to my colleagues in the MUWASCO Board of Directors, Murang'a county government, Tana Water Services Board and our customers for their support, and to all staff of MUWASCO for their unrelenting efforts in ensuring the success of the company.



**P. K. Munga,**  
**Chairman, BoD**

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**MANAGING DIRECTOR'S STATEMENT**

**General overview**

We experienced a year of strong performance across our entire service portfolio. This has enabled us to continue to invest in our distribution net work and in turn this has increased our coverage from 43.6 Km<sup>2</sup> to 53.7 Km<sup>2</sup>.

During the year we were able to complete various water and sewer projects. The bulk water project is now complete and this has indeed provided adequate, clean, reliable and safe water to residents of Murang'a County. The quality of water has also improved as we have continued to test the water at consumer points to ensure it complies with the required standards. It's our concern that the old distribution network still remains and has resulted to higher Non Revenue Water. As the cost of production is expected to reduce due to completion of the bulk water project the operation and maintenance cost is expected to increase and this is a challenge as we expect to serve more customers and reduce water loses. This can only be achieved when the old dilapidated distribution lines are renewed and this calls for massive investment.

Customer Satisfaction levels continued to improve as evidenced by higher consumption of water as supply has now improved as we are able to supply water without interruptions which were occasioned by power outages.

**Company performance**

Our total Billings grew by 13% to Ksh 90.4 M and our customer base grew by 10.8%.

<b>No.</b>	<b>ITEM</b>	<b>2011/2012</b>	<b>2012 /2013</b>	<b>2013 /2014</b>
1	Total Billings (Kshs)Millions	70.2	79.9	90.4
2	Operating Exp Kshs)Millions	87.7	99.2	107.9
3	Capital Exp (Kshs)Millions	31.3	35.2	29.4
4	Number of active Connections	5,900	6,500	7,200

The efficiency of the company has continued to improve despite many challenges facing it. The Operating costs were still high as the government subsidies went down. The company continued to use non cost recovery tariffs and this has resulted to liquidity challenges.

Through W.S.T.F and Constituency Development fund the following projects were completed during the year 2013-2014

1. Commissioning of the Kabuta water project funded by WSTF (ksh.18.7million).
2. Commissioning of the Mugoiri & Marigiti Public Sanitation Facility funded by WSTF (ksh.8.6 million).
3. Completion of water extension to Githundi, Ndikwe, Kiangage and Mirira funded by CDF (ksh.12.6million).

### **Information and Technology**

We have not been left behind during this digital era as we are now able to send customer's bills through SMS and the customers can be able to pay their Bills using M-Pesa .The water distribution network has been mapped and now we can locate consumer meter using GIS and this will improve our efficiency.

### **Non Revenue Water (NRW)**

To achieve sustainability of our company NRW has to be reduced to acceptable levels. Rehabilitation of our reticulation system is paramount to achieve this. However huge amount of capital investment is required to realize this. During the coming financial year we expect support from the County government to enable us start rehabilitation project.

Through collaboration with Tana Water Services Board, WASPA and Vitens Evides various measure and actions have been instituted to bring down the NRW. They include:-

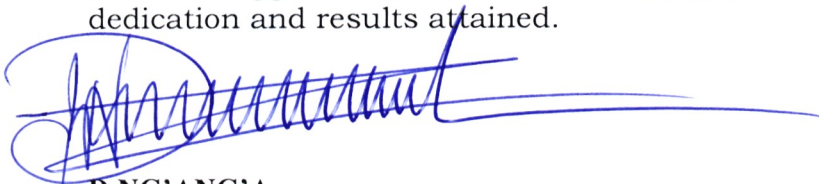
- Portable meter testing gadgets and pressure testing devices
- Benchmarking and action plans for reduction of non revenue water
- Relocation of consumer meters near the mains
- Trainings
- Modern equipment which includes ultrasonic flow meter
- Due to the age of the meters installed earlier the company has embarked on replacement of non functional faulty meters and gate valves. installation of zonal and sub zonal meters and regular monitoring of zonal meters.
- The company has also embarked on funds mobilization to rehabilitate its dilapidated system through PPP initiative.(Public Private Partnership).
- The customers have also been involved in reporting on bursts and leakages and heavy penalty imposed to those found with bypasses.

