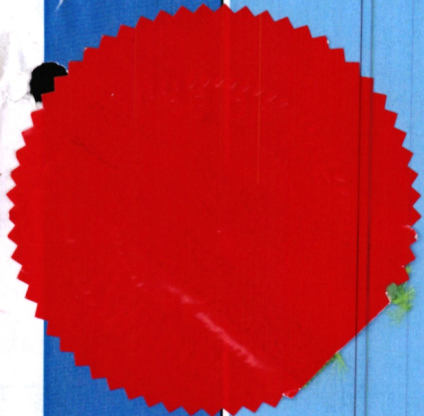


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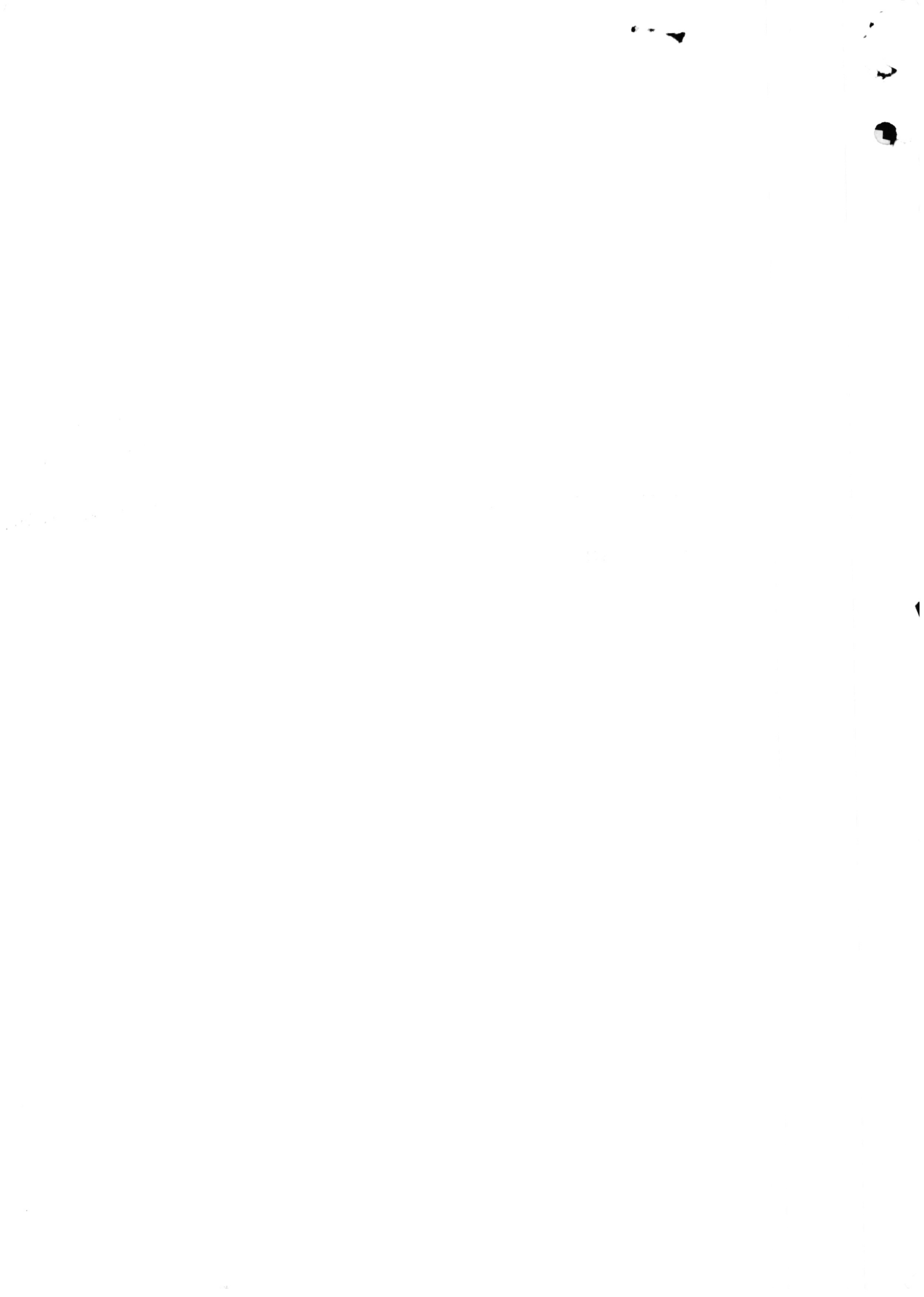
OF

THE AUDITOR-GENERAL

ON

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

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





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

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

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I. Key Entity Information

Background information

The Murang'a South Water and Sanitation Company Ltd was incorporated on 23rd May 2008 under the Companies Act, Cap 486 of the laws of Kenya, and is domiciled in Kenya and our legislation is the Articles and Memorandum of association. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company.

Principal Activities

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

Vision;

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

Mission;

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

Mandate;

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

Directors

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

	Name	Designation	Appointed on:
i.	Mr. Julius K. Manyeki	Chairman	29 th March 2018
ii.	Mr. Mathew Chege	Director	29 th March 2018
iii.	Ms. Nancy Muhoro	Director	9 th December 2016
iv.	Ms. Mary Mwai	Director	28 th June 2019
v.	Mr. John Kiiru	Director	28 th June 2019
vi.	Ms. Mary Nyaga	Managing Director	
vii.	AWWDA- Principal	CEO Representative	
viii.	Ms. Beatrice Gicheha	Representing County Government	

Corporate Secretary

Gikuhi Kiana & Company
Certified Public Secretaries
P.O. BOX 1271-10100
Nyeri, Kenya

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Registered Office

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

Corporate Contacts

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

Corporate Bankers

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

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

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

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

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

Independent Auditors





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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II. The Board of Directors

Ref	Directors	Details
1.	 <p>Julius K. Manyeki (BOD Chairman) Year of Birth:1956</p>	<p>He was appointed on 29th March 2018 as a non-executive director representing the business community. He is a business man with interests in energy sector. He has vast experience in both public and private sectors and has been contributing immensely to the community, also he is a Board chair and member of various institutions. He holds a degree in Bachelor of Commerce and is pursuing Master's degree in Business Administration.</p>
2.	 <p>Mathew Chege (Technical Committee Chair) Year of Birth:1966</p>	<p>He was appointed in on 29th March 2018 as a non-executive director representing farmers. He is a professionally trained teacher with over thirty years' experience. He holds a Masters of Education Planning Management & Administration and a Degree in Bachelors of Education</p>
3.	 <p>Nancy Muhoro (Finance Committee Chair) Year of Birth:1975</p>	<p>She was appointed on 9th December 2016 as a non-executive director representing Religious organisations. She holds a Diploma in Community Development. She has worked with several NGO's. She is an established leader and is involved in various social and local development initiatives.</p>
4.	 <p>Beatrice Gicheha (Director – Representing Murang'a County Government)</p>	<p>She was appointed in as a non-executive director representing the Office of the Governor of the County Government of Murang'a. She holds a Bachelor's Degree in Education. She is currently the Sub-County administrator.</p>

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	 Mary Mwai (Audit & Risk Committee Chair) Year of Birth:1956	She was appointed on 28 th June 2019 as a non-executive director representing women. She holds a Certificate in Strategic Planning and Management of Projects. She has also engaged herself in voluntary paralegal & community work and is a respected opinion leader in the community.
5.	 John Kiiru (Director) Year of Birth:1960	He was appointed on 28 th June 2019 as a non-executive director representing Professional bodies. He is a professionally trained teacher with over thirty years' experience. He holds a Bachelor Degree of Counselling and Psychology and a Diploma in Education Management.
6.	 Richard K. Gikuhi (Company Secretary) Year of Birth:1952	He is the company secretary and has Master's degree in Business Administration from Moi University and Certified Public Secretary with a wide range of experience in Corporate Governance and management of over forty years. He is an accomplished leader and a fellow of the Institute of Certified Public secretaries of Kenya and a member of the Kenya Institute of Management
7.	 Mary Gathoni (Managing Director – Secretary to the BOD) Year of Birth:1958	She is the current Managing Director of Murang'a South Water & sanitation Company since 2008. She has huge experience in Water sector and previously worked in the Ministry of water and irrigation. She is a water engineer and holds a Diploma in Water engineering and a Masters in BBA (Entrepreneurship)

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
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III. Management Team

