

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

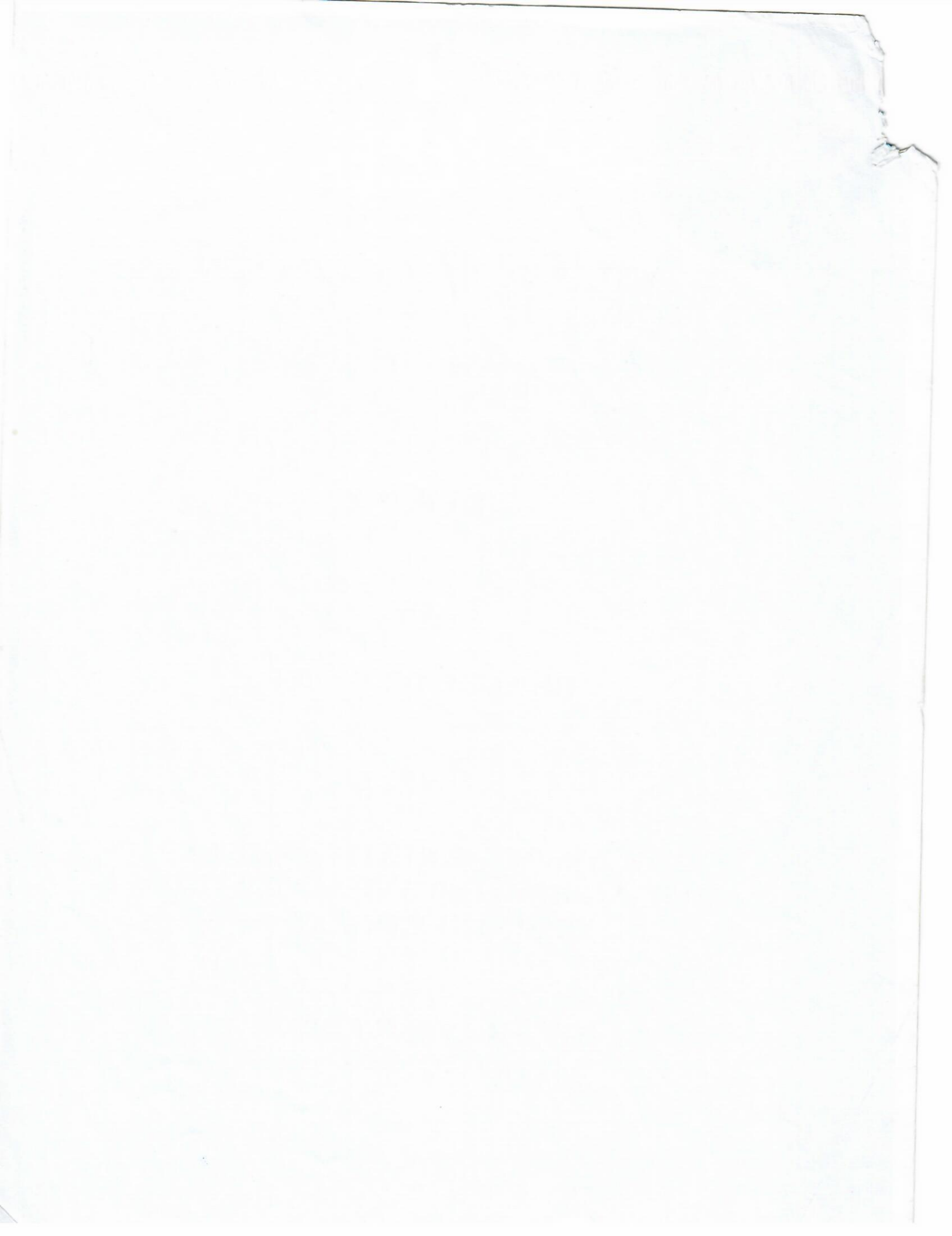
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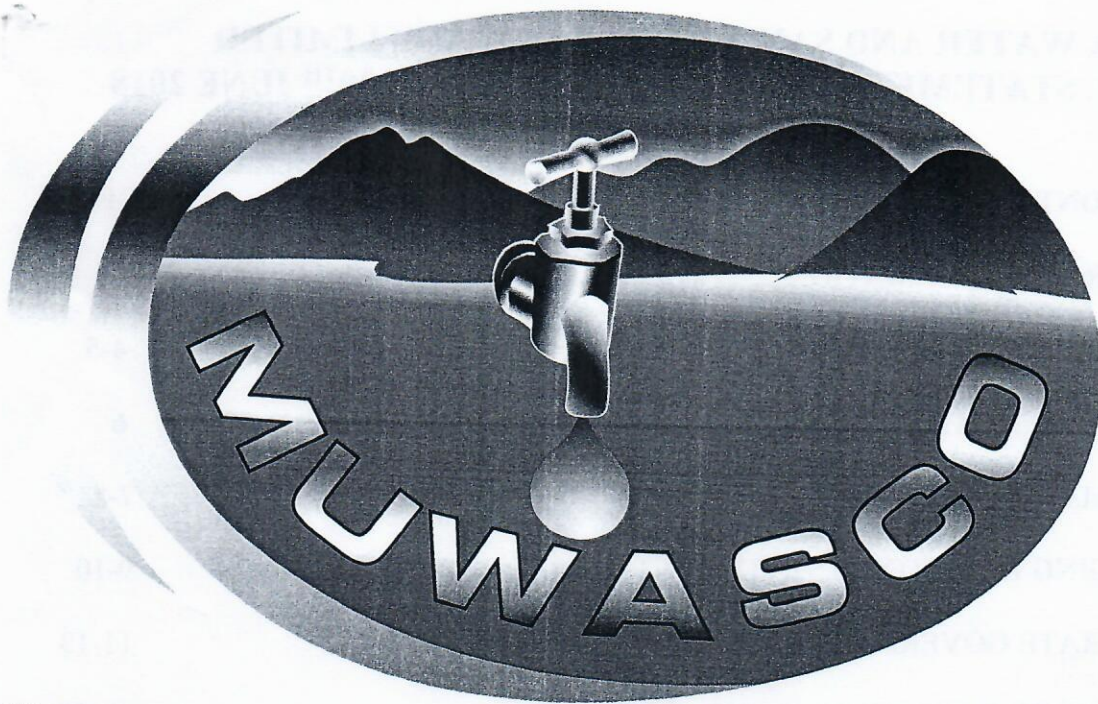
THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2018**





MURANG'A WATER & SANITATION CO. LTD.

**ANNUAL REPORT &
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2018**

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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

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MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

I. CORPORATE INFORMATION

Incorporation

The company is a limited company by guarantee established under the Companies Act Cap 486 (Revised 2015) and licensed by Tana Water Services Board through Service Provision Agreement (SPA) signed on 2nd May 2006 and reviewed on 4th May 2012.

Principal Activity

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

Vision:

To be a world class water and sewerage service provider that meets and exceeds consumer expectations now and in future.

Mission:

To provide affordable water and sewerage services in an effective, efficient and sustainable manner to all within the Muwasco's area of jurisdiction.