### **Corporate Social Responsibility**

During the year we were able to visit various institutions which included KENWA, Rescue center. This was part of company corporate social responsibility.

### **Conclusion**

Looking ahead our goal is to continue transforming the lives of our fellow Kenyans and ensuring that we fulfill our mandate by improving water and sanitation services to all our customers within our area of jurisdiction. I take this opportunity to thank the Board of directors and other Stakeholders for the leadership provided and the support from all staff at Murang'a water & sanitation Company for their dedication and results attained.



**D.NG'ANG'A**  
**MANAGING DIRECTOR**

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

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**REPORT OF THE BOARD OF DIRECTORS**

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The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the Period ended 30 JUNE 2014.

**PRINCIPAL ACTIVITY**

The company's main activity is the provision of wholesome clean water and sanitation services to the residents of Murang'a municipality and its environs.

**INCOME**

The results of activities for the year show a deficit of **Ksh 14,424,787** after tax as set out on page fourteen of the accounts.

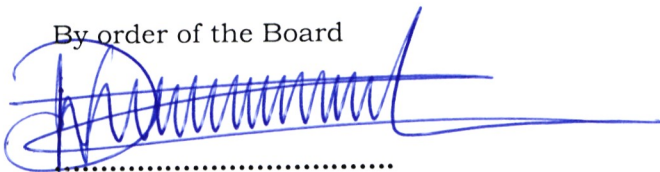
**THE BOARD OF DIRECTORS**

The board members who held office during the year were as indicated on page three of the accounts.

**AUDITORS**

The Auditor General was appointed as auditor and has expressed willingness to continue in office in accordance with the public Audit Act 2003 and companies Act chapter 486 section 159.

By order of the Board



.....  
**D. NG'ANG'A**  
**MANAGING DIRECTOR**

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

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**CORPORATE GOVERNANCE STATEMENT**

Corporate governance is the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing stockholder's long term value.

The company conducts its operations in accordance with the principles of good corporate governance as provided in the Water services Regulatory Board (WASREB) guidelines and Water Act 2002 provisions.

**Board of Directors**

The composition of the Board is compliant with good corporate governance practices and WASREB regulations. The role of the chairman and the Managing Director are segregated. The Managing Director is in charge of the day to day running of the business of the company. A non-executive director acts as the chairman of the Board. The current Board is composed of Managing Director, the C.E.O Tana Water Services Board and nine other directors drawn from various stakeholders. The Board is therefore composed of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at Board level.

**Board meetings**

Board Meetings are held every quarter and in exceptional circumstances as dictated by demand exigencies of company operations.

**Board committees**

The Board has approved the delegation of certain authorities to the Board sub committees where applicable, and to the management.

The Board has three committees which are guided by clear terms of reference. The committees are instrumental in monitoring the company operations, systems and internal controls. The committees are as follows:

**Audit committee**

The members of this committee are all non-executive directors. All the members meet minimum financial literacy standards. The committee meets four times in a year and the managing Director and the internal auditor attend most meetings of the committee.

The committee is responsible for ensuring that the Company's internal controls are adequate and that the assets at the disposal of the company are safe-guarded. It ensures that proper policies and internal control procedures are in place and also helps to ensure that the set policies and procedures are adhered to and advises on improvements and introduction of new control procedures.

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

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**Finance and administration committee**

The committee comprises of three non executive directors and C.E.O Tana water services Board. The committee is chaired by a non-executive director and meets four times a year.

The role of the committee is to monitor and review the operational and financial performance of the company against key performance indicators, identifying shortcomings and ensuring corrective measures and action are taken. The committee also reviews the company's investment plans in capital expenditure and recommends to the board for approval. The committee has also the responsibility of ensuring that the systems of financial controls are effectively administered.

