

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
MURANG'A WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR  
ENDED 30 JUNE 2015**



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

**ANNUAL REPORT &  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2015**

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

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**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

**CORPORATE INFORMATION**

**Incorporation**

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

**Principal Activity**

The principal activity of the company is to provide water and sanitation services within Murang'a town and its environs.

**THE BOARD OF DIRECTORS**

<b><u>NAME</u></b>	<b><u>DESIGNATION</u></b>
P.K. Munga	Chairman
Eng. D. Ng'ang'a	Managing Director
H. M. Mwithiga	Member
J.K.Mwirigi	Member - Joined on 27 <sup>th</sup> April 2015
J. Ng'ang'a	Member
S.Karina	Member - Joined on 17 <sup>th</sup> October 2014
M.Gichomo	Member - Joined on 17 <sup>th</sup> October 2014
P.Kiguta	Member
E.Gathima	Member -Joined on 17 <sup>th</sup> October 2014
Eng.M.Naivasha	Tana Water Services Board
M. Wambui	District Water officer Murang'a East
G. Njeru	Member - Retired on 17 <sup>th</sup> October 2014

**COMPANY SECRETARY**

Gichuke Ribathi & Company Advocates

P.O BOX 5556-00200

NAIROBI

**REGISTERED OFFICE**

Muwasco Building, Murang'a

Kangema Road

P. O. Box 1050 - 10200

MURANG'A.

**COMPANY CONTACTS**

Telephone-0712292544

E-Mail-managingdirector@muwasco.co.ke

Website-www.muwasco.co.ke

**BANKERS**

Equity Bank Ltd.

P. O. BOX 1060 - 10200,

MURANG'A.

**AUDITORS**

Auditor General







Kenya National Audit Office

P.O. Box 30084 - 00100

NAIROBI.




**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

<p>P.K MUNG'A</p> 	<p>He is an industrialist and a business man with interests in banking, manufacturing, insurance among others. He has vast experience in both public and private sector and has been contributing immensely to the community in scholarships and other social wellbeing. He is the current chairman of Equity bank and a member of boards of various blue-chip companies. He is the proprietor of Equatorial Industrial Park and Pioneer group of schools among others. He is a qualified Certified Public Secretary (CPS) and holds many other certificates in management and corporate governance.</p>
<p>ENG. D.NG'ANG'A</p> 	<p>He is the current Managing Director of Murang'a Water &amp; Sanitation Company since the company's inception in 2007. He has huge experience in the water sector and also has worked in the private sector. He is a registered engineer, has a BSC civil engineering degree, Executive Masters degree in Business Administration and a diploma in Community Development. He has attended numerous managerial and administration courses both locally and abroad.</p>
<p>H.M MWITHIGA</p> 	<p>He has vast experience in both the public and private sector having worked for many years with BAT rising to the post of Area Marketing Manager. He founded and is the current proprietor of Murang'a Tobacco Distributors. He has served in many schools management boards as well as ACK church council committees in various capacities. He holds various post high school certificates in sales, management and corporate governance.</p>
<p>J.K.MWIRIGI</p> 	<p>He is an experienced finance manager who has served in the public sector for more than 10 years and is currently the Murang'a Town Manager for the last three years. He served with the now defunct County Council of Murang'a in the capacity of Marketing superintendent and later as Senior Accountant. He holds a Bcom in Finance. He is also a qualified accountant (CPAK) and also a qualified public secretary (CPSK) and has studied various management and administration courses.</p>
<p>J.NG'ANG'A</p> 	<p>She has many years of experience in business and community development activities. She has been a propriety of a beauty college in Murang'a and established an NGO for women organizations. She has served in various schools management boards and has been a member of community policing as well as a member of the red cross society. She has also served as a member of District Education Board. She has a post high school certificate and has attended many training seminars.</p>
<p>S.KARINA</p> 	<p>She has vast experience in community development and the founder and current director of an NGO called Friends For The Abused People International (FOTAPI). She has also worked in various capacities with: NACADA, ECK, Uwezo Kenya, Joyful Women, Probation office and been a member of school boards. She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions.</p>

<p>M. GICHOMO</p> 	<p>She is a career journalist with experience in journalism and social work. She has also worked as an assistant director at Radio Maria station. She has been involved in various youth development programs and represented the youth in various capacities. She is also a founder member of Murang'a Active Youth Group. She is a diploma holder in Journalism and diverse certificates from various institutions.</p>
<p>P.KIGUTA</p> 	<p>A career accountant, he has enormous experience in the private sector as well as participated in many social and community development activities. He is currently a partner with Ruhii &amp; Associates CPAs. He has been the chairman of the Murang'a chapter of the Chamber of Commerce and Industry, organizing secretary of Kikuyu council of elders (Murang'a). He has also served in various capacities in religious organizations. He various post high school certificates.</p>
<p>E.GATHIMA</p> 	<p>He has many years of experience in representing the physically challenged persons in various capacities. He has served in the capacities of treasurer secretary and chairman in various groups of the physically challenged. He has attained certificates in food production, evangelism &amp; discipleship and computer packages.</p>
<p>CPA. P. M.GICHAAGA - Representing CEO Tana Water Services Board</p> 	<p>He is currently the head of the Internal Audit Division, Management Representative and advisor to the Tana Water Services Board, Chief Executive Officer on Corporate Secretarial matters. He has expansive experience in Audit, Finance &amp; Strategy, Corporate Services and Quality Management in both private and public sectors. His academic and professional qualifications include; a Master of Science in Finance degree from University of Nairobi, a Masters of Business Administration in Strategic Management degree and a Bachelor of Business Administration in Accounting &amp; Finance degree from Kenya Methodist University. He also has a Diploma in Business Management from the Kenya Institute of Management. He is a Certified Public Accountant and a Certified Public Secretary. In addition, he is a leader and is involved in various social local development initiatives and is happily married with a family.</p>
<p>M.WAMBUI</p> 	<p>She has a wide knowledge and experience in the water sector for over 26 years. She has worked with the Ministry of water and irrigation for all these years rising to the position of Sub-county Water Officer which she currently holds. She has also participated immensely in the development of community projects in the rural schemes. She holds a diploma in water supply technology from Kenya Water Institute. She also has trained in management, corporate governance and computer packages.</p>
<p>G NJERU</p> 	<p>A retired career teacher who has vast experience in the education sector where she rose to the position of inspector of schools. She also served as a deputy principal and a school management trainer. She is a college trained teacher. She retired from the BoD of Muwasco in October 2014</p>