Core values:

1. Customer focus
2. Integrity
3. Teamwork
4. Commitment
5. Professionalism
6. Equity

THE BOARD OF DIRECTORS

<u>NAME</u>	<u>DESIGNATION</u>
Dr. P. K. Munga	Chairman
Eng. D. Ng'ang'a	Managing Director
H. M. Mwithiga	Member
J. K. Mwirigi	Member
S. Karina	Member
M. Gichomo	Member
P. Kiguta	Member
E. Gathima	Member
B. Wanjeri	Member
P. Macharia	Member

COMPANY SECRETARY

Gichuke Ribathi & Company Advocates

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

REGISTERED OFFICE

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

COMPANY CONTACTS

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

CORPORATE BANKERS

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

2. Cooperative Bank Of Kenya
P. O. BOX 954 - 10200,
MURANG'A.

3. Family Bank
P. O. BOX 1130 - 10200,
MURANG'A.

AUDITORS

Office of Auditor General
P.O. Box 30084 - 00100
NAIROBI.

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II. THE BOARD OF DIRECTORS



DR. P.K. MUNGA

He is an industrialist and a business man with interests in banking, manufacturing, insurance among others. He has vast experience in both public and private sector and has been contributing immensely to the community in scholarships and other social wellbeing. He is a former chairman of Equity bank and a member of boards of various blue-chip companies. He is the proprietor of Equatorial Industrial Park and Pioneer group of schools among others.

He is a qualified Certified Public Secretary (CPSK) and holds many other certificates in management and corporate governance. He is chairman to the board.



ENG. D. NG'ANG'A

He is the current Managing Director of Murang'a Water & Sanitation Company since the company's inception in 2007. He has huge experience in the water sector and also has worked in the private sector. He is a registered engineer, has a BSC civil engineering degree, Executive Masters degree in Business Administration and a diploma in Community Development. He has attended numerous managerial and administration courses both locally and abroad.



H.M. MWITHIGA

He has vast experience in both the public and private sector having worked for many years with BAT rising to the post of Area Marketing Manager. He founded and is the current proprietor of Murang'a Tobacco Distributors. He has served in many schools management boards as well as ACK church council committees in various capacities.

He holds various post high school certificates in sales, management and corporate governance. He is the chairman audit and risk management committee of the board.



J.K. MWIRIGI

He is an experienced finance manager who has served in the public sector for more than 10 years and is currently the Murang'a Town Manager for the last four years. He served with the now defunct County Council of Murang'a in the capacity of Marketing superintendent and later as Senior Accountant.

He holds a Bcom in Finance. He is also a qualified accountant (CPAK) and also a qualified public secretary (CPSK) and has studied various management and administration courses.








S. KARINA

She has vast experience in community development and the founder and current director of an NGO called Friends For The Abused People International (FOTAPI). She has also worked in various capacities with: NACADA, ECK, Uwezo Kenya, Joyful Women, Probation office and been a member of school boards.

She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions. She is a member of finance and administration committee of the board.








**MURANG'A WATER AND SANITATION COMPANY LIMITED
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 <p>M. GICHOMO</p>	<p>She is a career journalist with experience in journalism and social work. She has also worked as an assistant director at Radio Maria station. She has been involved in various youth development programs and represented the youth in various capacities. She is also a founder member of Murang'a Active Youth Group. She is a diploma holder in Journalism and diverse certificates from various institutions. She is a member of Audit and risk management committee of the board.</p>
 <p>P. KIGUTA</p>	<p>A career accountant, he has enormous experience in the private sector as well as participated in many social and community development activities. He is currently a partner with Ruhiu & Associates CPAs. He has been the chairman of the Murang'a chapter of the Chamber of Commerce and Industry, organizing secretary of Kikuyu council of elders (Murang'a). He has also served in various capacities in religious organizations. He has various post high school certificates. He is the chairman of the finance and administration committee of the board.</p>
 <p>E. GATHIMA</p>	<p>He has many years of experience in representing the physically challenged persons in various capacities. He has served in the capacities of treasurer, secretary and chairman in various groups of the physically challenged. He has attained certificates in food production, evangelism & discipleship and computer packages. He is a member of finance and administration committee of the board.</p>
 <p>B. WANJERI</p>	<p>She represents Maendeleo ya wanawake. She is a diploma holder in human resource and guidance and counseling from university of Nairobi. She has also undergone short courses in local government supervisory management and effective supervision course. She has worked as a human resource officer, administrative officer and senior secretary. She is a member of Audit and risk management committee of the board.</p>
 <p>P. MACHARIA CECM WATER & IRRIGATION MURANG'A</p>	<p>He is a holder of Master of Science in Human Resources Management from the Jomo Kenyatta University of Agriculture and Technology. He is also a holder of Master of Business Administration majoring in Finance and Accounting from Mount Kenya University. He has undertaken an undergraduate degree in Bachelor of Commerce (Accounting Option) from the Kenyatta University. He is currently pursuing a PHD in finance from the Jomo Kenyatta University. He is a Certified Public Accountant (CPA-K). He also worked as the Chief Executive Officer of the Murang'a County Initiative Co. Ltd. He has served as Business Development Manager at the Pioneer International University.</p>

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

III. MANAGEMENT TEAM

The Company's senior management team is as follows:

1.	 ENG. D. NGA'NG'A	BSC CIVIL ENGINEERING, EMBA, DIP. COMMUNITY DEVELOPMENT	MANAGING DIRECTOR
2.	 CPA J. MAINA	CPA(K), B.COM, MASTER OF PUBLIC POLICY AND ADMINISTRATION	COMMERICAL MANAGER
3.	 E. MAINA	BSC CIVIL ENGINEERING	TECHNICAL MANAGER
4.	 CPA. P. NJERU	B.COM CPA(K)	HEAD OF INTERNAL AUDIT
5.	 J. MBUTHIA	BMC, DIPLOMA IN JOURNALISM & MEDIA STUDIES	HEAD OF CORPORATE AFFAIRS
6.	 P. MWANGI	DIPLOMA IN ENVIRONMENTAL TECHNOLOGY, CERTIFICATE IN M&E	HEAD OF MONITORING AND EVALUATION
7.		BED(ARTS) ,MBA(HRM)	HEAD OF HUMAN RESOURCES & ADMINISTRATION

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

IV. CHAIRMAN'S STATEMENT

As the chairman of Murang'a Water and Sanitation Company I am honored to release our annual report and financial statements for the year ended 30th June 2018.

The company has continued to grow tremendously with improvement in key performance areas, this guarantees all stakeholders' interests are met and value for money achieved. Towards this end the residents of Murang'a have access to safe and reliable water services.

Operating Environment

The last quarter of our financial year recorded sluggish growth. We recorded declining revenues as the costs of operation remained high. As you are aware there have been numerous challenges facing our country and during the financial year there was generally slowed economic growth which affected all sectors of the economy and generally capital investment was lower than expected.

The demand for our services has continued to rise and we have various strategies to ensure that all our customers have water which satisfies their requirement.

We continued to engage with our stakeholders to ensure all their concerns are addressed. The environment we operate in require conservation to guarantee sustainability of our services. During the year we have managed to partner with various stakeholders to plant trees in our water sources. As a board we have ensured that we operate in a socially responsible manner. This includes a continued focus on operational efficiency, resources conservation efforts and responding to the needs of our customers.

