

REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

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

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

PAPERS LAID	
DATE	25/3/2024
TABLED BY	Sen. J. King'wa
COMMITTEE	_____
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MURANGA WEST WATER AND SANITATION COMPANY LTD

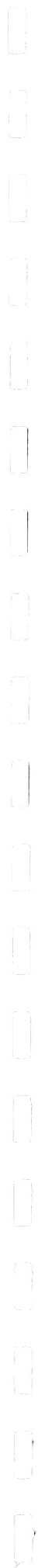
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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





Murang'a West Water and Sanitation Company Ltd
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1. Acronyms and Glossary of Terms

Acronyms	Glossary of Terms
MWEWASCO	Murang'a West Water & Sanitation Company
WASREB	Water Services Regulatory Board
AWWDA	Athi Water Works Development Agency
TWWDA	Tana Water Works Development Agency
WSTF	Water Services Trust Fund
KPIS	Key Performance Indicators
WASPA	Water Services Providers Associations
KEWI	Kenya Water Institute
ERP	Enterprise Resource Planning
NRW	Non-Revenue Water
WRA	Water Resource Authority
CEC	County Executive Committee

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2. Key Entity Information

Background information

Kahuti Water and Sanitation Company was established by the Companies Act of Parliament on 10th April 2006. The entity is fully owned by the County Government of Murang'a. During the financial year on 3rd December 2022, the Company changed its name to Murang'a West Water and Sanitation Company and was issued with a certificate of change of name by the Registrar of Companies.

Principal Activities

The principal activity of the entity is to provide quality water & sanitation services at an affordable rate.

Vision

To be the leading water and sanitation provider in the country.

Mission

To ensure provision of quality water and sanitation services to its customers in an affordable and sustainable manner.

Core objectives

1. To increase access and coverage to water services within the area of jurisdiction
2. To reduce non-revenue water
3. To achieve operational financial stability
4. To strengthen the company's institutional capacity
5. To improve communication with stakeholders
6. Facilitate improvement in access to sanitation services
7. Mainstream cross cutting issues of poverty, HIV, environment

Directors

The Directors who served the entity during the year/period were as follows as appointed and re-elected during our Annual General Meeting held on 27th May 2022. The company intends to undertake the Annual General Meeting early next financial year since the Certificate from the Auditor General for the year ended 30th June 2022 is out and therefore the board members will change.

1. Mrs. Frasih Wanjiku Kamau - Chairperson
2. Mrs. Margaret Mworia
3. Mr. Stephen Kamau
4. Mrs. Martha W. Wanguku
5. Mr. Erastus Thuku Nyingi
6. Prof. Mwaura Kiarie - CEC Finance
7. Mrs. Mary M. Magochi - CEC Water

Company Secretary

Mr. Gikuihi Kiana
P.O. Box 1271-10100
NYERI

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Corporate Headquarters/Registered Office

Murang'a West Water Building
Off Kangema-Kanorero Road
P.O. Box 118-10202
Kangema, KENYA

Corporate Contacts

Telephone: (254) 728 828 168 or 0769 951 223
E-mail: kahutiwater@yahoo.com
Web-site: info@mwewasco.co.ke

Corporate Bankers

Equity Bank Ltd
Kangema Branch

Family Bank Ltd
Kangema Branch

Independent Auditor






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

Principal Legal Advisers

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

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3. The Board of Directors

 <p>Frasiah W. Kamau</p>	<p>Frasiah Wanjiku Kamau was born in 1965. She holds a Bachelor of Education (Arts) and a Diploma in School Management. She works as a head of an institution. She represents Education Institutions. She is currently the Chairperson of the Board of Directors.</p>
 <p>Stephen M. Kamau</p>	<p>Stephen Mwangi Kamau was born in 1956. He holds a Diploma in Education Management among many other certificates. He has a vast experience in the education sector and has worked as a head teacher in various schools in Muranga County. He's the founder chairman of Kenya Primary Schools Head Teachers Association (KEPSHA) Muranga branch until 2016. He has also served as a member of board of management in many schools and represents professional bodies. He is currently the chairman of the Administration, Finance and Technical Committee.</p>
 <p>Margaret W. Muoria</p>	<p>Margaret Wambui Muoria was born in 1958. She holds a bachelor of education (Bed). She is a retired school principal and a member of the land control board Kangema Sub- County. She represents business community and she is a business woman. She is the Chairperson of the Audit Committee.</p>
 <p>Erastus N. Thuku</p>	<p>Erastus Nyingi Thuku was born in 1952. He has worked with East African Railways (Kenya Region) and Muranga District Co-op Union. He has also served as a board member in Kangema Land Control Board, Dr Kiano, Kibutha and Gitweku Secondary Schools. Mr Thuku has also worked with Kangema CDF Office and overseen many projects more so during Stimulus Major projects initiated by the Government. He represents NG-CDF. He's currently a member of the Audit Committee.</p>
 <p>Martha W. Wanguku</p>	<p>Martha Wanjiku Wanguku was born in 1971. She a diploma in Early Childhood Development (ECD). She is among the founders of Muranga Fair Trade Sacco and had demonstrated her commitment to fostering financial inclusivity and sustainable development. Her dual role as the founder & supervisory member at the Sacco reflects her dedication to ensuring continued success. She represents Women Groups and she is a member of the Audit Committee.</p>

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Eng. Ephantus Kamau

Managing Director Ephantus Kamau holds a Bachelor's degree in Civil Engineering from the University of Nairobi and a diploma in Sustainable Urban Water & Sanitation from Lund University, Sweden. Born in 1962, he has also attended a number of management courses, both locally and overseas. Before joining Murang'a West Water and Sanitation Company, he was working in the Urban Development Department of the then Ministry of Local Government, where he oversaw design and implementation of various water, sanitation and bus park projects, besides participating in many reform programs. He has also been a member of the board in a number of Water Service Providers, including the Meru Water and Sewerage Services trust (Mewass), where he's among the pioneer board members. He was a member of the executive committee of the Water and Sanitation Providers Association (WASPA) for three years from January 2020 to December 2022.



Mary M. Magochi – CEC Water

She is the CECM in charge of Water, irrigation and environment and natural resources, Muranga County Government. She holds a Bachelor of Science degree in Bio Systems Engineering from the University of Nairobi and registered by both EBK and IEK. She has extensive experience in consulting and business development



Prof. Mwaura Kiarie – CEC Finance

He is the CEC Finance, IT and Economic Planning Murang'a County Government. Fellow of the Institute Certified Secretaries (ICS), and the immediate former dean of the University of Nairobi's School of Law, where he is a professor of corporate law. He is a certified governance auditor, who has published widely in the area of corporate governance and corporate law and has served on the boards of the Transport Licensing Appeals Board and National Council for Law Reporting. Previously, he has worked as the Vice Chancellor of Riara University. He has served as a consultant on corporate governance for a variety of local and international organizations. He has served as the Chairman of the Murang'a County Initiative (MCI) Steering Committee Towards the realization of goals and development objectives







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Richard Gikuihi Kiana
-Company Secretary

FCS Richard K. Gikuihi is a Certified Secretary and a Fellow of the Institute of Certified Secretaries of Kenya. He is an Accredited Governance Auditor, holds a Master of Business Administration Degree with a major in Strategic Management from Moi University and an Advanced Practical Course in Management of Urban Development from Birmingham University. He is currently the Managing Partner at Gikuihi Kiana & Company, Certified Secretaries. For over 25 years he has worked with various Water and Sanitation Companies as a Company Secretary and advises in the area of Corporate Governance. His stint at the European Union contributes to his knowledge in Project Management and Capacity building

4. Key Management Team

 Eng. Ephantus Kamau- Managing Director	<ul style="list-style-type: none"> - BSC -Civil Engineering
 Eng. Peter Njoroge- Technical Manager	<ul style="list-style-type: none"> - Masters in. Engineering - BSC-(Water& Environmental Engineering),PMP
 CPA. Titus Mukunda- Commercial Manager	<ul style="list-style-type: none"> -Master's in Business Administration(MBA) - B.COM- Finance - CPA - K
 Cecilia Nthigah- Human Resource & Administration Manager	<ul style="list-style-type: none"> - Master's in Business Administration(MBA) -B.COM-Human Resource Management -Dip. -HRM - IHRM
 Josephat Macharia- Internal Auditor	<ul style="list-style-type: none"> - Bachelor of Business Administration-(BBA) -CPA-K
 Richard Kiana - Company Secretary	<ul style="list-style-type: none"> - MBA - CPS (K)

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5. Chairman's Statement

I am pleased to present the company's annual reports and financial statements for the years ended 30th June 2023.