## **SENIOR MANAGEMENT**

The Company's senior management team is as follows:

1.	ENG. D.NG'ANG'A 	BSC CIVIL ENGINEERING, EMBA, Dip. Community Development	MANAGING DIRECTOR
2.	CPA. J.MAINA 	CPA(K), B.COM, MPPA.	COMMERICAL MANAGER
3.	E.MAINA 	BSC CIVIL ENGINEERING.	TECHNICAL MANAGER

## **Chairman's Statement**

### **To my fellow stakeholders**

I am thrilled to release our annual report and financial statements for the year ended 30<sup>th</sup> June 2015. Over the year, the company continued to make remarkable improvement in key performance areas which assures stakeholders' value.

While we have naturally seen some of the effects of the slow economic growth in the recent years such as unpredictable energy costs and greater difficulty in recovering customer debt, we have been able to stay strong and focused. We have continued to educate customers and key influencers about the water industry and the solutions we provide every day to help ensure high-quality and reliable water service to the approximately 60,000 people we serve.

The drivers of our business, particularly those concerned with protecting the environment and improving water security, remain firmly in place. In financial year 2014/15, we met our operational targets and am pleased to report further significant improvements in the operations and financial performance of the company. Last year's "best-ever" revenue result has been surpassed by a considerable margin.

The year has also seen improved capital investments put in place. In line with the medium term plans and the millennium development goals of increasing access to safe, clean water and sanitation, the company has constructed new water & sewerage networks procured other fixed assets for our operations which made the total investment realized to a tune of **ksh.62.2million**.

This impressive progress was enabled through engaging with the County Government of Murang'a, Kiharu CDF, Tana Water Services Board and other partners.

I am also delighted to report another year of sustained advancement for MUWASCO in which our financial performance showed improved growth. Revenues in the year rose to **ksh.117.4million** from **ksh.90.3million** reported in the year in 2014.

We know success depends on our ability to shape the future by anticipating and responding to change. The company has a new gravity water system which was commissioned last year which means we are able to meet our current and projected demand in the year 2035. Looking forward, the board will continue to support investment in new projects to ensure the continued growth of the company and progress towards achieving the company's main objective, that of delivering superior value to its customers for socio- economic development.

With favorable operating environment, support from our stakeholders and financial partners, we expect to expand our water supply network to Maragua

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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town and other un-served areas such as Mbombo, Sagana road and Kabiti. In future we also intend to invest in sewerage project to serve Maragua town which is one of the key towns in the development of our county.

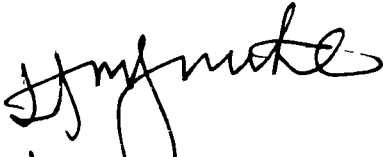
This expansion programme will require an estimated investment of over **ksh. 1billion** which calls for a lot of resource mobilization.

We ended the year in a strong position and having the right management team in place, our uncompromising focus is on high-quality customer service; and our plans for the future are realistic and ambitious.

We want to continue to be a leader in our field and to push at the boundaries of what it means to be a successful water company in the 21<sup>st</sup> century. Our Annual Report demonstrates why we can look to the future with confidence.

Finally, I would wish to extend my sincere gratitude to the MUWASCO Board of Directors, County Government of Murang'a, CDF (Kiharu), Tana Water Services Board, the Ministry of Water and Irrigation and our customers for their support. I also thank the management and employees of MUWASCO for their hard work over the financial year.

Thank you.

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

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

**MANAGING DIRECTOR'S STATEMENT**

**Overview**

In the financial year 2014-15, we experienced operational success and remained strong in our capacity to realize our mandate. This has enabled us to continue to invest in our distribution net work and in turn this has increased our coverage to over 76% of the population in our area of jurisdiction.

During the year we were able to complete various water and sewer projects since we now have adequate water treatment capacity to meet our current and future demand after the commissioning of our bulk water project last year. The quality of water has also improved and complies with the required standards. Despite the completion of the gravity system, the cost of production has remained high due to rising input prices and increased production. The operation and maintenance cost has also continued to increase due to the old dilapidated network and this is a challenge as we aspire to serve more customers and reduce water loses. The losses can only be arrested when the old dilapidated distribution lines are renewed and this calls for massive investment.