Expansion Programmes

Various programs have been initiated to increase water supply as well as expanding our sewer networks to reach un-served residents in our area of jurisdiction

In addition, during the year, our continued relationship with our development partners ensured that we completed water extension pipelines at a cost of **ksh.27million** funded by Water for life and internally generated funds.

We also completed subsidized sanitation facilities to landlords in low income areas and constructed more than **five hundred (500)** modern flush toilets facilitated by Water Sector Trust Fund at a total cost of **ksh.11million**.

Financial performance

I am delighted to report another year of continued progress for MUWASCO in which our financial performance showed steady growth. Revenues from operating activities in the year reduced marginally to **ksh 188.7 million** from **ksh.197.6million** reported in the year 2017.

The increased operation efficiency and prudent management of the available resources enabled us to deliver an investment of **ksh.56.8 million** in fixed assets.

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

CHAIRMAN'S STATEMENT(Continued)

The company in its endeavor to diversify its revenue streams constructed and commissioned a water bottling plant that is intended to improve our revenues which have in the past depended on water and sewerage tariffs. The plant is progressing well with improved sales and its proceeds will be invested back to ensure 100% connectivity in our area of operations.

Future Plans

Our future can only be brighter and our success depends on ability to figure out the future by anticipating and responding to change.

Looking ahead, the board will continue to support investment in new projects to ensure the continued growth of the company and progress towards achieving the company's main objective, that of delivering greater value to its customers for socio-economic development.

With favorable operating environment, support from our stakeholders and financial partners, we expect to actualize the construction of Murang'a water institute and expand our water supply network to Mugoiri Watiri and other unserved areas such as Kambiti. In future we also intend to invest in sewerage project to serve Maragua and Kenol towns which are key towns in the development of Murang'a County.

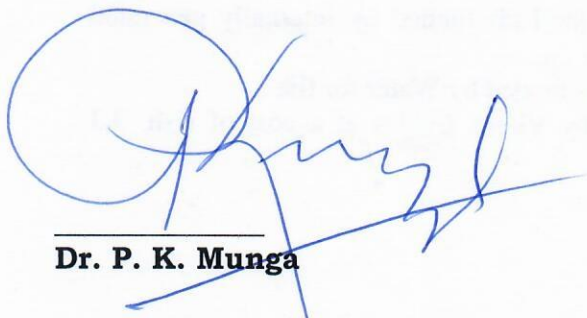
This expansion programme will require an estimated investment of over **ksh.2 billion** which calls for a lot of resource mobilization.

The year ended in a promising position and having all enabling policies and right frameworks we will be able to achieve our entire plans and realize our vision and mission as we fulfill our mandate to all stakeholders.

Tribute

I must acknowledge the role and dedication of MUWASCO Board of Directors, The National Government, Muranga County Government, Tana Water Services Board, the Ministry of Water and Sanitation, Development partners and our customers for their support. I salute management and employees of MUWASCO for their hard work throughout the financial year.

Thank you.



Dr. P. K. Munga

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

V. MANAGING DIRECTOR'S STATEMENT

General Overview

I am delighted to report yet another annual performance of the company for the period ended 30th June 2018. The company's performance has remained stable despite the challenges experienced in the last quarter of our operations due to adjusted tariffs. During the year our area of jurisdiction which had expanded to include Maragua has reduced from 350 km² to 145 km² after Maragua reverted back to Murang'a South Water and Sanitation Company.

Our challenges of high Non Revenue Water has continued to pose a challenge in our operations due to the aged infrastructure which requires huge investment for renewal and am glad that through the Public Private Partnership our proposal has passed the feasibility study and recommended to the National Treasury for approval to be considered in the first phase of implementation.

The impact report released by WASREB in year 2018 ranked us number two(2) in our category and number three (3) overall for the year 2015/2016 This is an indicator of the potential we have even to perform better.

Our customers have continued to enjoy quality services and this is evident from feedback we are receiving from them and we target to improve on this even higher.

The journey towards ISO Certification is still on course and I am optimistic that the launch will be done before the end of current financial year.

Company performance

Below is a summary of the company performance during the year:-

No.	ITEM	2015 /2016	2016 /2017	2017 /2018
1	Total Billings (Kshs in Millions)	189.9	197.6	188.7
2	Operating Exp (Kshs in Millions)	179.1	197.8	191.1
3	Capital Exp (Kshs in Millions)	91.0	43.8	57
4	Number of active water Connections	10,073	12,705	12,308
5	Number of active sewerage Connections	4,224	4,710	4,997

The efficiency of the company has continued to improve and during the financial year 2017-2018 we were able to extend water to Kimathi and Kiangatia areas which were not served before.

With the support of partners such as Water Services Trust Fund, Vitens evides and Water for life the following projects were completed during the year.

1. Up Scaling Basic Sanitation for Urban poor (UBSUP) All over the Company where there are sewer lines Funded by W.S.T.F at a cost of Ksh. 9.9 millions
2. Bottling plant in Kiharu (Fort Beverage Industries Ltd) funded by internally generated funds is operational at a cost of Ksh. 21.4 millions
3. Kabuta water project at a cost of Ksh.15.3 millions funded by Water for life
4. Kiharu Non Revenue Water Project supported by Vitens Evides at a cost of Ksh. 3.3 Millions

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

MANAGING DIRECTOR'S STATEMENT (Continued)

Information and technology

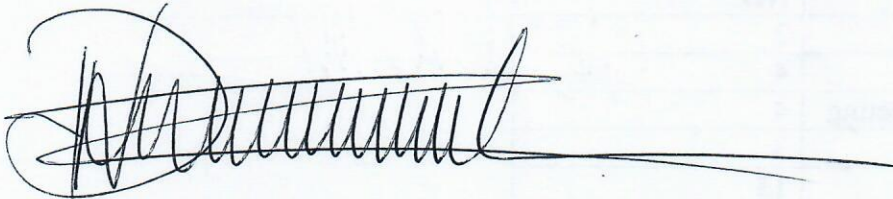
Each and every day the technology is changing and we have to strategically position ourselves to tap these changes in technology in order to enhance service delivery. During the year we managed to automate our payroll system which will go along with our goal of automating each and every transaction in our operations. We are also focusing on store management software which will improve our record keeping hence efficiency. Towards this end we envision to have integrated software which will serve all the departments of the company through one platform.

Regards

I take this opportunity to sincerely thank the Board of Directors for their strategic and policy guidance during the concluded financial year 2017/2018. The management and entire staff members of MUWASCO has continued to discharge their mandate with commitment and dedication and I thank them all with confidence that we have all the skills necessary to manage the significant opportunities and challenges that lie before us.

My heartfelt gratitude go to Murang'a County Government, MUWASCO stakeholders, T.W.S.B, WASREB, W.S.T.F, ministry of water and sanitation, our development partners and other institutions who supported us financially or otherwise.

I also take this opportunity to thank all those not named above but have given us moral as well as material support. It is through your contributions that we have reached where we are and we encourage you to continue supporting us even in the future.



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

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

VI. CORPORATE GOVERNANCE STATEMENT

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

The company conducts its operations in accordance with the principles of good corporate governance as provided in the Water Services Regulatory Board (WASREB) guidelines and Water Act 2016 provisions. WASREB conducts governance audit to ensure good corporate governance.

