

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

**REPORT**

**OF**

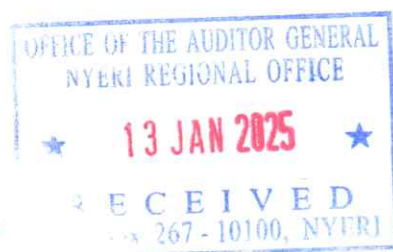
**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2024**





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**MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2024**

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



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**1. Acronyms and Glossary of Terms**

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
WSTF	Water Services Trust Fund
AWWDA	Athi Water Works Development Agency
TWWDA	Tana Water Works Development Agency
Ksh	Kenyan Shillings
UoN	University of Nairobi
CPA-K	Certified Public Accountant of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
FVTOCI	Fair Value Through Other Comprehensive Income
NWCPC	National Water Conservation & Pipeline Corporation

# **Murang'a South Water & Sanitation Company Ltd**

## **Annual Report and Financial Statements for the year ended June 30, 2024**

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### **2. Key Entity Information**

#### **Background information**

The Murang'a South Water and Sanitation Company Ltd was established by the Companies Act of Parliament on 23rd May 2008. 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. The Company is domiciled in Kenya and our legislation is the Articles and Memorandum of association.

#### **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:

<b>Name</b>	<b>Designation</b>	<b>Appointed on:</b>
1. Ms. Nancy Wanja Muhoro	Chairperson	15th July 2022
2. Mr. John Kahi Kiiro	Member	28th June 2019
3. Mr. Mathew Chege Kimani	Member	15th July 2022
4. Ms. Rose Wambui Kinuthia	Member	15th July 2022
5. Ms. Pauline Wanjiru Ngigi	Member	30th June 2023
6. Mr. Lawrence Munga Njoroge	Member	30th June 2023
7. Mr. John Kiboro Njuguna	Member	30th June 2023
8. Prof. Joseph Kiarie Mwaura	CECM-Finance & Economic Planning Murang'a County Gov	
9. Ms. Mary Muthoni Magochi	CECM-Water & Irrigation Murang'a County Govt.	
10. Ms. Mary Gathoni Nyaga	Managing Director	Retired on 30th June 2024
11. Mr. Richard K. Gikuhi	Company Secretary	

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**Company Secretary**

Gikuhi Kiana & Company  
Certified Public Secretaries  
P.o Box 1271-10100  
Nyeri, Kenya.

**Registered Office**

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

**Corporate Contacts**

Telephone: 0716 645 345  
E-mail: [murangasouth@gmail.com](mailto:murangasouth@gmail.com)  
Website: [www.muswasco.co.ke](http://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 25363-00603,  
Nairobi.

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

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

National Bank of Kenya  
Thika Branch  
P.O Box 72866-00200  
Nairobi.

**Independent Auditor**


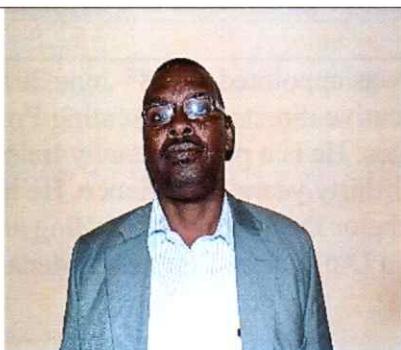

Auditor General  
The Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084GPO 00100  
Nairobi, Kenya

**Principal Legal Advisers**




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



**3. The Board of Directors**

	<b>Directors</b>	<b>Details</b>
1.	 <p>Nancy W. Muhoro (BOD Chairperson) Year of Birth:1975</p>	<p>She was appointed on 15<sup>th</sup> July 2022 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>
2.	 <p>Mathew Chege (Technical Committee Chair) Year of Birth:1966</p>	<p>He was appointed in on 15<sup>th</sup> July 2022 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 &amp; Administration and a Degree in Bachelors of Education</p>
3.	 <p>Lawrence Munga Njoroge (Director) Year Of Birth: 1989</p>	<p>He was appointed on 30<sup>th</sup> June 2023 as a non-executive director representing the business community. He holds a Post Graduate Diploma in Customs Management, Bachelor of Arts, Political Science and Public Administration &amp; He is a Certified Public Accountant-CPA (K). He is a fellow of Institute of Certified Public Accountants of Kenya (ICPAK), Masters in International Relations ongoing. He is the Founder and Managing Director of Goodheart Foundation Kenya Ltd. He is an accountant by profession with vast knowledge in business, finance and administration having worked in various firms in managerial positions.</p>




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4.	 <p>Pauline w. Ngigi (Director) Year of Birth:1978</p>	<p>She was appointed on 30<sup>th</sup> June 2023 as a non-executive director representing women. She holds Masters in Business Administration (Strategic Management), Bachelor of Business Administration (Human Resource Management) Certified Secretary (CS) &amp; a Diploma in Business Administration. She is a fellow of Institute of Certified Secretary (ICS), Kenya Institute of Management (KIM) &amp; Association of Business Executives (ABE). She has vast knowledge in corporate governance and administration issues.</p>
5.	 <p>John Kiiru (Finance &amp; Admin BOD Committee Chair) Year of Birth:1960</p>	<p>He was appointed on 28<sup>th</sup> 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.</p>
6.	 <p>Rose Wambui Kinuthia (Audit &amp; Risk BOD Committee Chair) Year of Birth : 1984</p>	<p>She was appointed on 15th July 2022 as a non-executive director representing professional organizations. She holds Executive Master of Business Administration, Bachelor of Commerce Degree and CPA (K), and is a fellow of ICPAK. She is an accountant by profession with vast knowledge in finance and auditing having worked in various firms in managerial positions.</p>



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7.	 <p>John Kiboro Njuguna (Director) Year Of Birth: 1966</p>	<p>He was appointed on 30<sup>th</sup> June 2023 as a non-executive director representing Members from Special Interest Groups (PLWD). He holds Bachelors in Literature and Sociology. He has worked as an Administrator at Vision Africa and was a Councillor at Kandara Town Council from 2003-2013. He has also worked as teacher for over 8 years.</p>
8.	 <p>Prof. Kiarie Mwaura CECM- Finance &amp; Economic Planning (Murang'a County Govt) Year of Birth:1971</p>	<p>He is a professor of corporate law (UoN), certified governance auditor, fellow of the UK Higher Education Academy &amp; Institute Certified Secretaries (ICS), CPS-K, an Advocate of the High Court of Kenya, Postgraduate Certificate in Higher Education Teaching, University of Wolverhampton (PhD), Staffordshire University (LLM), Legal Practice Diploma, University of Nairobi (LLB), and Certificate in Tribunal Administrative Justice. He is the immediate former dean of the University of Nairobi's School of Law, During his deanship, the School produced the highest number of graduates in its 50-year history and it secured, for the first time, the prestigious CB Madan Prize. He has served on the boards of the Transport Licensing Appeals Board and National Council for Law Reporting.</p>
9.	 <p>Eng. Mary Muthoni Magochi CECM- Water &amp; Irrigation (Murang'a County Govt) Year of Birth:1983</p>	<p>She is the County Executive Committee Member-Water, Irrigation, Environment and Natural Resources at Murang'a County Government. She is a degree holder, an engineer by profession with vast knowledge and wide range of experience in water technical issues.</p>






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10.	 <p>Richard K. Gikuhi (Company Secretary)  Year of Birth: 1952</p>	<p>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.</p>
11.	 <p>Mary Gathoni (Managing Director – Secretary to the BOD), Year of Birth:1958</p>	<p>She was the Managing Director of Murang'a South Water &amp; sanitation Company and retired on 30<sup>th</sup> June 2024. 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 Degree in BBA (Entrepreneurship).</p>

**4. Key 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>John Macharia Wanjiku</p>	<p>Technical Services Manager</p> <p>Bachelor of Science (Water &amp; Environmental Engineering)- Egerton University</p>
 <p>CPA Tabitha Waithera Nderitu</p>	<p>Finance Manager</p> <p>Masters of Science in Commerce- Finance &amp; Investment Option (KCA University).</p> <p>Bachelor of Commerce (Finance Option)-Mount Kenya University.</p> <p>Certified Public Accountant (CPA-K).</p>

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 <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>Purity Wachera Kihara</p>	<p>Ag. Internal Audit Manager</p> <p>Bachelors of Commerce (Accounting Option)- University of Nairobi.</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>



## **5. Chairman's Statement**

On behalf of the Board of Directors, I am honored to present the Annual report and Financial Statements for the Year ended 30<sup>th</sup> June 2024, as we reflect on our company's achievements over the past year. We have made significant progress in lobbying for and installing critical water infrastructure and advancing our goal of achieving universal water access. Our commitment to providing quality services, prioritizing customer needs, and fostering innovation is underpinned by our dedication to transparency, accountability, and good governance. By working collaboratively, we have made remarkable strides towards fulfilling our strategic mandate.

### **Achievements**

In our quest to enhance the water supply and sanitation network in the 3 sub counties we serve, MUSWASCO, supported by development partners, is undertaking various capital projects which include: -

- Completion of the UPC 8th call project that entailed Construction and rehabilitation of Sabasaba water pipeline infrastructure project, improving water supply coverage to more than 2000 beneficiaries and reduced NRW.
- Makutano water and sewerage project (Kangari and Kenol, ongoing at 94.9% with the Sewer component currently at 82.1% completion with 28,456 projected beneficiaries
- Ward fund lot 1 projects pipelines for last mile connectivity, 100% completed, impacting 2,070 consumers.
- Kinyona-Karimamwaro Water project, at 65% with projected beneficiaries at 18,654.
- Kandara bulk water rehabilitation project ongoing at 20% completion for increased water supply.

### **Challenges**

Our path has not been without its challenges. We have faced setbacks, most notably;

- **Encroachment:** The loss of the Maragua Bulk Water Project to Murang'a Water and Sanitation Company, under the directive of the President of the Republic of Kenya. This compounded by further attempts to encroach our supply area, by the same WSP, has significantly incapacitated our ability to meet our tariff billing targets and poses a serious threat to the fulfillment of our strategic mandate, having lost supply coverage in Maragua, Kambiti and Maragua Ridge areas. We mourn the loss of the Maragua Bulk Water Project, but it underscores our unwavering commitment to excellence in other areas. It serves as a catalyst

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for innovation and an even stronger dedication to excellence in all other areas. We leverage this experience to unlock even greater potential.

- **Political Interference:** The impact of negative political pronouncements inciting the public against payment of water bills created obstacles, hindering our operations and complicating our efforts to serve our customers effectively.
- **High NRW:** High levels of Non-revenue Water attributed to the dilapidated infrastructure, aged meters etc.
- Pipe destruction during road construction works.
- Vandalism of water fittings along our pipelines.