Name & Passport size photo	Area of Responsibility & Key Professional/Academic Qualification,
 <p>Mary Gathoni Nyaga</p>	<p>Managing Director</p> <p>BBA (Entrepreneurship) Dip. Water Engineering (KEWI)</p>
 <p>CPA Paniel Mbogo Munyi</p>	<p>Internal Audit Manager</p> <p>CPA (K), Dip. Project Management (KIM) B.COM (Finance Option)-KCA</p>
 <p>Macharia Wanjiku</p>	<p>Technical Services Manager</p> <p>B.S.C(Water & Environmental Engineering)-Egerton University</p>
 <p>CPA Tabitha Waithera Nderitu</p>	<p>Finance Manger</p> <p>Bachelor of Commerce (Finance Option)-Mount Kenya University. Certified Public Accountant (K)</p>
 <p>Lucas Maina Wango'ndu</p>	<p>Commercial Services Manager</p> <p>Bachelor of Commerce (Finance Option)-Mount Kenya University. ACCA Level 2</p>
 <p>Richard K. Gikuhi</p>	<p>Company Secretary</p> <p>Master's degree in Business Administration from Moi University and Certified Public Secretary</p>

IV. Chairman's Statement

It is my great honour to release the annual report and financial statements for the year ended 30th June 2022. We have made significant strides towards achieving availability, accessibility and sustainable management of water and sanitation services in our service area. We have seen another year of improved revenue growth and have made significant progress towards our service delivery in both the level and sustainability of growth. This was achieved through implementation of various projects, continued rehabilitations of various service lines and maintenance of our water systems and lines.

Achievements

- The Makutano Water and sewerage project works are ongoing, valued at a cost of Ksh. 689,651,517 fully funded by the National government which entails laying down of 19km 200mm & 160mm diameter Hdpe pipes from Kangari water supply-Githumu-Gitaimbuka, laying of 30km Hdpe pipes from Kenol water supply –Mareira-Kagunduini and construction of Kenol sewerage with treatment works at Delmonte downstream of Mitumbiri. This will help increase our water coverage, sewerage coverage and increase in revenue collections.
- Ongoing construction works of Kitui and Matuu towns last mile connectivity of water and sanitation works in TWWDA & AWWDA at a cost of Ksh. 158,328,956. Entails laying down of 38kms 400mm,355mm & 225mm Hdpe pipes from Kinyona intake-Kinyona treatment works –Mareira tank-Karimamwaro shopping centre and 30kms distribution lines of assorted pipe sizes between 110mm-63mm diameter. This will increase our water coverage area and revenues.
- Construction of Murang'a south last mile connectivity water project by TWWDA at a cost of Ksh. 26,853,325 which entails laying down of 6km transmission mainline of 160mm diameter with fittings from Ngaburi-Karuri area. The project has also provision for laying about 2Km of 63mm diameter within Sabasaba town. This will help increase our water coverage and increase the revenue collections in Sabasaba town
- Ongoing construction of Maragua water and irrigation project by ministry of water and irrigation at a cost of Ksh. 889,352,840. This entails construction of a 15m high dam wall of capacity 800,000m³, water treatment plant of capacity 8000/m³ at Gakoigo,15kms raw water transmission mains and distribution lines. This will be a major boost to our water coverage areas. The works currently stands at 95% completion.
- Drilling and rehabilitation of boreholes have been undertaken such as Gatumbo BH, Riandegwa BH, Ngararia BH, Mangoto BH, Muiri-ini BH, etc funded by AWWDA.
- Ongoing boreholes works for Kaburugi BH, Wempa BH and Senior chief Gichohi. They are expected to enable water supply to the deserving specific areas.
- Construction and activation of Public Sanitation Facilities in Kabati, Kambiti, Maragua and Kamahuha. This was implementation under the support of the WSTF at Ksh. 29,838,429.7
- Construction of Decentralized Treatment Facility of capacity 50m³/day by Water Sector Trust Fund in Sabasaba town which is at 33% completion. This is under the implementation and will cost Ksh. 10,725,103. The project is aimed at ensuring proper sanitation within the Sabasaba town.

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

- Implementation of the third strategic plan running from July 2021 to June 2026 forming roadmap to achieving our vision, mission and core values and was developed with the Country's development agenda in mind as envisioned in various policy documents.

We have continued to implement ambitious projects and improve operational efficiency in line with our mission to provide quality, affordable, reliable, and sustainable water and sanitation services by meeting and exceeding customers' and stakeholders expectations.

Challenges

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

- Delayed implementation of projects by contracted parties i.e contractors e.g. implementation of Kitui-Matuu project and Kaburugi borehole. This has led to delayed service delivery to the residents and affected the revenue projections of the company.
- Increased operational cost attributed to low tariff and escalation of cost of operational materials due to inflation. This has led to increased creditors from our suppliers to an extent that the company is not supplied by the required materials on time due to the accrued debt.
- Encroachment of area of jurisdiction by other WSP. This is affecting the service delivery to the residents as there are reported cases of water quality sabotage leading to unsatisfied services and also affecting the staff morale in cognition of the investments laid down in terms of resources and human capital.
- Low water coverage and High levels of NRW. The performance of Muswasco as per Wasreb Impact Report is highly affected by the water coverage parameter. Currently, the WSP Water coverage is at 54% while benchmark is 80%. This is due to the required investment capital in terms of resource development which will lead to increased water coverage and water supply levels. Additionally, despite the WSP efforts to reduce the NRW, the status is not yet to per as the levels are still high. This is attributed to the dilapidated infrastructure, aged meters and rationing of water which increases chances of air lock in pipelines which leads to bursts and leakages.

Way forward

In order to alleviate the above challenges, the Board of directors commit to assist the management in the following ways;

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
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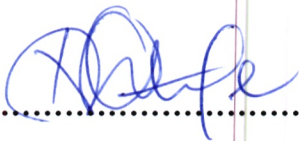
- Follow up with the project financiers/implementers to assist in fast-tracking of the ongoing projects which will enable service delivery to the targeted areas which will in turn boost to the WSP revenues.
- The Board of Directors will engage WASREB and County Government for tariff review which will enable the company to be meet the financial obligation.
- The Board of Directors will engage the WASREB, County Government and MOWI in clear definition and demarcation of the sevice area in terms of MUSWASCO area of jurisdiction as per the issued Wasreb License.
- The Board of Directors will continue with mobilization for funds from the development partners with the aim of increasing the water coverage and reducing NRW. Allocation of funds towards the NRW reduction plans as prepared by management and as approved by the Board will also be given the priority.

Conclusion

I wish to sincerely appreciate the Board of Directors, management and staff for their contribution, dedication and excellence, the stakeholders for holding us accountable, our business partners County Government of Murang'a, Athi Water Works Development Agency (AWWDA), Water Services Regulatory Board (WASREB), Water Sector Trust Fund (WSTF), CDF, Ministry of Water, Sanitation and Irrigation (MoWSI) for your immeasurable support.

Not disregarding our suppliers and our esteemed customers for continued support and patience with us.

I look forward with confidence to your continued cooperation and support in the year ahead. God bless you all.



.....
Julius K. Manyeki
CHAIRMAN, Board of Directors

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

V. Report of the Managing Director

Consistent, dedicated, determined, steady, unfaltering describes Murangá South Water and Sanitation Company's journey in the year ended June 2022. It is my pleasure to present an overview of the company's operational performance highlighting our strategic priorities geared towards achieving efficiency in service delivery whilst ensuring sustainable business growth. Our quest to enhance the water distribution network and sanitation services in our area of jurisdiction has led to immediate and long term interventions including but not limited to; last mile water extensions to new customers, distributed water points in markets, launch of multiple boreholes, construction of hygienic ablution blocks in densely populated residential areas, and opening of Public Sanitation Facilities.

Performance Review

The company's operations adhered to the utility's business and strategic objectives. The FY 2021-2022 achievements and challenges are outlined herein.

Achievements

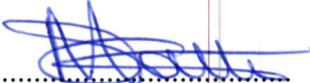
- Automated Real-time Performance Monitoring and Appraisal Tool.
Introduction of the real-time performance monitoring application has positively impacted the company overall performance. This is unlike the previous performance monitoring and appraisal process where employee's performance was being evaluated on quarterly basis without reference measurable Key Performance indicators.
- Employees Training and Adoption to technology.
The commercial department has conducted continuous on the job training for the billing software upgrade to ensure that each and every user understands his role and can execute it efficiently and effectively.
- Commencement of water bowser services to address the water shortage for high consumers.
- Performance management and staff capacity building through trainings was enhanced thus improving staff productivity.
- Awarded with a two-year interim license by Water Services Regulatory Board.
- Improved performance as evidenced in number of connections to 37,956, volume billed to 3,303,533 M³ and billing in Kenyan Shillings to 193 million.

Challenges.