Board of Directors

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

Board meetings

Board Meetings are held every quarter and in exceptional circumstances as dictated by demand and exigencies of company operations. The following are the number of Board meetings held:

TYPE OF MEETING	NO
Special Board Meeting	2
Full Board Meeting	4
Finance and Admin Committee Meeting	4
Audit Committee Meeting	3
Total	13

Board committees

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

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

Audit and risk management committee

The members of this committee are all non-executive directors. All the members meet minimum financial literacy standards. The committee meets at least four times in a year and the internal auditor serves as the secretary of the committee.

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

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

CORPORATE GOVERNANCE STATEMENT(Continued)

Finance and administration committee

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

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

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

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

Technical committee

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

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

Directors' Remuneration

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

Attendance of Board meetings

DATE	MEETING	PETER MUNGA	C.E.O TWSB	H.M.MWITH IGA	PETER KIGUTA	ESTON GATHIMA	SUSAN KARINA	M. GICHOMO	BEATRICE WANJERI	JEREMIAH KAMAU	C.E.C WATER	C.E.C FINANCE
05/07/17	SPECIAL FULL BOARD		✓	✓	✓	✓	✓	✓	✓			
20/07/17	FULL BOARD		✓	✓	✓	✓	✓	✓	✓	✓		
29/08/2017	FIN & ADMN COMMITTEE		✓		✓	✓	✓					
29/08/2017	AUDIT COMMITTEE		✓	✓				✓	✓			
05/09/2017	FULL BOARD		✓	✓	✓	✓	✓	✓	✓	✓		
30/10/2017	AUDIT COMMITTEE		✓	✓				✓	✓			
30/10/2018	FIN & ADMN COMMITTEE		✓		✓	✓	✓					
01/11/2017	FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓			
12/02/2018	SPECIAL FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓	✓		
20/03/2018	AUDIT COMMITTEE		✓	✓				✓	✓			
20/03/2018	FIN & ADMIN COMMITTEE		✓		✓	✓	✓					
15/05/2018	FIN & ADMN COMMITTEE		✓		✓	✓	✓					
27/06/2018	FULL BOARD	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

Process of appointment and removal of directors

A third of directors retire on rotation every year. Election of directors starts with advertisement in the media, their applications are considered by stakeholders selection committee and this committee do a recommendation to the stakeholders. The recommendations are taken to the Annual General Meeting. The stakeholders at the AGM are at liberty to agree with the recommendation to agree, amend or to disagree with the recommendations.

Induction and training

After every Annual General Meeting, the directors undergo an induction and training.

Ethics and conduct of directors

To show commitment of proper utilization and management of public resources and proper running of corporation's affairs, Murang'a Water And Sanitation Company has developed a code of ethics to be signed by all board members. A code of ethics provide guidance and direction in the manner in which members of the board of directors are expected to conduct themselves when handling matters relating to the company. This code is guided by the company's strategic plan.

Going concern

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

SIGNED:



CHAIRMAN



MANAGING DIRECTOR

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance			
No.	ITEM	2016/2017	2017/2018
1	Total Billings (Kshs in Millions)	197.6	188.7
2	Operating Exp (Kshs in Millions)	197.8	192.2
3	Capital Exp (Kshs in Millios)	43.8	57
4	Number of Active Water Connections	12,647	12,308
5	Number of Active Sewerage connections	4,684	4,997
6	Unaccounted for water	30%	25%

SECTION B

Entity's compliance with statutory requirements
Murang'a water and sanitation company complies with various statutory requirements and the 8th AGM was held on Friday the 27th July 2018. The company has a pending case which emanated from the regular tariff adjustment in Murang'a high court where the applicant was awarded Ksh. 5,410,494 and the company appealed against the decision.

SECTION C

Key projects and investment decisions the entity is planning/implementing
Muranga water and sanitation company is a company limited by guarantee hence it cannot be able to finance its project through equity. The projects are financed either from internally generated funds, Grants from County Government, Constituency Development Funds, Development partners and commercial financing through performance/result based financing. The Company has a role to play if it's going to achieve Sustainable Development goals agreed by the world leaders in year 2015. for a more prosperous, equitable, and sustainable world. Specifically the company strive to meet goal number six of clean water and sanitation.

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

MANAGEMENT DISCUSSION AND ANALYSIS(Continued)

ON GOING PROJECTS

No.	Project	Financed by	Sustainability
1	Performance Enhancement of Water Utilities In Kenya (PEWAK)	Vitens Evides International	The project will reduce Non Revenue Water to less than 25 %

PROPOSED PROJECTS

No	Project	Financed by	Sustainability
1	Mugoiri Wa Teri water Supply	Commercial financing with result based financing (RBF) through Water Services Regulatory Board	-The project will increase the production capacity per day hence more supply to the increasing population and demand.
2	Murang'a urban NRW project	Public private partnership	-The project will reduce water losses and increase supply to unserved areas.
3	Murang'a water institute	G.O.K	The project will increase revenue streams of the company and will benefit the community.

SECTION D

Major risks facing the entity

Operation risks

The Company inherited old dilapidated infrastructure, and this has contributed to high Non Revenue Water. Over the years, the company has invested in various projects to improve the infrastructure. The funds required to overhaul the whole network is beyond company affordability and various proposals have been made to mobilize funds through Public Private Partnership (PPP)

Market Risks

The company has an outstanding loan from Sidian Bank. The principal outstanding amount is Ksh 10,337,443 as at 30th June 2018 with an interest rate of 14% per annum. With interest rate capping, the company is not exposed to market risk unless the capping is removed and this could adversely affect the company cost of the loan.

Credit Risks

The company supplies water on credit and gives the consumers a period of 14 days to clear their bills. Not all consumers are able to clear their bills within the credit period given and this give rise to credit risk. At the end of the year, the trade debtors amounted to Ksh 45,950,135 and the highest percentage was owed by the Government institutions and the default risk is assessed as low. The company provides allowance for credit risk against the outstanding specific water and sewerage debts and a general provision of 10% of the net balance.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

Liquidity Risk

The company has various obligation and liabilities as outlined in note 20,21,22,23 of the accounts. The company manages liquidity risks by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

SECTION E

Material arrears in statutory/financial obligations

The company has accumulated administrative fees owed to Tana Water Services Board Amounting to Kshs 49,658,717. Other trade creditors amounted to Ksh. 60,387,826

SECTION F

The entity's financial probity and serious governance issues

The Company has no any financial improbity and it observes the guidelines issued by Water Services Regulatory Board on corporate governance and has complied with the guidelines with no any case of conflict of interest among the Board or Member of the Board and top management.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

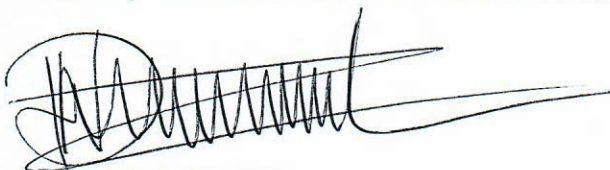
Here at the Murang'a Water and Sanitation Company Limited, we regard corporate citizenship as the business strategy that shapes the values underpinning a company's mission and the choices made each day by its Directors, Managers and Employees as they engage with society. We want to be a responsible business that meets the highest standards of ethics and professionalism being accountable and responsive to stakeholders, and supporting the sustainable development and achievement of water security to all as a core responsibility.