This committee as well has the responsibility of ensuring the company has the right staff, at the right place and doing the right thing. More so, the committee will ensure that staff welfare is guaranteed.

Their terms of reference includes but not confined to human resource planning, employee welfare, recruitment, training, performance appraisal, discipline, health and safety and HIV/ AIDS.

**Technical committee**

The committee comprises of three non executive directors and C.E.O Tana water services Board. The committee is chaired by a non-executive director and meets four times a year.

This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and to improve efficiency in water production and distribution including sewerage network

**Directors' Remuneration**

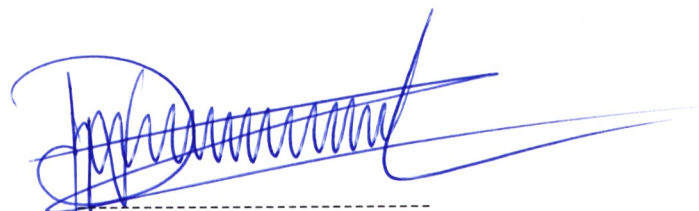
The remuneration of non-executive directors consists of sitting allowances in connection with Board and committee meetings.

**Going concern**

The directors confirm that the company has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing financial statements.

SIGNED:

  
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CHAIRMAN

  
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MANAGING DIRECTOR

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

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**STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY**

The Companies Act Cap 486 requires the Board of Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of the activities for that year. It also requires the Board to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Board is also responsible for safeguarding the assets of the Company.

The Board of Directors accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act.

The Board is of the opinion that the financial statements give a true and fair view of the state of affairs of the Company and of its income and expenditure. The Board of Directors further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as systems of 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 twelve months from the date of this statement.

SIGNED: \_\_\_\_\_



*for* **CHAIRMAN**



**DIRECTOR**

**Report of the External Auditor**

# REPUBLIC OF KENYA

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E-mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON MURANG'A WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Murang'a Water & Sanitation Company Limited set out on pages 15 to 27, 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 the 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 the 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. Accuracy of the Financial Statements**

The following differences were noted between the balances as reflected on the financial statements and the supporting schedules:

Item	Financial Statements	Supporting Schedules	Unexplained Difference
	Balance (Kshs.)	Balance (Kshs.)	(Kshs.)
Billings	90,356,263	83,017,371	2,108,235
Trade Receivables	19,141,926	18,835,953	305,973
Board Committees	822,186	792,191	29,995

Further, the statement of financial position reflects customer deposits liability of Kshs.6,291,855 as at 30 June 2014 which differed with savings bank account balance of Kshs.572,242 as at the same date. The resultant difference of Kshs.5,719,613 was explained by the management to be utilization of the deposits of funds on operation. However, no approval was provided to justify the use of the funds.

Consequently, the accuracy of the financial statements for the year ended 30 June 2014 could not be confirmed.

### **2. Undisclosed Water and Sewerage Projects**

The statement of financial position reflect a balance of Kshs.111,549,316.00 under property, plant and equipment as at 30 June 2014. However, during the year under review, the Company was handed over a major water and sewerage project of unknown value by Tana Water Services Board (TWSB) without the relevant project documents and was omitted to these financial statements.

Consequently, the completeness, accuracy and validity of the property, plant and equipment balance of Kshs.111,549,315 as at 30 June 2014 could not be confirmed.

### **3. Receivables**

The receivables balance as at 30 June 2014 of Kshs.25,760,483 includes trade debtors of Kshs.19,141,926 which have been outstanding for a considerable long period. Although, the Company has made a specific provision for bad debts of Kshs.1,914,192 no general provision for bad and doubtful debts has been made during the year. Further, no major efforts appear to have been put in place to recover the outstanding trade receivables.

Consequently, the recoverability of trade receivables balance of Kshs.19,141,926 as at 30 June 2014 could not be confirmed.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis of 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 Financing Reporting Standards and comply with the Water Act 2002, and the Companies Act, Cap 486 of the Laws of Kenya.