This is the first chairperson's report since the company re-branded itself by changing its name from Kahuti Water & Sanitation Company Ltd to Murang'a West Water & Sanitation Company (MWEWASCO). As explained during the launch of the name, the expectations are that there'll be enhanced brand recognition and elimination of ambiguities that had been associated with the old name as we strive to improve service delivery.

The report also comes at a time of interesting dynamics in the County as the company aligns itself to be in conformity with the sector regulatory guidelines. These will include changing the registration model from a company limited by guarantee to one limited by shares. The process is on-going.

You will further recall that the last two annual reports covered a period of unprecedented challenges due the Covid-19 pandemic, and the damage to our infrastructure during road construction. The two had adversely affected our revenue and service delivery.

Regarding the latter, we may not be out of the wounds yet, as there's been continued damage, this time more on the distribution lines. We are still following up with the relevant authorities to find a lasting solution.

I am however, happy to report that the effects of the Covid-19 are almost behind us and we are on a recovery trajectory. The revenue for the year ended 30th June 2023 was Ksh 89,160,036. We also recorded an operations and maintenance surplus of Ksh 1,852,491.

The Non-Revenue Water has continued to decline, and is currently about 48.34%. In order to reduce further, we have embarked on a policy of using HDPE pipes for the new lines. These are more durable and less prone to damages. The company has also conducted a Customer Identification Survey in order to establish actual customers and eliminate dormant ones from our system. Besides helping in reducing NRW, this survey will go a long way in reducing bad debts, most of which were inherited from our predecessor, the then National Water Conservation & Pipeline Corporation.

During the period covered by this report, a lot of extension of distribution and service lines has taken place. These have ensured increase in service coverage, which currently stands at 63%. We have also a number of on-going distribution lines, which once completed, will ensure and improve service and wider coverage.

Some proposals that we have submitted to the National and County Governments include construction of treatment works at Tuthu, centralized sewerage system for Kangema and Kahuro Towns, and various distribution and extension lines among others. With assistance from the World

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Bank through the Water Sector Trust Fund, we are anticipating commencement of construction of a Decentralised Treatment Facility (DTF) in Kangema. This will serve as a treatment point for exhausted waste from septic tanks and VIP latrines in Kangema, Kanyenya-ini, Kahuro, Kahatia, Kiria-ini and other surrounding urban centres. We are also following up with the Water Sector Trust Fund for further partnership in the construction of public toilets in Kahuro and Kangema towns.

Over the years, we have also expanded our scope on Corporate Social Responsibility. Thus, in any given time, we have over eight (8) attachés from various institutions, and the company has in deed become a major point of reference in this. We promise to continue and enhance our Corporate Social Responsibility as a way of being part of the community.

Looking forward, the future is bright. The National Government has invested a lot in infrastructure and this is beginning to bear fruits. The County Government has promised to fund some last mile connectivity projects in each ward and we look forward to this. We also look forward to a positive response to many other proposals that we have submitted to the various development partners.

I take this opportunity to assure our Stakeholders of our continued commitment towards availing clean and affordable water to all the residents within our area of jurisdiction. To achieve this, we will continue to uphold our values, which have so far guided us in our endeavours.

Finally, may I take this opportunity to thank the Board of Directors, whose tireless effort has seen the company continue to progress. We have continued to receive a lot of support from Tana Water Works Development Agency, Athi Water Works Development Agency, WSTF, National Government and County Government. My sincere thanks to all of them.

The Management and staff of the company have worked tirelessly to sustain the company and achieve progress. I sincerely thank them. To our Stakeholders, your continued support is highly appreciated.

FRASIAH W. KAMAU



DATE

29th DEC 2023

6. Report of the Managing Director

Introduction

The stated mission of Murang'a West Water and Sanitation Company (MWEWASCO) is to ensure provision of quality water and sanitation services to our customers in an affordable and sustainable manner. This is in tandem with the Sustainable Development Goal (SDG) no.6 (on water and sanitation) and the social and economic pillars of Kenya's Vision 2030.

As a regulated public Water Service Provider, our operations are highly guided by the sector regulations and Key Performance Indicators (KPIs) as periodically provided by the regulator. Based on the said KPIs, all the performance of all the licensed Water Service Providers are accessed annually and the companies ranked accordingly. In the last such ranking (for the period 2021-2023), MWEWASCO was position 26 out of 88. Although this was a drop from position 21 the previous year, it was an improvement on overall total score.

Financial Status

Revenue from billings and other Incomes for the year ended 30th June 2023 was Ksh 94,745,213, while the expenditure was Ksh 92,892,722. In this year, we received a cash grant of Kshs 1,000,000 from AWWDA to help us lay pipelines in designated areas. Due to our prudent utilization of the CLSG in the previous year (2021-2022), we've been qualified for CLSG phase 2 of Ksh 30 million, to be utilized in mainly on last mile connectivity. This will be modelled as an Output Based Assistance (OBA). This in essence means that it will be issued as a loan, but will be converted into a grant based on our performance on set targets.

Other Key Indicators

i. Non –Revenue Water

This water has been produced at abstraction but is not billed. At incorporation of the company, the new NRW was not known. The company took measures to establish the same and found it was about 89% at the time. This has been going down progressively and is currently around 48.34%. Some of the measures undertaken to achieve this is the shift from PVC to HDPE pipes, control of quality of customer's fittings, increased vigilance on illegal connections etc. We've also carried out customer identification survey, which has involved mapping all customers and picking the GPS coordinates for proper monitoring.

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ii. Service Coverage

This is the number of customers served as a percentage of the total population within our area of jurisdiction. Currently, it stands at 63%. The increase in service coverage has been adversely affected in a big way by the damage of our lines during road constructions.

Drinking Water Quality

I am happy to report that all our drinking water quality has continued to pass all the tests. This means that our water is safe to drink. The cost of maintaining this has however, increased due to high turbidity, arising from the spoil material during road construction, that has been finding its way in Mathioya River.

Completed Projects

Over the period, a number of projects have been undertaken and completed, with the assistance of the National Government. They Include:

- i. Revival of phase 3, which was heavily damaged during the construction of the Mau Mau road.
- ii. The laying of distribution lines along Kagaa-Kiria and Kairini-Kahuro – Gitaro under the Kahuti Water Supply project.
- iii. Ichichi-Kiruri project boosting supply in parts of Murarandia and Kanyenyaini. This involved construction of a new intake at Karurumo and laying of transmission lines to Kawariuwa.
- iv. A number of small distribution and service lines within the whole area of jurisdiction.

Anticipated projects /Proposals

We have submitted various proposals to the National Government, County Government and WSTF for other projects that we hope will be considered favourably.

They include:

- Construction of a Decentralised Treatment Facility (DTF) in Kangema, to serve the surrounding urban areas of Kangema, Kanyenyaini, Kahuro, Kahatia, Kiriaini, etc.
- Improvement household sanitation within the Kangema Urban area, with funding assistance from Water Fund.
- Last mile connectivity through the CLSG phase 2
- Construction of centralized Sewerage for Kangema and Kahuro towns. A preliminary study financed by the National Government has commenced on Kangema Sewerage and we are making follow ups.

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- Raising of the weir at the Tuthu intake to allow constant flow particularly during the dry periods.
- Extension of lines in various areas within our area of jurisdiction.

Corporate Social Responsibility

We are cognizant of the fact that we belong to the wider community and cannot be blind to the needs, aspirations and challenges within it. It is our policy therefore to always give back to the society in accordance with our ability.

This year, we marked the World Water Day by joining the County Government and the other county WSPs in a tree planting activity at Mbogo-ini Primary School in Kigumo Sub-County. We've further continued to provide free water (up to 6 units) to the very vulnerable households for which we've also installed connections free of charge. This is an endeavour we commit to continue undertaking as part of our pro-poor activities.

We also do take pride in providing internships and attachments to students from this locality for the purpose of gaining on the job experience. We are thus in good partnership with a number of training institutions and at any given time, the company hosts over 5 no. such attachés.

Challenges

The main challenges facing the company in the extension of its mandate over the period were:

- i. Damage of pipes during road construction. Although phase 3 has been re-located, the phase 1 is still pending and thus affecting our services in Kanyenya-ini, Githambo, Murarandia, etc. we are however, hopeful that this will be soon completed since the contractor has now resumed on the repairs.
- ii. Aging infrastructure is leading to frequent pipe bursts causing high NRW. We plan to progressively replace the same.
- iii. Vandalism of fittings. This is where the water fittings are stolen from site and thus leaving some pipes un-operational.
- iv. Illegal Connections. This is where consumers install water without following the due process.

I trust that with your support; we will be able to overcome these challenges. I take this opportunity to thank all those who have contributed in making the period a success for the company. They include Board of Directors, Management, Staff, Customers and Stakeholders.