We strongly believe that protecting and restoring water-related ecosystems such as forests, mountains, wetlands and rivers is essential if we are to mitigate water scarcity. We thus recognize the need to protect the natural environment. Keeping our environment clean and unpolluted is a benefit to all. We'll always follow best practices when collecting, channeling and treating waste waters.

Our company may initiate and support community initiatives and educational programs. For example, it may begin partnerships with needy public schools for constructing of a school sanitation block. It can provide support to nonprofit organizations to promote environmental programs for economic and social good .

We continue to encourage our staff to volunteer in implementing our corporate citizenship initiatives and programs initiated externally . During the Last financial year, Muwasco joined the National government representatives ,County government of Murang'a, Nema, Washvoice for women and other partners in Marking the World Environment Day by planting trees along Murari River. The theme for the World Environment Day 2018 was Beat Plastic Pollution. People should be free from the over-reliance on single-use or disposables, as they have severe environmental consequences

We are aware that Corporate responsibility starts with a belief that what you do is important to society. This belief is at the heart of our company.



Eng. D.NG'ANG'A
MANAGING DIRECTOR

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

IX. BOARD OF DIRECTORS REPORT

The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30th JUNE 2018.

PRINCIPAL ACTIVITY

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

INCOME

The results of activities for the year show a surplus of **Kshs 14,901,885** as set out on page twenty two of the accounts.

THE BOARD OF DIRECTORS

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

AUDITORS

The auditor general is responsible for the statutory audit of the company's financial statements in accordance with Article 229 of the constitution of Kenya and the Public Audit Act 2015

By order of the Board



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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

X. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 147 of the Companies Act Cap 486 requires the Board of Directors to prepare financial statements for each year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results of the activities for that year. It also requires the Board to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Board is also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30th, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's 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 and the Companies Act. 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, 2018, 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's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the directors to indicate that Murang'a Water And Sanitation 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's financial statements were approved by the Board on 31st August 2018 and signed on its behalf by:

SIGNED: _____


P.K MUNGA
CHAIRMAN



P. KIGUTA
DIRECTOR



D.NG'ANG'A
MANAGING DIRECTOR

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MURANG'A WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a Water and Sanitation Company Limited set out on pages 22 to 45, which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statements 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, the financial statements present fairly, in all material respects, the financial position of Murang'a Water and Sanitation Company Limited as at 30 June, 2018, 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 Kenyan Companies Act, 2015.

Basis for Qualified Opinion

1. Failure to Disclose Material Uncertainty in Relation to Going Concern

The statement of financial position reflects the Company's current liabilities balance of Kshs.123,583,915 which exceeded the current assets balance of Kshs.82,272,691 and thus, resulting in a negative working capital of Kshs.41,313,224 as at 30 June 2018. This is an indication that the Company's financial position is precarious and may be experiencing financial difficulties in meeting its obligations as and when they fall due. The existence of this material uncertainty may cast a significant doubt on the Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Murang'a and its creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company's directors to reverse the undesirable precarious financial position have not been disclosed in the notes to the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Murang'a Water and Sanitation Company

Limited in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections, I have determined that there are no Key Audit Matters to communicate in my report.

Other Information

The directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

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

In connection with the audit of 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 the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance sections 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. Non-Revenue Water

During the year under review the Company produced a total of 2,419,637 cubic meters of water. However out of this volume, only 1,798,369 cubic meters of water was billed to the customers. The balance of 621,268 cubic meters of water or approximately 25.7% of the total volume of water produced represents non-revenue water which is 0.7% over and above the allowable loss of 25% in accordance with the Water Services Regulatory Board guidelines. The non-revenue water of 25.7% may have resulted in loss of water sales estimated at Kshs.51,564,081.

The significant level of non-revenue water is an indication of inefficiency and lack of effectiveness in the use of public resources and, may negatively impact on the Company's profitability and its long term sustainability.

2. Unremitted Lease Fees

Trade and other payables balance of Kshs.102,595,379 disclosed in Note 20 to the financial statements includes lease fee amounting to Kshs.49,658,717.40 owed to Tana Water Services Board, which had not been remitted as at 30 June 2018. The Company did not provide a satisfactory explanation for failure to remit the statutory fee to the Board when due.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. IT Environment

During the year under review, persons claimed to be staff of Murang'a County Government broke into the offices of the Company and confiscated ICT assets including

the main servers, laptops, smart phones among others and IT documentation, following prolonged dispute between the Company's management and Murang'a County Government on management of the Company. The matter was reported to the DCIO Murang'a vide OB Nos.14/28/8/2018,17/30/8/2018,18/6/9/2018. As a result, the approved ICT documents pertaining to policy and strategy were not available for audit review.

2. Corporate Governance

Murang'a County Water and Sanitation Services Act, 2018 was enacted to provide for a legal and institutional framework for the provision of water and sanitation services in the County. Section 10 of the Act established Murang'a County Water and Sewerage Corporation as a body corporate to take over and assume responsibilities for the provision of water and sanitation services in Murang'a County. Section 23 of the same Act provides that the Corporation so established shall maintain the existing water supplies entities including Murang'a Water and Sanitation Company as regional branches without separate legal personality.

The provisions of this Act appears to have dissolved the existing water companies as legal entities including their Boards. The CECM for Water and Irrigation, Murang'a County Government vide Gazette Notice No.1655 of 11 February 2019 evoked Section 14(1)(d) of Murang'a County Water and Sanitation Act, 2018 and appointed interim members of the Board of Murang'a Water and Sewerage Services Corporation. The Governor, Murang'a County had appointed a caretaker committee vide the Kenya Gazette No.149 of 9 October 2017 to manage water resources and sanitation services. Further, the Governor, Murang'a County vide Kenya Gazette No.2907 of 17 August 2018 appointed an interim Chairman of Murang'a Water and Sanitation Company Limited.

It was noted that Murang'a Water and Sanitation Company Board of Directors appointed as per the Memorandum and Articles of Association of the Company exist, despite the above changes in legislation and appointments. It appears, therefore, that the Company is facing governance issues including existence of two parallel Boards and/or or bodies charged with governance of the Company.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;

- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the directors on page 18, is consistent with the financial statements.

Responsibilities of Directors and Those Charged with Governance

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

In preparing the financial statements, the directors are responsible for assessing the ability of Murang'a Water and Sewerage Company Limited to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so

The directors are 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, the directors are also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

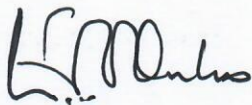
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Murang'a Water and Sewerage Company Limited to continue as a going concern. If

I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of Murang'a Water and Sewerage Company Limited to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

21 May 2019

The first part of the report is devoted to a description of the experimental conditions and the results obtained. It is found that the rate of reaction is independent of the concentration of the reactants and is proportional to the square of the concentration of the catalyst.

The second part of the report is devoted to a discussion of the results obtained. It is shown that the results are in agreement with the proposed mechanism and that the rate of reaction is independent of the concentration of the reactants and is proportional to the square of the concentration of the catalyst.

The third part of the report is devoted to a discussion of the results obtained. It is shown that the results are in agreement with the proposed mechanism and that the rate of reaction is independent of the concentration of the reactants and is proportional to the square of the concentration of the catalyst.