- High demand for water upstream due to population growth has led to stringent rationing programs downstream hence insufficient water supply to customers. Areas adversely affected are Kenol, Sabasaba and Kamahuha.
- Ongoing and stalled road construction works have adversely affected billing by reducing the number of billable customers.
- The company is still faced with high levels of NRW that has been contributed by bursts due to high pressures from bulk water into our dilapidated infrastructure, illegal connections/water theft.
- High operational costs caused by operations and maintenance of dilapidated infrastructure, chemicals that are now funded internally after devolution, low tariff coupled with inflation.
- Culture of our customers that is delay in payments of their water bills hence affecting the normal running of our operations.
- Low tariffs which does not meet full cost recovery.

Appreciation

I take this opportunity to express my gratitude to the Board of Directors for their undeniable support and strategic input, the Corporate Management Team and MUSWASCO staff for their hard work and commitment, AWWDA, WSTF for their contribution and support both in cash and in kind, Murangá County Government, CDF, DWO'S from the three sub-counties of Kandara, Kigumo, and Murang'a South (Maragua) for their continued support. Most significantly the consumers of our services and suppliers who supported us throughout the year. We forge forward as we work towards achieving full access to clean water and sanitation services for all in our area of coverage.



.....
Mary Nyaga
Managing Director

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
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VI. Statement of Performance Against Predetermined Objectives for FY 2021/2022

MUSWASCO has four strategic pillars within its strategic plan ie: provision of quality, affordable, reliable and sustainable water and sanitation services by meeting and exceeding customer and stakeholders' expectations.

Its strategic objectives within the current strategic plan are as follows:

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

MUSWASCO develops its annual work plans based on the above four pillars as outlined on a five-year strategic plan FY 2021/2022 to FY 2025/2026. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the year FY 2021/2022 period for its strategic pillars, as indicated in the table below;

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
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	Project Name	/Status/Progress	Cost (Ksh. Million)	Beneficiaries (Pop)	Result area
A	Project				
1	Makutano water and sewerage project	Water project, Ongoing at 65%	689,651,517.67	28,456	Increase water supply and sanitation
2	Kinyona-Karimamwaro Project	Water project, Ongoing at 58%	136,490,480.38	18,654	Increase water supply, increased coverage and increased new connections
3	Maragua Dam Project	Water project, Ongoing at 90%	889,352,840.60	15,800	Increased water supply, connections and coverage
4	Public Sanitation Facilities and Water kiosks in Muswasco	Sanitation project Complete	29,838,429.70		Increase water supply and sanitation
5	Installation of Ngararia -Kahaini Pipeline under WSP	Water project, Complete	2,086,500.00	450	Increased connections
	Sub totals		1,747,419,768.35	34,904	
B	Boreholes (9no)				
1	Muiri-ini borehole	Complete	10,562,500.00	325	Increased water supply connections
2	Ngararia Borehole	Complete	10,450,000.00	208	Increased water supply connections
3	Nguthuru Borehole	Complete	10,450,000.00	168	Increased water supply connections
4	Gatumbo borehole	Complete	10,787,500.00	105	Increased water supply connections
5	Manjuu Borehole	Complete	10,675,000.00	160	Increased water supply connections
6	Riadegwa Borehole	Complete	10,225,000.00	162	Increased water supply connections
7	Gitare Borehole	Complete	10,675,000.00	40	Increased water supply connections
8	Karimamwaro Borehole	Complete	10,675,000.00	98	Increased water supply connections
9	Kagurumo Borehole	Complete	10,675,000.00	125	Increased water supply connections

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
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	Sub totals for boreholes		95,175,000.00	1,391	
	TOTAL INVESTMENT		1,842,594,768.35	36,295	

VII. Corporate Governance Statement

Approach to Corporate Governance

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

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

Functions and Responsibilities of the Board of Directors

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

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

Board Composition and Succession

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

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

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

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
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Director Orientation

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

Board Committees and Meetings

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

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

- Technical Committee
- Finance & Administration Committee
- Audit Committee.

In the financial year 2021/2022, the BOD attended 4 Finance and Admin Committee meetings, 4 Technical Committee meetings, 4 Audit, Governance and Risk Committee meetings and 4 full board meetings.

In Q1 reporting period, the BOD committees convened from 8th September 2021 to 14th September 2021 and the Full Board held on 24th September 2021. In Q2 reporting period, the committees convened from 7th December 2021 to 9th December 2021 and the Full Board held on 17th December 2021. In Q3 reporting period, the committees convened from 7th March 2022 to 11th March 2022 and the Full Board held on 18th March 2022. In Q4 reporting period, the committees convened from 10th May 2022 to 12th May 2022 and the Full Board held on 20th May 2022.

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

VIII. Management Discussion and Analysis

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

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

The company also has 156 hardworking and committed staff who operate on the 13 schemes the company has within Murang'a South area. The staff are employed under permanent and pensionable basis.

In addition, the management is committed to ensure the company complies with statutory obligations such as payment of PAYE, NHIF, NSSF and taxes are compiled to on monthly basis.

During the year the company has continued to be hit by effects of political interference which hindered implementation of a new Tariff approved by WASREB, hence making it difficult for the company to meet most of its operation and maintenance costs.

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
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IX. Environmental and Sustainability Reporting

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

i) Sustainability strategy and profile –

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

ii) Environmental performance

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

iii) Employee welfare

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

iv) Market place practices-

(a) Responsible competition practice

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

(b) Responsible supply chain and supplier relations

The company has a one-year contract with our suppliers who underwent tender evaluation process FY 2021/2022 under procurement act laws. Payment terms with our suppliers is on credit term basis and payment is made upon delivery of all goods requested. In case of part payments or delayed payments, the company enters into a part payment agreement with the supplier on a reasonable agreed monthly commitment payment structure.

(c) Responsible marketing and advertisement

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

(d) Product stewardship

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

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

v) Corporate Social Responsibility / Community Engagements

We, at MUSWASCO are committed to providing reliable water supply services in the best interest of our esteemed customers and to continually improve quality standards in all aspects of our services to the satisfaction of our customers and stakeholders.

Besides striving to fulfil our primary mandate, the Company implemented its Corporate Social Responsibility agenda for FY 2021/22 by partnering with charitable organizations/institutions involved in undertaking targeted interventions that empower communities' social welfare and development causes.

Touching Lives:

The company was involved in a support food program for people with disability where a contribution was made towards a kitty aimed at improving their livelihood Murang'a county.

The company also connected free water to two disabled customers from the service line to their homestead in Kagundu-ini and Muthithi by purchasing water fittings and meters.

The Company waived existing huge water bills for two underprivileged consumers in Kinyona worth Ksh. 78,100 and Ksh. 10,000 respectively.

Implemented a social connection policy in Kamahuha area by employing monthly part payment plans for new connections.

Muswasco is committed to ensure CSR is run efficiently and effectively and that community activities driven by commercial gain are separate from those that principally target to benefit the community.

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

X. Report of the Directors

The directors submit their report together with the draft financial statements for the year ended June 30, 2022 which disclose the state of affairs of the company.

Incorporation

The company is incorporated in Kenya under the Kenyan Companies Act CAP 486 of the laws of Kenya, and is domiciled in Kenya. The address of the registered office is set out on page iii.

i) Principal activities

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

ii) Results

The net surplus for the year was Ksh. 7,549,501. The directors do not recommend the declaration of dividend.

iii) Dividends

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

iv) Directors

The directors who held office during the year and to the date of this report are set out on the page iv to v.

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Name.....MARY MTHAGA.....

Signature..........

Date.....19/12/2022.....

Corporate Secretary/Secretary to the Board

XI. Statement of Directors' Responsibilities

Section 15 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of Murang'a South Water & Sanitation Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for the year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of Murang'a South Water & Sanitation Company.

The Directors are responsible for the preparation and presentation of the Murang'a South Water & Sanitation Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

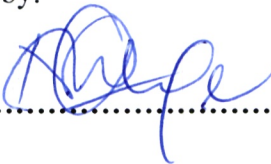
The Directors accept responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Company financial statements give a true and fair view of the state of Company transactions during the financial year ended June 30, 2022, and of the Company financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company financial statements as well as the adequacy of the systems of internal financial control.


Nothing has come to the attention of the Directors to indicate that Murang'a South Water & Sanitation Company will not remain a going concern for at least the next twelve months from the date of this statement.

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

Approval of the financial statements

The company financial statements were approved by the Board on 19/12/ 2022 and signed on its behalf by:

Signature.....

Signature.....

Name JULIUS MANTEKE.....