E. KAMAU.....



Date:.....

29/12/2023

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7.Statement of Performance against Predetermined Objectives forFY 2022/23

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

The company's performance is assessed using the broad 9 key performance indicators as shown below to assess the company performance. The company posted an improvement in all KPI'S apart from Personnel expenditure and collection efficiency.

WASREB		Good	Acceptable	Not Acceptable	KAWASCO 2021-22	KAWASCO 2022-23	
Key Performance Indicators							
1.	Water coverage-%	>90%	80-90%	< 80%	61%	63%	
2.	Drinking Water Quality	>95%	90 – 95%	< 90%	100%	100%	
3.	Hours of Supply of Population >100,000	21 - 24	16-20	< 16	22hrs	22hrs	
		Population <100,000	17 – 24	12-16	< 12	n/a	n/a
4.	Personnel Expenditure as % of O&M costs	Very large and large WSPs	< 20%	20 – 30%	> 30%	53%	42%
		Medium WSPs	< 30%	30 – 40%	> 40%	n/a	n/a
		Small WSPs	< 40%	40 – 45%	> 45%	n/a	n/a
5.	O&M Cost Coverage	≥ 150%	100-149%	≤ 99%	100%	102%	
6.	Revenue Collection Efficiency	> 95%	95-85%	<85%	95%	90%	
7.	Non-Revenue Water	< 20%	20 – 25%	>25%	59%	48.34%	
8.	Staff Productivity - Staff per 1,000 connections	Very large and large WSPs	< 5	5-8	> 8	6	6
		Medium WSPs	< 7	7-11	> 11	n/a	n/a
		Small WSPs	< 9	9-14	> 14		
9	Metering ratio	100%	95 - 99%	< 95%	92%	93.3%	

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8. Corporate Governance Statement

KAWASCO is committed to operating under clear governance frame work and adheres to sound management practices.

We are committed to ensuring compliance with all the provision of the water Act 2016, Licence conditions granted by WASREB and the Companies Act CAP 486.

Board Committee

In order to enhance corporate governance, the KAWASCO Board of Directors has constituted the following committees;

(i) **Audit Committee:**

The committee addresses audit reports from internal and external auditors and also evaluates the financial reporting standards adopted by the company. The committee also ensures compliance with financial regulations and soundness of internal control systems.

The members of the committee are;

- a) Margaret Mworira
- b) Erastus Nyingi
- c) CEC Finance

(ii) **Administration, Finance & Technical committee:**

The Committee is responsible for all human resources, technical issues and effective utilization of resources. It also recommends capital investment for approval to the board and ensures they meet technical standards and are well maintained. They also deal with policy matters of the board.

The members of the committee are;

- a) Stephen Kamau
- b) Martha Wanguku
- c) CEC Water

The succession plan for the directors is in accordance with Article 31 and 32 of the Memorandum & Articles of Association, which require that in every Annual General Meeting, one third of the directors must retire and are eligible for election subject to a maximum of two terms. The Article restricting the terms however, came into effect in January 2014. The directors, upon election, do sign a code of ethics and are taken for induction and corporate governance training.

Further, all directors are required to sign a "declaration of interest" book during each meeting to ensure that there is no conflict of interest with the company's matters.

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The board meeting for the year were held as below

Name of member	12/08/2022	19/08/2022	23/09/2022	18/11/2022	24/02/2023	24/04/2023	23/06/2023
Frasiah W. Kamau	✓	✓	✓	✓	✓	✓	✓
Stephen M.Kamau	✓	✓	✓	✓	✓	✓	✓
Margaret W. Mworia	✓	✓	✓	✓	✓	✓	✓
Martha W. Wanguku	✓	✓	✓	✓	✓	✓	✓
Erastus N.Thuku	✓	✓	✓	✓	✓	✓	✓
CEC- Finance	X	✓	✓	✓	✓	X	✓
CEC – Water	✓	✓	✓	✓	✓	✓	X
TWWDA		✓	✓		✓		

Administration, Finance & Technical Committee

Name of member	2/08/2022	8/11/2022	17/02/2023	21/06/2023
Stephen M.Kamau	✓	✓	✓	✓
Martha W.Wanguku	✓	✓	✓	✓
Frasiah W. Kamau	✓	✓	✓	✓
CEC – Water	✓	✓	✓	X
TWWDA	✓			

Audit Committee

Name of member	21/07/2022	21/10/2022	31/1/2023	31/05/2023
Erastus N. Thuku	✓	✓	✓	✓
Martha W.Mworia	✓	✓	✓	✓
CEC –finance	✓	✓	✓	✓
TWWDA	✓			

By order of the Board
 For and on its behalf

Ms. FRASHIAH W. KAMAU
CHAIRPERSON

DATE

29/12/2023

Eng. E. KAMAU
MANAGING DIRECTOR

DATE

29/12/2023

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9. Management Discussion and Analysis

The financial year 2022/2023 went on well. The company had lined up several projects whereby it has been able to complete some while others are ongoing as follows;

CAPITAL INVESTMENT PROJECTS

Project Name	Expected completion date	Excavation	Pipe laying	Installation of fittings	Concrete works	Testing and cleaning	Commissioning	Overall Progress	Remarks
Kiruri Ichichi water project	Dec-20	100%	100%	100%	100%	100%	100%	100%	The project is complete and officially handed over for operation.
Rwathia-Kagaa mainline (under Kiambu-Ruaka Sewerage project)	Jul-20	100%	100%	100%	98%	100%	100%	100%	

Gatango Community Water Project									
a) Wangu-Mugoiri Distributions	Dec-21	100%	100%	20%	20%	20%	20%	90%	Work halted due to financial constraints faced by the contractor. The Client AWWDA is handling the matter.
b) Mukarara-Mugechi Kaboro pipeline.	Dec-21	100%	100%	0%	0%	0%	0%	60%	
c) Kawariuwa-Kahuti pipeline	Dec-21	100%	100%	0%	0%	0%	0%	60%	
d) Karurumo-Gatuya Pipeline	Dec-21	100%	100%	0%	0%	0%	0%	60%	
e) Tuthu intake facility Expansion	Dec-21	0%	N/A	0%	0%	0%	0%	0%	

Construction works for Gatundu Water and Sanitation Project lot 2									
Makutano water and Sewerage projects	Feb-23	95%	95%	70%	68%	75%	0%	67%	Work in progress

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FINANCIAL PERFORMANCE

The year progressed well and we were able to remain a going concern being able to meet our core activities. With the resumption of phase III line after being stalled for a long time, this has made our billing to increase and also our collection as compared with previous years as most of our customers are receiving water.

Billing compared to our collection for the years were as follows;

MONTHS	BILLINGS	COLLECTIONS
Jul-22	7,264,840	6,377,520
Aug-22	6,547,117	6,921,963
Sep-22	6,727,559	6,210,071
Oct-22	7,282,575	6,367,852
Nov-22	6,728,035	6,012,030
Dec-22	6,108,100	5,939,287
Jan-23	6,783,765	7,599,516
Feb-23	9,585,865	7,650,072
Mar-23	9,041,015	7,839,108
Apr-23	8,182,870	7,516,277
May-23	7,128,095	7,484,190
Jun-23	7,780,200	7,268,137
TOTAL	89,160,036	83,186,023

Our collection efficiency for the year was 93% against the regulators benchmark of 95%

CHALLENGES

- Huge debts-The company continue to experience huge debts that remains unpaid years. Some of this debt are irrecoverable and therefore requires to be written off from the books. We have lined up several interventions to ensure that this process is finalised.
- Major interruption of our systems from the effects of the Mau Mau road constructions that touches most of our lines and especially the mainline around Kanyenyaini-Tuthu where the road is being constructed and the works have already commenced.
- Aging infrastructure leading to frequent pipe bursts causing high NRW. We plan to progressively replace the same.
- Erratic weather, coupled with rough terrain, has led to constant landslides causing pipe damage

Way forward

- We have started major sensitization campaigns across all the areas where we are doing major extension works through the assistance of the National government so as to open up all these areas. This coupled with the new water connection charges will be monitored so as to build on our customer base
- One on one visitation of our customers to negotiate the terms to pay for the water. We have also established an adhoc team that is currently calling the customers with huge debts and trying to convince them to pay their dues or come up with a payment plan. This approach has assisted us to collect without necessarily doing mass disconnections as we also maintain the supply of water to our customers at this time when it is very much needed.
- Conduct debtor's analysis and categorisation with a purpose to clean our books from the long outstanding unrecoverable debts

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

During the year an analysis of the company risks, strengths and opportunities were analysed and were as:

STRENGTH	<ul style="list-style-type: none"> i. Good organizational structure ii. Competent staff iii. Adequate water production iv. Good staff working relationship v. Gravitational water system vi. Increased automation vii. A going concern viii. Credit worthiness ix. High revenue collection efficiency 	OPPORTUNITIES	<ul style="list-style-type: none"> i. Wide coverage area ii. Adequate water at the sources iii. Favourable terrain for gravitational supply iv. Improved road network v. Availability of financiers vi. Availability of technology vii. Improving Economic status of the society viii. Potential for introduction of sewer services ix. Continuously rehabilitated infrastructure
WEAKNESSES	<ul style="list-style-type: none"> i. Aging infrastructure ii. Inadequate office space iii. Inadequate transport iv. High NRW level v. High level of debtor's status vi. Inadequate working tools 	THREATS	<ul style="list-style-type: none"> i. Political interference ii. Pandemics iii. Poor terrain iv. Irrigation Water-Some consumers reverts to using irrigation water v. Degradation of catchment areas vi. Unpredictable weather patterns vii. Vandalism of water infrastructure viii. Low rate of population growth

10. Environmental and Sustainability Reporting

Murang'a West Water & Sanitation Company Ltd exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

Murang'a West Water & Sanitation Company Ltd has invested heavily in an effort to ensure sustainability of the company. Following a lot of investment on distribution lines, we are working on last mile connectivity, which will increase the number of customers and hence the revenue base. The on-going Rwathia –Kagaa line will open the south eastern parts of our area of jurisdiction with increased flow and more customers. Following the completion of the Karurumo –Kiruri line, we expect increased service coverage in the area. Other strategies include adoption of new technologies in improving services, e.g. smart meter reading, etc. Currently, our operations and maintenance coverage is at 100%, meaning that we are able to meet the operations and maintenance needs without seeking external subsidies.

Environmental performance

Murang'a West Water & Sanitation Company envisions sustainability of the environment as key to its success. Our emphasis is in protection & sustenance of our catchment areas that are our source of water. We achieve this through tree planting events, which we do in close partnership with educational and other institutes. The company is in the process of drafting a comprehensive environmental policy.

ii) Employee welfare

Regarding employee welfare, the company has clear policies guiding the hiring and separation processes as outlined in our Human Resource & Administration Regulations. All recruitments are on a competitive basis. Those of senior management must be advertised in at least one daily newspaper. Our current gender ratio is about 25% female to 75% male. We however, have a policy of encouraging women to apply for new vacancies as we work towards the one third rule.

The company has an annual appraisal system. A reward and recognition policy was formulated this year and has been implemented. The best performers in various categories receive rewards at the end of the calendar year.

Training and skills improvement is part of our human resource policy. The company liaises with such associations like Water Service Providers Association (WASPA), KEWI and others in conducting training of its staff. In addition, periodic training needs assessments are carried out.

The company complies with the provisions of the Occupational Safety and Health Act 2007 as captured in our Human Resource & Administration Manual. We are however, in the process of drafting the policy as a stand-alone policy.

iii) Market place practices-

The organisation outlines its efforts to:

a) Responsible competition practice.

In our service provision, our main competitors are mainly community self-help and irrigation water projects. Our competitive advantage over them is proper governance structures, which we rely on to ensure better services. We also capitalize on leveraging on emerging technologies in service provision. In this way, the competition is fair and we leave the choice to the customer. In most of the areas however, there are no competitors and we are guided by our commitment to improve the welfare of the community that we serve.

b) Responsible Supply chain and supplier relations

Regarding our supply chain, we ensure open tendering for all our suppliers, where due process is followed. We also comply with the Public Procurement and Disposal Act 2015 when it comes to issues of dealing with the supplier's payment

c) Product stewardship

Consumer rights are safeguarded by ensuring value for money. In this regard, we endeavour to offer safe and clean water to the best of our ability. The company also has a customer complains desk in each of its four stations i.e. Kangema, Murarandia, Kahuro and Kanyenyaini. Customers also complain through SMS and we've recently installed an ERP with a customer relations module that will improve service delivery. We also have other customer friendly tools like part payment plans where customers can clear their dues in instalments.

Challenges

- i. Aging infrastructure contributes to water loss and hence high NRW.
- ii. Pipe damage by road contractors contracted by the various government agencies. A lot of pipes have been damaged and no compensation has been forth coming despite our appeals. The damage so far is estimated to be over Ksh50 million.

11. Report of the Directors

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

Principal activities

The principal activities of the entity are provision of quality water & sanitation services at affordable rates.

Results

The results of the entity for the year ended June 30, 2023 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page VII in accordance with Regulation of the company's Articles of Association.

i) 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. In accordance to section 23 of the Public Audit Act 2015, the Auditor General can elect to appoint an auditor to audit the entity on its behalf.

By Order of the Board

Name.....

Ephantus Kenani

Signature.....

[Signature]

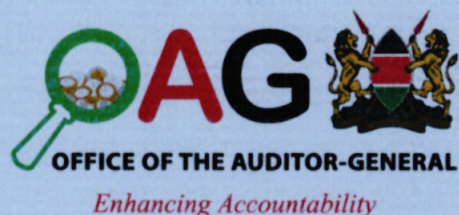
Date.....

29/12/2023

Managing Director

REPUBLIC OF KENYA

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a West Water and Sanitation Company Limited set out on pages 1 to 52, which comprise of the statement

Report of the Auditor-General on Murang'a West Water and Sanitation Company Limited for the year ended 30 June, 2023

of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Murang'a West Water and Sanitation Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Lack of Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.73,214,858 as disclosed under Note 16(a) to the financial statements. The balance includes an amount of Kshs.8,700,000 in respect of four (4) parcels of land held in various locations within Murang'a County. However, ownership documents were not provided for audit review. Further, the balance includes an amount of Kshs.2,613,750 in respect of motor vehicles and motorcycles, which further includes two motor vehicles worth Kshs.1,300,000 whose ownership documents are not in the name of the Company.

In the circumstances, the accuracy, completeness and ownership status of land and motor vehicles valued at Kshs.8,700,000 and Kshs.1,300,000 respectively could not be confirmed.

2.0 Long Outstanding Loan

As similarly reported in the previous year, the statement of financial position reflects a loan owed by the Company to the African Development Bank balance of Kshs.13,344,063. However, review of documents provided for audit revealed that the Company had defaulted in servicing the loan for several years. Further, the outstanding repayments, interest and penalties if any, due on the unpaid amounts have, as in previous periods, not been provided for in the books of the Company.

In the circumstances, the accuracy and completeness of the loan owed to the African Development Bank balance of Kshs.13,344,063 could not be confirmed.

3.0 Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects balance of cash and cash equivalents at the end of the year of Kshs.17,582,843 as at 30 June, 2023. However, the following errors of misstatements were noted: -

- (i) An expenditure of tax paid of Kshs.425,390 was disclosed under payments for the current period under review. Review of the statement of profit or loss and other comprehensive income indicates a nil balance under income tax expense/(credit) for the previous period and as such the balance paid in the current year could not be confirmed as to how it was arrived at.
- (ii) The operating revenue of Kshs.83,420,445 as disclosed in note 6 (b) to the financial statements did not factor in the changes in the following working capital items: -
 - i. Decrease in inventories of Kshs.391,552. The note on inventories is misleading since on the face of the statement of financial position it is indicated as note 19(a) while it is Note 18 in the financial statements.
 - ii. Increase in trade and other payables of Kshs.3,237,723 and
 - iii. Decrease in customer deposits of Kshs.1,612,703

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.17,582,843 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and

Governance. However, the issues had not been resolved as at 30 June, 2023. No explanation was provided for the delay in resolving the issues.

Other Information

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Excessive Non-Revenue Water

Water production records indicated that the Company produced 2,716,661 cubic meters (M³) of water in the year under review, out of which 1,320,295 cubic meters (M³) were billed to customers and the difference totalling 1,396,366 cubic meters (M³) or 51% of production reported as Non-Revenue Water (NRW). The NRW was 26 percentage points above the allowable loss of 25% set in guidelines issued by the Water Services Regulatory Board (WASREB).

The high NRW ratio was an indication of unfavourable performance in harnessing the water produced, denoted substantial loss of resources and may pose a significant risk to sustainable delivery of services by the Company if not urgently controlled by Management.

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

2.0 Use of Unapproved Water Tariffs

According to the records provided for audit, the Company billed its customers based on water tariffs which expired in financial year 2015/2016. Although the Management had sought for approval from Water Services Regulatory Board (WASREB) for regular tariff adjustment for the financial year 2020/2021 to financial year 2024/2025, authority had not been granted and the Company continued to bill water consumers using the expired water tariffs.