Customer satisfaction levels have continued to improve as evidenced by higher consumption of water while we are able to supply water without interruptions which were previously occasioned by power outages.

**Company performance**

Our overall performance resulted in total billings growing by 30% to ksh.117.3 million and our customer base rising by 15.4% as shown below:

<b>No.</b>	<b>ITEM</b>	<b>2012 /2013</b>	<b>2013 /2014</b>	<b>2014 /2015</b>
1	Total Billings (Ksh in Millions)	79.9	90.3	117.4
2	Operating Exp (Ksh in Millions)	99.2	107.1	119.7
3	Capital Exp (Ksh in Millions)	35.2	29.4	62.2
4	Number of active water Connections	6,500	7,200	8,312
5	Number of active sewerage Connections	3,206	3,497	3,818

The operating costs remained high as the government subsidies went down. The company continued to use non cost recovery tariffs and this has resulted to liquidity challenges.

Through the company partnerships with the County Government of Murang'a, the Kiharu CDF and Tana Water Services Board, the following projects were completed during the year 2014-2015:

	<b>DESCRIPTION</b>	<b>KM / NO.</b>	<b>TOTAL COST (KSH)</b>
1	Water supply projects	63.4	49,889,071
2	Sewerage extension projects	1.9	1,487,337
3	Buildings		9,228,453
4	Others(furniture,computer,office equipment)		1,634,822
	<b>Total Investment</b>		<b>62,239,683</b>

### **Cost Recovery**

To achieve sustainability of our company, implementation of our cost recovery tariffs was paramount and Non Revenue Water (NRW) has to be reduced to acceptable levels. Complete overhaul of our reticulation system in the CBD and Mukuyu is vital to achieve this. However enormous amount of capital investment is required to realize this. During the financial year 2015-16, we expect support from the County Government to enable us start the overhaul project.

Through partnership with WASPA and other partners, we have designed and are implementing measures to bring down the NRW.

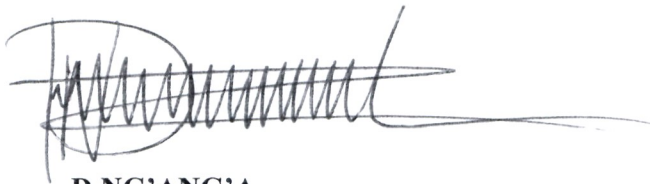
### **Corporate Social Responsibility**

During the year 2014-15 we were able to institute the following corporate social responsibility activities:

1. We installed three drinking and hand-washing points in the CBD.
2. Painted, landscaped, undertook plumbing works and supplied a storage tank to Kiguru primary school.
3. Hygiene training forums at Kiangage and Ndikwe primary schools.
4. Partnering with Water Services Trust Fund to upscale basic sanitation in low income areas under the Up-scaling of Basic Sanitation to the Urban Poor (UBSUP) project at a total cost of ksh.6million.

### **Conclusion**

Our objective is to continuously transform the lives of our citizens and ensuring that we fulfill our mandate by improving water and sanitation services to all our customers within our area of operation. I take this opportunity to thank the Board of Directors and all other Stakeholders for the leadership and support they provide. I also thank all company staff members for their dedication to achieve the desired results.



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

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

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**CORPORATE GOVERNANCE STATEMENT**

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

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

**Board of Directors**

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

**Board meetings**

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

**Board committees**

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

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

**Audit and risk management committee**

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

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

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

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**Finance and administration committee**

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

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

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

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

**Technical committee**

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

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

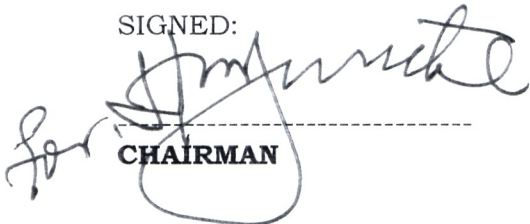
**Directors' Remuneration**

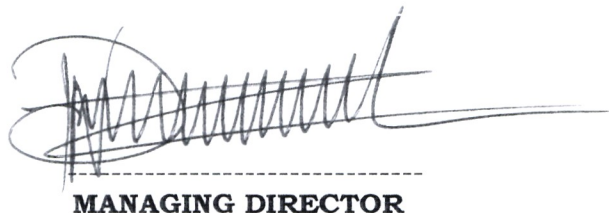
The remuneration of non-executive directors consists of sitting allowances in connection with Board and committee meetings.

**Going concern**

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

SIGNED:

  
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**CHAIRMAN**

  
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**MANAGING DIRECTOR**

**MURANG'A WATER AND SANITATION COMPANY LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

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**REPORT OF THE BOARD OF DIRECTORS**

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The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30<sup>th</sup> JUNE 2015.

**PRINCIPAL ACTIVITY**

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

**INCOME**

The results of activities for the year show a surplus of **Ksh 14,977,863** as set out on page sixteen of the accounts.

**THE BOARD OF DIRECTORS**

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

**AUDITORS**

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

By order of the Board

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

**MURANG'A WATER AND SANITATION COMPANY LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

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

Section 164 of the Public Finance Management Act, 2012 and section 147 of the Companies Act Cap 486 requires the Board of Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of the activities for that year. It also requires the Board to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Board is also responsible for safeguarding the assets of the Company.