### **Other Matter**

#### **Unaccounted For Water**

During the year under review, the Company produced 1,677,077 cubic meters (m<sup>3</sup>) of water, and out of this, only 1,084,459m<sup>3</sup> were billed to customers. The balance of 592,618m<sup>3</sup> or approximately 35.3% of the total volume represented Unaccounted for Water (UFW). The UFW is 10.3% over and above the allowable loss of 25% in accordance with Water Services Regulatory Board guidelines. The UFW of 35.3% may have resulted in loss of sales estimated at Kshs.19,734,179.40. 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 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 and Statement of Comprehensive Income are in agreement with the books of account.



**Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**15 September 2015**

**MURANG'A WATER & SANITATION COMPANY LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

<b>INCOME</b>	<b>NOTES</b>	<b>2013/14 ( Kshs)</b>	<b>RESTATED 2012/13 ( Kshs)</b>
Revenue Grants	2	13,624,340	15,422,345
Billings	3	90,306,013	79,809,974
Other incomes	4	4,157,830	2,429,385
		<b>108,088,183</b>	<b>97,661,704</b>
 <b>EXPENDITURE</b>			
Personal emoluments	5	44,575,615	37,186,854
Administration expenses	6	22,694,081	21,070,532
Production and maintenance expenses	7	25,146,203	29,850,976
General office expenses	8	3,069,642	2,982,121
Depreciation	9	11,653,014	8,083,853
		<b>107,138,555</b>	<b>99,174,336</b>
<b>SUPRLUS/DEFICIT BEFORE TAX</b>		<b>949,628</b>	<b>(1,512,632)</b>
CORPORATION TAX	17	15,374,415	-
<b>DEFICIT /SURPLUS AFTER TAX</b>		<b>(14,424,787 )</b>	<b>(1,512,632)</b>

**MURANG'A WATER & SANITATION COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2014**

NON CURRENT ASSETS	NOTES	2013/2014 (Kshs)	2012/2013 (Kshs)
Property, plant and Equipments	9	111,381,315	93,867,046
<b>CURRENT ASSETS</b>			
Receivables	10	25,801,167	29,030,627
Other current assets	12	10,529,359	6,211,034
Cash and cash equivalent	11	2,393,676	2,610,568
<b>TOTAL CURRENT ASSETS</b>		<b>38,724,202</b>	<b>37,852,229</b>
CURRENT LIABILITIES	13	(50,609,666)	(26,898,920)
<b>WORKING CAPITAL</b>		<b>(11,885,464)</b>	<b>10,953,309</b>
<b>TOTAL NET ASSET</b>		<b>99,495,851</b>	<b>104,820,355</b>
<b>FINANCED BY</b>			
Revenue Reserves	14	1,337,684	15,762,471
Capital Reserves	15	33,275,181	33,275,181
G.O.K Capital Grants	16	64,882,986	55,782,703
		<b>99,495,851</b>	<b>104,820,355</b>

The financial statements on pages 15-27 were approved by the board of directors on 16th/09/2014 and were signed on its behalf by:

  
 .....  
**P.K MUNGA**  
**CHAIRMAN**  
**DIRECTOR**

  
 .....  
**P. KIGUTA**  
**DIRECTOR**

  
 .....  
**D.NG'ANG'A**  
**MANAGING**

**MURANG'A WATER & SANITATION COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

	<b>CAPITAL RESERVE S (KSHS)</b>	<b>G.O.K CAPITAL GRANT (KSHS)</b>	<b>REVENUE RESERVES (KSHS)</b>	<b>TOTALS KSHS)</b>
Balance at 1 July 2012	33,275,181	24,868,822	17,275,103	75,419,106
Funds received during the year		30,913,881		30,913,881
Surplus for the year	-	-	(1,512,632)	(1,512,632)
<b>Balance at 30<sup>th</sup> June 2013</b>	<b>33,275,181</b>	<b>55,782,703</b>	<b>15,762,471</b>	<b>104,820,355</b>
Balance at 1st July 2013	33,275,181	55,782,703	15,762,471	104,820,355
Funds received during the year	-	9,100,283		9,100,283
Surplus for the year	-	-	(14,424,787)	(14,424,787)
<b>Balance at 30<sup>th</sup> JUNE 2014</b>	<b>33,275,181</b>	<b>64,882,986</b>	<b>1,337,684</b>	<b>99,495,851</b>