3.0 Exceeding Industrial Benchmark on Personnel Expenses

The Statement of profit or loss and other comprehensive income indicates that the Company incurred Kshs.39,040,449 on personnel costs out of total operating expenses of Kshs.92,675,222 which translates to 42 % of total operating expenses. This is higher than the recommended threshold of 30% in accordance with the WASREB Guidelines.

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

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

4.0 Non-compliance with Law on Staff Ethnic Diversity

As similarly reported in the previous year, the Company had seventy-three (73) employees in the year under review out of which, sixty-six (66) or 90% were drawn from the dominant ethnic community in the County. This was contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008, which requires that no public establishment shall have more than one third of its staff from the same ethnic community.

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, except for the matter described in the Basis for Conclusion on

Report of the Auditor-General on Murang'a West Water and Sanitation Company Limited for the year ended 30 June, 2023

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

Management did not provide supporting documents, for audit review, as evidence of existence of a risk management policy to guide the Management on risk assessment and formulation of risk mitigation strategies in the year under review. This is contrary to Section 158(1)(a) and (b) of the Public Finance Management Act (County Governments) Regulations, 2015 which requires the Accounting Officer to develop risk management strategies which include fraud prevention mechanism and internal controls that builds robust business operations.

In the absence of a risk management, it has not been possible to confirm whether the internal controls built within the financial and operational systems were functioning as intended during the year under review.

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 controls, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 controls, 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 the going concern basis of accounting unless Management is aware of the intention to liquidate the Company.

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 the entity 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 controls may not prevent or detect misstatements and instances of noncompliance. 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 Company policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 February, 2024

Murang'a West Water and Sanitation Company Ltd.

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

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue			
Revenue from Billings	6(a)	89,160,036	69,059,410
Grants Income	7(a)	4,767,290	26,265,581
Other Income	8	323,409	588,746
Finance income	9	494,478	571,837
Total Revenue		94,745,213	96,485,574
Expenses			
Staff Costs	11(a)	39,040,449	38,493,366
General and Operations expenses	12	30,688,114	26,675,831
Board Expenses	13	3,376,619	2,250,168
Maintenance Expenses	14	3,827,261	3,064,535
Depreciation and Amortization expenses	15	15,742,779	14,497,196
Total Expenses		92,675,222	84,981,096
Profit/(Loss) Before Taxation		2,069,991	11,504,478
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		2,069,991	11,504,478

Murang'a West Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position asat 30 June 2023


	Note	2022-2023	2021-2022
		Kshs	Kshs
ASSETS(Restated)		Restated	
Non-Current Assets			
Property, plant and equipment	16(a)	73,214,858	77,963,374
Total Non-Current Assets		73,214,858	77,963,374
Current Assets			
Inventories	19(a)	1,852,569	2,244,121
Trade and receivable	20	52,951,240	53,519,158
Bank and cash balances	21	17,582,843	18,245,040
Total Non-Current Assets		72,386,652	74,008,319
Total Assets		145,601,510	151,971,693
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital fund		13,512,583	13,512,583
Revaluation reserve		30,407,408	30,407,408
Capital Reserves		1,988,918	1,988,918
Retained earnings		25,135,417	28,937,940
Capital and Reserves		71,044,326	74,846,849
Non-Current Liabilities			
ADB Loan		13,344,063	13,344,063
Deferred Income	28	25,580,008	29,347,298
Total Non-Current Liabilities		38,924,071	42,691,361
Current Liabilities			


Murang'a West Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

Trade and other payables	26	24,970,379	21,732,656
Customer Deposits	27	10,662,734	12,275,437
Taxation		-	425,391
Total Current Liabilities		35,633,112	34,433,484
TOTAL EQUITY AND LIABILITIES		145,601,510	151,971,693

The financial statements were approved by the Board on 29/12 2023 and signed on its behalf by:


 Name: Ephantus Kamau
 Managing Director


 Name: Titus Mukunda
 Head of Finance
 ICPAK M/No: 10227


 Name: Frasih Kamau
 Chairman of the Board

Murang'a West Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement of Changes in Equity for the Year Ended 30 June 2023

	Notes	Share Capital Fund	Revaluation reserve	Capital Reserve	Retained Earnings	Capital/ Development Fund	Total
As at July 1, 2021		13,512,583	30,407,408	1,988,918	12,173,687	-	58,082,596
Overprovision of Tax					3,520,257		3,520,257
Prior year adjustment					1,739,517		1,739,517
Profit for the year		-	-	-	11,504,478	-	11,504,478
At June 30, 2022		13,512,583	30,407,408	1,988,918	28,937,940	-	74,846,849
As at July 1, 2022(Restated)		13,512,583	30,407,408	1,988,918	29,372,936	-	75,281,845
Prior year adjustment					(6,307,510)		(6,307,510)
Profit/Loss for the year		-	-	-	2,069,991	-	2,069,991
At June 30, 2023		13,512,583	30,407,408	1,988,918	25,135,417	-	71,044,326

Note:

An amount of Kshs 6,307,510 are billing adjustments done during the year. This was as a result of

- There were some areas that had been billed without flow.
- In accuracy of meter readings
- Meter tests results where a meter is found to be over registering
- Estimates on billing

The billings done for these accounts had increased our debtors and in return Water sales on Billings in the previous years. Therefore, a journal has been passed by debiting the retained earnings and crediting the receivables.

Murang'a West Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement of Cash Flows for the Year Ended 30 June 2023

	Note	2022-2023	2021-2022
		Kshs	Kshs
Cash Flows From Operating Activities			
Receipts			
Operating Revenue	6(b)	83,420,445	66,854,944
Grants	7(b)	1,000,000	21,922,440
Other Income	8	323,409	588,746
Finance Income	9	494,478	571,837
Total Receipts		85,238,332	89,937,967
Payments			
Staff Costs	10	39,040,449	38,493,366
General And Operation Expenses	11(b)	28,671,547	31,592,332
Board Expenses	12	3,376,619	2,250,168
Maintenance	13	3,827,261	3,064,535
Tax Paid		425,390	-
Total Payments		75,341,265	75,400,401
Net Cash From/(Used In) Operating Activities		9,897,066	14,537,567
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	16(a)	(10,559,263)	(11,048,524)
Net Cash From/(Used In) Investing Activities		(10,559,263)	(11,048,524)
Cash Flows from Financing Activities			
Prior Period Adjustments			1,739,517
Net Cash From/(Used In) Financing Activities		-	1,739,517
Increase/(Decrease) In Cash And Cash Equivalents		(662,197)	5,228,560
Cash And Cash Equivalents At Beginning Of Year	21	18,245,040	13,016,480
Cash And Cash Equivalents At End Of The Year		17,582,843	18,245,040

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

	Budget	Actual 2022/2023	Variance	Variance
Water Sales	78,628,039	89,160,036	10,531,997	13%
Total Revenue	78,628,039	89,160,036	10,531,997	13%
Total Other Income	6,800,000	5,585,177	(1,214,823)	-18%
	85,428,039	94,745,213	9,317,174	11%
Expenses				
General expenses	36,000	12,370	23,630	66%
Staff Uniform	100,000	22,300	77,700	78%
Computer Expenses	80,400	93,669	(13,269)	-17%
Bank Service Charges	141,353	129,004	12,349	9%
Repair and Maintenance Intake	180,000	143,305	36,695	20%
Electricity	226,184	184,531	41,653	18%
Subscriptions	271,048	246,777	24,271	9%
Licence & Tariff Expenses	390,000	277,981	112,019	29%
Audit Fees	335,000	335,000	-	0%
Claims/Compensations	460,000	431,170	28,830	6%
Corporate social responsibility	450,000	469,753	(19,753)	-4%
Printing and Stationeries	495,000	520,387	(25,387)	-5%
Company Rebranding	500,000	568,755	(68,755)	-14%
Insurance Expense	400,000	570,828	(170,828)	-43%
AGM/Stakeholder Expenses	750,000	707,786	42,214	6%
Customer Identification Survey	700,000	719,970	(19,970)	-3%
WARMA - Abstraction fees				0%