While we acknowledge ongoing challenges, these hurdles notwithstanding, we've made significant strides in improving water supply services across all sectors – domestic, commercial, and industrial – while adhering to regulatory requirements.

**Steering the Course Toward Future Success**

- ✓ **Strategic Growth and Expansion:** We are actively seeking funding from development partners and commercial financing to bolster capital projects. This includes the critical Kenol-Kabati-Makuyu Bulk Water Supply project, designed to address water flow challenges in the region.
- ✓ **Internal Investments:** We'll prioritize last-mile connectivity, water lines rehabilitation, and consumer metering. Internally, we've allocated funds for efficiency improvements, NRW reduction, key consumer metering, pipeline rehabilitation and scheduled maintenance.
- ✓ **Technology Integration:** We will invest in improved technologies for operational efficiency.
- ✓ **Sustainability and Environmental Stewardship:** We remain committed to adopting eco-friendly technologies, minimizing water wastage, and improving our water treatment practices to lessen our ecological footprint.

**Conclusion**

MUSWASCO remains optimistic, driven by the resilience and dedication of its team. The commitment to providing reliable, high-quality water services continues to be a priority, with a strong belief that innovative solutions and collective efforts will ensure success. The Board is focused on

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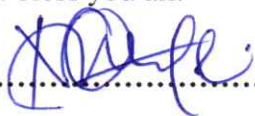
achieving commercial sustainability, enhancing public engagement, and delivering seamless services, all aligned with the UN Sustainable Development Goals (SDGs).

Acknowledging the invaluable contributions of the management team and staff, the Board reiterates its support as the company navigates future opportunities and strives for greater achievements. Gratitude is extended to all stakeholders, including the Murang'a County Government, Athi Water Works Development Agency (AWWDA), Water Services Regulatory Board (WASREB), Water Sector Trust Fund (WSTF), GATSBY Africa, CDF, Ministry of Water, Sanitation and Irrigation (MoWSI), our esteemed customers and suppliers for their ongoing collaboration in shaping the company's long-term success and sustainability.

MUSWASCO celebrates a heroic leader, MD Emeritus Mary G. Nyaga who retired on 30<sup>th</sup> June 2024. Her 15 years of service have been pivotal in shaping the company's growth trajectory.

We embrace the future with optimism and a shared vision to ensure a brighter future for MUSWASCO and the communities we serve.

God bless you all.



.....  
**NANCY WANJA MUHORO**  
**BOD CHAIRPERSON.**



## **6. Report of the Managing Director**

It is with great honour and responsibility that I present an in-depth overview of our business performance, highlighting our strategic priorities and significant operational accomplishments for the year ending June 2024. We have made significant strides in enhancing water and sanitation service delivery through various initiatives, including pipeline rehabilitation works, last mile pipeline extensions, establishing water access points in marketplaces, implementing measures to reduce Non-Revenue Water (NRW), commissioning boreholes and constructing sanitary facilities for public access.

These milestones would not have been achieved without the trust and dedication of our management and staff, whose efforts have been instrumental in reaching our operational and strategic targets. We are also grateful for the invaluable guidance and support of our Board of Directors and development partners.

### **Performance Review**

We met our business objectives by effectively managing operations to achieve our Key Performance Indicators.

### **Achievements**

- ***Water Tariff Approval and Implementation:*** The regulator approved our water tariff, legalized through Gazette Notice No. 10543, published in the Kenya Gazette Vol CXXV-No. 180 of 11/08/2023.
- ***Revenue Impact:*** 35% increase in billing, marking a key milestone in our pursuit of financial sustainability.
- ***Reduction of Non-Revenue Water (NRW) ratio from 45% to 37%.***
- ***Achieved 100% metering ratio.***
- ***Water Conservation:*** The new tariff structure, charging based on actual consumption, reduced water wastage and improved availability in underserved areas e.g. Kenol and Kandara.
- ***Improved Customer Satisfaction:*** Billing accuracy improved, reducing billing related disputes. Low-volume users (< 2M<sup>3</sup>) enjoy lower rates.
- ***Improved Access:*** Enhanced last-mile coverage and service quality.
- ***Improved overall performance as rated on the 16th Impact Report by WASREB to position 19/88 from position 23/88 of publicly owned utilities.***

- **Performance Management:** Execution of effective performance appraisals to ensure the achievement of Key Performance Indicators (KPIs) and continuous on-the-job training for both technical and non-technical positions, leading to measurable improvements in employee performance and organizational efficiency.
- Borehole drilling, solarization and equipping by the County Government of Murang'a and Athi Water Works Development agency for increased coverage and subsequent increase in water connections.

### **Challenges**

- **Encroachment on Service Areas:** During the financial year, Murang'a Water and Sanitation Company encroached on several projects and areas under our jurisdiction, including Maragua Bulk Water Supply Project, Maragua area, Kambiti area and Maragua Ridge area. This unauthorized takeover has negatively impacted our supply coverage, billing operations and increased provisions for bad debts.
- **Political Influences on Payment Compliance:** Political statements encouraging non-payment of water bills, following the implementation of the new tariff, led to a decline in customer payments. However, collection efficiency improved, closing the year with a collection efficiency of 102%.
- **Rising Incidents of Water Theft:** Following the tariff implementation, there was a significant rise in cases of water theft. To counter this, we have enhanced monitoring of water meters and imposed penalties on offenders as stipulated in the tariff guidelines.
- **Pipeline Destruction and Vandalism:** Destruction during road construction works coupled with delays in replacement by the responsible contractors has resulted in rampant interruption of water supply particularly in towns.
- Inadequate water resource leading to low water coverage and strict rationing of water.

Despite the challenges we have faced this fiscal year, our commitment to delivering safe and reliable water services remains unwavering. The management team is steadfast in our mission to achieve universal access to water for all, and we are continually exploring innovative strategies to enhance our efficiency, expand our reach, and serve our communities better.

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**Appreciation**

I would like to extend my heartfelt appreciation to our exceptional staff, whose unwavering dedication, professionalism, and enthusiasm have been crucial to the company's success. Their hard work has been instrumental in fulfilling our mission and delivering the outstanding performance highlighted in this report.

I also wish to express my sincere gratitude to the Board of Directors for their strategic guidance, and to our partners and principals for their invaluable support. A special thanks to our stakeholders, consumers, and suppliers for their continued trust and collaboration throughout the year.

With this strong foundation and collective commitment, I am confident that our company will continue to thrive and achieve even greater heights.



.....  
**JOHN MACHARIA**

**MANAGING DIRECTOR**



**Murang'a South Water & Sanitation Company Ltd**  
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**7. Statement of Performance Against Predetermined Objectives for FY 2023/2024**

Murang'a South Water and Sanitation Company Limited has strategic issues and objectives within the current Strategic Plan.

The following are the key strategic issues identified and prioritized for attention over the current strategic plan;

- ❖ Low access and coverage to safe water and sanitation services
- ❖ High levels of Non-Revenue Water (NRW)
- ❖ Inadequate ICT Capacity-Inadequate management information system (MIS)
- ❖ Inadequate financial sustainability
- ❖ Inadequate institutional capacity
- ❖ Inadequate mainstreaming of cross cutting issues
- ❖ Lack of adequate and reliable data
- ❖ Limited corporate image

The following are the strategic objectives;

- ❖ To increase access and coverage to safe water and sanitation services.
- ❖ To reduce Non-revenue water to standard levels.
- ❖ To Strengthen Information Management System.
- ❖ 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.

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**Murang'a South performance against predetermined objectives.**

Murang'a South Water and Sanitation Company Limited develops its annual work plans based on the above eight pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on an annual basis. The Company achieved its performance targets set for the FY 2023/2024 period for its eight strategic pillars, as indicated in the diagram below:

S/ N o	Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
1	To increase the proportion of the population accessing safe water and sanitation services.	Increase service coverage from 56% to 75% over the period	Concept paper, Project Proposal, Designs, BOQs and project implementation	Project undertaken in areas of jurisdiction e.g Makutano project (water and sewer) 86%, Ward fund last mile connections 30km, Makutano phase 2 last mile projects 8km, Rehabilitation of Sabasaba pipelines, Kiosks	Water Coverage for MUSWASCO has increased from 70% to 74%
2	Reduction of High levels of Non-Revenue Water	To Reduce Non-Revenue from 47% to 35%.	LPOs, Delivery notes, replaced meters, F/R to metered conversions	Customer metering (Replacement) and reduction of all Flat rate connections, CIS and attendance to Billing anomalies, Dislodge of sealed and dormant connection.	Current NRW at 37%.
3	To Strengthen Information Management System.	To improve the ICT system within the organization	ERP System, LPOs on mobile phones, Intercom, desktops	Purchase of systems for data harmonization and integration	Improved billing, Collection efficiency and timely data integration
4	To Enhance MUSWASCO's Financial Sustainability.	To establish a financially sustainable tariff	Wasreb Letter towards approval	Finalize on Tariff Approval	Gazetted by WASREB via Gazette Notice No. 10543 and implemented in Sep.2023.
		To expand the customer base	Achieve 45,000 connections	Increase the number of Connections	Achieved
		To improve the collection	Collection Efficiency > 95%	Maintain revenue collection Efficiency > 95%	Achieved
		To secure funding to support capital investments or specific projects.	Concept paper, Project Proposal, Initial designs	Mobilizing funds for the development Partners.	Awarded funding for UPC 8 <sup>th</sup> call project from WSTF.
5		To enhance staff capacity	Training Reports	Identify tailor made courses for the staff	Achieved progressively
		To reform and fully improve the MUSWASCO's	Staff Establishment reports	Progressive implementation of the organogram within the strategic Plan Period	Achieved progressively

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	To enhance institutional capacity	Organizational structure in the year	&Annual M&E Reports		
6	To enhance mainstreaming of cross cutting issues.	To institute an occupational safety.	OSHE Policy	Develop and implement an Occupational Safety ,Health and environmental policy	Acquired and Implemented OSHE Policy.
		To address social and environmental issues.	Sensitization Reports	Disseminate and create awareness on all cross-cutting policies and related interventions	Conducted all necessary awareness through various forums.
7	Enhance quality of the Database to assist in planning.	Develop Database of Quality and reliable data.	Operational Data Centre	Conducted a need assessment	The company has partially acquired an ERP system, currently using the billing & CRM. Enhanced quality of customer data. Increased operational efficiency.
			Baseline Survey Report	Conducted CIS(Customer Identification Survey) and validated the collected data	
8	Enhance quality Corporate Communication.	To create awareness.	Social media post, website updates, mainstream medias.	Updating social media, held barazas , stakeholder engagements, CSR activities & partnerships, sms.	Enhanced corporate image and awareness on issues pertinent to our services provision.



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**8. 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 License 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 of Directors 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.

**Director Induction and Training**

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.

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**Board of Directors Committees and Meetings**

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

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

- Technical Committee
- Finance & Administration Committee
- Audit, Governance and Risk Committee.