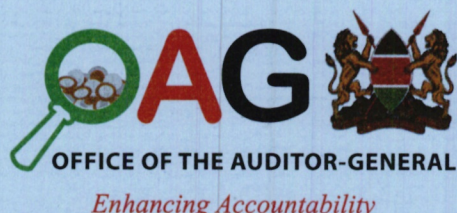
Name MARY NJAGA.....

Chairperson of the Board

Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a South Water and Sanitation Company Limited set out on pages 1 to 69, which comprise of the statement

Report of the Auditor-General on Murang'a South Water and Sanitation Company Limited for the year ended 30 June, 2022

of financial position as at 30 June, 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Murang'a South Water and Sanitation Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Long outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.94, 550,828 which as disclosed in Note 29 to the financial statements includes trade receivables balance of Kshs.73,545,823. However, as previously reported, the latter balance includes water sales receivables amounting to Kshs.56,763,840 relating to the financial year 2020/2021 and earlier years. Further, included in trade and other receivable balance are VAT receivables balance of Kshs.22,717,071 which have been outstanding for a considerable long period without efforts to recover them. In addition, although recoverability of these debts is uncertain, the provision of Kshs.7,354,582 made in the financial statements appears inadequate. Also, the amount reported as net trade and other receivables is overstated by Kshs.775,751 created by casting error.

In the circumstances, the accuracy and recoverability of reported trade and other receivables amount of Kshs.94, 550,828 as at 30 June, 2022 could not be confirmed.

2.0 Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.88,294,256 which, as disclosed in Note 42 to financial statements, includes trade payable balance of Kshs.66,229,151 out of which an amount of Kshs.43,466,219 in respect to Tana Water Services Board, Water Services Regulatory Board and Water Resource Authority relates to financial year 2020/2021 and earlier years which have not been cleared. Further, it is not clear why the Company has continued to classify the unpaid amounts for financial year 2020/2021 and earlier years under current liabilities. Further, the Company may end up additional expenditure due to litigations, fine, penalties and interest which may avoided if the Company's obligations were met as they fall due.

In the circumstance, the validity and accuracy of reported trade and other receivable balance Kshs.88,294,256 as at 30 June, 2022 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 South Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Issues

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

Other Information

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Staff Ethnic Composition

As previously reported, review of the Company's staff records for the year under review revealed that it had one hundred and fifty-six (156) staff out of which one hundred and forty three (143) or 92% of the total number were members from one dominant ethnic community. This is contrary to Section 65(e) of the County Governments Act, 2012 which requires the County Governments to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the county.

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

2.0. Personnel Cost in Excess of the Recommended Threshold

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.95,255,790 representing approximately 37% of the total expenditure of Kshs.256,162,084 for the year ended 30 June, 2022. However, as previously reported, this ratio is higher than the recommended limit of 35% for large companies where the water service provider has been categorized as recommended by Section 3.9(10) of Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018.

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

3.0. Failure to update Water Tariff Structure

Review of the customer tariffs charged by the company for the year under review revealed that they were approved by Water Services Regulatory Board (WASREB) and gazetted through Kenya Gazette notice Number 11788 on 17 August, 2012 for the financial year 2012/2013 and 2013/2014. However, the tariffs have since not been adjusted contrary to provisions of section 4.2 of WASREB tariff guidelines which require that the Water Service Providers (WSPs) shall develop the Tariff Adjustment proposal in collaboration with the Water Services Board (WSB). When the WSB is satisfied that the Tariff Adjustment proposal has been prepared in accordance with these Tariff Guidelines, the WSB shall submit the Tariff Adjustment proposal to the Regulatory Board for analysis and approval.

In the circumstances, the tariffs levied by the Company may negatively impact on the Company's profitability and sustainability of services if not updated. In addition, Management was in breach of the law.

4.0. High Non-Revenue Water Threshold

During the financial year under review, the Company produced a total of 6,120,275 cubic meters (M³) of water out of which only 3,250,753 M³ was billed (sold). The resulting

difference of 2,869,522 M³ on total volume of water produced or approximately 46.89% represents Non-Revenue Water (NRW), which is 21.89% over and above the allowable water loss threshold of 25% as per the Water Service Regulatory Board guidelines.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

requirements of the Companies Act, 2015 and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 February, 2023

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

XIII. Statement of Profit or Loss & Other Comprehensive Income for The Year Ended 30 June 2022.

		2021 /2022	2020 /2021
	Note	Ksh.	Ksh.
Revenue			
Operating Revenue	6	200,077,305	185,901,229
Grants Income	7	37,988,575	42,743,308
Other Income	8	25,482,767	*4,529,063
Finance Income	9	162,938	127,863
Other gains/(losses)	10	-	-
Total Revenue		263,711,585	233,301,463
Expenses			
Staff Costs	11	95,255,790	86,258,336
General and Operations expenses	12	84,263,303	**59,260,751
Board Expenses	13	2,698,704	1,635,100
Maintenance Expenses	14	61,511,711	***68,145,444
Depreciation and Amortization Expenses	15	8,868,049	****6,621,140
Finance Costs	16	3,564,527	7,846,962
Total Expenses		256,162,084	229,767,734
Profit/(Loss) before taxation		7,549,501	3,533,730

Narrative:

*The figure for other income prior year has been reinstated to include Ksh. 1,316,915 for meter accessories and water fittings that was previously misstated under operating expenses with a negative balance.

** The figure for Operating and administrative expenses prior year has been reinstated to include administrative expenses, legal & professional expenses, chemicals & treatment and is now classified as General and Operations expenses to comply with the new reporting template.

*** The figure for direct costs prior year has been classified to maintenance expenses and operations expenses to comply with the new reporting template.

**** The figure for depreciation and amortization expenses has been introduced hence reinstated from operating expenses prior year to comply with the new reporting template.

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

XIV. Statement of Financial Position as at 30 June 2022

	Note	2021-2022	2020-2021
		Ksh	Ksh
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	180,744,098	182,525,818
Intangible assets	21	1,847,300	2,639,000
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological Assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
Total Non-Current Assets		182,591,398	185,164,818
Current Assets			
Inventories	28	1,634,599	1,782,648
Trade and receivable	29	94,550,828	91,430,805
Tax recoverable	30	-	-
Short-term deposits	31	-	-
Bank and cash balances	32	6,717,018	8,035,776
Total Current Assets		102,902,445	101,249,228
Total Assets		285,493,843	286,414,047
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	33	-	-
Revaluation reserve	34	-	-
Fair value adjustment reserve	35	-	-
Retained earnings	36	2,049,293	2,760,630
Capital and Reserves		2,049,293	2,760,630
Non-Current Liabilities			
Deferred Income	44	121,759,270	122,768,565
Borrowings	38	1,583,302	10,315,129
Lease Liability	39	-	-
Provisions	40	-	-
Retirement Benefits	41	-	-
Total Non-Current Liabilities		123,342,572	133,083,694

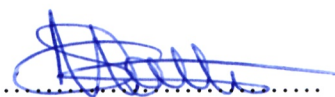
MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

Current Liabilities			
Borrowings	38	14,177,375	15,548,912
Lease Liability	39	-	-
Provisions	40	-	-
Retirement benefit obligations	41	-	-
Trade and other payables	42	88,294,256	*82,226,401
Customer Deposits	43	57,630,347	52,794,410
Dividends payable	45	-	-
Taxation	46	-	-
Total Current Liabilities		160,101,978	150,569,723
TOTAL EQUITY AND LIABILITIES		285,493,843	286,414,047

Narrative:


*The figure for trade and other payables prior year has been reinstated to classify customer deposits separately to adopt the new reporting template.

The financial statements were approved by the Board on 19/12/ 2022 and signed on its behalf by:



Name **MARY NYAGA**

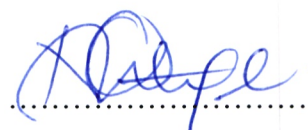
Managing Director



Name **TABITHA MDERITU**

Head of Finance

ICPAK M/No: 1769D



Name **JULIUS MAMYEKI**

Chairman of the Board

XV. Statement of Changes in Equity for The Year Ended 30 June 2022

	Capital Reserves Ksh.	Retained earnings Ksh.	Total Ksh.
Changes in equity in 2020/2021			
As previously reported			
At 1st July 2020	10,791,181	(11,174,801)	(383,620)
Prior year adjustment	-	(389,480)	(389,480)
Profit/(loss) for the year	-	3,533,730	3,533,730
At 30th June 2021	10,791,181	(8,030,551)	2,760,630
Changes in equity in 2021/2022			
At 1st July 2021	10,791,181	(8,030,551)	2,760,630
Prior year adjustment	-	(8,260,837)	(8,260,837)
Profit/(loss) for the year	-	7,549,501	7,549,501
At 30th June 2022	10,791,181	(8,741,887)	2,049,294

Note:

1. Prior year adjustment relates to salary arrears paid relating to the previous year that was not captured in the previous year's expenses and also loan interest incurred during moratorium period that was expensed in the previous year.