The directors are responsible for preparation and presentation of the company's financial statements, which gives a true and fair view of the state of affairs of the company for and as at the end of the financial year 2014/2015 ended on June 30<sup>th</sup>, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continues to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time of the financial position of the company. (iii) designing, implementing and maintaining internal control environment 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

The Board is 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<sup>th</sup>, 2015 and 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 adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The company financial statements were approved by the board on 13/8/2015 and signed on its behalf by:

SIGNED:

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

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

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

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### **REPORT OF THE AUDITOR-GENERAL ON MURANG'A WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015**

#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Murang'a Water & Sanitation Company Limited set out on pages 16 to 29, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor-General's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to

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*Murang'a Water and Sanitation Company Limited – Reports and Financial statements for the year ended 30 June 2015*

the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### **Basis of Qualified Opinion**

#### **Sustainability of Service**

The statement of financial position as at 30 June, 2015 reflects Current Assets amounting to Kshs.41,485,163 against Current Liabilities of Kshs.73,261,990 resulting to a negative working capital of Kshs.31,776,827. This implies that the company may be having financial difficulties in settling its obligations as and when they fall due. However, the financial statements have been prepared on a going concern basis on the assumption that the company will continue to receive support from the Government and creditors.

#### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Murang'a Water and Sanitation Company Limited as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with both the Water Act 2002 and the Companies Act, of the Laws of Kenya.

#### **Other matter**

##### **Unaccounted For Water (UFW)**

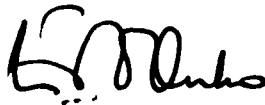
During the year under review, the company produced 2,064,246 cubic meters (m<sup>3</sup>) of water. However, out of this volume, only 1,280,524m<sup>3</sup> were billed to customers. The balance of 783,722m<sup>3</sup> or approximately 38% of the total volume represented Unaccounted for Water (UFW) which is 13% over and above the allowable loss of 25% in accordance with Water Services Regulatory Board guidelines. The UFW of 38% may have resulted in loss of sales estimated at Kshs.16,888,563. The significant level of UFW may negatively impact on the Company's profitability and her long term sustainability.

My opinion is not qualified in respect of this matter.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and
- ii. In my opinion, proper books of account have been kept by the company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position is in agreement with the books of account.



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

**Nairobi**

**05 July 2016**

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

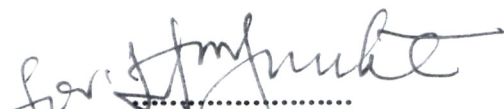
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

<b>INCOME</b>	<b>NOTES</b>	<b>2014/15 ( Kshs)</b>	<b>2013/14 ( Kshs)</b>
Revenue Grants	2	14,510,646	13,624,340
Billings	3	117,401,094	90,306,013
Other incomes	4	2,767,256	4,157,830
		<b>134,678,996</b>	<b>108,088,183</b>
<b>EXPENDITURE</b>			
Personal emoluments	5	52,742,872	44,575,615
Administration expenses	6	33,666,288	22,694,081
Production and maintenance expenses	7	13,755,323	25,146,203
General office expenses	8	4,331,812	3,069,642
Depreciation	9	15,204,838	11,653,014
		<b>119,701,133</b>	<b>107,138,555</b>
SUPRLUS FROM OPERATING ACTIVITIES		14,977,863	949,628
Tax	19	-	<b>(15,374,415)</b>
<b>TOTAL SURPLUS / ( DEFICIT )</b>		<b>14,977,863</b>	<b>(14,424,787)</b>

**MURANG'A WATER & SANITATION COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2015**

<b>ASSETS</b>	<b>NOTES</b>	<b>2014/2015 (Kshs)</b>	<b>2013/2014 (Kshs)</b>
<b>Non Current Assets</b>			
Property plant and equipment	9	158,388,160	111,381,315
<b>Current assets</b>			
Trade and other receivables	10	32,065,479	26,180,999
Bank and cash balances	11	4,734,766	2,393,676
Inventory	12	4,684,918	10,149,527
<b>TOTAL CURRENT ASSETS</b>		<b>41,485,163</b>	<b>38,724,202</b>
<b>TOTAL ASSETS</b>		<b><u>199,873,323</u></b>	<b><u>150,105,517</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital reserves	13	33,275,181	33,275,181
G.O.K reserves	14	77,020,606	64,882,986
Revenue reserves	15	16,315,547	1,337,684
<b>Total Capital And Reserves</b>		<b>126,611,334</b>	<b>99,495,851</b>
<b>Current Liabilities</b>			
Trade and other payables	16	60,645,531	35,435,251
Tax payable	17	12,616,459	15,174,415
<b>Total Current liabilities</b>		<b>73,261,990</b>	<b>50,609,666</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>199,873,323</u></b>	<b><u>150,105,517</u></b>

The financial statements on pages 16-28 were approved by the board of directors on 13/08/2015 and were signed on its behalf by:

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

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

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

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

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

	<b>CAPITAL RESERVES (KSHS)</b>	<b>G.O.K CAPITAL GRANT (KSHS)</b>	<b>REVENUE RESERVES (KSHS)</b>	<b>TOTALS KSHS)</b>
Balance at 1 July 2013	33,275,181	55,782,703	15,762,471	104,820,355
Funds received during the year		13,340,835		13,340,835
Amortisation during the year		(4,240,062)		(4,240,062)
Refund to WSTF		(490)		(490)
Surplus for the year	-	-	(14,424,787)	(14,424,787)
<b>Balance at 30<sup>th</sup> June 2014</b>	<b>33,275,181</b>	<b>64,882,986</b>	<b>1,337,684</b>	<b>99,495,851</b>
Balance at 1st July 2014	33,275,181	64,882,986	1,337,684	99,495,851
Funds received during the year	-	19,936,318		19,936,318
Amortisation during the year		(7,798,698)		(7,798,698)
Surplus for the year	-	-	14,977,863	14,977,863
<b>Balance at 30<sup>th</sup> JUNE 2015</b>	<b>33,275,181</b>	<b>77,020,606</b>	<b>16,315,547</b>	<b>126,611,334</b>

## MURANG'A WATER & SANITATION COMPANY LIMITED

### STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015

		2014/2015	2013/2014
	Notes	(Kshs)	(Kshs)
<b>Cash Flows from operating activities</b> (Deficit)/ Surplus generated from operating activities		14,977,863	(14,424,787)
<b>Adjustment for: Non cash items</b>			
Depreciation	9	15,204,838	11,653,014
Provision for bad debts	6 & 10	723,116	120,440
Provision for audit fees	6	462,500	362,500
Amortization on capital grants	14	(7,798,698)	(4,240,062)
Loss on Disposal	6	28,000	32,390
<b>Adjusted Surplus From operating Activities Before Working Capital changes</b>		23,597,619	(6,496,505)
<b>Changes in working capital</b>			
(Decrease)/increase in inventory		5,464,609	(4,125,500)
Increase /(Increase) in receivables		(6,607,596)	2,916,195
(Increase)/Increase in liabilities		22,189,825	23,348,246
<b>Net cash flows From Operating Activities</b>		<b>44,644,457</b>	<b>15,642,436</b>
<b>Cash flows from Investing Activities</b>			
Purchase of P.P.E	9	(62,239,683)	(29,199,673)
<b>Net Cash flows from investing activities</b>		<b>(62,239,683)</b>	<b>(29,199,673)</b>
<b>Cash flows from Financing Activities</b>			
G.O.K Capital Grant	14	19,936,318	13,340,345
<b>Net Cash flows from Financing Activities</b>		<b>19,936,318</b>	<b>13,340,345</b>
Net Decrease/increase in cash & cash equivalents		2,341,092	(216,892)
Cash and Cash equivalent at start of year		2,393,676	2,610,568
<b>Cash and Cash equivalents at end of year</b>	11	<b>4,734,766</b>	<b>2,393,676</b>

**NOTES**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of preparation**

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

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

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

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28<sup>th</sup> February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the pronouncements made by the board have no significant impact on the entity's financial statement as Murang'a Water and sanitation company has been preparing its financial statements in accordance to IFRS.

**b. Application of new and revised IFRS**

- i. All new and revised standards and interpretations that have become effective for the first time in the financial year beginning July 2013 have been adopted by the company. Of those the following have had effect on the financial statement;

Amendments to IFRS 7 -The amendment requires disclosure of nature and extent of risk associated with financial instruments. A part from disclosure there were no any significant change in the amounts reported

Amendments to IAS 24 disclosure of related party transactions, the company has disclosed the related parties and their transactions.

- ii. Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2015

New and Amendments to standards	Effective for annual period
IFRS 15	I January 2017
IFRS 9	I January 2018
Amendment to IFRS 10, IFRS 12 and IAS 27	I January 2018

- iii. Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30<sup>th</sup> June 2015 and future annual reports

-The company has assessed the potential impact of the above and expects that they will not have significant impact of the financial statement for 2015/2016.

- iv. Early adoption

The company did not early adopt any new or amended standards in financial year 2014-2015.

**c. Revenue Recognition**

The company adopts the accrual basis of accounting for revenue. Revenue is recognized when it is earned.

Revenue grants comprises of:

(i) Chemical grants- from ministry of water and irrigation.

(ii) Salaries of the seconded staffs paid by Murang'a county government

# MURANG'A WATER AND SANITATION COMPANY LTD

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015

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(iii) Amortization of capital grants from Murang'a county government, Ministry of water & irrigation, Kiharu constituency development fund and Tana Water Services Board.

Billings represents the amount earned from the billings of water, sewerage meter rent. Other billings include miscellaneous billings like water theft penalties, search fee, relocation of meter.

Other incomes includes water and sewer connection fees, water sale, interest and surcharges

### **d. Property, Plant and Equipment**

Property plant and equipment are stated at historical cost less accumulated depreciation.

### **Depreciation and impairment of Property, plant and Equipment**

Depreciation is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

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

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

### **e. Reserves**

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

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

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

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

### **f. Retirement benefits**

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

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are by the requirements of local statute and are currently limited to KShs 200 per employee per month. The company's contributions to the above schemes are charged to profit or loss in the year to which they relate.

### **g. Taxation**

The company water services are zero rated for V.A.T and the company pays income tax at the rate of 30%.

**MURANG'A WATER AND SANITATION COMPANY LTD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

**h. Related party transactions**

Funds received from the government are disclosed under note 14. The company is headed by the Board of directors and corporate management team. At the end of financial year the related party transactions amounted to Ksh 13,041,626.00 as per note 18.