## MURANG'A WATER & SANITATION COMPANY LIMITED

### STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014

		2013/2014 (Kshs)	2012/2013 (Kshs)
<b>Cash Flows from operating activities</b>	<b>Notes</b>		
(Deficit)/ Surplus generated from operating activities		(14,424,787)	(1,512,632)
<b>Adjustment for: Non cash items</b>			
Depreciation	9	11,653,014	8,083,853
Provision for bad debts	6 & 10	120,440	(706,995)
Provision for audit fees	17	362,500	412,500
Amortization	16	(4,240,062)	(1,411,348)
Loss on Disposal	6	32,390	594,559
<b>Adjusted Surplus From operating Activities Before Working Capital changes</b>		(6,496,505)	5,459,937
<b>Changes in working capital</b>			
(Increase)/Decrease in receivables		3,109,020	(4,742,206)
Increase /(Decrease) in Current Liabilities		23,348,246	7,100,259
(Increase)/Decrease in other current asset		(4,318,325)	(4,790,747)
<b>Net cash flows From Operating Activities</b>		<b>15,642,436</b>	<b>3,027,243</b>
<b>Cash flows from Investing Activities</b>			
Purchase of P.P.E	9	(29,199,673)	(35,676,529)
Proceeds on Meter Disposal		-	270,000
<b>Net Cash flows from investing activities</b>		<b>(29,199,673)</b>	<b>(35,406,529)</b>
<b>Cash flows from Financing Activities</b>			
G.O.K Capital Grant	16	13,340,345	32,325,229
<b>Net Cash flows from Financing Activities</b>		<b>13,340,345</b>	<b>32,325,229</b>
Net Decrease/increase in cash & cash equivalents		(216,892)	(54,057)
Cash and Cash equivalent at start of year		2,610,568	2,664,625
<b>Cash and Cash equivalents at end of year</b>	<b>11</b>	<b>2,393,676</b>	<b>2,610,568</b>

**MURANG'A WATER AND SANITATION COMPANY LTD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

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**NOTES**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. **Basis of preparation**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

The financial statements have been prepared and presented in Kenya shillings, which is the functional and reporting currency of the company.

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

b. **Revenue Recognition**

The company adopts the accrual basis of accounting for revenue. Revenue is recognized when it is earned and represents the amount received from the billings of Water & sewerage and miscellaneous income received from the sale of tenders and new connections. Expenses are recognized when incurred.

c. **Property and Equipment**

The water Act 2002 recognizes Tana water services board as the asset holder of assets held by Company in the financial year 2011/2012. The company pays Tana water services board administration cost of 9% based on the company revenue collected.

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

<b>Per Annum</b>	<b>RATE %</b>
-Buildings	2.5
-Motor Vehicles	25
-Computers and Photocopiers	30
-Pipes	2.5
-Equipments and Tools	12.5

-Depreciation is provided for the full year irrespective of the month of purchase but no depreciation charged in the year of disposal.

**MURANG'A WATER AND SANITATION COMPANY LTD**  
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d. **Reserves**

Reserves of the company comprise revenue reserves which represents the excess of the income over recurrent expenditure.

Capital reserves represent net assets capitalized at the formation of the company

The water act 2002 and the company's Articles of association prohibit distribution of reserves to members and reserves are supposed to be ploughed back to the system in accordance with the water act.