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

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

		2021/ 2022	2020/ 2021
	Note	Ksh.	Ksh.
Cash flows from operating activities			
Loss before income tax		7,549,501	3,533,730
Adjustments for:			
Depreciation of property, plant and equipment	20	8,868,049	6,621,140
Retained earnings adjustment		(2,700,000)	(389,480)
Operating profit/(loss) before working capital changes		13,717,550	9,765,390
Decrease/(increase) in:			
Inventories	28	148,049	(19,287)
Trade and other receivables	29	(3,120,023)	6,556,407
Increase/(decrease) in:			
Trade and other payables	42	10,903,792	3,940,463
Deferred Income	44	(1,009,295)	45,499,256
Prior year adjustment			
Cash generated from operations		6,922,523	55,976,840
Net cash generated from operating activities		20,640,073	65,742,229
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(6,294,629)	(40,019,301)
Net cash generated used in investing activities		(6,294,629)	(40,019,301)
Cash flows from financing activities			
Borrowings	38	-	15,843,881
Repayments of loan	38	(15,664,201)	(37,420,383)
Net cash generated used in financing activities		(15,664,201)	(21,576,502)
Net (decrease)/increase in cash and cash equivalents			
		(1,318,757)	4,146,426
Cash and cash equivalents at 1st July 2021		8,035,776	3,889,350
Cash and cash equivalents at 30th June 2022	32	6,717,018	8,035,776

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
	Ksh	Ksh	Ksh	Ksh	Ksh	%
Revenue						
Operating Revenue	258,565,848	(40,378,759)	218,187,089	200,077,305	(18,109,784)	92%
Non-Operating Revenue	-	-	-	25,482,767	25,482,767	
Grants	-	34,059,583	34,059,583	37,988,575	3,928,992	112%
Finance Income	-	-	-	162,938	162,938	
Other gains	-	-	-	-	-	
Total Revenue	258,565,848	(6,319,176)	252,246,672	263,711,585	11,464,913	105%
Expenses						
Staff Costs	101,533,024	(8,000,000)	93,533,024	95,255,790	(1,722,766)	102%
Board Expenses	4,080,000	-	4,080,000	2,698,704	1,381,296	66%
General and operations Expenses	73032320	(4,268,412)	68,763,908	84,263,303	(15,499,395)	123%
Maintenance	46,586,860	11,075,388	57,662,248	61,511,711	(3,849,464)	107%
Depreciation and amortization	-	-	-	8,868,049	(8,868,049)	
Finance costs	5,268,864	(243,513)	5,025,351	3,564,527	1,460,824	71%
Total Recurrent Expenditure	230,501,068	(1,436,537)	229,064,531	256,162,084	(27,097,553)	112%
Profit or Loss	28,064,781	(4,882,639)	23,182,141	7,549,501	15,632,640	
Capital Expenditure	28,064,780.3	(4,882,639)	23,182,141	21,958,830	1,223,311	95%
Total Expenditure	258,565,848	(6,319,176)	252,246,672	278,120,914	(25,874,242)	91%

Explanations to Budget notes Variances

Operating Revenue	Various ongoing and stalled road constructions works have adversely affected billing as this leads to reduced number of billable customers as our service lines are destroyed during construction of roads before they are replaced and reinstated back.
Board Expenses	Due to non-attendance of the Principal representatives in all scheduled meetings which was already factored in the budget .
General & Operations Expenses	Due to inclusion of KENHA road compensation activities that were not factored in the budget. Secondly due to continued increments on costs of inputs within the financial year e.g. fuel, electricity, materials, printing papers etc.
Maintenance Expenses	Due to continued increments on costs of inputs like materials.
Finance Costs	Due to receipt of subsidy for principal decrease hence reduced the interest on loan.

XVIII. Notes to the Financial Statements

1. General Information

Murang'a South Water and Sanitation Company Ltd is established by and derives its authority and accountability from Companies Act, Cap 486 and Water Act 2016. The Company is wholly owned by the Murang'a County Government and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to three Sub-counties within Murang'a County namely; Murang'a South, Kandara and Kigumo Sub-counties.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or assumptions and estimates that are significant to the financial statements.

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

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

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 effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Title	Description	Effective Date
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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.

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 2022.

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting 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. Early adoption is permitted.

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

iii. Early adoption of standards

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

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established. The Company did not have dividend income.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements. The Company did not have rental income.
- vi) Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

Notes to the financial statements (continued)

Summary of Significant 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 costs of ongoing but incomplete works on buildings and other civil works and installations.

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

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

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

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.

f) Amortisation and impairment of intangible assets

Amortisation 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments

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

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

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

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

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

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

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

u) Provision for staff leave pay

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

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 16th April 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations or re-allocations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company recorded re-allocations on the 2021-2022 budget following the Board of Directors approval on 18th March 2022. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

Notes to the financial statements (continues)

x) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

Notes to the financial statements (continued)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The Company made a general provision for bad debts of 10% at the end of the financial year, without writing them off from our books.

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Notes to the financial statements (continues)

6. Operating Revenue

	2021/ 2022	2020/ 2021
	Ksh.	Ksh.
Water Sales	193,938,036	179,288,180
Connection fee	4,386,970	4,656,855
Reconnection fee	1,752,299	1,956,194
Total	200,077,305	185,901,229

7. Grants Income

	2021/ 2022	2020/ 2021
	Ksh.	Ksh.
CLSG Revenue Grant	28,286,222	37,013,656
DTF subsidy -revenue grant	-	600,658
Capital grants amortized	6,674,273	3,829,994
GOK salary grants	1,528,080	1,299,000
AWWDA- Water Lines Labour Grant	1,500,000	-
Total	37,988,575	42,743,308

Detailed analysis of grants received from the Government:

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Ksh.	Amount deferred under deferred income Ksh	Amount recognised in capital fund. Ksh	Total grant income during the year Ksh	2021-2022 Ksh
Water Sector Trust Fund	28,286,222	-	5,773,361	34,059,583	11/12/2021
Murang'a County Govt.	1,528,080	-	-	1,528,080	FY 2021/2022
AWWDA	1,500,000	-	-	1,500,000	FY 2021/2022
Amortization	6,674,273	-	-	6,674,273	FY 2021/2022
Total	37,988,575	-	5,773,361	37,988,575	

(Note: For Capital grants amortization of Ksh. 6,674,273 refers to depreciation/amortisation of the capital/development grants received from different ministries in different financial years.

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
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Notes to the financial statements (continued)

8. Other Income

	2021-2022	2020-2021
	Ksh	Ksh
Compensation from KENHA	21,347,762	3,212,138
Other Miscellaneous Income	-	10
Meter Accessories and Water Fittings	4,135,005	1,316,915
Total	25,482,767	4,529,063

9. Finance Income

	2021-2022	2020-2021
Description	Ksh	Ksh
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	162,938	127,863
Interest on staff loans	-	-
Dividends	-	-
Total	162,938	127,863

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Ksh	Ksh
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

MURANG'A SOUTH WATER AND SANITATION COMPANY LTD.
Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the financial statements (continued)

11. Staff Costs

	2021 /2022	2020 / 2021
	Ksh.	Ksh.
Staff Costs		
Gross Salary and Allowances	81,064,093	73,627,074
Casual workers' wages	6,228,871	4,969,794
Medical insurance schemes	-	-
Employer's contributions NSSF	441,600	416,000
Employer's contributions pension scheme	3,109,146	3,254,888
Leave pay	931,000	994,000
Gratuity provisions	1,953,000	1,697,580
G.O.K Salary grant	1,528,080	1,299,000
Total	95,255,790	86,258,336
The average no. of employees during the year	156	156

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Notes to the financial statements (continued)