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	720,000	720,000	-	
Software Maintenance & Hosting	730,000	754,000	(24,000)	-3%
Staff Training	650,000	766,383	(116,383)	-18%
Postage and Telephone	726,866	792,152	(65,286)	-9%
Legal & Professional fees	570,000	850,048	(280,048)	-49%
Repair and Maintenance Office	919,600	904,562	15,038	2%
Advertising and Promotion	800,000	906,080	(106,080)	-13%
Security Services	1,044,000	1,055,000	(11,000)	-1%
Staff Welfare	1,623,000	1,655,080	(32,080)	-2%
Chemicals	2,490,000	2,972,117	(482,117)	-19%
Corporate tax payment	500,000	425,391	74,609	15%
Wasreb Regulatory levy	3,239,932	3,262,601	(22,669)	-1%
Director Allowances	3,329,200	3,376,619	(47,419)	-1%
Travelling and Subsistence	3,500,000	3,445,383	54,617	2%
Vehicles /Bikes Repair&maintena	1,180,000	876,875	303,125	26%
Vehicle Running Expenses	3,500,000	3,493,935	6,065	0%
Pipes and Fittings	7,400,000	8,282,653	(882,653)	-12%
Depreciation Expense	-	15,742,779	(15,742,779)	
Salaries & Wages	37,744,992	37,385,369	359,623	1%
	76,182,574	93,100,613	(16,918,039)	
Capital Expenditure				
Customer Deposit Repayment	1,200,000	1,295,837	(95,837)	-8%
Computer & Accessories	450,000	405,630	44,370	10%
Water Meters	3,050,000	4,248,100	(1,198,100)	-39%
Minor Extensions	3,670,000	3,856,053	(186,053)	-5%

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Office equipment	100,000	119,480	(19,480)	-19%
Purchase of 10no. Motorbikes	1,930,000	1,930,000	-	0%
	10,400,000	11,855,100	(1,455,100)	

Notes

- Insurance for financial year 2023/2024 was paid during the last month of the financial year 2022/2023 therefore indicating an over expenditure.
- Legal and professional fees exceeded the budget due to fees paid by the company in an issue involving all the companies in Murang'a County.
- With new customers coming on board due to rehabilitation of many pipelines that had been dormant for a long time made pipes and fittings and meters to exceed the budget.
- Depreciation expense is an end of year expense therefore not factored during budget preparation.

19. Notes to the Financial Statements

1. General Information

Murang'a West Water & Sanitation Company Ltd is established by and derives its authority and accountability from Company's Act. The Company is wholly owned by the Murang'a County Government and is domiciled in Kenya. The Company's principal activity is to provide quality Water & Sanitation services at an affordable rate. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

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 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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Notes to the financial statements (continued)

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

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

Title	Description	Effective Date
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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Notes to the Financial Statements (Continued)

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

- iii. *Early adoption of standards*

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

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

Notes to the financial statements (continued)

Summary of Accounting Policies

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

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

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Buildings and civil works	40	2.5%
Infrastructure works(Water Pipelines)	8	12.5%
Plant and machinery	40	2.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	30%
Office equipment, furniture and fittings	8	12.5%
Intangible Assets	3	331/3%

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

e) **Intangible assets**

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Notes to the financial statements (continued)

Summary of Accounting Policies

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized and the asset is written down to its estimated recoverable amount.

g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

h) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A general provision of 20% is made on all outstanding debts at the end of financial year.

Notes to the financial statements (continued)

Summary of Accounting Policies

i) Taxation

i) Current income tax

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

j) Deferred tax

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

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

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

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Notes to the financial statements (continued)

Summary of Accounting Policies

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

m) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

n) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

Notes to the financial statements (continued)

Summary of Accounting Policies

o) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2022. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

p) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue. A provision is made for the estimated liability for annual leave at the reporting date.

q) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Notes to the financial statements (continued)

Summary of Accounting Policies

r) Budget information

Our budgets are incremental budgets. The budgets are prepared from the user sections and departments where every section is required to forward all their requirements to the finance and procurement sections. After these budgets are consolidated in their respective votes. There is also a comparison from the last budget period for the purposes of having a realistic budget. The budget after compilation is presented to the management by the commercial manager. Any amendments at that stage are incorporated after which it's presented to the board for the 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 profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under Statement of Comparison of Budget & Actual Amounts of these financial statements.

Notes to the financial statements (continued)

Summary of Accounting Policies

s) Serviceconcession 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.

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Notes to the financial statements (continued)

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

e.g. provision for bad debts-a general provision of 20% has been provided for debts as at the year end.

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Notes to the financial statements (continues)

6. (a) Revenue from Billings

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	84,480,540	66,800,600
Billing for other services	4,679,496	2,258,810
Total	89,160,036	69,059,410

6. (b) Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Opening Receivables	53,519,158	51,314,693
Revenue from Billings	89,160,036	69,059,410
Closing Receivables	(52,951,243)	(53,519,158)
Prior year Adjustment on Receivables	(6,307,510)	-
Total	83,420,442	66,854,945

7. (a) Grants Income

	2022-2023	2021-2022
	Kshs	Kshs
Operational grants from Government entities	1,000,000	1,000,000
Recurrent/operational grants from other agencies	-	20,922,440
Capital grants amortized	3,767,290	4,343,141
In Kind contribution/donations from other agencies	-	-
Total	4,767,290	26,265,581

7. (b) Grant Analysis

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	2022-2023 Kshs
Athi Water Works Development Agency	1,000,000	3,767,290	25,580,008	3,767,290	3,767,290
Total	1,000,000	3,767,290	25,580,008	3,767,290	3,767,290

8. Other Income

	2022-2023 Kshs	2021-2022 Kshs
Sale of Water by Bowser&Tins	40,050	76,500
Salary Surcharge	-	17,024
Decrease in Bad & Doubtful Debts	81,359	-
Compensation for Damages	200,000	495,222
Tender Sales	2,000	-
Total	323,409	588,746

9. Finance Income

Description	2022-2023 Kshs	2021-2022 Kshs
Interest from commercial banks and financial institutions	494,478	571,837
Total	494,478	571,837

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10. Staff Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Salary and Allowances	33,012,398	33,435,276
Casual workers' Wages	465,631	400,794
Gratuity provisions	2,443,092	2,421,768
Employer's contributions to social security schemes	510,276	183,000
Employer's contributions to pension scheme	908,872	877,423
Staff welfare	1,655,080	1,129,455
Other allowances	45,100	45,650
Total	39,040,449	38,493,366
The average number of employees during the year	77	77

11. General and Operations Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Chemicals	2,972,117	1,804,235
Electricity	184,531	190,290
Fuel, oil, lubricants, and gases	3,493,935	2,037,334
Bulk Water Costs(Pipes&Fittings)	6,473,803	4,854,811
Uniform and protective clothing	22,300	313,700
Postage and courier	792,152	685,862
Insurance	570,828	707,229
Domestic Traveling and subsistence	3,445,383	2,938,779
Staff training and development	766,383	1,485,580
Bank Charges	129,004	124,702
Security services	1,055,000	1,051,700
Publicity and advertising	906,080	861,521
Audit fees	335,000	335,000
Legal fees and Consultancy fees	850,048	377,000
Licensing and levies	4,260,582	3,492,023
Stakeholders' expenses	707,786	1,276,284
Donations/CSR	469,753	252,635
Provision for doubtful debts	-	493,959
Subscriptions	246,777	461,585
Claims/Compensations	431,170	1,546,190
Printing and Stationeries	520,387	412,936

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Software Maintenance for Billing,CRM& QuickBooks	514,000	462,500
Cloud Server Hosting	240,000	440,000
Customer Identification Survey	719,970	-
Company Rebranding	568,755	-
General Expenses	12,370	69,976
Total	30,688,114	26,675,831

11. (b) General and Operation Costs

Description	2022-2023	2021-2022
	Kshs	KShs
Opening Payables	34,008,093	37,850,744
Purchases (Chemicals, Pipes& Fittings)	9,054,368	7,732,891
General & Operation Expenses(Net of Chemicals & Bulk Water Costs)	21,242,194	20,016,786
Closing Payables	(35,633,112)	(34,008,093)
Total	28,671,543	31,592,328

12. Board Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Sitting allowances	3,376,619	2,250,168
Other allowances	-	-
Total Board Expenses	3,376,619	2,250,168

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13. Maintenance Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Buildings/Office	904,562	363,095
Infrastructural networks	1,952,155	1,753,380
Motor vehicles	876,875	880,340
Material Donated	-	-
ICT	93,669	67,720
Total Maintenance Expenses	3,827,261	3,064,535

14. Depreciation and Amortization Expenses

	2022-2023	2021-2022
Description	Kshs	Kshs
Property, plant, and equipment	14,459,959	13,045,316
Intangible assets	1,282,820	1,451,880
Total Depreciation and Amortization	15,742,779	14,497,196

15. Income Tax Expense/(Credit)

(a) Current taxation

	2022-2023	2021-2022
	Kshs	Kshs
Balance b/f	425,391	3,945,648
Prior year under/over provision	-	(3,520,257)
Provision for the year	-	-
Less: Tax paid	(425,391)	
At June 30 2023	-	425,391