In the financial year 2023/2024, the BOD attended 4 Finance and Admin Committee meetings, 4 Technical Committee meetings, 4 Audit, Governance and Risk Committee meetings, 4 full board meetings, inaugural board meeting and 1 special full board meetings.

In Quarter1, reporting period, the BOD committees convened from 12<sup>th</sup> September 2023 to 14<sup>th</sup> September 2023 and the Full Board held on 22<sup>nd</sup> September 2023. In Quarter 2 reporting period, the committees convened from 6<sup>th</sup> December 2023 to 18<sup>th</sup> December 2023 and the Full Board held on 21<sup>st</sup> December 2023. In Quarter 3 reporting period, there was BOD induction between 11<sup>th</sup> March 2024 to 15<sup>th</sup> March 2024, . In Quarter 4 reporting period, the committees convened from 8<sup>th</sup> April 2024 to 11<sup>th</sup> April 2024 and 24<sup>th</sup> June 2024 to 25<sup>th</sup> June 2024, a special board meeting on 7<sup>th</sup> June 2024 and the Full Board convened on 23<sup>rd</sup> April 2024 and on 26<sup>th</sup> June 2024.

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.

**The remuneration of the directors individually and collectively**

<b>Sitting Allowances for the Directors FY 2023-2024</b>		
<b>S/no.</b>	<b>Name of Director</b>	<b>Amount-Ksh</b>
1	Nancy Wanja Muhoro	364,000
2	Samuel Njooa Kinyanjui	135,000
3	Prof. Kiarie Mwaura	150,000
4	Pauline Wanjiru Ngigi	255,000
5	John Kahi Kiiro	256,000
6	Rose Wambui Kinuthia	256,000
7	Mathew Chege Kimani	266,000
8	Lawrence Munga Njoroge	235,000
9	Mary Muthoni Magochi	70,000
10	John Kiboro Njuguna	275,000
11	Isaac Gichuki Rep. CECM-Water	30,000
12	Bridget Wairimu Irungu- C.O water	40,000
<b>Total (KSH)</b>		<b>2,332,000</b>



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**9. 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 several 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.

The company also has 170 hardworking and committed staff who operate within our area of jurisdiction that is: Murang'a South, Kandara and Kigumo sub-counties as licensed by Water Services Regulatory Board (WASREB).

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, however the Company had statutory arrears as at close of the financial year.

During the year, the company has continued to be hit by effects of the rising rate of inflation and encroachment of our service area by MUWASCO hence making it difficult for the company to meet most of its operation and maintenance costs.

	<b>Project Name</b>	<b>/Status/Progress</b>	<b>Cost (Ksh. Million )</b>	<b>Beneficiaries (Pop)</b>	<b>Result area</b>
<b>A</b>	<b>Project</b>				
1	Makutano water and sewerage project (Kangari and Kenol)	Water project, Ongoing at 94.9% Sewer 82.1%	689	28,456	Increase water supply and sanitation
2	Ward fund lot 1 projects pipelines	Completed 100%		2,070	Increase last mile connectivity
3	Kinyona-Karimamwaro Project	Water project, stalled at 65%	136	18,654	Increase water supply, increased coverage and increased new connections
4	UPC 8th call, Construction and rehabilitation of sabasaba water pipeline project	Water project, 100% complete	16	2000	Increase water supply and sanitation Reduce NRW
5	Kandara bulk water rehabilitation project	Ongoing, 20%	55		Increase water supply
6	Kenol last mile connectivity	Proposal stage	185	1500	Increase in water supply
7	Irati- Sabasaba project	Proposal stage	75	2200	Increase water supply



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8	Murang'a south water supply intensification Project	Works contracted	1300	32,000	Increase in coverage
9	Decentralized treatment facility (DTF-50)	Stalled at 33%	11	2000	Increase sanitation coverage
			2,468	<b>37,700</b>	
	<b>Sub totals</b>		<b>843</b>	<b>32,526</b>	
<b>B</b>	<b>Boreholes Drilling and Equipping</b>				
1	Kaburugi Borehole	Incomplete, 90%	10	300	Increased water supply connections
2	Ndiara-ini Borehole	Complete, 100%	10	150	Increased water supply connections
3	Chief Wempa Borehole	Complete, 100%	10	300	Increased water supply connections
4	Senior Gichohi Borehole	Incomplete	10	160	Increased water supply connections
5	Njiri's borehole	Complete	10	80	Increased water supply connections
6	Kariti Borehole	Incomplete, 60%	10	98	Increased water supply connections
	<b>Sub totals for boreholes</b>		<b>60</b>	<b>1,088</b>	
<b>C</b>	<b>Boreholes by the county govt.</b>				
1	Mutithi borehole	Complete		80	Increased coverage
2	Muthithi borehole	Complete		30	Increased coverage
3	Gathungururu	Complete		50	Increased coverage
4	Mbogoini borehole	Complete		50	Increased coverage
5	Mutitu borehole	Complete		50	Increased coverage
6	Mumbu Borehole	Complete		100	Increased coverage
7	Gikindu Borehole	Complete		50	Increased coverage
8	Mukerenju borehole	Complete		100	Increased coverage
	Subtotal			<b>510</b>	
	<b>Total Investment</b>		<b>2,554</b>	<b>39,298</b>	

## **10. 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, AWWDA, 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 Kenol, 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 OSHA 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 2022/2023 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**

Our company is committed to operating with a deep sense of responsibility towards the quality of life of the communities we serve, the local environment, and society as a whole. We believe that beyond delivering our core services, we have a duty to contribute positively to the socio-economic and ecological well-being of the communities we operate in.

In alignment with this commitment, we have implemented various initiatives that not only support sustainable development but also enhance our corporate image and strengthen our relationships with stakeholders. These efforts are integral to our mission, reflecting our dedication to being a responsible corporate citizen and a trusted partner to those who rely on our services. Through strategic community engagement and sustainable practices, we aim to foster positive change and build a brighter future for all.

CSR and community engagement activities undertaken during this period include:

- I. Following the implementation of the new tariff, retired MD Mary G. Nyaga engaged the public through a morning talk show on 28/9/2023 on Inooro Ruciini, Inooro TV, addressing new water tariff concerns, updates on ongoing and completed water supply and sanitation projects, corporate governance and the utilities corporate social responsibility initiatives.
- II. Donated meters and reconnected needy consumers in Kandara and Kigumo who had been disconnected and unable to replace meters.
- III. Installed free water connections for 2 elderly non-verbal brother brothers in Gathera and 2 new water connections impacting 2 needy families in Muthithi Ward, Kigumo Constituency.
- IV. Donated life essential items including sanitary and inner wear for learners of Kirunguru Special School and Kigumo Primary School
- V. Sponsorships and partnerships with CBOs where we participated in the Maragua Town Clean up exercise organized by a local Community Based Organization, Environment Defenders SHG on 22nd July 2023 and Murang'a Youth Leaders Association, where we donated drinking water and planted more than 100 indigenous trees at Kandara Children's home.
- VI. Public Consultation meetings held on April 19th and 23rd 2024 at Kabuku Sublocation and Kimorori for the proposed projects Environmental and Social Impact Assessment.



**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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- VII. Held barazas Sabasaba and Kagiko in Ithiru Ward addressing illegal water connections and provided an avenue for legalizing connections for those who came forward.
- VIII. We continued our collaboration with the County government in various capacities, including planning and sponsoring the World Water Day 2024 event held at Mukerenju.
- IX. On April 24th 2024, we collaborated with Hon. Hillary Muigai, MCA Ichagaki Ward holding discussions about ongoing efforts to improve water supply in the region at Mugumoini and Ichagaki shopping centre.
- X. We hosted educational training sessions at our water treatment facilities, engaging Institutions of higher learning while providing a unique opportunity for our experts to train the learners and impart practical knowledge.
- XI. Held a customer clinic in partnership with Kandara Law Courts during their Open Day, held at the Kandara Market on June 7, 2024, where we provided civic education on water supply, raised awareness about water conservation, detailed the regulations and legal obligations of both the customer and the company and emphasizing their interdependence.
- XII. Community engagement and civic education to safeguard our service area against external encroachment by undertaking a series of door-to-door customer visits and community engagement in areas of Samar, Sabasaba scheme at CBO/chama meetings between 11/6/24 – 14/6/24. We sensitized the public on the potential risks and addressed misinformation to prevent further erosion of our service area. This proactive engagement strategy not only strengthened our rapport with the community but also reinforced their commitment to supporting us, successfully neutralizing the threat.
- XIII. Engagement through Media: From June 9th to 15th, 2024, we aired a week-long radio campaign on Kameme FM and Inooro. The campaign urged the public to support proper water resource management by reporting issues such as burst pipes, leaks, vandalism, or water theft. We emphasized the importance of water conservation to improve access for consumers downstream. Additionally, we highlighted the legal consequences of illegal water connections. This initiative aimed to engage the broader public within our service area
- XIV. To support water kiosk operators delivering efficient water service provision, we conducted a training workshop on 22nd March 2024 to equip them with the skills needed for effective and sustainable management.

- XV. In our contribution towards the National Tree Growing Restoration initiative aimed at reducing greenhouse emissions, stopping, reversing deforestation and, restoring 5.1 million hectares of deforested and degraded landscapes, we engaged in a number of tree-planting events, planting more than 100 trees at our intakes and offices and donating more than 500 indigenous tree seedlings at various events including the Murangá County Wetlands Restoration at Manguo, Kandara Subcounty Jamhuri Day celebrations and at Kariguini tree planting event. We also participated in the Karua Hills, Kamahuha Ward, presided over by H.E Dr. William Samoei Ruto in observing the National Tree Planting Day on 10th May 2024 in honor of flood victims. Our collective efforts resulted in the planting of more than 20,000 trees. We continue in our efforts to ensure environmental conservation through tree planting initiatives and tree seedling donation to various CBOs and Institutions.

**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**11. Report Of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the company's affairs.

**i) Principal activities**

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

**ii) Results**

The results of the company for the year ended June 30, 2024 is Ksh. 1,105,870 as set out on page 1.

**Dividends**

The company has not declared dividends for the year ended June 30, 2024 as it does not declare dividends since it's not a profit making organization, where surplus is recognized, it's normally added to the retained earnings.

**iii) Directors**

The members of the Board of Directors who served during the year are shown on page v- viii.

**iv) 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 were nominated by the Auditor General to carry out the audit of the Company for the year ended June 30, 2024, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board of Directors



.....  
**Name: John Macharia**

**Company Secretary/Secretary to the Board of Directors**

**Date: 8th January 2025**



## **12. Statement Of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 Memorandum and Articles of Association require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that 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 the Company.

The Directors are responsible for the preparation and presentation of the 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 (period) ended on June 30, 2024. 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 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, water act 2016 and companies Act 2015) and Memorandum and Articles of Association.