The fourth part of the report is devoted to a discussion of the results obtained. It is shown that the results are in agreement with the proposed mechanism and that the rate of reaction is independent of the concentration of the reactants and is proportional to the square of the concentration of the catalyst.

The fifth part of the report is devoted to a discussion of the results obtained. It is shown that the results are in agreement with the proposed mechanism and that the rate of reaction is independent of the concentration of the reactants and is proportional to the square of the concentration of the catalyst.

Figure 1

TABLE I
RESULTS

TABLE II
RESULTS

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

XII. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2018

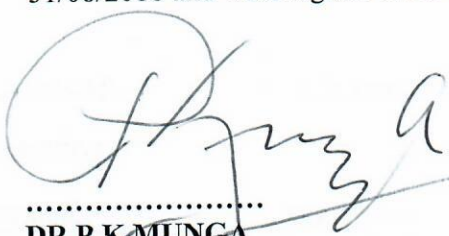
INCOME	NOTES	2017/2018 (Kshs)	2016/2017 (Kshs)
			RESTATED
Revenue Grants	1	14,526,490	14,181,272
Billings	2	188,634,886	197,584,436
Other incomes	3	3,923,830	4,863,681
Inherited debtors	4	-	3,067,766
		207,085,206	219,697,155
EXPENDITURE			
Personal emoluments	5	88,364,655	78,362,235
Administration expenses	6	31,963,510	59,696,923
Production and maintenance expenses	7	33,005,520	24,690,512
General office expenses	8	5,415,807	7,316,155
Depreciation and amortization	9 and 10	24,837,406	23,119,147
Disallowed V.A.T refund claims	11	-	4,177,720
Transfer of debtors	12	6,892,217	-
Finance cost	21	1,704,206	653,837
		192,183,321	198,016,529
SUPLUS FROM OPERATING ACTIVITIES		14,901,885	21,680,626
TAX		-	-
SURPLUS AFTER TAX		14,901,885	21,680,626
DEFICIT FROM FORT BEVERAGE INDUSTRIES CO.LTD	13	-	(2,273,898)
TOTAL SUPLUS		14 901 885	19,406,728

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

NON CURRENT ASSETS	NOTES	2017/2018 Kshs	2016/2017 Kshs RESTATED
Property, plant and Equipment	9	276,687,762	244,745,691
Intangible assets	10	224,000	280,000
Total non current asset		276,911,762	245,025,691
CURRENT ASSETS			
Receivables	14	72,638,853	68,363,715
Cash and cash equivalent	15	2,380,893	4,164,464
Inventory	16	7,252,945	6,933,421
Total current assets		82,272,691	79,461,600
TOTAL ASSETS		359,184,453	324,487,291
EQUITY AND LIABILITIES			
Capital Reserves	17	33,275,181	33,275,181
Revenue Reserves	19	86,281,800	71,379,915
Total Capital and reserves		119,556,981	104,655,096
NON CURRENT LIABILITIES			
Loan principal payable	21	6,907,611	9,392,475
Deferred income	18	109,135,947	82,455,983
Total noncurrent liabilities		116,043,558	91,848,458
Current liabilities			
Trade and other payables	20	102,595,379	106,185,783
Loan principal payable	21	3,429,832	2,978,442
Tax payable	22	2,510,040	2,510,040
Contingent Liability	23	5,410,594	5,410,594
Deferred income	18	9,638,071	10,898,878
Total Current Liabilities		123,583,915	127,983,737
TOTAL EQUITY AND LIABILITIES		359,184,453	324,487,291

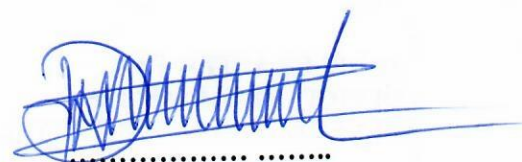
The financial statements on pages 22-47 were approved by the board of directors on 31/08/2018 and were signed on its behalf by:



DR. P. K. MUNGA
CHAIRMAN



P. KIGUTA
DIRECTOR



ENG. D. NG'ANG'A
MANAGING DIRECTOR

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

XIV. STATEMENT OF CHANGES IN EQUITY

	NOTES	CAPITAL RESERVES (Kshs)	REVENUE RESERVES (Kshs)	TOTALS (Kshs)
Balance at 1 st July 2016 RESTATED		33,275,181	51,973,187	85,248,368
Surplus for the year RESTATED	19	-	19,406,728	19,406,728
Balance at 30th June 2017 RESTATED		33,275,181	71,379,915	104,655,096
Balance at 1st July 2017 RESTATED		33,275,181	71,379,915	104,655,096
Surplus for the year	19	-	14,901,885	14,901,885
Balance at 30th June 2018		33,275,181	86,281,800	119,556,981

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

XV. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2018

		2017/2018 (Kshs)	2016/2017 (Kshs)
Cash Flows from operating activities	Notes		RESTATED
Surplus generated from operating activities		14,901,885	19,406,728
Adjustment for: Non cash items			
Depreciation and amortisation	9,10	24,837,406	23,119,147
Provision for bad debts	6	(1,207,177)	2,073,329
Amortisation on capital grants	1,18	(10,898,878)	(9,233,875)
Loss on disposal			
Adjusted Surplus From operating Activities Before Working Capital changes		27,633,236	35,365,329
Changes in working capital			
(Increase)/(Increase) in inventory	16	(319,524)	(339,983)
(Increase)/(Increase) in receivables	14	(3,067,961)	(9,108,587)
Decrease)/Increase in short term liabilities	20,21,22,23	(3,139,015)	2,882,337
(Decrease)/(Decrease) in long term liabilities	21	(2,484,864)	(3,923,410)
Net cash flows From Operating Activities		18,621,872	24,875,686
Cash flows from Investing Activities			
Purchase of P.P.E and Intangible asset	9 and 10	(56,723,477)	(43,844,817)
Net Cash flows from investing activities		(56,723,477)	(43,844,817)
Cash flows from Financing Activities			
Deferred income	18	36,318,035	19,796,504
Net Cash flows from Financing Activities		36,318,035	19,796,504
Net Decrease/increase in cash & cash equivalents		(1,783,571)	827,373
Cash and Cash equivalent at start of year		4,164,464	3,337,091
Cash and Cash equivalents at end of year	15	2,380,893	4,164,464