12. General and Operations Expenses

	2021 / 2022	2020 / 2021
	Ksh.	Ksh.
Chemicals and Treatment	293,085	87,043
Electricity (Production)	3,412,314	597,123
Electricity (Lighting)	369,187	106,052
Fuels and Oils	12,857,027	10,208,749
Bulk Water Purchase-Gatanga Community	1,053,055	402,420
General office supplies-Office Tea	611,625	768,908
Staff Uniforms , protective clothing & welfare	2,338,021	4,222,707
Telephone& E-mails	4,229,233	3,759,666
Postage & courier	34,521	17,739
Insurance	2,644,973	1,431,722
Travelling & Subsistence	4,320,130	4,765,082
Staff training & development	1,142,200	811,138
Bank Charges	1,359,423	434,256
Security services	1,991,545	1,936,740
Publicity & Advertising	1,115,804	2,073,691
Audit Fees	348,000	348,000
Legal Fees	2,444,246	300,000
Consultancy Services	-	374,740
Licenses & permits	233,982	92,000
Regulatory Levy	7,925,090	7,392,043
Water Resources Levy	1,625,377	1,488,971
Corporate Social Responsibility/Donations	297,306	36,305
(Decrease)/Increase in Provision for Bad debts	527,418	(902,926)
Printing & Stationeries	3,194,201	4,438,635
Subscription (Waspa +Professional bodies)	165,800	360,250
E-Billing Services	3,977,749	3,058,717
Water Quality	1,103,968	771,950
Revenue Enhancement	1,434,658	1,281,924
Civil Works	-	832,772
Office Electrification	-	55,614
Compensation of KERRA activities	-	2,262,152
Compensation of KENHA activities	21,147,029	2,931,200
Covid -19 Mitigation expenses	633,596	1,250,950
DTF administration expenses	-	590,816
CLSG grant Covid mitigation	-	464,803

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Bowser Distribution Expenses	190,691	-
Occupational Safety and Health	15,000	208,800
Customer Satisfaction Survey	40,000	-
Employee Satisfaction Survey	111,500	-
Review of Business/Strategic Plan	1,075,550	-
Total	84,263,303	59,260,751

13. Board Expenses

Description	2021-2022	2020-2021
	Ksh	Ksh
Chairman Honoraria	-	-
Sitting allowances	1,146,000	498,000
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	1,552,704	1,137,100
Other allowances	-	-
Total Board Expenses	2,698,704	1,635,100

14. Maintenance Expenses

	2021 / 2022	2020 / 2021
	Ksh.	Ksh.
Water Lines/System Maintenance Costs	19,481,663	20,839,723
Water Lines Rehabilitation	2,185,777	4,240,135
Repairs & Maintenance-Office	355,720	491,458
Office Rehabilitation	415,580	1,201,003
Motor Vehicle/Cycle running expenses	9,407,024	9,666,952
Repairs & Maintenance of Water pumps	347,700	90,000
Repairs & Maintenance of meters/NRW	4,107,891	1,534,064
Repairs & Maintenance of chambers, Air valves	2,858,880	1,767,572
Computer repairs & Accessories	1,785,051	2,172,581
Billing Software Maintenance	348,000	354,000
Payroll Software Maintenance	137,460	179,240
Accounting Software Maintenance	243,500	371,151
Generator Maintenance	2,900	23,600
Website maintenance & hosting	100,920	98,600
CLSG Grant Interventions	18,733,645	25,115,366
AWWDA- Water Lines Maintenance Labour Grant	1,000,000	-
Total Maintenance Expenses	61,511,711	68,145,444

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15. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	Ksh	Ksh
Property, plant, and equipment	8,076,349	5,490,140
Right of Use Assets	-	-
Intangible assets	791,700	1,131,000
Investment property carried at cost	-	-
Total Depreciation and Amortization	8,868,049	6,621,140

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Notes to the financial statements (continued)

16. Finance costs

	2021-2022	2020-2021
Description	Ksh	Ksh
Interest expense on loans	3,498,753	7,719,720
Interest expense on bank overdrafts	702	8,500
Interest on lease liabilities	-	-
Others – Loan charges	65,072	118,742
Total	3,564,527	7,846,962

17. Income Tax Expense/(Credit)

Current taxation

	2021-2022	2020-2021
	Ksh	Ksh
Current taxation based on the adjusted profit for the year at 30%	2,264,850	1,060,119
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	2,264,850	1,060,119

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

	2021-2022	2020-2021
	Ksh	Ksh
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total Ksh	--	-

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Notes to the financial statements (continued)

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year.

The Company **did not** issue shares during the year.

19. Dividend Per Share

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

Notes to the financial statements (continued)

20. Property, Plant and Equipment

	Motor vehicle & motor cycles	Furniture & equipment	Equipment /water kiosks/water pumps	Water meters	Computers & related equipment	Infrastructure	Work-in-progress	Total
Cost	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh	Ksh
As at 1st July 2020	6,006,821	750,767	8,518,673	34,971,456	7,677,922	77,362,644	67,788,861	203,077,144
Additions	797,400	889,184	167,000	-	2,035,174	-	32,360,543	40,019,301
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at June 30, 2021	6,804,220	1,639,951	8,685,673	34,971,456	9,713,096	77,362,644	100,149,404	243,096,445
Depreciation								
As at 1st July 2020	4,738,758	488,385	5,680,095	23,473,452	5,119,525	11,810,273	-	51,310,487
Charge for the year	516,366	143,946	375,697	1,437,250	1,378,071	1,638,809	-	5,490,140
Impairment Loss	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-
As at 30th June 2021	5,255,124	632,330	6,055,792	24,910,703	6,497,596	13,449,082	-	56,800,627
NBV								
As at 30th June 2021	1,549,097	1,007,621	2,629,881	10,060,753	3,215,500	63,913,562	100,149,404	182,525,818
As at 30th June 2020	1,268,063	262,382	2,838,578	11,498,004	2,558,397	65,552,371	67,788,861	151,692,595

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

Notes to the financial statements (continued)

20 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Ksh	Ksh	Ksh
Land	-	-	-
Buildings	-	-	-
Equipment, machinery, pumps	8,765,873	6,394,552	2,371,321
Motor vehicles, including motorcycles	19,914,220	8,919,898	10,994,323
Computers and related equipment	10,122,496	7,585,066	2,537,430
Office equipment, furniture, and fittings	1,671,619	762,242	909,378
Water Meters	34,971,456	26,168,297	8,803,159
Infrastructure	77,362,644	15,046,921	62,315,723
Work in progress	92,812,765	-	92,812,765
	245,621,074	64,876,975	180,744,098

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Notes to the financial statements (continued)

21. Intangible Assets

	2021-2022	2020-2021
	Ksh	Ksh
COST		
At July 1	3,770,000	-
Additions	-	3,770,000
Disposals	-	-
At June 30	3,770,000	3,770,000
AMORTISATION		
At July 1	1,131,000	-
Charge for the year	791,700	1,131,000
Disposals	-	-
Impairment loss	-	-
At June 30	(1,922,700)	(1,131,000)
NET BOOK VALUE		
At June 30	1,847,300	2,639,000

[Intangible assets constitutes of computer soft wares]

22. Investment Property

	2021-2022	2020-2021
	Ksh	Ksh
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-
DEPRECIATION (IF AT COST)		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	-	-
NET BOOK VALUE		
At June 30	-	-

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Notes to the financial statements (continued)

23. Right-of-use assets

	Buildings	Plant	Equipment	Total
	Ksh	Ksh	Ksh	Ksh
Cost				
As at 1 July 2020	-	-	-	-
Additions	-	-	-	-
As at 30 June 2021	-	-	-	-
Additions	-	-	-	-
As at 30 June 2022	=	=	=	=
Accumulated Depreciation				
As at 1 July 2020	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2021	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2022	=	=	=	=
Carrying Amount				
As at 30 June 2021	=	=	=	=
As at 30 June 2022	=	=	=	=

24. Biological Assets

	2021-2022	2020-2021
	Ksh	Ksh
Cattle	-	-
Trees	-	-
Others (Specify)	-	-
Total	-	-

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Notes to the financial statements (continued)

25. Fixed Interest Investments (Bonds)

	2021-2022	2020-2021
	Ksh	Ksh
Central Bank of Kenya 12.5% 15-Year Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
Total	-	-

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

Details	2021-2022	2020-2021
	Ksh	Ksh
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Balance at 30 June	-	-

26. Quoted Investments

	2021-2022	2020-2021
	Ksh	Ksh
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-

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Notes to the financial statements (continued)

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

27. Unquoted Investments

	2021-2022	2020-2021
	Ksh	Ksh
COST		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	-	-
IMPAIRMENT		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	-	-
NET BOOK VALUE	-	-

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Notes to the financial statements (continued)

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

28. Inventories

	2021-2022	2020-2021
	Ksh	Ksh
General stores	-	-
Chemicals & Laboratory items	-	-
Pipes, Water fittings and Accessories	1,450,960	1,782,648
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery	183,639	-
Finished goods	-	-
Work in progress	-	-
Less: Impairment of stocks	-	-
Total	1,634,599	1,782,648

There was no impairment of stocks.