**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**  
**Statement Of Directors' Responsibilities (Continued)**

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The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2024, and of the Company's 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.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and has outlined the measures put in place to mitigate against the uncertainty in relation to going concern (see note 55).

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


**Approval of the financial statements**

The company financial statements were approved by the Board of Directors on 8<sup>th</sup> January 2025 and signed on its behalf by:

.....  


**Name: Nancy Wanja Muhoro**

**Chairperson of the Board**

.....  


**Name: John Macharia**

**Managing Director**



# REPUBLIC OF KENYA

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*Enhancing Accountability*

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## **REPORT OF THE AUDITOR-GENERAL ON MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024**

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### **PREAMBLE**

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 as set out on pages 1 to 60, which comprise the statement of financial position as at 30 June, 2024 and the statement of profit or Loss and other

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Report of the Auditor-General on Murang'a South Water and Sanitation Company Limited for the year ended 30 June, 2024



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 effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Murang'a South Water and Sanitation Company Limited as at 30 June, 2024 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 Company's Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Material Uncertainty in Relation to Going Concern**

The statement of financial position reflects current liabilities balance of Kshs.211,933,727 which exceeds the current assets balance of Kshs.111,794,952 resulting in a negative working capital of Kshs.100,138,775 as at 30 June, 2024. The Company has disclosed this state in Note 54 to the financial statements. Even though, the Management of the Company has explained that it implemented a cost recovery tariff within the financial year under review to increase revenue and improve the going concern status, the precarious financial position is yet an indication of the existence of a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern and to meet its obligations as and when they fall due.

In the circumstances, the going concern of the Company is in doubt.

#### **2. Long Outstanding Trade Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.79,445,847 net of provision for bad and doubtful receivables amounts of Kshs.7,248,209 which, as disclosed in Note 29 to the financial statements includes trade receivables balance of Kshs.65,351,081, which had been outstanding for more than 180 days without being collected.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.79, 445,847 could not be confirmed

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Murang'a South Water and Sanitation Company Limited Management in accordance with ISSAI 130 on the 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 judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Information**

#### **Conclusion**

The Management are responsible for the Other Information set out on page iii to xxix which comprise Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance against predetermined objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

### **Basis of Conclusion**

In connection with my audit on the financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that Other Information is not materially inconsistent with the financial statements.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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.High level of Non-Revenue Water (NRW)**

During the financial year under review, the Company had a total water production of 4,649,498 cubic meters (CM). Out of this volume, 2,775,351 CM was registered and billed to consumer meters. The remaining balance of 1,874,147 cubic meters (CM) or 40.3% was lost water. This is water that was produced but not translated to sales. This volume exceeds the set maximum allowable water loss of 25% as per the service provision agreement with Tana Water Services Board Schedule E, Sector Benchmarks. Therefore, the non- allowable water loss was 15.3%. The significant level of non-revenue water may negatively impact the Company's profitability and its ability to keep as a going concern.

In the circumstances, the high level of NRW may negatively impact on the company's profitability and ability to sustain delivery to the public.

### **2.Personnel Costs in Excess of the Recommended Threshold**

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.125,445,624 representing approximately 44% of the total expenditure of Kshs. 285,350,281 for the year ended 30 June, 2024. 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.

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. Non-compliance with the Law on Ethnic Composition**

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2024 reflects staff costs balance of Kshs 125,445,624 as disclosed in Note 11 to the financial statements. Examination and analysis of personnel records revealed that the Company's total number of employees was 174 out of which 166 or 95 % of the total number were members from dominant ethnic community in the county. This was contrary to the requirements of Section 7(2) of the National Cohesion and Integration Act, 2008 which states that, no public establishment shall have more than one third of its staff from the same ethnic community.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply in all material respects, with the authorities that govern



them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### Basis for Conclusion

#### Non implementation of Audit recommendations

The Company was called upon for discussions to consider the Auditor General Reports on the financial statement for the three (3) Financial Years running up to 2020/2021 by the County Public Investments and Special fund Committee via a letter dated 19<sup>th</sup> July 2023 Ref: SEN/DGAC/CPICSF/2023/148.

Audit examination of the invitation letter further revealed the committee requested to submit written responses, including supporting documentation to the specific issues raised in the said reports of the Auditor General to respective auditors from the Office of the Auditor General. In addition, Appendix I on the Progress on follow up of Auditors Recommendations reflects unresolved issues as raised in the prior year certified audited report that have not been fully implemented.

In the circumstances, repeated findings from previous audits signals lack of corrective action and Management commitment in the implementation of audit recommendations.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and 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 Companies Act, 2015, I report, based on my audit, that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on page xxviii is consistent with the financial statements; and

- iii. The auditable part of the Directors' remuneration has been properly prepared in accordance with the Companies Act, 2015.

### **Responsibilities of the Management and the Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to 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 comply with the authorities which govern them and that public resources are applied in an effective way.



The Board of Directors are 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**16 January, 2025**

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Report of the Auditor-General on Murang'a South Water and Sanitation Company Limited for the year ended 30 June, 2024





**Murang'a South Water & Sanitation Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.**

	Note	Current FY 2023/ 2024	Comparative FY 2022/ 2023
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	274,050,243	207,607,462
Grants Income	7	10,434,152	8,258,880
Other Income	8	1,842,337	3,781,396
Finance income	9	150,080	162,240
Other gains/(losses)	10	-	-
<b>Total Revenue</b>		<b>286,476,812</b>	<b>219,809,978</b>
<b>Expenses</b>			
Staff Costs	11	125,445,624	110,371,957
General and Operations expenses	12	86,339,321	79,067,820
Board Expenses	13	5,425,746	2,563,490
Maintenance Expenses	14	51,178,183	41,035,948
Depreciation and Amortization expenses	15	9,013,805	9,364,343
Finance Costs	16	7,968,264	3,424,000
<b>Total Expenses</b>		<b>285,370,942</b>	<b>245,827,558</b>
<b>Profit/(Loss) Before Taxation</b>		<b>1,105,870</b>	<b>(26,017,580)</b>
<b>Income Tax Expense/(Credit)</b>	17	-	-
<b>Profit/(Loss) After Taxation</b>		<b>1,105,870</b>	<b>(26,017,580)</b>
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		<b>1,105,870</b>	<b>(26,017,580)</b>
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		-	-
<b>Total Comprehensive Income for The Year</b>		<b>-</b>	<b>-</b>





**Murang'a South Water & Sanitation Company Ltd.**

**Annual Report and Financial Statements for the year ended June 30, 2024**

**15. Statement Of Financial Position As at 30 June 2024**


	Note	Current FY 2023/ 2024	Comparative FY 2022/ 2023
		Ksh.	Ksh.
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	20	271,370,522	243,904,501
Intangible assets	21	990,083	1,352,398
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
<b>Total non-current assets</b>		<b>272,360,605</b>	<b>245,256,899</b>
<b>Current assets</b>			
Inventories	28	1,422,403	1,821,927
Trade and Other receivable	29	79,445,847	71,811,346
Tax recoverable	30	-	-
Short-term deposits	31	-	-
Bank and cash balances	32	30,906,041	6,998,907
<b>Total current assets</b>		<b>111,774,291</b>	<b>80,632,180</b>
<b>Total Assets</b>		<b>384,134,896</b>	<b>325,889,079</b>
<b>Equity and Liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	33	100,000	100,000
Revaluation reserve	34	-	-
Fair value adjustment reserve	35	-	-
Retained earnings and Capital Reserve	36	(44,481,641)	(45,587,511)
<b>Capital and Reserves</b>		<b>(44,381,641)</b>	<b>(45,487,511)</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability	37	-	-
Borrowings	38	38,954,352	50,881,443


**Murang'a South Water & Sanitation Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

Lease liability	39	-	-
Provisions	40	-	-
Retirement benefits	41	-	-
Deferred income	44	177,628,458	131,672,441
<b>Total Non-Current Liabilities</b>		<b>216,582,810</b>	<b>182,553,884</b>
<b>Current Liabilities</b>			
Borrowings	38	11,843,457	10,842,496
Lease liability	39	-	-
Provisions	40	-	-
Retirement benefit obligations	41	-	-
Trade and other payables	42	131,322,943	114,017,305
Refundable deposits and prepayments	43	68,767,327	63,962,905
Dividends payable	45	-	-
Taxation	46	-	-
<b>Total Current Liabilities</b>		<b>211,933,727</b>	<b>188,822,705</b>
<b>Total Equity and Liabilities</b>		<b>384,134,896</b>	<b>325,889,079</b>

The financial statements were approved by the Board on 8<sup>th</sup> January 2025 and signed on its behalf by:

  
 .....  
**Name: John Macharia**  
**Managing Director**

  
 .....  
**Name: CPA Tabitha Nderitu**  
**Head of Finance**  
**ICPAK M/No: 17690**

  
 .....  
**Name: Nancy Muhoro**  
**Chairperson of the Board**

**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**16. Statement Of Changes in Equity for the Year Ended 30 June 2024**

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
<b>As at July 1, 2022 (Previous FY)</b>		-	-	-	(8,741,888)	-	10,791,181	2,049,293
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(26,017,580)	-	-	(26,017,580)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
Prior year adjustment		100,000	-	-	(21,619,224)	-	-	(21,519,224)
<b>At June 30, 2023 (Previous FY)</b>		<b>100,000</b>	-	-	<b>(56,378,692)</b>	-	<b>10,791,181</b>	<b>(45,487,511)</b>



**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

	Note s	Ordina ry share capital	Revalu ation reserve	Fair value adjustment reserve	Retained earnings	Propo sed divide nds	Capital/ Development Fund	Total
<b>As at July 1, 2023 (Current FY)</b>		<b>100,000</b>	-	-	<b>(56,378,692)</b>	-	<b>10,791,181</b>	<b>(45,487,511)</b>
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	1,105,870	-	-	<b>1,105,870</b>
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
Prior year adjustment		-	-	-	-	-	-	-
<b>At June 30, 2024 (Current FY)</b>		<b>100,000</b>	-	-	<b>(55,272,822)</b>	-	<b>10,791,181</b>	<b>(44,381,641)</b>