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Actual	Budget	Variance	VarianC e(%)	Explanation of material variances
	Cumulative to date	Cumulative to date			
	(Kshs)	(Kshs)	(Kshs)		
Revenue					
Water billings	134,287,439	142,377,972	(8,090,533)	(6)	
Sewer billings	36,159,217	36,350,281	(191,064)	(1)	
Meter rent billings	5,165,300	5,053,713	111,587	2	
Other billings and incomes	16,946,760	10,000,000	6,946,760		Increased new connections,bowser & exhauste incomes
Total income	192,558,716	193,781,966	(1,146,850)		
Expenses					
SALARIES	73,667,904	66,834,333	6,833,571	10	
CASUAL WAGE					
	1,312,035	1,537,800	(225,765)	(15)	some casuals employed on permanent basis
LEAVE ALLOWANCE	1,783,620	2,400,000	(616,380)	(26)	Given at the commencement of leave
NSSF CO. CONTRIBUTION					
	275,400	326,400	(51,000)	(16)	No contribution towards seconded staffs
PENSION	2,364,826	2,354,892	9,934	0	
TRAINING	566,200	1,348,000	(781,800)	(58)	Trainings done inhouse
MEDICAL INSURANCE COVER	2,760,876	9,000,000	(6,239,124)	(69)	lesser amount quoted by tenderers
GRATUITY EXPENSE	2,891,382	2,741,075	150,307	5	
	5,978,679	7,540,082			
SUBSISTENCE ALLOWANCES			(1,561,403)	(21)	reduction of staff allowances during last quarte
TELEPHONE,E- MAIL,FASCSIMILE & MOBILE PHONE SERVICES	2,852,672	3,708,000			
			(855,328)	(23)	Use of calling buddles
COURIER & POSTAL SERVICES	48,357	196,800			
			(148,443)	(75)	Reduced no. of bills delivered through poster
TRAVEL COSTS	318,613	400,000	(81,387)	(20)	use of company vehicles for travel
NEWSPAPERS, MAGAZINES & PERIODICALS	114,960	150,720			
			(35,760)	(24)	Reduced supply when user departments are av
ADVERTISING	1,210,540	1,500,000	(289,460)	(19)	A.G.M not yet advertised
WATER ABSTRACTION FEE- WARMA	489,454	720,000			
			(230,546)	(32)	less abstraction due to shortage in supply the third quarter
CATERING SERVICES	694,555	900,000	(205,445)	(23)	maragua office not in operation
DIRECTORS EXPENSES	2,098,408	3,786,920	(1,688,512)	(45)	No B.O.D tour held in the period
MEETINGS,CONFERENCES & SEMINARS	879,830	1,500,000			
			(620,170)	(41)	A.G.M not yet held
INSURANCES	1,736,182	6,800,000	(5,063,818)	(74)	
GENERAL OFFICE SUPPLIES	5,156,093	5,705,082	(548,989)	(10)	
CONTRACTED GUARDS SERVICES	974,023	1,728,000			
			(753,977)	(44)	No guards at Maragua zone
MEMBERSHIP AND SUBSCRIPTIONS	188,620	453,000			
			(264,380)	(58)	reduction on staff enrollment on various professional bodies
LEGAL DUES/FEES	1,447,000	2,000,000			
			(553,000)	(28)	fewer court cases during the year
LICENCES AND PERMITS	15,000	800,000			
			(785,000)	(98)	Reduced KEBS levy
MAINTENANCE EXPENSES- MOTOR VEHICLES & CYCLES	10,063,459	10,582,800			
			(519,341)	(5)	
CHEMICALS & REAGENTS	3,338,368	5,506,050			
			(2,167,682)	(39)	Less production than budgeted
ELECTRICITY	3,700,981	3,600,000			
			100,981	3	
STAFF UNIFORMS	144,755	1,700,000			
			(1,555,245)	(91)	not procured due to financial constraint
OPERATION AND MAINTANANCE	25,476,717	23,805,000			
			1,671,717	7	

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

BANK SERVICE COMMISSION & CHARGES	127,444	167,000	(39,556)	(24)	internet banking which has lowered bank cha.
PROFESSIONAL SERVICES	2,022,874	3,410,500	(1,387,626)	(41)	ISO certification process in progress
SUNDRY EXPENSES AND DONATIONS	136,754	560,000	(423,246)	(76)	less C.S.R activities during the year
Total expenditure	156,648,059	176,201,218	(19,553,159)		
Surplus for the period	35,910,657				
RECONCILIATION					
ITEMS NOT IN THE BUDGET					
DEPRECIATION AND AMORTISATION	(24,837,406)				
PROVISION FOR BAD DEBTS	1,207,177				
REVENUE GRANT	14,526,490				
TRANSFER OF DEBTORS	(6,892,217)				
SALARY TO SECONDED STAFF	(3,308,612)				
PROFIT BEFORE TAXATION	14,901,885				
CAPITAL EXPENDITURE				0	
METERS AND ACCESSORIES	6,016,578	8,581,000	(2,564,422)	(30)	Metering of Maragua zone stopped
WATER NETWORK	47,317,101	116,068,000	(68,750,899)	(59)	maragua project not done
SEWER NETWORK	2,195,006	2,110,000	85,006	4	
COMPUTERS & COMPUTER NETWORKING	183,862	1,375,000	(1,191,138)	(87)	not procured due to financial constraint
FURNITURE & OFFICE EQUIPMENT	224,963	1,000,000	(775,037)	(78)	not procured due to financial constraint
MOTOR CYCLES	969,828	970,000	(172)	(0)	
NRW	0	1,000,000	(1,000,000)	(100)	Hiring of NRW equipments from WASPA
TOTAL	56,907,338	131,104,000			

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Murang'a Water and Sanitation Company Limited is established by and derives its authority and accountability from Company's Act. It is a limited company by guarantee and licensed by Tana water services board through service provision agreement signed on 2nd May 2006 and revised on 4th May 2012. The principal activity of the company is to provide water and sanitation services within Murang'a town and its environs.

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 judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4b,4c,4d,4l

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

(b) Relevant new standards and amendments to published standards effective for the year ended 30th June 2018

New and Amendments to standards	Effective for annual period
IFRS 9	1 st January 2018
Amendment to IFRS 10, IFRS 12 and IAS 27	1 st January 2018
IFRS 15	1 st January 2018

(c) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30th June 2018 and future annual reports

The company has assessed the potential impact of the above and expects that they will not have significant impact on the financial statements for 2017/2018.

(d) Early adoption

The company did not early adopt any new or amended standards in financial year 2017/2018

MURANG'A WATER AND SANITATION COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Revenue Recognition

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

- (i) Salaries of the seconded staff paid by Murang'a county government
- (ii) Amortization of capital grants from Murang'a county government, Ministry of water & sanitation, Kiharu constituency development fund, Tana Water Services Board and Water sector Trust Fund, Athi Water Services Board.
- (iii) Electricity grant from Muranga South Water and Sanitation Company
- (iv) Billings represents the amount earned from the billings of water, sewer and meter rent. Other billings include miscellaneous billings like water theft penalties, search fee, relocation of meter. Other incomes include water and sewer connection fees, unmetered water sales and surcharges.

b. Property ,Plant and Equipment

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

c. Depreciation, impairment and amortization of Property, plant and Equipment

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

Per Annum	RATE
	%
-Buildings	2.5
-Motor Vehicles	25
-Computers and Photocopiers	30
-Pipes	2.5
-Equipments and Tools	12.5
-Computer software	20

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

Amortization is provided for the intangible assets like computer software.

d. Reserves

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

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

The Water Act 2016 and the Company's Articles of Association prohibit distribution of reserves to members and reserves are supposed to be ploughed back to the system in accordance with the Water Act.

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

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

e. Retirement benefits

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

The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are by the requirements of local statute and are currently limited to Ksh.200 per employee per month. The company's contributions to the above schemes are charged to profit or loss in the year to which they relate. Gratuity is provided for at 31% of basic salary.

f. Taxation

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

g. Related party transactions

Funds received from the government are disclosed under note 18. The company is headed by the Board of directors and corporate management team. Gratuity expense on corporate management team is based on 31% of the basic salaries. At the end of financial year the related party transactions were as per note 24.

h. Inventory

The company recognizes inventory at the lower of cost and net realizable value using first in first out method of inventory valuation.

i. Cash and Cash Equivalent

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

j. Trade and other Payables

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

k. Financial risk management

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

l. Allowance for credit risk

At the end of financial year the trade debtors amounted to Ksh.44,431,006 and the highest percentage was owed by the Government institutions and the default risk is assessed as low.