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

	2022	2023	2021-2022
	Kshs		Kshs
Profit/Loss before taxation		2,069,991	11,504,478
Less: Exempt income (National Govt Grant)		5,331,216	19,678,298
prior year adjustment		6,307,510	-
Adjusted Loss/Profit for the year		(9,568,735)	(8,173,820)
add:			
Depreciation		15,742,779	14,497,196
Provision for bad debts		-	493,959
		15,742,779	14,991,155
		6,174,044	6,817,335
Less:			
Wear & Tear		7,059,381	9,517,749
Taxable Income/Loss		(885,337)	(2,700,414)
Income Tax Expense/(Credit)			
Profit/(Loss) After Taxation			

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Notes to the financial statements (continued)

16. (a) Property, Plant and Equipment

	Land	Buildings	Water Pipelines	Motor cycles vehicles	Furniture & fittings	Plant & Equipment	Office equipment	Computers copiers & faxes	Water Meters	Intangible Asset	Restated Total
	Shs	Shs	Shs	Shs	Shs		Shs	Shs	Shs		Shs
At 30th June 2023											
Reinstated amounts											
Cost 1st July 2022	8,700,000	12,993,000	55,996,153	4,665,000	722,115	13,935,427	810,837	688,949	28,724,254	4,360,000	131,595,735
Additions	-	-	3,856,053	1,930,000	-	-	119,480	405,630	4,248,100	-	10,559,263
Total Cost	8,700,000	12,993,000	59,852,206	6,595,000	722,115	13,935,427	930,317	1,094,579	32,972,354	4,360,000	142,154,998
Provision for Depreciation											
Balance as at 1st July 2022	-	649,650	26,900,975	2,332,500	180,528	1,733,589	196,585	394,290	17,732,065	3,077,180	53,197,362
Depreciation charge for the year	-	324,825	7,481,526	1,648,750	90,264	348,386	116,290	328,374	4,121,544	1,282,820	15,742,778
Total Accumulated Depreciation	-	974,475	34,382,501	3,981,250	270,792	2,081,975	312,875	722,664	21,853,609	4,360,000	68,940,140
Closing Net Book Value	8,700,000	12,018,525	25,469,705	2,613,750	451,323	11,853,452	617,442	371,915	11,118,745	-	73,214,858

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Notes to the financial statements (continued)

16(b). Property, Plant and Equipment (Continued)

	Freehold Land	Buildings	Water Pipelines	Motor cycles vehicles	Furniture & fittings	Plant & Equipment	Office equipment	Computers copiers & faxes	Water Meters	Intangible Asset	Restated Total
	Shs	Shs	Shs	Shs	Shs		Shs	Shs	Shs		Shs
At 30th June 2022											
Reinstated amounts											
Cost 1st July 2021	8,700,000	12,993,000	45,132,753	4,665,000	722,115	13,852,023	761,837	574,349	23,347,804	4,360,000	115,108,881
Additions	-	-	8,035,070	-	-	83,404	49,000	114,600	2,766,450	-	11,048,524
Grants	-	-	2,828,330	-	-	-	-	-	2,610,000	-	5,438,330
Total Cost	8,700,000	12,993,000	55,996,153	4,665,000	722,115	13,935,427	810,837	688,949	28,724,254	4,360,000	131,595,735
Provision for Depreciation											
Balance as at 1st July 2021	217,500	324,825	19,901,457	1,166,250	90,264	1,385,203	95,230	187,605	14,141,533	1,625,300	39,135,166
Depreciation charge for the year	217,500	324,825	6,999,518	1,166,250	90,264	348,386	101,355	206,685	3,590,532	1,451,880	14,497,195
Total Accumulated Depreciation	435,000	649,650	26,900,975	2,332,500	180,528	1,733,589	196,585	394,290	17,732,065	3,077,180	53,632,361
Closing Net Book Value	8,265,000	12,343,350	29,095,178	2,332,500	541,587	12,201,838	614,252	294,659	10,992,189	1,282,820	77,963,374

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Notes to the financial statements (continued)

16.(c) Wear and Tear

	2022-2023		2021-2022	
Depreciation rate	37.5,30,25	12.5	37.5,30,25	12.5
Wear& Tear rate	25	10	25	10
Assets				
Opening Written Down Value	2,627,159	41,243,206	3,885,494	35,736,025
Additions	2,335,630	8,223,633	114,600	40,721,232
	4,962,789	49,466,839	4,000,094	76,457,257
Wear& Tear	1,240,697	4,946,684	1,000,024	7,645,726
Closing WDV	3,722,092	44,520,155	3,000,071	68,811,531
Intangible asset	20%		20%	
Cost	4,360,000		4,360,000	
W&T	872,000		872,000	
	3,488,000		3,488,000	
Total Wear & Tear	7,059,381		9,517,749	

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Notes to the financial statements (continued)

17 (a) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	8,700,000	-	8,700,000
Buildings	12,993,000	974,475	12,018,525
Plant and machinery	13,935,427	2,081,975	11,853,452
Motor vehicles, including motorcycles	6,595,000	3,981,250	2,613,750
Computers and related equipment	1,094,579	722,664	371,915
Office equipment, furniture, and fittings	1,652,432	583,667	1,068,765
	44,970,438	8,344,030	36,626,408

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17. (b) Intangible Assets

	2022-2023	2021-2022
	Kshs	Kshs
COST		
At July 1	4,360,000	4,360,000
Additions	-	-
At June 30	4,360,000	4,360,000
AMORTISATION		
At July 1	3,077,180	1,625,300
Charge for the year	1,282,820	1,451,880
At June 30	4,360,000	3,077,180
NET BOOK VALUE		
At June 30	-	1,282,820

18. Inventories

	2022-2023	2021-2022
	Kshs	Kshs
Chemicals & Laboratory items	281,092	500,134
Water fittings and Accessories	1,571,477	1,743,987
Total	1,852,569	2,244,121

19. (a) Trade and Other Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Trade receivables	54,065,989	54,472,784
Unrealized Interest Income	-	267,393
VAT recoverable	9,400,955	9,400,955
Staff receivables	106,031	54,196
Other receivables	191,463	218,388
Gross trade and other receivables	63,764,438	64,413,715
Provision for bad and doubtful receivable	(10,813,198)	(10,894,557)
Net trade and other receivables	52,951,240	53,519,158

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19(b) Trade Receivables

	2022-2023	2021-2022
	Kshs	Kshs
Gross trade receivables	54,065,989	54,472,784
Provision for doubtful receivables	(10,813,198)	(10,894,557)
Net trade receivables	43,252,791	43,578,227

at June 30, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	6,444,670	5,799,395
Between 30 and 60 days	3,186,907	2,843,184
Between 61 and 90 days	2,576,982	2,012,588
Between 91 and 120 days	2,072,944	1,645,976
Over 120 days	39,784,486	42,171,641
Total	54,065,989	54,472,784

19. (c) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	10,894,557	10,400,598
Additional provisions during the year	(81,359)	493,959
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	10,813,198	10,894,557

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20(a). Bank and Cash Balances

	2022-2023	2021-2022
	Kshs	Kshs
Cash at bank	17,582,843	18,245,040
Cash in hand	-	-
Mobile money account	-	-
	17,582,843	18,245,040

20(b). Detailed analysis of the cash and cash equivalents

		2022-2023	2021-2022
Financial institution	Account number	Kshs	Kshs
a) Current account			
Equity Bank	30290276210	1,788,247	346,624
Family bank	90000010652	5,008,062	5,542,213
others	90000022124	141	141
Sub- total		6,796,450	5,888,978
b) Savings account			
Equity Bank	30190309493	10,786,394	1,856,062
Sub- total			1,856,062
c) Fixed deposits account			
Equity Bank	30377379971	-	10,500,000
Grand total		17,582,843	18,245,040

Notes to the financial statements (continued)

21. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

22. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

23. 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.

24. Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2022. The scheme is administered by Laptrust Pension Scheme while CPF Financial Services are the custodians of the scheme. The scheme is based on 12 percentage of salary of an employee at the time of retirement.