**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**17. Statement Of Cash Flows for The Year Ended 30 June 2024**

	Note	Current FY 2023/ 2024	Comparative FY 2022/ 2023
<b>Cash flows from operating activities</b>		<b>Ksh.</b>	<b>Ksh.</b>
Profit/ (Loss) before income tax		1,105,870	(26,017,580)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	15	9,013,805	9,364,342
Retained earnings & share capital adjustment		-	(21,519,224)
<b>Operating profit/(loss) before working capital changes</b>		<b>10,119,674</b>	<b>(38,172,462)</b>
<b>Decrease/(increase) in:</b>			
Inventories	28	399,524	(187,328)
Trade and other receivables	29	(7,634,501)	22,739,481
<b>Increase/(decrease) in:</b>			
Trade and other payables	42&43	22,110,060	32,055,606
Deferred Income	44	45,956,017	9,913,172
<b>Cash generated from operations</b>		<b>60,831,101</b>	<b>64,520,931</b>
<b>Net cash generated from operating activities</b>		<b>70,950,775</b>	<b>26,348,471</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	20	(36,117,510)	(72,029,843)
<b>Net cash generated used in investing activities</b>		<b>(36,117,510)</b>	<b>(72,029,843)</b>
<b>Cash flows from financing activities</b>			
Borrowings	38(b)	-	63,308,664
Repayments of loan	38(b)	(10,926,131)	(17,345,401)
<b>Net cash generated used in financing activities</b>		<b>(10,926,131)</b>	<b>45,963,263</b>
Net (decrease)/increase in cash and cash equivalents		23,907,134	281,889
Cash and cash equivalents at the beginning of the period	32	6,998,907	6,717,018
<b>Cash and cash equivalents at the end of the period</b>		<b>30,906,041</b>	<b>6,998,907</b>



**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024**

Particulars	Original Budget	Adjustment	Budget Full Year	Actual on comparable basis	Performance difference	% of utilization
	A	b	C=a +b	d	e=c-d	f=d/c %
Revenue	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	%
Operating Revenue	452,447,931	(147,332,931)	305,115,000	274,050,243	31,064,757	90%
Other Income	100,000	1,900,000	2,000,000	1,842,337	157,663	92%
Finance Income	-	165,000	165,000	150,080	14,920	91%
Grants	1,684,708	8,612,955	10,297,663	10,434,152	(136,489)	101%
<b>Total Revenue</b>	<b>454,232,639</b>	<b>(136,654,976)</b>	<b>317,577,663</b>	<b>286,476,812</b>	<b>31,100,851</b>	<b>90%</b>
<b>Expenses</b>						
Staff Costs	150,026,836	(22,604,308)	127,422,528	125,445,624	1,976,904	98%
General and Operations Expenses	132,289,739	(45,380,104)	86,909,635	86,339,321	570,314	99%
Board Expenses	7,000,000	(1,300,000)	5,700,000	5,425,746	274,254	95%
Maintenance Expenses	51,493,200	(1,606,851)	49,886,349	51,178,183	(1,291,834)	103%
Finance Costs	34,577,850	(26,268,819)	8,309,031	7,968,264	340,767	96%
<b>Total Recurrent Expenditure</b>	<b>375,387,625</b>	<b>(97,160,082)</b>	<b>278,227,543</b>	<b>276,336,477</b>	<b>1,870,405</b>	<b>99%</b>
<b>Profit or Loss</b>	<b>78,845,014</b>	<b>(39,494,894)</b>	<b>39,350,120</b>	<b>10,119,674</b>		
<b>Capital Expenditure</b>	<b>54,620,264</b>	<b>(20,370,143)</b>	<b>34,250,121</b>	<b>36,117,516</b>	<b>(1,867,395)</b>	<b>105%</b>
Creditors Repayments	12,000,000	(12,000,000)				
<b>Total Expenditure</b>	<b>442,007,889</b>	<b>(129,530,225)</b>	<b>312,477,664</b>	<b>312,474,654</b>	<b>3,010</b>	<b>100%</b>

**Reconciliation between the Profit on the Statement of comprehensive income and the Profit on the Statement of Budget Comparison**

Particulars	Statement of Comparison of Budget	Statement of Comprehensive income	Difference	Explanation on the Difference
Item	Ksh.	Ksh.	Ksh.	
Profit or Loss	10,119,674	1,105,870	9,013,805	This difference is as a result of provision for depreciation and amortization expenses reflected on the statement of comprehensive income but was not factored in the budget.

*Budget notes: Provide explanation of differences between actual and budgeted amounts (10% difference over/ under) Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes.*

*Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.*



## **19. Notes to the Financial Statements**

### **1. General Information**

Murang'a South water & Sanitation Company Ltd is established by and derives its authority and accountability from companies Act. The Company is wholly owned by the Muranga 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.

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, Memorandum and Articles of association 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 and effective in the year ended 30 June 2024.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

*The Directors 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.*



**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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**ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.***

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

**iii. *Early adoption of standards***

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

**Notes to the financial statements (continued)**

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

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



**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

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

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

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

Item	Years	Rates
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 recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

**e) Intangible assets**

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

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

**f) Amortization and impairment of intangible assets**

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

**g) 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 from 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 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. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI).

**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 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. These are measured at fair value through profit or loss (FVTPL).

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

**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 profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Notes to the financial statements (continued)**

**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.

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)**

**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.

**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 amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.



**Notes to the financial statements (continued)**

**s) Trade and other payables**

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

**t) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 20XX. 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.

**u) Provision for staff leave pay**

Employees' entitlements to annual leave are recognized as they accrue. All the leave allowances were paid within the year.

**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 recognized in profit or loss.

**w) Budget information**

The original budget for FY 2023-2024 was approved by the Board of Directors 10<sup>th</sup> May 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional for FY 2023/2024 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual

basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

**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, 2024.



**Notes to the financial statements (continued)**

**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.

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. 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.



**Notes to the financial statements (continues)**

**Operating Revenue**

	<b>2023/ 2024</b>	<b>2022/ 2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>Operating income</b>		
Water Sales	267,915,833	202,223,569
Sewerage Services	-	-
Billing for other services	6,134,410	*5,383,893
<b>Total</b>	<b>274,050,243</b>	<b>207,607,462</b>

Billing for other services refers to income generated from connection and reconnection services that is connection and reconnection fees.

**Narrative:**

\*The figures for both the Connection fee and Reconnection fee from the prior year has been reinstated and reclassified as one category named Billing for other services to comply with the new reporting template.

**7. Grants Income**

	<b>2023/ 2024</b>	<b>2022/2023</b>
<b>Description</b>	<b>Ksh.</b>	<b>Ksh.</b>
Capital grants amortized	5,925,180	6,041,409
GOK salary grants	1,553,620	1,552,080
UPC 8TH Call Project	294,102	665,391
PSF Revenue Grant	2,661,250	-
<b>Total</b>	<b>10,434,152</b>	<b>8,258,880</b>

(Note: For capital grants amortization the amount of Ksh. 5,925,180 recognized in the statement of comprehensive income is the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the financial statements (continued)**

<b>Name of the Entity sending the grant</b>	<b>Amount recognized in the Statement of Comprehensive Income Ksh.</b>	<b>Amount deferred under deferred income Ksh.</b>	<b>Amount recognised in capital fund. Ksh.</b>	<b>Total grant income during the year Ksh.</b>	<b>FY 2023-2024 Ksh.</b>
Water Sector Trust Fund	2,955,352	51,881,196		54,836,548	FY 2023/2024
Murang'a County Govt.	1,553,620	-	-	1,553,620	FY 2023/2024
Amortization	5,925,180	-	-	5,925,180	FY 2023/2024
<b>Total</b>	<b>10,434,152</b>	<b>-</b>		<b>62,315,348</b>	

**8. Other Income**

	<b>2023/ 2024</b>	<b>2022/ 2023</b>
	<b>Ksh,</b>	<b>Ksh.</b>
Compensation from KENHA	350,740	744,984
Other Misc Income	-	-
Meter Accessories and Water Fittings	-	68,000
Tender fees	-	2,000
Exhauster services	120,000	151,000
Social Connection	1,371,597	2,709,129
Decrease in Provision for Bad debts	-	106,283
<b>Total</b>	<b>1,842,337</b>	<b>3,781,396</b>

**9. Finance Income**

	<b>2023/2024</b>	<b>2022/2023</b>
<b>Description</b>	<b>Ksh.</b>	<b>Ksh.</b>
Interest income from treasury bonds		-
Interest income from treasury bills		-
Interest from receivables		-
Interest from commercial banks and financial institutions	150,080	162,240
Interest on staff loans		-
Dividends		-
<b>Total</b>	<b>150,080</b>	<b>162,240</b>



**Notes to the financial statements (continued)**

**10. Other Gains and Losses**

	<b>2023/2024</b>	<b>2022/2023</b>
<b>Description</b>	<b>Ksh.</b>	<b>Ksh.</b>
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)	-	-
<b>Total</b>	-	-

**11. Staff Costs**

	<b>2023/ 2024</b>	<b>2022/ 2023</b>
<b>Description</b>	<b>Ksh.</b>	<b>Ksh.</b>
Gross Salary and Allowances	107,010,331	94,914,216
Casual workers' Wages	3,530,990	5,214,726
Medical insurance schemes	-	-
Employer's contributions to social security schemes	3,173,781	1,285,080
Employer's contributions to pension scheme	4,498,220	3,830,855
Employer's contributions to housing levy	1,605,182	-
Provisions for Leave pay	1,144,000	1,157,000
Gratuity provisions	2,929,500	2,418,000
Fringe Benefit tax	-	-
Staff welfare	-	-
Other allowances	-	-
GOK Salary Grant	1,553,620	1,552,080
<b>Total</b>	<b>125,445,624</b>	<b>110,371,957</b>
<b>The average number of employees during the year</b>	<b>170</b>	<b>162</b>



**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**12. General and Operations Expenses**

	<b>Current FY 2023/ 2024</b>	<b>Comparative FY 2022/ 2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Chemicals	2,408,015	2,465,419
Electricity	7,689,432	6,544,693
Fuel, oil, lubricants, and gases	21,754,269	20,182,648
Bulk water Costs	1,476,465	1,476,420
General Office supplies	866,627	611,700
Uniform and protective clothing	411,020	376,700
Telecommunication	4,719,451	4,610,178
Postage and courier	34,749	22,236
Insurance	3,558,573	1,701,769
Domestic Traveling and subsistence	2,820,290	4,253,845
Staff training and development	211,900	659,250
Bank Charges	1,552,432	2,556,664
Security services	3,689,408	2,747,520
Advertising	292,106	1,545,366
Publicity and Corporate Communications	904,994	-
Audit fees	348,000	348,000
Legal fees	3,313,520	2,894,900
Consultancy fees	730,819	299,015
Licensing and levies	12,393,817	10,161,047
Donations/CSR	209,187	298,852
Hospitality & Staff welfare expenses	2,525,413	2,908,518
Increase in Provision for doubtful debts	786,780	-
Printing service & stationeries	2,264,943	2,788,963
Subscription (Waspa + Professional bodies)	236,600	256,800
E-Billing Services	4,255,800	4,449,395
Water Quality Activities	953,189	1,322,642
Revenue Enhancement Activities	1,105,364	1,594,520
Compensation of KENHA activities	45,314	704,980
Bowser Distribution Expenses	50,995	70,929
Occupational safety and Health	49,800	150,210