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Notes to the financial statements (continued)

28 a) Reconciliation of Impairment Allowance for Inventories

Description	2021-2022	2020-2021
	Ksh	Ksh
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29.) Trade and Other Receivables

	2021-2022	2020-2021
	Ksh	Ksh
Trade receivables (note (29a))	73,545,823	68,271,648
Prepayments	563,765	2,290,499
VAT recoverable	22,717,071	22,717,071
Staff receivables (note 29 (c))	-	-
Other receivables;		
WASREB- Performance Guarantee	2,000,000	1,900,000
Gatanga community water scheme deposit	100,000	100,000
Amica Sacco Shares	203,000	203,000
Investment Deposit Amica Sacco	2,000,000	2,000,000
Gross trade and other receivables	101,905,410	98,257,969
Provision for bad and doubtful receivable	(7,354,582)	(6,827,165)
Net trade and other receivables	94,550,828	91,430,805

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29 (a) Trade Receivables

	2021-2022	2020-2021
	Ksh	Ksh
Gross trade receivables	73,545,823	68,271,648
Provision for doubtful receivables	(7,354,582)	(6,827,165)
Net trade receivables	66,191,241	61,444,483
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	3,935,777	1,044,105
Between 30 and 60 days	1,684,787	637,709
Between 61 and 90 days	1,306,765	2,761,395
Between 91 and 120 days	3,981,946	2,108,147
Between 121 and 150 days	1,968,637	1,853,030
Between 151 and 180 days	1,199,976	4,722
Over 181 days	59,467,935	59,862,541
Total	73,545,823	68,271,648

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Notes to the financial statements (continued)

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

Description	2021-2022	2020-2021
	Ksh	Ksh
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29. (c) Staff Receivables

	2021-2022	2020-2021
	Ksh	Ksh
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

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

Description	2021-2022	2020-2021
	Ksh	Ksh
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

30. Tax Recoverable

	2021-2022	2020-2021
	Ksh	Ksh
At beginning of the year	-	-
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

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Notes to the financial statements (continued)

31. Short Term Deposits

	2021-2022	2020-2021
	Ksh	Ksh
Commercial banks		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (specify)	-	-

32. Bank and Cash Balances

	2021-2022	2020-2021
	Ksh	Ksh
Cash at bank	6,566,746	7,743,168
Cash in hand	-	-
Mobile money account	150,272	292,608

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Notes to the financial statements (continued)
Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2021 / 2022	2020 / 2021
(a) Current account			
Equity Bank-Collection Account	0890269245257	41,510	60,597
K.C.B Bank	1114420859	116,205	98,720
Unaitas Bank	002020037	128,001	77,575
Amica Sacco	006101000019618	368,891	327,006
Amica Sacco-Loan Account	006109000000020	118,602	118,843
Sidian Bank -1675	01012020001675	207,351	96,620
Equity Bank	0090292737794	1,352,480	529,787
Sidian Bank -3831	01012020003831	70,084	2,264,654
Sidian Bank	01012020005208	4,163,807	4,169,029
Equity Bank CLSG Project	0090280437391	(183)	338
Sub-total		6,566,746	7,743,168
Others			
M-PESA Facility	346350	88,779	182,255
M-PESA Facility	600654	28,000	9,875
M-PESA Holding		33,493	100,478
Cash in hand		-	-
Sub-total		150,272	292,608
Grand Total		6,717,018	8,035,776

33. Ordinary Share Capital

	2021-2022	2020-2021
	Ksh	Ksh
Authorized:		
XXX ordinary shares of Ksh par value each	-	-
Issued and fully paid:		
XXX ordinary shares of Ksh par value each	-	-

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Notes to the financial statements (continued)

34. Revaluation Reserve

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

35. Fair Value Adjustment Reserve

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

36. Retained Earnings

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.

	2021-2022	2020-2021
	Ksh	Ksh
Capital Reserve	10,791,181	10,791,181
Retained earnings: As at beginning of the year	(8,030,551)	(11,174,801)
Profit/ (loss) for the year	7,549,501	3,533,730
Adjustments- prior year	(8,260,837)	(389,480)
Retained Earnings As at the end of the year	2,049,293	2,760,630

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Notes to the financial statements (continued)

37. Deferred Tax Liability

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

	2021-2022	2020-2021
	Ksh	Ksh
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2021-2022	2020-2021
	Ksh	Ksh
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

38. Borrowings

Description	2021-2022	2020-2021
	Ksh	Ksh
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	25,864,041	47,440,543
Domestic borrowings during the year	-	15,843,881
Adjustment prior year	5,560,837	-
Repayments during the year	(15,664,201)	(37,420,383)
Balance at end of the year	15,760,677	25,864,041
c) Total Balance at end of the period c = a+b	15,760,677	25,864,041

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Notes to the financial statements (continued)

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

	2021-2022	2020-2021
	Ksh	Ksh
External Borrowings		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from 'zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from Sidian Bank	10,556,344	21,569,757
Kenya Shilling loan from Amica Sacco	5,204,333	4,294,284
Total balance at end of the year	15,760,677	25,864,041

Description	2021-2022	2020-2021
	Ksh	Ksh
Short term borrowings (current portion)	14,177,375	15,548,912
Long term borrowings	1,583,302	10,315,129
Total	15,760,677	25,864,041

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Notes to the financial statements (continued)

39. Lease Liability

Description	2021-2022	2020-2021
	Ksh	Ksh
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

	2021-2022	2020-2021
Maturity analysis	Ksh	Ksh
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
Less: unearned interest	=	=
Analysed as:		
Non-Current	-	-
Current	-	-

40. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	Ksh		Ksh	Ksh	Ksh
Balance at the beginning of the year	-	-	-	-	-
Additional Provisions	931,000	-	1,953,000	-	2,884,000
Provision utilised	(931,000)	-	(1,953,000)	-	(2,884,000)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-

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Notes to the financial statements (continued)
Provisions details

Description	2021-2022	2020-2021
	Ksh	Ksh
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
Total	-	-

41. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2021-2022	2020-2021
	Ksh	Ksh	Ksh	Ksh	Ksh
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

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Notes to the financial statements (continued)

	2021-2022	2020-2021
	Ksh	Ksh
Discount rates	0%	0%
Future salary increases	0%	0%
Future pension increases	0%	0%
Mortality (Pre- retirement)	0%	0%
Mortality (Post- retirement)	0%	0%
Withdrawals	0%	0%
Ill health	0%	0%
Retirement	0 years	0 years

Recognition of Retirement Benefit Asset/ Liability

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

	2021-2022	2020-2021
Description	Ksh	Ksh
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Remeasurement of the net defined benefit liability (asset)	-	-

b) Amounts recognised in the Statement of Financial Position

	2021-2022	2020-2021
Description	Ksh	Ksh
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

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Notes to the financial statements (continued)

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month. Other than NSSF the entity also has a defined contribution schemes operated by County Pension Fund(CPF) and National Water Conservation & Pipeline Corporation(NWCPC). Employees contributes 5% and 7.5% while employers contribute 10% and 15% of basic salary to County Pension Fund and NWCPC respectively . Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

42. Trade and Other Payables

	2021-2022	2020-2021
	Ksh	Ksh
Trade payables	66,229,151	59,364,030
Accrued expenses	2,294,158	348,000
Revenue received in advance	2,221,679	-
Retention/ contract monies	-	-
Employee payables	17,549,267	22,514,371
Other payables	-	-
Total	88,294,256	82,226,401

43. Customer Deposits

	2021-2022	2020-2021
	Ksh	Ksh
Opening Balance	52,794,410	47,855,358
Add: deposits received during the year	4,835,937	4,939,052
Less: Refunded deposits during the year	-	-
Total- Closing balance	57,630,347	52,794,410

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Notes to the financial statements (continued)

44. Deferred Income

Description	2021-2022	2020-2021
	Ksh	Ksh
National/County government	121,759,270	122,768,565
International funders	-	-
Public contributions and donations	-	-
Total deferred income	121,759,270	122,768,565

The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward	122,768,565	-	-	122,768,565
Additions	5,773,361	-	-	5,773,361
Transfers to Capital fund	-	-	-	-
Transfers to income statement	(6,674,273)	-	-	(6,674,273)
Other transfers	(108,383)	-	-	(108,383)
Balance carried forward	121,759,270	-	-	121,759,270

45. Dividends Payable

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

	2021-2022	2020-2021
	Ksh	Ksh
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	-	-

The Company does not declare dividends.