**i. Inventory**

The company recognizes inventory at the lower of cost and net realisable value.

**j. Cash and Cash Equivalent**

Cash and cash equivalents include cash on hand and cash at bank. Bank account balances include amount held at Equity bank, Family Bank and Mpesa at the end of financial year.

**k. Trade and other Payables**

The liability for account payable and other payables are non-interest bearing and are carried at cost, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the company or not, less any payments made to suppliers

**l. Financial risk management**

The board of directors is the primary risk supervisor, exercising its role through various board approved committees. The company's internal audit section plays a vital role within governance processes by keeping the Board and senior management aware of risk and control issues and assessing the effectiveness of risk management. Reporting to the Audit and risk management committee of the Board, the section objectively and independently evaluates the existing risk and control framework and analyses department's processes and associated controls.

**Allowance for credit risk**

At the end of financial year the trade debtors amounted to Ksh 22.2 million and the highest percentage was owed by the Government institutions and the default risk is assessed as low.

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

**Liquidity risk management**

The company has various obligations and liabilities as outlined in note 16 of the accounts.

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

	Less than 1 month	Between 1-2 months	Between 2-3 months	Over 3 months	Total
At 30 June 2015 Current liabilities	18,010,539	5,517,964	4,398,781	32,718,248	60,645,532
At 30 June 2014 Current liabilities	9,834,595	4,522,811	2,789,550	18,288,295	35,435,251

**MURANG'A WATER AND SANITATION COMPANY LTD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

**Market risk**

The company had no any interest bearing financial instrument or obligation as at the end of financial year and there was no significant currency risk as no foreign transaction ensued during the year.

**m. Comparative figures**

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

**n. 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<sup>th</sup>, 2014.

**o. Significant judgments and sources of estimation**

The directors are responsible for selecting and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liability within the next financial year are.

**a) Taxation**

Judgment is required in determining the tax liability due to the complexity of legislation. There are many transactions and calculations for which tax determination is uncertain during ordinary course of business. The company recognises tax liability for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from amounts that were initially anticipated, such difference will impact the income tax in the period in which such determination is made.

**b) useful lives and residual values of property plant and equipment**

The company tests annually whether the useful life and residue value were appropriate and in accordance with its accounting policy. Useful lives and residual values of PPE have been determined based on previous experience and anticipated disposal values when asset are disposed.

**p. Reporting currency**

The company reports on Kenya shillings currency

**EXPLANATORY NOTES TO THE ACCOUNTS**

**1. INCORPORATION**

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

**2. GOK GRANTS**

**Accounting for Government grants**

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

<b><u>REVENUE GRANTS</u></b>	<b><u>2014/15</u></b>	<b><u>2013/14</u></b>
	<b><u>KSHs</u></b>	<b><u>KSHs</u></b>
CHEMICALS	-	398,000
AMOTIZATION-WATER METERS & OTHER CAPITAL GRANTS	7,798,698	4,240,062
SALARIES PAID TO SECONDED STAFFS	6,711,948	8,986,278
<b>TOTALS</b>	<b>14,510,646</b>	<b>13,624,340</b>

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

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

<b><u>BILLINGS</u></b>	<b>2014/2015</b>	<b>2013/2014</b>
	<b>(KSHs)</b>	<b>(KSHs)</b>
WATER	80,797,170	63,121,955
SEWERAGE	23,334,891	17,920,923
METER RENT	4,710,900	4,086,500
OTHER BILLINGS	6,227,133	2,172,135
RE- CONNECTION FEES	2,331,000	3,004,500
<b>TOTALS</b>	<b>117,401,094</b>	<b>90,306,013</b>

**4) OTHER INCOMES**

<b><u>INCOME</u></b>		
WATER CONNECTION FEES	2,564,000	3,949,274
SEWER CONNECTION FEES	186,200	107,800
WATER SALES	3,600	50,250
DISCOUNT & INTEREST RECEIVED	467	45,696
SURCHARGES	12,989	4,810
<b>TOTALS</b>	<b>2,767,256</b>	<b>4,157,830</b>

**5) PERSONAL EMOLUMENTS**

SALARIES	39,358,325	31,350,648
SALARIES (G.O.K GRANT)	6,711,948	8,986,278
LEAVE ALLOWANCES	1,246,349	398,149
NSSF COMPANY CONTRIBUTIONS	175,600	152,200
PENSION CONTRIBUTION	1,630,013	1,033,565
STAFF GRATUITY	1,977,812	1,614,992
CASUAL WAGES	1,642,825	1,039,783
<b>TOTAL PERSONAL EMOLUMENTS</b>	<b>52,742,872</b>	<b>44,575,615</b>