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Customer satisfaction Survey	352,350	30,000
Corporate income tax	51,715	244,848
UPC 8TH Call Software expenses	347,946	789,792
Bonus & Awards	1,142,600	-
Meter accessories & Fittings	135,718	-
PSF Administrative Expenses	2,649,720	-
<b>Total</b>	<b>86,339,321</b>	<b>79,067,820</b>

**13. Board Expenses**

Description	2023/ 2024	2022/ 2023
	Ksh.	Ksh.
Chairman Honoraria	-	-
Sitting allowances	2,332,000	1,665,000
Medical Insurance	-	-
Induction and Training	310,000	-
Travel and accommodation	2,783,746	898,490
Other allowances	-	-
<b>Total Board Expenses</b>	<b>5,425,746</b>	<b>2,563,490</b>

**14. Maintenance Expenses**

Description	2023/ 2024	2022/ 2023
	Ksh.	Ksh.
Plant and Equipment	-	-
Buildings	290,938	668,177
Infrastructural networks	31,947,239	21,313,668
Motor vehicles/Cycles	9,726,646	9,462,201
Soft wares Maintenance	1,205,386	791,961
ICT (Information Communication Technology)	112,520	107,006
Water Meter maintenance/NRW costs	3,979,418	3,710,983
Repairs & Maintenance of water pumps	861,167	1,383,721
Repair & Maintenance of chambers & Air valves	1,228,458	2,607,831
Computer Repairs & Accessories	1,804,511	965,600
Generator Maintenance	21,900	24,800
<b>Total Maintenance Expenses</b>	<b>51,178,183</b>	<b>41,035,948</b>



**Murang'a South Water & Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2024**

**Notes to the financial statements (continued)**

**15. Depreciation and Amortization Expenses**

<b>Description</b>	<b>2023/2024</b>	<b>2022/2023</b>
	<b>KShs</b>	<b>KSh.</b>
Property, plant, and equipment	8,651,489	8,869,440
Right of Use Assets		-
Intangible assets	362,315	494,902
Investment property carried at cost		-
<b>Total Depreciation and Amortization</b>	<b>9,013,805</b>	<b>9,364,342</b>

**16. Finance costs**

	<b>Current FY 2023/ 2024</b>	<b>Comparative FY 2022/ 2023</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Interest expense on loans	7,945,765	3,352,124
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Loan Charges	-	4,848
Interest charge paid	22,499	67,028
<b>Total</b>	<b>7,968,264</b>	<b>3,424,000</b>

**17. Income Tax Expense/(Credit)**

**Current taxation**

	<b>Insert Current FY</b>	<b>Insert Comparative FY</b>
	<b>Kshs</b>	<b>Kshs</b>
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



**Notes to the financial statements (continued)**

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

	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
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	-	-
<b>Total</b>	-	-

**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. There were not dilutive or potentially dilutive ordinary share as at the reporting date. 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

**Murang'a South Water & Sanitation Company Ltd**  
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Notes to the financial statements (continued)

**20. Property, Plant and Equipment**

<b>FY 2023/2024</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Furniture &amp; fittings</b>	<b>Equipment/Water kiosks/Water pumps</b>	<b>Water Meters</b>	<b>Infrastructure</b>	<b>Computers &amp; related equipment</b>	<b>Capital work in progress</b>	<b>Total</b>
<b>Cost or valuation</b>								
As at 1 July 2023	19,914,220	1,671,619	12,470,481	36,068,365	173,585,168	10,740,876	63,200,187	317,650,916
Additions	-	-	237,000	-	281,482	892,400	34,706,629	36,117,510
Transfers	-	-	-	-	49,567,739	-	(49,567,739)	-
Disposals	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	<b>19,914,220</b>	<b>1,671,619</b>	<b>12,707,481</b>	<b>36,068,365</b>	<b>223,434,389</b>	<b>11,633,276</b>	<b>48,339,077</b>	<b>353,768,426</b>
<b>Depreciation</b>								
At July 1, 2023	11,421,368	870,696	6,889,456	27,282,317	18,906,293	8,376,285	-	73,746,415
Charge for the year	1,932,326	95,520	687,134	1,047,839	4,145,913	742,756	-	8,651,489
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	<b>13,353,694</b>	<b>966,216</b>	<b>7,576,590</b>	<b>28,330,156</b>	<b>23,052,206</b>	<b>9,119,041</b>	<b>-</b>	<b>82,397,904</b>
<b>NBV</b>								
<b>At June 30, 2024</b>	<b>6,560,526</b>	<b>705,403</b>	<b>5,130,891</b>	<b>7,738,209</b>	<b>200,382,183</b>	<b>2,514,235</b>	<b>48,339,077</b>	<b>271,370,522</b>
At June 30, 2023	8,492,852	800,923	5,581,025	8,786,048	154,678,875	2,364,591	63,200,187	243,904,501

[Capital Work in Progress relates to ongoing projects such as UPC 8<sup>th</sup> Call project, DTF project and Kenol Ablution]



Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2022/2023	Motor vehicles, including motor cycles	Office equipment, furniture & fittings	Equipment/Water kiosks/Water pumps	Water Meters	Infrastructure	Computers & related equipment	Capital work in progress	Total
<b>Cost or valuation</b>								
As at 1 July 2022	19,914,220	1,671,619	8,765,873	34,971,456	77,362,644	10,122,496	92,812,766	245,621,074
Additions	-	-	3,704,608	1,096,909	5,385,244	618,380	61,224,701	72,029,842
Transfers	-	-	-	-	90,837,280	-	(90,837,280)	-
Disposals	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	<b>19,914,220</b>	<b>1,671,619</b>	<b>12,470,481</b>	<b>36,068,365</b>	<b>173,585,168</b>	<b>10,740,876</b>	<b>63,200,187</b>	<b>317,650,916</b>
<b>Depreciation</b>								
At July 1, 2022	8,919,898	762,242	6,394,552	26,168,297	15,046,921	7,585,066	-	64,876,976
Charge for the year	2,501,470	108,454	494,904	1,114,020	3,859,372	791,219	-	8,869,439
Impairment loss	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	<b>11,421,368</b>	<b>870,696</b>	<b>6,889,456</b>	<b>27,282,317</b>	<b>18,906,293</b>	<b>8,376,285</b>	<b>-</b>	<b>73,746,415</b>
<b>NBV</b>								
<b>At June 30, 2023</b>	<b>8,492,852</b>	<b>800,923</b>	<b>5,581,025</b>	<b>8,786,048</b>	<b>154,678,875</b>	<b>2,364,591</b>	<b>63,200,187</b>	<b>243,904,501</b>
At June 30, 2022	10,994,323	909,378	2,371,321	8,803,159	62,315,723	2,537,430	92,812,764	182,591,398

**Murang'a South Water & Sanitation Company Ltd**  
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**Notes to the financial statements (continued)**

**20 (b) Property, Plant and Equipment at Cost**

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

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>
Motor vehicles, including motorcycles	19,914,220	13,353,694	6,560,526
Furniture and fittings	1,671,619	966,216	705,403
Equipment /water kiosks/water pumps	12,707,481	7,576,590	5,130,891
Water Meters	36,068,365	28,330,156	7,738,209
Infrastructure	223,434,389	23,052,206	200,382,183
Computers and related equipment	11,633,276	9,119,041	2,514,235
Work-in-progress	48,339,077	0	48,339,077
	<b>353,768,426</b>	<b>82,397,903</b>	<b>271,370,523</b>

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

		<b>Normal</b>
		<b>Annual</b>
	<b>Cost or</b>	<b>Depreciation</b>
	<b>valuation</b>	<b>Charge</b>
Motor vehicles, including motorcycles	19,914,220	1,932,326
Furniture and fittings	1,671,619	95,520
Equipment /water kiosks/water pumps	12,707,481	687,134
Water Meters	36,068,365	1,047,839
Infrastructure	223,434,389	4,145,913
Computers and related equipment	11,633,276	742,756
<b>Total</b>	<b>305,429,350</b>	<b>8,651,488</b>



**Murang'a South Water & Sanitation Company Ltd**  
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**Notes to the financial statements (continued)**

**21. Intangible Assets**

	2023-2024	2022-2023
	Ksh.	Ksh.
<b>COST</b>		
<b>At July 1</b>	3,770,000	3,770,000
Additions	-	-
Disposals	-	-
<b>At June 30</b>	<b>3,770,000</b>	<b>3,770,000</b>
<b>AMORTISATION</b>		
<b>At July 1</b>	2,417,602	1,922,700
Charge for the year	362,315	494,902
Disposals	-	-
Impairment loss	-	-
<b>At June 30</b>	<b>2,779,917</b>	<b>(2,417,602)</b>
<b>NET BOOK VALUE</b>		
<b>At June 30</b>	<b>990,083</b>	<b>1,352,398</b>

[ Intangible assets constitutes of computer soft wares]

**22. Investment Property**

	2023-2024	2022-2023
	Ksh.	Ksh.
<b>Opening valuation</b>	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
<b>Closing valuation</b>	-	-
<b>DEPRECIATION (IF AT COST)</b>		
<b>At July 1</b>	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
<b>At June 30</b>	-	-
<b>NET BOOK VALUE at June 30</b>	-	-

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**Notes to the financial statements (continued)**

**23. Right-of-use assets**

	<b>Buildings</b>	<b>Plant</b>	<b>Equipment</b>	<b>Total</b>
	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>
<b>Cost</b>				
As at 1 July 2022	-	-	-	-
Additions	-	-	-	-
As at 30 June 2023	-	-	-	-
Additions	-	-	-	-
As at 30 June 2024	-	-	-	-
<b>Accumulated Depreciation</b>				
As at 1 July 2022	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2023	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2024	-	-	-	-
<b>Carrying Amount</b>				
As at 30 June 2022	-	-	-	-
As at 30 June 2023	-	-	-	-

**24. Biological Assets**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Cattle	-	-
Trees	-	-
Others (Specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



**Notes to the financial statements (continued)**

**25. Fixed Interest Investments (Bonds)**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Central Bank of Kenya 12.5% 15-Year Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
<b>Total</b>	-	-

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

<b>Details</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
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**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>Opening valuation</b>	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
<b>Closing valuation</b>	-	-

**Murang'a South Water & Sanitation Company Ltd**  
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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		Current year	Prior year
	No	No	No	Ksh.	Ksh.	Ksh.
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-

**27. Unquoted Investments**

	2023-2024	2022/2023
	Ksh.	Ksh.
<b>COST</b>		
<b>At July 1</b>	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
<b>At June 30</b>	-	-
<b>IMPAIRMENT</b>		
<b>At July 1</b>	-	-
Disposals	-	-
Impairment loss in the year	-	-
<b>At June 30</b>	-	-
<b>NET BOOK VALUE</b>	-	-

**Murang'a South Water & Sanitation Company Ltd**  
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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	Ksh.	Ksh.	Ksh.
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-