G.O.K capital grants relates to grants from Water Services Trust Fund , Ministry of water and irrigation and Constituency Development Fund . The grants are treated as deferred income. Amortisation on these grants is calculated on reducing balance basis on cost over the life of the asset.

e. **Retirement benefits**

The company and employees contribute to Local Authority Provident Fund (LAPF) a statutory pension scheme.CPF financial services & Barclays Securities services which is a National water conservation & pipeline corporation staff Superannuation Scheme.

f. **Reporting currency**

These accounts are presented in Kenya Shillings (Kshs)

g. **Allowance for credit risk**

The company provides allowance for credit risk against outstanding specific water and sewerage debts.

h. **Inventory**

The company recognizes inventory at their cost value

i. **Payables**

The liabilities for accounts payable are carried at cost,which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers.

j. **Liquidity risk management**

The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

**MURANG'A WATER AND SANITATION COMPANY LTD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**EXPLANATORY NOTES TO THE ACCOUNTS**

1. a) **INCORPORATION**

The company is a limited company by guarantee established under the companies Act Cap 486 and licensed by Tana Water Services Board through SPA reviewed on 4<sup>th</sup> May 2012.

b) **Comparative figures**

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

c) **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, 2013.

d) **Contingent liability**

The company was assessed by KRA for corporate tax, which led to penalties amounting to KSH 35.8M.

c) **Related party transactions**

Murang'a water and sanitation company is a state corporation. Funds received from the government are disclosed under note 16

**2. GOK GRANTS**

**Accounting for Government grants**

The amount of government grants comprises both capital and recurrent expenditure. The grants have been recognized and accounted for as per IAS N0.20.

<b><u>REVENUE GRANTS</u></b>	<b><u>2013/14</u></b>	<b><u>2012/13</u></b>
	<b><u>KSHs</u></b>	<b><u>KSHs</u></b>
CHEMICALS	398,000	1,288,250
AMOTIZATION-WATER METERS & OTHER CAPITAL GRANTS	4,240,062	1,411,348
ELECTRICITY	-	4,403,364
SALARIES PAID TO SECONDED STAFFS	8,986,278	8,319,383
<b>TOTALS</b>	<b>13,624,340</b>	<b>15,422,345</b>

**MURANG'A WATER AND SANITATION COMPANY LTD**  
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**3. Revenue.**

The principal activity of the company is provision of water and sewerage services through which the company generated revenue as follows

<b><u>BILLINGS</u></b>	<b>2013/2014</b>	<b>2012/2013</b>
	<b>(KSHs)</b>	<b>(KSHs)</b>
WATER	63,121,955	57,034,852
SEWERAGE	17,920,923	16,653,812
METER RENT	4,086,500	3,806,310
OTHER BILLINGS	2,172,135	458,000
RE- CONNECTION FEES	3,004,500	1,857,000
<b>TOTALS</b>	<b>90,306,013</b>	<b>79,809,974</b>

**4) OTHER INCOMES**

<b><u>INCOME</u></b>		
WATER CONNECTION FEES	3,949,274	2,172,305
SEWER CONNECTION FEES	107,800	158,414
WATER SALES	50,250	70,880
DISCOUNT & INTEREST RECEIVED	45,696	2,154
SURCHARGES	4,810	25,632
<b>TOTALS</b>	<b>4,157,830</b>	<b>2,429,385</b>

**5) PERSONAL EMOLUMENTS**

SALARIES	31,350,648	23,473,327
SALARIES (G.O.K GRANT)	8,986,278	8,319,383
LEAVE ALLOWANCES	398,149	265,828
NSSF COMPANY CONTRIBUTIONS	152,200	137,400
PENSION CONTRIBUTION	1,033,565	961,718
STAFF GRATUITY	1,614,992	1,234,698
CASUAL WAGES	1,039,783	2,794,500
<b>TOTAL PERSONAL EMOLUMENTS</b>	<b>44,575,615</b>	<b>37,186,854</b>