**MURANG'A WATER AND SANITATION COMPANY LTD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

<b>6) ADMINISTRATION EXPENSES</b>	<b>2014/2015</b>	<b>2013/2014</b>
TRAINING	1,179,743	319,388
ADVERTISING	407,492	183,508
BOARD EXPENSES	1,712,256	822,186
MOTOR VEHICLE EXPENSES	4,871,382	3,498,529
CONSULTANCY, & OTHER PROFESSIONAL FEES	1,776,117	28,774
SUNDRY EXPENSES	42,500	77,810
INSURANCES	1,993,673	1,287,708
MEMBERSHIP AND SUBSCRIPTIONS	279,818	182,678
COURIER & POSTAL SERVICES	164,870	(27,523)
TELEPHONE, E-MAIL, FACSIMILE & COMMUNICATION	1,559,249	1,096,485
LICENCES & PERMITS	17,500	-
CATERING SERVICES	565,973	368,592
CONTRACTED GUARDS SERVICES	1,113,041	687,411
TWSB ADMINISTRATION COST	9,788,214	8,196,112
WASREB LEVY	1,087,579	910,678
BANK SERVICE COMMISSION & CHARGES	243,468	132,788
LEGAL FEES	-	295,500
MEETING COSTS ,CONFERENCES & SEMINARS	919,975	549,622
TRAVEL COST	291,617	258,185
INCREASE(DECREASE )FOR CREDIT RISK	723,116	120,440
SUBSISTENCE ALLOWANCES	4,298,002	2,983,319
LOSS ON DISPOSAL	28,000	32,390
AUDIT FEE	588,362	497,500
STOLEN PIPES	-	192,000
INTEREST AND PENALTIES	14,341	-
	<b>33,666,288</b>	<b>22,694,081</b>
<b>7) PRODUCTION &amp; MAINTENANCE EXPENSES</b>		
ELECTRICITY	2,176,716	14,290,881
OPERATING AND MAINTENANCE COST	8,372,387	6,933,767
CHEMICALS	2,793,371	3,586,157
WATER ABSTRACTION FEE-WARMA	412,849	335,398
	<b>13,755,323</b>	<b>25,146,203</b>
<b>8) GENERAL OFFICE EXPENSES</b>		
STAFF UNIFORMS	861,330	393,652
GENERAL OFFICE SUPPLIES	3,362,842	2,574,770
NEWSPAPERS, MAGAZINES & PERIODICALS	107,640	101,220
	<b>4,331,812</b>	<b>3,069,642</b>

**MURANG'A WATER AND SANITATION COMPANY LTD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

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

<b>COSTS</b>	<b>1)Buildings (KSHS)</b>	<b>2)pipes &amp;fittings (KSHS)</b>	<b>3)EQUIPMENTS (KSHS)</b>	<b>4)motor vehicles &amp; Cycles (KSHS)</b>	<b>5)computers &amp;computer networking (KSHS)</b>	<b>6.Work In Progress (KSHS)</b>	<b>TOTALS (KSHS)</b>
Cost as at 1st July 2013	11,678,078	15,934,857	65,492,286	5,195,051	3,801,750	19,946,243	122,048,265
Additions during the year	148,760	3,274,164	13,927,528	301,150	376,630	11,171,443	29,199,674
WIP Transferred To Equipment	8,620,660	-	18,701,188	-	-	(27,321,848)	-
Disposal			(63,150)				(63150)
<b>Cost as at 30th June 2014</b>	<b>20,447,498</b>	<b>19,209,020</b>	<b>98,057,852</b>	<b>5,496,201</b>	<b>4,178,380</b>	<b>3,795,838</b>	<b>151,184,789</b>
Cost as at 1st July 2014 B/F	20,447,498	19,209,020	98,057,852	5,496,201	4,178,380	3,795,838	151,184,789
Additions during the year	9,228,453	10,400,786	30,574,510		404,100	11,631,834	62,239,683
WIP Transferred To Equipment	-	-	4,999,442	-	-	(4,999,442)	-
Disposal					(40,000)		(40,000)
<b>TOTAL as at 30<sup>th</sup> JUNE 2015</b>	<b>29,675,950</b>	<b>29,609,806</b>	<b>133,631,801</b>	<b>5,496,201</b>	<b>4,542,480</b>	<b>10,428,230</b>	<b>213,384,472</b>
<b>DEPRECIATION</b>							
As at 1st July 2013	1,156,256	1,171,920	19,408,361	3,889,213	2,555,469	-	28,181,219
charge for the year June 2014	482,281	450,928	9,831,185	401,747	486,873	-	11,653,014
Acc Depreciation for Disposal			(30760)				(30,760)
Accumulated Depreciation As at 1st July 2014	<b>1,638,537</b>	<b>1,622,847</b>	<b>29,208,787</b>	<b>4,290,960</b>	<b>3,042,342</b>	<b>-</b>	<b>39,803,474</b>
charge for the year June 2015	700,935	699,674	13,052,877	301,310	450,041	-	15,204,838
Accumulated Depreciation on Disposal					(12,000)		(12,000)
<b>Total accumulated depreciation</b>	<b>2,339,473</b>	<b>2,322,521</b>	<b>42,261,664</b>	<b>4,592,270</b>	<b>3,480,384</b>	<b>-</b>	<b>54,996,312</b>
<b>NET BOOK VALUE</b>							
As at 30 <sup>th</sup> JUNE 2015	<b>27,336,478</b>	<b>27,287,285</b>	<b>91,370,140</b>	<b>903,931</b>	<b>1,062,096</b>	<b>10,428,230</b>	<b>158,388,160</b>
As at 30 <sup>th</sup> JUNE 2014	<b>18,808,960</b>	<b>17,586,173</b>	<b>68,849,065</b>	<b>1,205,241</b>	<b>1,136,038</b>	<b>3,795,838</b>	<b>111,381,315</b>

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

W.I.P Class 6 comprises the ongoing Muchungucha Water Project.