**28. Inventories**

	2023-2024	2022-2023
	Ksh.	Ksh.
General stores	-	-
Chemicals & Laboratory items	-	-
Pipes, Water fittings and Accessories	1,197,834	1,552,389
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery	189,845	192,237
Finished goods- Water stocks	34,724	77,301
Work in progress	-	-
Less: Impairment of stocks	-	-
<b>Total</b>	<b>1,422,403</b>	<b>1,821,927</b>



**Murang'a South Water & Sanitation Company Ltd**  
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**Notes to the financial statements (continued)**

**a) Reconciliation of Impairment Allowance for Inventories**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
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**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables (note (29a))	80,349,891	72,482,085
Prepayments	45,068	266,310
VAT recoverable	-	-
Staff receivables (note 29 (c))	-	-
<b>Other receivables;</b>		
TWWDA-Customer Deposit	775,751	775,751
WASREB- Performance Guarantee	2,344,677	2,344,677
Gatanga community water scheme deposit	100,000	100,000
Amica Sacco Shares	538,287	538,287
Investment Deposit Amica Sacco	2,000,000	2,000,000
AWWDA	1,227,162	452,445
Un-paid share capital	100,000	100,000
<b>Gross trade and other receivables</b>	<b>87,480,836</b>	<b>79,059,555</b>
Provision for bad and doubtful receivable	(8,034,989)	(7,248,209)
<b>Net trade and other receivables</b>	<b>79,445,847</b>	<b>71,811,346</b>

**29. (a) Trade Receivables**

	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Gross trade receivables	80,349,891	72,482,085
Provision for doubtful receivables	(8,034,989)	(7,248,209)
<b>Net trade receivables</b>	<b>72,314,902</b>	<b>65,233,876</b>

**Murang'a South Water & Sanitation Company Ltd**  
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<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	4,485,388	4,021,057
Between 30 and 60 days	1,746,567	4,904,354
Between 61 and 90 days	2,268,516	1,680,683
Between 91 and 120 days	2,338,835	1,424,262
Over 120 days	69,510,585	**60,451,729
<b>Total</b>	<b>80,349,891</b>	<b>72,482,085</b>

**Narrative:**

*\*\*The figures for trade receivables between 121 & 150, 151 & 180 and over 181 days from the prior year has been reinstated and reclassified as one category of over 120 days to comply with the new reporting template.*

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

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
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**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
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**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
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	-	-

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**Notes to the financial statements (continued)**

**30. Tax Recoverable**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>At beginning of the year</b>	-	-
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	-	-

**31. Short Term Deposits**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>At beginning of the year</b>	-	-
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	-	-

**32. Bank and Cash Balances**

	<b>2023/2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Cash at bank	30,570,564	6,936,241
Cash in hand	-	-
Mobile money account	335,477	62,666
<b>Totals</b>	<b>30,906,041</b>	<b>6,998,907</b>



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**Notes to the financial statements (continued)**

**Detailed analysis of the cash and cash equivalents**

<b>Financial Institution</b>	<b>Account Number</b>	<b>2023 / 2024</b>	<b>2022 / 2023</b>
<b>(a) Current account</b>		<b>Ksh.</b>	<b>Ksh.</b>
K.C.B Bank	1114420859	1,173,175	138,505
Unaitas Bank	002020037	256,465	468
Amica Sacco	006101000019618	137,785	740,105
Amica Sacco-Loan Account	006109000000020	1	118,456
Sidian Bank -1675	01012020001675	-	164,965
Equity Bank	0090292737794	327,789	968,237
Sidian Bank -3831	01012020003831	791,324	65,562
Sidian Bank -5208	01012020005208	4,156,967	4,160,927
NBK-Operational account	01020247827200	30,493	713
NBK-UPC 8 <sup>TH</sup> Call Project	01020246328900	203,259	578,303
CLSG II- Project Account	01012020007114	21,382,753	-
CLSG II- Escrow Account	01012190004815	1,425,677	-
Equity Bank- PSF Account	0090280306122	684,876	-
<b>Sub-total</b>		<b>30,570,564</b>	<b>6,936,241</b>
<b>Others</b>			
M-PESA Facility	346350	209,111	9,681
M-PESA Facility	600654	25,293	2,385
M-PESA Holding	854979	86,253	25,685
M-PESA Bowser & Exhauster	4099279	14,820	24,915
Cash in hand		-	-
<b>Sub-total</b>		<b>335,477</b>	<b>62,666</b>
<b>Grand Total</b>		<b>30,906,041</b>	<b>6,998,907</b>

**33. Ordinary Share Capital**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>Authorized:</b>		
5,000 ordinary shares of Ksh 20 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
Ordinary shares of Ksh par value each	-	-
<b>Total Share Capital</b>	<b>100,000</b>	<b>100,000</b>

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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.

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh</b>	<b>Ksh</b>
Capital Reserve	10,791,181	10,791,181
Retained earnings: As at beginning of the year	(56,378,692)	(8,741,888)
Profit/ (loss) for the year	1,105,870	(26,017,580)
Adjustments- prior year	-	(21,619,224)
<b>Retained Earnings &amp; Capital Reserve As at the end of the year</b>	<b>(44,481,641)</b>	<b>(45,587,511)</b>

**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:

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-



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**Notes to the financial statements (continued)**

The movement on the deferred tax account is as follows:

	2023-2024	2022-2023
	Ksh.	Ksh.
<b>Balance at beginning of the year</b>	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
<b>Balance at end of the year</b>	-	-

**38. Borrowings**

Description	2023-2024	2022-2023
	Ksh.	Ksh.
<b>a) External Borrowings</b>		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
<b>Balance at end of the year</b>	-	-
<b>b) Domestic Borrowings</b>		
Balance at beginning of the year	61,723,940	15,760,677
Domestic borrowings during the year	-	63,308,664
Adjustment prior year	-	-
Repayments during the year	(10,926,131)	(17,345,401)
<b>Balance at end of the year</b>	<b>50,797,809</b>	<b>61,723,939</b>
<b>c) Total Balance at end of the period c = a+b</b>	<b>50,797,809</b>	<b>61,723,939</b>

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

	2023-2024	2022-2023
	Ksh.	Ksh.
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'y organization'	-	-
Euro denominated loan from zzz organization'	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from Amica Bank	50,797,809	61,723,939
<b>Total balance at end of the year</b>	<b>50,797,809</b>	<b>61,723,939</b>



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Description	2023-2024	2022-2023
	Ksh.	Ksh.
Short term borrowings (current portion)	11,843,457	10,842,496
Long term borrowings	38,954,352	50,881,443
<b>Total</b>	<b>50,797,809</b>	<b>61,723,939</b>

Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms are the borrowing is commercial loan from the Amica Sacco, at an interest rate of 14% p.a reducing balance.

**39. Lease Liability**

Description	2023-2024	2022-2023
	Ksh.	Ksh.
<b>At the start of the year</b>	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
<b>At end of the year</b>	-	-

	2023-2024	2022-2023
<b>Maturity analysis</b>	Ksh.	Ksh.
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
Less: unearned interest	-	-
	-	-
Analysed as:		
<b>Non-Current</b>	-	-
<b>Current</b>	-	-

**Murang'a South Water & Sanitation Company Ltd**  
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**Notes to the financial statements (continued)**

**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	1,144,000	-	2,929,500	-	4,073,500
Provision utilised	-	-	-2,929,500	-	-
	1,144,000				4,073,500
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-

**Provisions details**

Description	2023-2024	2022-2023
	Ksh.	Ksh.
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
<b>Total</b>	-	-

**41. Retirement Benefit Obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2022-2023	2021-2022
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-	-

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**Notes to the financial statements (continued)**

**Retirement benefit Asset/ Liability**

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. 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.

	2023-2024	2022-2023
	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**

	2023-2024	2022-2023
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	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	-	-



**Notes to the financial statements (continued)**

**b) Amounts recognised in the Statement of Financial Position**

	<b>2023-2024</b>	<b>2022-2023</b>
<b>Description</b>	<b>Ksh.</b>	<b>Ksh.</b>
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	-	-

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month. Other than NSSF the entity also has a defined contribution 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**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Trade payables	87,458,473	78,244,555
Accrued expenses	348,000	348,000
Revenue received in advance	-	-
Retention/ contract monies	-	-
Employee payables	43,517,400	35,424,750
Other payables	-	-
<b>Total</b>	<b>131,323,873</b>	<b>114,017,305</b>

**Murang'a South Water & Sanitation Company Ltd**  
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**Notes to the financial statements (continued)**

**Aging Analysis for Trade and other Payables**

	<b>2023/2024</b>	<b>% of the total</b>	<b>2022/2023</b>	<b>% of the total</b>
Under one year	43,016,740	33%	32,743,075	29%
1-2 years	18,865,360	14%	20,685,364	18%
2-3 years	19,665,205	15%	20,245,661	18%
Over 3 years	49,776,568	38%	40,343,205	35%
<b>Total</b>	<b>131,323,873</b>		<b>114,017,305</b>	

**43. Refundable Deposits and Prepayments**

	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Customer deposits	65,942,589	61,739,128
Prepayments by customers	2,824,738	2,223,777
Retention/Contract deposits	-	-
Others (Specify)	-	-
<b>Total</b>	<b>68,767,327</b>	<b>63,962,905</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	<b>2023/2024</b>	<b>% of the total</b>	<b>2022/2023</b>	<b>% of the total</b>
Under one year	7,028,199	10%	6,299,766	11%
1-2 years	6,299,766	9%	4,968,728	8%
2-3 years	4,968,728	7%	4,839,052	8%
Over 3 years	50,470,634	74%	47,855,358	73%
<b>Total</b>	<b>68,767,327</b>		<b>63,962,904</b>	

**44. Deferred Income**

<b>Description</b>	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
National/County government		
International funders	177,628,458	131,672,441
Public contributions and donations	-	-
<b>Total deferred income</b>	<b>177,628,458</b>	<b>131,672,441</b>



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**The deferred income movement is as follows:**

	<b>County governme nt</b>	<b>Internation al funders</b>	<b>Public contributions and donations</b>	<b>Total</b>
Balance brought forward	-	131,672,441	-	131,672,441
Additions	-	51,881,197	-	51,881,197
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-5,925,180	-	-5,925,180
Other transfers	-	-	-	-
Balance carried forward		<b>177,628,458</b>	<b>0</b>	<b>177,628,458</b>

**45. Dividends Payable**

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

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	-	-

**Dividend Payable analysis**

	<b>2023/2024</b>		<b>% of the total</b>	<b>2022/2023</b>	<b>% of the total</b>
Under one year	-		%	-	%
1-2 years	-		%	-	%
2-3 years	-		%	-	%
Over 3 years	-		%	-	%
<b>Total</b>	-			-	

The Company does not declare dividends

**46. Taxation**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Ksh.</b>	<b>Ksh.</b>
At beginning of the year	-	-
Income tax charge for the year	-	-