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<b>6) ADMINISTRATION EXPENSES</b>	<b>2013/2014 KSHs</b>	<b>2012/2013 KSHs</b>
TRAINING	319,388	532,486
ADVERTISING	183,508	605,310
BOARDS, COMMITTEES,	822,186	1,039,809
MOTOR VEHICLE EXPENSES	3,498,529	1,891,056
CONSULTANCY, & OTHER PROFESSIONAL FEES	28,774	565,320
SUNDRY EXPENSES	77,810	82,164
INSURANCES	1,287,708	1,211,909
MEMBERSHIP AND SUBSCRIPTIONS	182,678	225,220
COURIER & POSTAL SERVICES	(27,523)	1,066,333
TELEPHONE, E-MAIL, FACSIMILE & Communication	1,096,485	468,929
LICENCES & PERMITS	-	6,200
CATERING SERVICES	368,592	288,512
CONTRACTED GUARDS SERVICES	687,411	497,929
TWSB ADMINISTRATION COST	8,196,112	7,355,708
WASREB LEVY	910,678	817,302
BANK SERVICE COMMISSION & CHARGES	132,788	109,808
LEGAL FEES	295,500	106,333
MEETING COSTS , CONFERENCES & SEMINARS	549,622	567,109
TRAVEL COST	258,185	219,571
INCREASE(DECREASE )FOR CREDIT RISK	120,440	(706,995)
SUBSISTENCE ALLOWANCES	2,983,319	3,063,460
LOSS ON DISPOSAL	32,390	594,559
AUDIT FEE	497,500	462,500
STOLEN PIPES	192,000	
	<b>22,694,081</b>	<b>20,608,032</b>
<b>7) PRODUCTION &amp; MAINTENANCE EXPENSES</b>		
ELECTRICITY	14,290,881	17,246,564
OPERATING AND MAINTENANCE COST	6,933,767	8,704,390
CHEMICALS	3,586,157	3,580,871
WATER ABSTRACTION FEE-WARMA	335,398	319,151
	<b>25,146,203</b>	<b>29,850,976</b>
<b>8) GENERAL OFFICE EXPENSES</b>		
STAFF UNIFORMS	393,652	813,765
GENERAL OFFICE SUPPLIES	2,574,770	2,083,776
NEWSPAPERS, MAGAZINES & PERIODICALS	101,220	84,580
	<b>3,069,642</b>	<b>2,982,121</b>

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**9) PROPERTY PLANT & EQUIPMENTS (KSHs)**

<b>COSTS</b>	<b>1)Buildings (KSHS)</b>	<b>2)pipes &amp;fittings (KSHS)</b>	<b>3)EQUIPMENTS (KSHS)</b>	<b>4)motor vehicles &amp; Cycles (KSHS)</b>	<b>5)computers &amp;computer networking (KSHS)</b>	<b>6.Work In Progress (KSHS)</b>	<b>TOTALS (KSHS)</b>
Cost as at 1st July 2013	11,678,078	15,934,857	65,492,286	5,195,051	3,801,750	19,946,243	122,048,265
Additions during the year	148,760	3,274,164	13,927,528	301,150	376,630	11,171,443	29,199,674
WIP Transferred To Equipment Disposal- Curtains	8,620,660	-	18,701,188	-	-	(27,321,848)	-
			(63,150)				(63,150)
<b>TOTAL as at 30<sup>th</sup> JUNE 2014</b>	<b>20,447,498</b>	<b>19,209,020</b>	<b>98,057,852</b>	<b>5,496,201</b>	<b>4,178,380</b>	<b>3,795,838</b>	<b>151,184,789</b>
<b>DEPRECIATION</b>							
As at 1st July 2013	1,156,256	1,171,920	19,408,361	3,889,213	2,555,469	-	28,181,219
charge for the year	482,281	450,928	9,831,185	401,747	486,873	-	11,653,014
Accumulated Depreciation on Disposal			(30760)				(30,760)
<b>Total accumulated depreciation</b>	<b>1,638,537</b>	<b>1,622,847</b>	<b>29,208,787</b>	<b>4,290,960</b>	<b>3,042,342</b>	<b>-</b>	<b>39,803,474</b>
<b>NET BOOK VALUE</b>							
As at 30th JUNE 2014	18,808,960	17,586,173	68,849,065	1,205,241	1,136,038	3,795,838	111,381,315
<b>NET BOOK VALUE</b>							
As at 30th June 2013	10,521,822	14,762,937	46,083,927	1,305,838	1,246,281	19,946,243	93,867,046