**MURANG'A WATER AND SANITATION COMPANY LTD**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2015**

	<b>2014/2015</b>	<b>2013/2014</b>
	<b>KSHs</b>	<b>KSHs</b>
<b>10) RECEIVABLES</b>		
Trade Receivables	22,167,916	19,141,926
Other receivables	11,610,747	8,152,917
Prepayment and deposits	503,608	379,832
<b>TOTAL RECEIVABLES</b>	<b>34,282,271</b>	<b>27,674,675</b>
Less allowance for credit risk	(2,216,792)	(1,493,676)
<b>NET BOOK VALUE</b>	<b>32,065,479</b>	<b>26,180,999</b>

**11) CASH & CASH EQUIVALENT**

The company held three bank accounts with Equity, one with Family Bank and M-Pesa, the accounts are to be used for revenue and Deposit purposes. The current bank account represents overdrawn cashbook balance.

The cash and cash equivalent were as follows:-

	<b>2014/2015</b>	<b>2013/2014</b>
BANK ACCOUNT 1-Savings(Equity bank)	314,077	572,242
BANK ACCOUNT 2-Current(Equity bank)	(495,949)	572,454
BANK ACCOUNT 3-W.S.T.F PROJECT UBSUP	4,677,250	-
BANK ACCOUNT 4-Current (Family bank)	95,553	1,019,388
M-PESA	159,130	136,109
CASH AT HAND	35,705	93,483
WSTF CASH AT HAND	(51,000)	
<b>TOTALS</b>	<b>4,734,766</b>	<b>2,393,676</b>

**12 .INVENTORY**

	<b>2014/2015</b>	<b>2013/2014</b>
Inventories	4,684,918	10,149,527

**13) CAPITAL RESERVES**

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

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

Brought Forward	64,882,986	55,782,703
Water Meters & Other Fittings	-	754,000
Amortization on pipes and equipments	(7,510,821)	(3,944,804)
Completed W.S.T.F Project	-	(490)
Amortization Ablution Block	(287,877)	(295,258)
CDF Projects	13,976,720	12,586,835
Murang'a County Government	5,959,598	-
<b>TOTALS</b>	<b>77,020,606</b>	<b>64,882,986</b>

**15) REVENUE RESERVES**

	<b>KSHs</b>	<b>KSHs</b>
Brought forward	1,337,684	15,762,471
Current period	14,977,863	(14,424,787)
<b>Carried forward</b>	<b>16,315,547</b>	<b>1,337,684</b>

**16) CURRENT LIABILITIES**

	<b>2014/2015</b>	<b>2013/2014</b>
	<b><u>(KSHs)</u></b>	<b><u>(KSHs)</u></b>
Customers Prepayments	1,771,776	1,473,854
Suppliers Creditors	15,336,776	7,846,752
Other Creditors	2,189,186	1,610,540
Provision for audit fees	1,550,000	1,087,500
Accrued bills (payables)	25,160,601	15,988,352
Customer Deposits	8,762,069	6,291,855
Gratuity Payable	1,169,324	1,136,398
WHT Payable	40,595	-
V.A.T WHT Payable	75,865	-
W.S.T.F. Funds-UBSUP	4,589,340	-
<b>TOTAL</b>	<b>60,645,532</b>	<b>35,435,251</b>

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**17. TAX PAYABLE**

	<u>2014/2015</u>	<u>2013/2014</u>
	KSHs	KSHs
Tax Payable Balance B/F	15,174,415	-
Charge for the year	-	15,374,415
Payment during the year (.V.A.T. receivable offset)	(2,557,956)	(200,000)
<b>Tax payable</b>	<b>12,616,459</b>	<b>15,174,415</b>

**18. RELATED PARTY TRANSACTIONS**

	<u>2014/2015</u>	<u>2013/2014</u>
	KSHs	KSHs
B.O.D expenses	1,712,256	792,191
Management salaries	8,182,234	7,315,750
Management gratuity expense	1,977,812	1,614,992
Management gratuity owing	1,169,324	1,136,398
<b>Total</b>	<b>13,041,626</b>	<b>10,859,331</b>

**19. CORPORATION TAX**

During the year 2013/2014 the company was assessed for tax by KRA for the period 2007 to 2011 and charged for a principal tax of sh 15,374,415. Penalties and interest on the same of Ksh 17,190,544 were also charged. The company is pursuing waiver of interest and penalty from KRA.

In the current year there was taxable loss brought forward and after computation of tax expense for the year the corporation tax for 2014/2015 was nil due to capital investment deductions..

**20. CAPITAL COMMITMENTS**

The following capital commitments are expected to be incurred in the year 2015/2016.

<u>NO</u>	<u>DETAILS</u>	<u>KSH</u>
1	Water Bottling Plant	10,000,000
2	Meters and accessories	15,153,804
3	Water networks	28,219,459
4	Sewerage networks	1,050,000
5	Computers and computer networking	3,500,000
6	Furniture & office equipments	700,000
7	Motor Cycles	600,000
8	Non Revenue management and GIS Equipments	700,000
	<b>TOTAL</b>	<b>59,923,263</b>

During the year the company had capital commitment loan from K-rep bank amounting to Ksh.24,129,265 . As at 30<sup>th</sup> June 2015 Ksh. 536,765 had been charged in the account for borrowing costs, however the loan proceeds was received in the year 2015/2016 and we intend to capitalize the amount as per I.A.S 23 once the project is complete in financial year 2015/2016.