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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**

	Note	Current FY 2023/ 2024	Comparative FY 2022/ 2023
<b>Cash flows from operating activities</b>		<b>Ksh.</b>	<b>Ksh.</b>
Loss before income tax		1,126,531	(26,017,580)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	15	9,013,805	9,364,342
Retained earnings & share capital adjustment		0	(21,519,224)
<b>Operating profit/(loss) before working capital changes</b>		<b>10,140,335</b>	<b>(38,172,462)</b>
<b>Decrease/(increase) in:</b>			
Inventories	28	378,863	(187,328)
Trade and other receivables	29	-7,634,501	22,739,481
<b>Increase/(decrease) in:</b>			
Trade and other payables	42&43	22,110,060	32,055,606
Deferred Income	44	45,956,017	9,913,172
<b>Cash generated from operations</b>		<b>60,810,440</b>	<b>64,520,931</b>
<b>Net cash generated from operating activities</b>		<b>70,950,775</b>	<b>26,348,469</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	20	-36,117,510	(72,029,843)
<b>Net cash generated used in investing activities</b>		<b>-36,117,510</b>	<b>(72,029,843)</b>
<b>Cash flows from financing activities</b>			
Borrowings	38(b)	-	63,308,664
Repayments of loan	38(b)	-10,926,131	(17,345,401)
<b>Net cash generated used in financing activities</b>		<b>-10,926,131</b>	<b>45,963,263</b>
Net (decrease)/increase in cash and cash equivalents		23,907,134	281,889
Cash and cash equivalents at the beginning of the period	32	6,998,907	6,717,018
<b>Cash and cash equivalents at the end of the period</b>		<b>30,906,041</b>	<b>6,998,907</b>

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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 full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

**Transactions with related parties**

	2023/2024	2022/2023
	Ksh.	Ksh.
<b>a) Sales to related parties</b>		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	25,144,953	17,270,293
Interest income from Govt Commercial Banks	150,080	162,240
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
<b>Total</b>	<b>25,295,033</b>	<b>17,432,533</b>
<b>b) Purchases from related parties</b>		
Purchase of water from govt service providers	1,476,465	1,476,420
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-

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	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Bank charges paid to Govt Commercial banks	1,552,432	2,556,666
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>	<b>3,028,897</b>	<b>4,033,086</b>
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	8,880,532	11,619,973
Grants from County Government	1,553,620	1,552,080
Grant from Gatsby Africa-Capital Grant	-	5,000,000
Donations in kind	-	-
<b>Total</b>	<b>10,434,152</b>	<b>18,172,053</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>		
<b>d) Key management compensation</b>		
Directors' emoluments	5,425,746	2,563,490
Compensation to key management	-	-
<b>Total</b>	<b>5,425,746</b>	<b>2,563,490</b>

#### **49. Capital Commitments**

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

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Amounts authorized and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-



**Notes to the financial statements (continued)**

**50. Contingent Assets and Liabilities**

**Contingent Assets**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>Contingent assets</b>		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

**Contingent Liabilities**

	<b>2023-2024</b>	<b>2022-2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
<b>Contingent liabilities</b>		
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

**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:

	<b>Total amount Ksh.</b>	<b>Fully performing Ksh.</b>	<b>Past due but not Impaired Ksh.</b>	<b>Past due and Impaired Ksh.</b>
<b>At 30 June 2024</b>				
Trade Receivables	80,349,891	72,314,902	-	8,034,989
Other Receivables	7,085,877	7,085,877	-	
Investments				
Bank balances				
<b>Total</b>	<b>87,435,768</b>	<b>79,400,779</b>	<b>-</b>	<b>8,034,989</b>
<b>At 30 June 2023 (previous Year)</b>				
Receivables	72,482,085	65,233,877	-	7,248,209
Other Receivables	6,577,470	6,577,470	-	-
Investments	-	-		
Bank balances	6,998,907	6,998,907	-	-
<b>Total</b>	<b>86,058,462</b>	<b>78,810,254</b>	<b>-</b>	<b>7,248,209</b>



*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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Ksh.	Ksh.	Ksh.	Ksh.
<b>At 30 June current year</b>				
Trade payables	3,313,917	14,001,338	70,143,219	87,458,474
Current portion of borrowings			11,843,457	11,843,457
Provisions			-	-
Deferred income			-	-
Employee benefit obligation			-	-
<b>Total</b>	<b>3,313,917</b>	<b>14,001,338</b>	<b>81,986,676</b>	<b>99,301,931</b>
<b>At 30 June previous year</b>				
Trade payables	8,935,115	7,506,891	61,802,549	78,244,555
Current portion of borrowings	-	-	10,842,496	10,842,496
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>8,935,115</b>	<b>7,506,891</b>	<b>72,645,045</b>	<b>89,087,051</b>



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**Notes to the financial statements (continued)**

**(iii) Market risk (*Tailor as appropriate*)**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

**a) Foreign currency risk**

The Company has transactional currency exposures. 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.

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:

	<b>Kshs</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2024 Current Year</b>			
<b>Financial assets</b>			
Investments	-	-	Xxx
Cash	30,906,041	-	30,906,041
Debtors	72,314,902		72,314,902
<b>Financial Liabilities</b>			
Trade and other payables	<b>131,323,873</b>	-	<b>131,323,873</b>
Borrowings	38,954,352	-	38,954,352
Net foreign currency asset/(liability)		-	-

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**Notes to the financial statements (continued)**

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.

	<b>Ksh.</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>
<b>At 30 June 2023 Previous Year</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	6,998,907	-	6,998,907
Debtors	65,233,877	-	65,233,877
<b>Financial Liabilities</b>			
Trade and other payables	177,980,209	-	177,980,209
Borrowings	61,723,939	-	61,723,939
Net foreign currency asset/(liability)			

**b) Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	<b>Change in currency rate</b>	<b>Effect on Profit before tax</b>	<b>Effect on Equity</b>
	<b>Ksh.</b>	<b>Ksh.</b>	<b>Ksh.</b>
<b>2024 Current FY</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2023 Previous FY</b>			
Euro	10%	-	-
USD	10%	-	-

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**Notes to the financial statements (continued)**

**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 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.

**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 2024, an increase/decrease of 5 % on average borrowing rates would have resulted in an increase/decrease in the surplus of **Ksh. 397,288** (FY 2022/2023: Ksh. **167,606**)

**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.



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- 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.

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 2024 Current FY	Level 1 Ksh.	Level 2 Ksh.	Level 3 Ksh.	Total Ksh.
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
<b>At 30 June 2023 Previous FY</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
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:

	<b>2023/2024</b>	<b>2022/2023</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Revaluation reserve	-	-
Retained earnings	(55,253,091)	(56,455,992)
Capital reserve	10,791,181	10,791,181
<b>Total funds</b>		
Total borrowings	50,797,809	61,723,939
Less: cash and bank balances	(30,906,041)	(6,998,907)
Net debt/ (excess cash and cash equivalents)	19,891,768	54,725,032
<b>Gearing</b>	<b>%</b>	<b>%</b>

**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. Going Concern Disclosure**

The Company has made a surplus in the current year but 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 implemented a cost recovery tariff within the financial year which will go a long way on improving this situation due to increased revenue that will improve the status as evidenced in the reduced negative working capital to Ksh. 100,138,775 for the year ended 30th June 2024 from Ksh. 108,190,524 for the year ended 30th June 2023 and also made a surplus in comparison with the previous year where we had made a deficit, 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.

The encroachment by Murang'a Water and Sanitation Company Limited (MUWASCO) into our operational area has reduced our revenue generation, as the area includes a dam facility that supplied significant volumes of water to our customers. Additionally, MUWASCO collects payments from our former customers without assuming the associated liabilities that had accrued and staff that were operating the area were not transferred to MUWASCO hence we are still incurring their staff costs. This encroachment is further worsening our financial challenges.



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**20. Appendices**

**Appendix 1: progress on follow up of auditor recommendations.**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<b>BASIS FOR QUALIFIED OPINION</b>				
1.0	Material uncertainty in relation to Going Concern.	There is an improvement from prior year and Company has measures to further improve on this status as detailed on note.54 above.	Not resolved	Progressive
2.0	Long outstanding trade receivables.	The Company is continuously engaging stringent debt control measures to address this.	Not resolved	Progressive
3.0	Long outstanding Trade payables.	The Company has entered into structured payment plans.	Not resolved	Progressive
<b>BASIS FOR CONCLUSION</b>				
1.0	Non-compliance with law on ethical composition.	This is a great challenge as people from other communities rarely apply within our area.	Not resolved	Continuous
2.0	Personnel cost in excess of the recommended threshold.	Majorly affected by encroachment done by MUWASCO as they never assumed the responsibilities of staff costs yet they are collecting revenues from that area.	Not resolved	Continuous
3.0	High Non-Revenue Water	Progressively being reduced through various measures as evidenced by our June 2024 status of 40% from 45% as of June 2023.	Not resolved	Progressive
4.0	Delayed transfer of Company's Ownership	The Company is at an advanced stage on this as TWWDA board of directors resolved to transfer the shares, that should be guided by a specific framework detailing step by step of the transfer.	Not resolved	Ongoing

**Name: John Macharia**

**Signature : .....**

**Managing Director**

**Date: 8<sup>th</sup> January 2025**



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**Appendix II: Projects Implemented by the Company**

**Projects**

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.	Makutano water and sewerage project	AWWDA	4 years	Excellent	No	No
2.	Kinyona-Karimamwaro Project	AWWDA	4 years	Excellent	No	No
3.	UPC 8th call, Construction and rehabilitation of sabasaba water pipeline project	WSTF	2 years	Excellent	No	Yes

**Status of Projects completion**

*(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)*

	Project	Total project Cost(Ks h.Millio n)	Total expended to date	Completion % to date	Sources of funds
1	Makutano water and sewerage project	689.6	January 2025	94.9% water 82.1% sewer	AWWDA
2	Kinyona-Karimamwaro Project	136.4		65%	AWWDA
3.	UPC 8th call, Construction and rehabilitation of sabasaba water pipeline project	16.8	August 2024	100%	WSTF

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Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 <sup>th</sup> June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

Head of Accounts Department - Disbursing Entity:

Name ..... Sign ..... Date .....

Head of Accounts Department - Beneficiary Entity:

Name ..... Sign ..... Date.....

Appendix IV: Reporting of Climate Relevant Expenditures

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



## Appendix V: Reporting Disaster Management Expenditure

Date:						
Entity						
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

## Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MD A/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	Other s-must be specific
Water Sector Trust Fund	13/01/2024	Development	3,612,955	294,102	3,318,853			3,612,955
Water Sector Trust Fund	21/06/2024	Development	21,385,1623		21,385,163			21,385,163
	01/02/2023		270,480					
	26/06/2023		45,440					
	26/06/2023		253,440					