Class 3 Equipment comprises of meters accessories and other water networks  
Office and lab equipments, furniture and fitting including sewer networks

W.I.P Class 6 comprises the on going construction works of CDF Projects

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	2013/2014	2012/2013
	KSHs	KSHs
<b>10) RECEIVABLES</b>		
Trade Receivables	19,141,926	19,648,099
Other receivables	8,152,917	10,755,764
<b>TOTAL RECEIVABLES</b>	<b>27,294,843</b>	<b>30,403,863</b>
Less allowance for credit risk	(1,493,676)	(1,373,236)
<b>NET BOOK VALUE</b>	<b>25,801,167</b>	<b>29,030,627</b>

**11) CASH & CASH EQUIVALENT**

The company held two bank accounts with Equity, one with Family Bank and M-Pesa, the accounts are to be used for revenue and Deposit purposes.

The cash and cash equivalent were as follows:-

BANK ACCOUNT 1-Savings	572,242	307,821
BANK ACCOUNT 2-Current	572,454	705,371
BANK ACCOUNT 3-W.S.T.F PROJECT	-	(130,328)
BANK ACCOUNT 4-Current	1,019,388	166,519
M-PESA	136,109	265,715
FIXED DEPOSIT ACCOUNT	-	1,200,000
CASH AT HAND	93,483	95,470
<b>TOTALS</b>	<b>2,393,676</b>	<b>2,610,568</b>

**12) OTHER CURRENT ASSETS**

Inventories	10,149,527	6,024,027
Prepayments & Deposits	379,832	187,007
<b>TOTALS</b>	<b>10,529,359</b>	<b>6,211,034</b>

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**13) CURRENT LIABILITIES**

	<b>2013/2014</b>	<b>2012/2013</b>
	<b><u>(KSHs)</u></b>	<b><u>(KSHs)</u></b>
Customers Prepayments	1,473,854	942,759
Suppliers Creditors	7,846,752	5,870,414
Other Creditors	1,610,540	1,394,883
Provision for audit fees	1,087,500	725,000
Accrued bills (payables)	15,988,352	12,453,881
Customer Deposits	6,291,855	4,452,949
Gratuity Payable	1,136,398	1,059,034
TAX PAYABLE	15,174,415	-
	<b>50,609,666</b>	<b>26,898,920</b>

**14) REVENUE RESERVES**

Brought forward	15,762,471	17,275,103
Current period	(14,424,787)	(1,512,632)
<b>Carried forward</b>	<b>1,337,684</b>	<b>15,762,471</b>

**15) CAPITAL RESERVES**

Brought forward	33,275,181	33,275,181
<b>Carried forward</b>	<b>33,275,181</b>	<b>33,275,181</b>

**16) G.O.K CAPITAL GRANT**

Brought Forward	55,782,703	24,868,822
Current W.S.T.F Projects	-	27,322,338
Water Meters & Other Fittings	754,000	5,003,919
Transferred to Revenue 2012/13	(3,944,804)	(1,329,562)
Completed W.S.T.F Project	(490)	(1,028)
Amortization Ablution Block	(295,258)	(81,786)
CDF Projects	12,586,835	-
<b>TOTALS</b>	<b>64,882,986</b>	<b>55,782,703</b>

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**17) CORPORATION TAX**

During the year the company was assessed for tax by KRA and charged for a principal tax of sh 15,374,415 and made a part payment of KSH 200,000 for the same. Penalties and interest of sh 17,190,544 were also charged.