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Notes to the financial statements (continued)

46. Taxation

	2021-2022	2020-2021
	Ksh	Ksh
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	-	-
At end of the year	-	-

47. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Ksh	Ksh
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	7,549,501	3,533,730
Depreciation	8,076,349	5,490,140
Amortisation	791,700	1,131,000
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	-	-
(Increase)/decrease in inventories	148,049	(19,287)
(Increase)/decrease in trade and other receivables	(3,120,023)	6,556,407
Increase/(decrease) in trade and other payables	10,903,792	3,940,463
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Deferred Income	(1,009,295)	45,499,256
Cash generated from/(used in) operations	20,640,072	20,640,072
(b) Analysis of changes in loans		
Balance at beginning of the year		
Receipts during the year	25,864,041	47,440,543
Repayments during the year	(15,664,201)	(37,420,383)
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Adjustments prior year	5,560,837	-
Balance at end of the year	8,035,776	3,889,350

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	2021-2022	2020-2021
	Ksh	Ksh
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	6,717,018	8,035,776
Cash in hand	-	-
Balance at end of the year	6,717,018	8,035,776

	2021-2022	2020-2021
	Ksh	Ksh
(d) Analysis of interest paid		
Interest on loans	3,498,753	7,719,720
Interest on bank overdraft	702	8,500
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	3,499,455	7,728,220
(e) Analysis of dividend paid		
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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Notes to the financial statements (continued)

Other Disclosures

48. Related Party Disclosures

County Government of Murang'a

The County Government of Murang'a is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Murang'a has provided letter of no objection to all long-term lending programmes of the Company.

Other related parties include:

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

Transactions with related parties

	2021-2022	2020-2021
	Ksh	Ksh
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	7,489,010	6,944,195
Interest income from Govt Commercial Banks	162,938	127,863
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	7,651,948	7,072,058
b) Purchases from related parties		
Purchase of water from govt service providers	1,053,055	402,420
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	1,359,423	434,256
Interest expense to investments by other govt. entities	-	-

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	2021-2022	2020-2021
	Ksh	Ksh
Others (specify)	-	-
Total	2,412,478	836,676
b) Grants from the Government		
Grants from National Govt Agencies	34,059,583	48,120,295
Grants from County Government	1,528,080	1,299,000
Donations in kind	-	-
Total	35,587,663	49,419,295
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	2,698,704	1,635,100
Compensation to key management	-	-
Total	2,698,704	1,635,100

49. Capital Commitments

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

	2021-2022	2020-2021
	Ksh	Ksh
Amounts authorized and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-

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Notes to the financial statements (continued)

50. Contingent Assets and Liabilities

Contingent Assets

	2021-2022	2020-2021
	Ksh	Ksh
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

Contingent Liabilities

	2021-2022	2020-2021
	Ksh	Ksh
Contingent liabilities		
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
Total	-	-

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

51. Financial Risk Management

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

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 Ksh	Fully performing Ksh	Past due but not Impaired Ksh	Past due and Impaired Ksh
At 30 June 2022				
Trade Receivables	73,545,823	66,191,241	-	7,354,582
Other Receivables	28,359,587	28,359,587	-	-
Investments	-	-	-	-
Bank balances	6,717,017	6,717,017	-	-
Total	108,622,427	101,267,845		7,354,582
At 30 June 2021 (previous Year)				
Receivables	68,271,648	61,444,483	-	6,827,165
Other Receivables	29,986,321	29,986,321	-	-
Investments	-	-	-	-
Bank balances	8,035,776	8,035,776	-	-
Total	106,293,745	99,466,580	-	6,827,165

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Notes to the financial statements (continued)

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.

	Total	Less than	Between	Over
	Amount	1month	1-3months	3months
	Ksh.	Ksh.	Ksh.	Ksh.
As at 30th June 2022				
Accounts payables	145,924,603	6,625,470	5,178,480	133,310,652
As at 30th June 2021				
Accounts payables	135,020,811	691,122	3,864,702	130,464,987

(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.

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Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The Company was not exposed to this risk since it did not trade with foreign countries within the year. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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Notes to the financial statements (continued)

(iii) Market risk (Continued)

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

	Ksh	Other currencies	Total
	Ksh	Ksh	Ksh
At 30 June 2022 Current Year			
Financial assets			
Investments	-	-	-
Cash	6,717,018	-	6,717,018
Debtors	101,905,410	-	101,905,410
Financial Liabilities			
Trade and other payables	145,924,603	-	145,924,603
Borrowings	15,760,677	-	15,760,677
Net foreign currency asset/(liability)			

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

	Ksh	Other currencies	Total
	Ksh	Ksh	Ksh
At 30 June 2021 Previous year			
Financial assets			
Investments	-	-	-
Cash	8,035,776	-	8,035,776
Debtors	98,257,969	-	98,257,969
Financial Liabilities			
Trade and other payables	135,020,811	-	135,020,811
Borrowings	25,864,041	-	25,864,041
Net foreign currency asset/(liability)			

Notes to the financial statements (continued)

b) Foreign currency sensitivity analysis

The organization is not exposed to currency risk since it does not trade with foreign countries.

c) Interest rate risk

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

i) Management of interest rate risk

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

Notes to the financial statements (continued)

ii) Sensitivity analysis

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

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

As at 30th June 2022, an increase/decrease of 5 % on average borrowing rates would have resulted in an increase/decrease in the surplus of **Ksh. 174,938**, (FY 2020/2021: Ksh. 385,986).

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii)** Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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Notes to the financial statements (continued)

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

At 30 June 2022 Current FY	Level 1 Ksh	Level 2 Ksh	Level 3 Ksh	Total Ksh
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
At 30 June 2021 Previous FY				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-

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

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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Notes to the financial statements (continued)

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Ksh	Ksh
Revaluation reserve	-	-
Retained earnings	(8,741,888)	(8,030,551)
Capital reserve	10,791,181	10,791,181
Total funds		
Total borrowings	15,760,677	25,864,041
Less: cash and bank balances	(6,717,018)	(8,035,776)
Net debt/(excess cash and cash equivalents)	9,043,659	17,828,265
Gearing	%	%

52. Incorporation

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

53. Events After the Reporting Period

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

54. Currency

The financial statements are presented in Kenya Shillings (Ksh)

55. Going Concern Disclosure

The Company had made losses over the past years and has a negative working capital which poses challenge to the going concern of the Company. The following measures have been put in place to mitigate against the uncertainty in relation to going concern; The Company is in the process of regular tariff adjustment in consultation with Water Service Regulatory Board (WASREB) and Murang'a County Government, the Company has various ongoing projects, the company is following up with the road contractors to ensure timely completion of the projects and compensation of damaged pipes where necessary for rerouting, the negative impact of COVID-19 effects has greatly improved. All the above measures will lead to increase in revenues which will have a positive impact in our working capital as the Company will utilize the additional revenue to settle some of the pending bills.

XIX. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Failure to disclose material uncertainty in relation to going concern	The Company has made disclosure on the going concern under the notes to the financial statements FY 2021/2022.	Resolved	Done
2.	Long outstanding trade and other receivables.	The Company is continuously engaging stringent debt control measures.	Not resolved	Continuous
3.	Non-compliance with law on ethical composition.	Will Continuously be addressed through recruitment process by prioritizing and offering employment opportunities to those from other communities.	Not resolved	Continuous
4.	High Wage Bill	Applied for tariff that will aid this compliance.	Not resolved	Continuous
5.	Non-Revenue Water	Continuously being reduced, reduced from	Not resolved	Continuous

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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)
		47% in previous to 46% current year.		

Name: MARY NYAGA

Signature: 

Managing Director

Date: 19/12/2022

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Appendix II: Projects Implemented by The Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Donor	Percentage of completion	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.Maragua Bulk water supply project	National Government	90%	Excellent	NO	NO
2. Makutano water & sewerage project	AWWDA	65%	Excellent	NO	NO
3.Kinyona Karima Mwaro Project	AWWDA	58%	Excellent	NO	NO

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Appendix III- Inter-Entity Confirmation letter

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 2022				Amount Received by [beneficiary entity] (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
1	11/12/2021	28,286,222	5,773,361		34,059,583	34,059,583	-
Total							

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

Head of Accountants department of beneficiary entity:

Name TABITHA MOERITU..... Sign [Signature].....Date 19/12/2022

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Appendix IV: Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

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

There were no climate relevant expenditures within the financial year.

Appendix V: Disaster Expenditure Reporting Template

Date:						
Entity						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
-	-	-	-	-	-	-

There were no disaster expenditure within the financial year.



Appendix VI: Recording of Transfers from Other Government Entities

Name of the Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development /others	Total amount-Ksh.	Where recorded/recognized					Total transfers during the year
				Statement of Financial Performance	Capital fund	Deferred Income	Receivables	Others-must be specific	
Water Sector Trust Fund	11/12/2021	Recurrent	28,286,222	28,286,222	5,773,361				34,059,583
KENHA	23/08/2021	Recurrent	950,000	21,347,762					21,347,762
	10/09/2021		101,400						
	27/10/2021		20,296,362						