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Notes to the financial statements (continued)

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Laptrust Pension Scheme. Employees contribute 12% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

25(a) Trade and Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Trade payables	13,743,625	14,543,341
Employee payables	1,753,692	859,171
Total	15,497,317	15,402,512

25(b).Other Payables

	2022-2023	2021-2022
	Kshs	Kshs
Suspense Receipts from Customers	49,090	144,302
Sundry Creditor	-	-
Unclaimed compensations	33,051	33,051
Internal Borrowings	9,160,995	5,922,865
Withholding Vat	229,926	229,926
Accrued wages	-	-
	9,473,061	6,330,144
Total Payables	24,970,379	21,732,656

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25(c) Aging Analysis for Trade and other Payables

	2022-2023 Kshs	% of the total	2021-2022 Kshs	% of the total
Under one year	3,724,970	15	3,539,119	16
1-2 years	2,336,459	9	1,262,158	6
2-3 years	236,226	1	236,226	1
Over 3 years	18,672,723	75	16,695,152	77
Total	24,970,379		21,732,656	

26(a). Refundable Deposits and Prepayments

	2022-2023	2021-2022
	<i>Kshs</i>	<i>Kshs</i>
Opening Balance	12,275,437	10,006,473
Add: deposits received during the year	2,888,297	2,268,964
Less: Refunded deposits/Borrowings during the year	(4,501,000)	-
Total	10,662,734	12,275,437

26(b). Aging Analysis for Refundable Deposits and Prepayments

	2022-2023	% of the total	2021-2022	% of the total
	<i>Kshs</i>		<i>Kshs</i>	
Under one year	-	0	-	0
1-2 years	2,888,297	27	2,268,964	18
2-3 years	-	0	-	0
Over 3 years	7,774,437	73	10,006,473	82
Total	10,662,734		12,275,437	

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27. Deferred Income

The deferred income movement is as follows:

	Balance B/F					Deferred income	Balance C/F
Name	Net Value	Additions	Total cost	rate	Useful life		Net Value
Pipeline	23,170,037	-	23,170,037	12.50%	8yrs	2,896,255	20,273,782
Water Meters	5,386,245	-	5,386,245	12.50%	8yrs	673,281	4,712,965
Vehicle	791,016	-	791,016	25%	4yrs	197,754	593,262
	29,347,298	-	29,347,298			3,767,289	25,580,008

28. Taxation

	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	425,391	3,945,648
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	(3,520,257)
Income tax paid during the year	(425,391)	-
At end of the year	-	425,391

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29. Notes to the Statement of Cash Flows

	2022-2023	2021-2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	2,069,991	11,504,478
Depreciation	15,742,779	14,497,196
Exempt income	(5,331,216)	(18,585,069)
Operating profit/(loss) before working capital changes	12,481,554	7,416,605
(Increase)/decrease in inventories	391,552	(1,073,846)
(Increase)/decrease in trade and other receivables	567,919	(2,204,466)
Increase/(decrease) in trade and other payables	1,625,018	(3,842,651)
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
	2,584,488	(7,120,962)
Cash generated from/(used in) operations	9,897,066	14,537,567
(b) Analysis of changes in loans		

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Balance at beginning of the year	13,344,063	13,344,063
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	13,344,063	13,344,063
(c) Analysis of cash and cash equivalents		
Short term deposits		-
Cash at bank	17,582,843	18,245,040
Cash in hand		-
Balance at end of the year	17,582,843	18,245,040
		2021-2022
		Kshs
(b) Analysis of interest paid		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-
(c) Analysis of dividend paid		

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Balance at beginning of the year	-	-
2019 dividends paid	-	-
2020 dividends paid	-	-
2021 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

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Other Disclosures

30. Related Party Disclosures

County Government of Murang'a

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

Other related parties include:

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

Transactions with related parties

	2022-2023	2021-2022
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	136,250	468,650
Water sales to county government agencies	1,555,110	3,205,964
Total	1,691,360	3,674,614
b) Payment from related parties		
Purchases of electricity from KPLC	184,531	190,290
Levies paid to Wasreb	3,262,601	2,772,023
Levies paid to WRA	720,000	720,000
Levies arrears to TWWDA	1,200,000	1,200,000
Total	5,367,132	4,882,313
b) Grants from the Government		
Capital Grants From Government Entities(AWWDA)	1,000,000	1,000,000
Recurrent/Operational Grants from other agencies(Liquidity Support Grant-WSTF)	-	18,622,440

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Capital Grants From Other Agencies(Liquidity Support Grant-WSTF)	-	2,300,000
Capital Grants Amortized	3,767,290	4,343,141
Total	4,767,290	26,265,581
e) Expenses incurred on behalf of related party		
Payments of salaries and wages for Management employees	7,401,220	13,248,905
Total	7,401,220	13,248,905
d) Key management compensation		
Directors' emoluments	3,376,619	2,250,168
Compensation to key management	-	-
Total	3,376,619	2,250,168

31. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

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Notes to the financial statements (continued)

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	43,252,791	14,281,503	28,971,288	-
Other Receivables	9,698,452	297,497	9,400,955	
Bank balances	17,582,843	17,582,843	-	-
Total	70,534,086	32,161,843.40	38,372,243	-
At 30 June 2022(previous Year)				
Receivables	43,578,227	12,301,143	31,277,084	-
Other Receivables	9,673,539	272,584	9,400,955	-
Bank balances	18,245,040	18,245,040	-	-
Total	71,496,805	30,818,767	40,678,038	-

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Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	1,263,571	2,467,190	10,012,864	13,743,625
Current portion of borrowings	-	-	9,160,995	9,160,995
Employee benefit obligation		1,137,967	615,725	1,753,692
Other Payables	-	-	312,067	312,067
Total	1,263,571	3,605,157	20,101,651	24,970,379
At 30 June 2022				
Trade payables	2,052,679	481,440	12,009,222	14,543,341
Current portion of borrowings	-	-	5,922,865	5,922,865
Employee benefit obligation	-	499,544	359,627	859,171
Other Payables	-	-	407,279	407,279
Total	2,052,679	980,984	18,698,993	21,732,656

(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) Interest rate risk

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises from interest rate movements on the company's deposits.

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

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Notes to the financial statements (continued)

ii) Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iii) Capital Risk Management

The objective of the Company's capital risk management is to safeguard the Board's ability to continue as a going concern. The Company's capital structure comprises of the following funds:

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	30,407,408	30,407,408
Retained earnings	25,135,417	28,937,940
Capital reserve	1,988,918	1,988,918
Total funds	57,531,743	61,334,266
Total borrowings	13,344,063	13,344,063
Less: cash and bank balances	(17,582,843)	(18,245,040)
Net debt/ (excess cash and cash equivalents)	(4,238,780)	(4,900,977)
Gearing	23.19	21.76

32. Incorporation

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

33. Events after the Reporting Period

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

34. Disclosures

During the year the company made a restatement of balance sheet whereby depreciation of land had been made erroneously.

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3.0	Trade and Other Receivables However, the company appear not to have proper debt collection policy and the accumulation of receivables might affect the long-term sustainability of the Company. Also, the management should adequately provide for bad debts.	The company has established a debt control office with an intention to reduce the cumulative debts over the years. We have commenced the process of aging of debtors with an ultimate goal to do a specific provision of debtors and also to further escalate to recommendation of debtors write off. Some of these debtors were inherited from the National water and Pipeline Company when they were handing over to companies. We are in the process of identifying their existence on the ground so that appropriate recommendations can be done	Not Resolved	30/06/2024
4.0	Long term Loan The statement of Financial Position reflects an amount of Kshs. 13,344,063 which relates to ADB Loan. However, a review of	The ADB loan from a facility was advanced to Tana Water Works Development Agency (TWWDA) which was the principal at that time. After the completion of the treatment works the loan was apportioned between Murang'a south water and Sanitation Company and Kahuti Water and Sanitation	Not Resolved	30/06/2024

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Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	documents availed for audit revealed that the Company had only repaid an amount of Kshs. 507,960 resulting to an unrepaid amount of Kshs. 13,344,063.	Company with an agreement of how to benefit from the said treatment works. As time went by it was found that the treatment work could not serve Kawasco optimally and therefore the company wrote to Tana Water for the reconsideration or redesigning of the treatment so that we can benefit fully. Tana water have not yet fully resolved the issue and we are following up with them to have them allocate the loan to the other company that is wholly utilizing the treatment works		
4.0	<u>Non-Revenue Water</u> The UN accounted for water of 64.5 % is 38.59% above the allowable loss of 25% set by Water Services Regulatory Board (WASREB) Guidelines and is not acceptable.	Several intervention measures have been putting place to reduce NRW	Not resolved	Continuous Process
5.0	Water Tariffs Used	We have done several	Not resolved	30/06/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	to Bill Customers	reminders to the County Government of Murang'a to give us a go ahead so that Wasreb would approve our tariffs We have also sought for a sitting with the County Executive Committee Member for water to raise the issues in an attempt to convince them get the necessary letter of no objection		
6.0	Staff Diversity Ethnic	As a company we are committed to ensuring that the balance is achieved. We will strive in all our recruitment to ensure that we strive to achieve this. We will continue following up on subsequent recruitment to make our job openings reach everybody. "The company remain an equal opportunity employer without any biasness	Not resolved	Continuous Process

Name *Ephantus Kamau*
 Signature *[Signature]*
 Managing Director
 Date *29/12/2023*