The company provides allowance for credit risk against outstanding specific water and sewerage debts. During the year specific provision was made amounting to Kshs 1,245,715 and a general provision of 10% on net balance of Ksh.4,318,529 making a total provision of Ksh.5,564,244.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

m. Liquidity risk management

The company has various obligations and liabilities as outlined in note 20,21,22 and 23 of the accounts.

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

	Less than 1 month	Between 1-2 months	Between 2-3 months	Over 3 months	Total
At 30 June 2018 Current liabilities(Kshs)	15,960,480	1,268,080	1,314,302	105,041,053	123,583,915
At 30 June 2017 Current liabilities(Kshs)	21,421,480	4,519,748	9,226,988	92,815,521	127,983,797

n. Market risk

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

o. Comparative figures

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

p. Significant judgments and sources of estimation

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

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

q. Taxation

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

r. Useful lives and residual values of property plant and equipment

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

s. Reporting currency

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

t. 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 30th June 2018.

u. Budget information

The budget for financial year 2017-2018 was approved by the board of directors on 5th June 2017. Both the financial statements and the budget are prepared on accrual basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget is presented in the statement of comparison of budget and actual amounts.

v. Incorporation

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

w. Ultimate and holding entity

The entity is a Semi-Autonomous Government Agency under the Ministry of Water and Sanitation. Its ultimate parent is Murang'a County Government.

The entity has a wholly owned subsidiary, Fort Beverage Industries Limited.

x. Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for credit risk. 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.

y. Borrowings

Interest bearing loans are initially recorded at fair value being received, net of issue costs associated with the borrowing. Loan principal and interest accruing during the construction of a project is capitalised as part of the cost of the project. Interest accruing after completion of the project is recognized as finance cost.

z. Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 14.

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 provides provision for bad debts. A specific provision is provided on trade debtors that are more than five years old and their accounts are inactive. An additional general provision is provided using a rate of 10 % on the net debtors balance after deducting the specific provision.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

EXPLANATORY NOTES TO THE ACCOUNTS

1) GOK GRANTS

Accounting for Government grants

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

The following revenue grants have been recognized in the statement of comprehensive income.

<u>REVENUE GRANTS</u>	<u>2017/2018</u>	<u>2016/2017</u>
	(Kshs)	(Kshs)
AMOTIZATION OF CAPITAL GRANTS	10,898,878	9,233,874
SALARIES PAID TO SECONDED STAFFS	3,308,612	4,947,398
ELECTRICITY GRANTS	319,000	-
TOTAL	14,526,490	14,181,272

2) BILLINGS

WATER	134,287,439	138,632,872
SEWERAGE	36,159,217	40,659,025
METER RENT	5,165,300	6,729,900
OTHER BILLINGS	8,917,930	7,350,639
RE- CONNECTION FEES	4,105,000	4,212,000
TOTAL	188,634,886	197,584,436

3) OTHER INCOMES

WATER CONNECTION FEES	3,607,810	4,602,986
SEWER CONNECTION FEES	105,350	50,100
UNMETERED WATER SALES	210,670	202,717
SURCHARGES	-	7,878
TOTALS	3,923,830	4,863,681

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

4) INHERITED DEBTORS FROM MURANG'A SOUTH WATER COMPANY

	2017/2018 Kshs	2016/2017 Kshs
<u>ZONES</u>		
MARAGUA	-	1,917,937
GITHUGUYA	-	111,615
GIKOMORA	-	1,038,214
TOTAL	-	3,067,766

5) PERSONEL EMOLUMENTS

SALARIES	73,667,904	61,554,874
SALARIES (G.O.K GRANT)	3,308,612	4,947,398
LEAVE ALLOWANCES	1,783,620	1,670,970
NSSF COMPANY CONTRIBUTIONS	275,400	256,600
PENSION CONTRIBUTION	2,364,826	2,157,239
STAFF GRATUITY	2,891,382	2,505,297
CASUAL WAGES	1,312,035	1,091,575
MEDICAL INSURANCE	2,760,876	4,178,282
TOTAL PERSONAL EMOLUMENTS	88,364,655	78,362,235

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

	2017/2018	2016/2017
	Kshs	Kshs
6) <u>ADMINISTRATION EXPENSES</u>		
TRAINING	566,200	3,157,343
ADVERTISING	1,210,540	528,700
BOARDS,COMMITTEES,	2,098,408	3,232,380
MOTOR VEHICLE EXPENSES	10,063,459	10,298,285
CONSULTANCY/PROFESSIONAL FEES	1,053,478	2,276,719
SUNDRY AND DONATION EXPENSES	136,754	47,760
INSURANCES	1,736,182	4,791,396
MEMBERSHIP AND SUBSCRIPTIONS	188,620	472,942
COURIER & POSTAL SERVICES	48,357	137,416
COMMUNICATION AND INTERNET EXPENSES	2,852,672	2,287,284
LICENCES & PERMITS	15,000	200,000
CATERING SERVICES	694,555	785,543
CONTRACTED GUARDS SERVICES	974,023	1,452,759
TWSB ADMINISTRATION COST	-	16,292,814
WASREB LEVY	1,811,478	1,912,788
BANK SERVICE COMMISSION & CHARGES	127,443	112,922
LEGAL FEES	1,447,000	85,000
MEETING COSTS ,CONFERENCES & SEMINARS	879,830	1,226,635
TRAVEL COST	318,613	287,640
INCREASE(DECREASE)FOR CREDIT RISK	(1,207,177)	2,073,329
SUBSISTENCE ALLOWANCES	5,978,679	7,147,872
AUDIT FEES	969,396	889,396
TOTAL	31,963,510	59,696,923
7) <u>PRODUCTION & MAINTENANCE EXPENSES</u>		
ELECTRICITY	3,700,981	2,840,434
OPERATING AND MAINTENANCE COST	25,476,717	18,881,368
CHEMICALS	3,338,368	2,450,536
WATER ABSTRACTION FEE-WARMA	489,454	518,174
TOTAL	33,005,520	24,690,512
8) <u>GENERAL OFFICE EXPENSES</u>		
STAFF UNIFORMS	144,755	1,697,440
GENERAL OFFICE SUPPLIES	5,156,092	5,506,035
NEWSPAPERS, MAGAZINES & PERIODICALS	114,960	112,680

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

9) PROPERTY PLANT & EQUIPMENTS (KSHs)

COSTS	1)Buildings (Kshs)	2)pipes &fittings (Kshs)	3)EQUIPMENTS (Kshs)	4)motor vehicles & Cycles (Kshs)	5)computers &computer networking (Kshs)	6.Work In Progress (Kshs)	TOTALS (Kshs)
Cost as at 1 st July 2016(RESTATED)	33,724,381	48,741,323	188,351,800	5,827,466	5,426,320	18,323,980	300,395,271
Additions during the year	-	13,078,667	21,512,411	550,000	1,201,414	7,152,325	43,494,817
WIP Transferred to Buildings(PSF)	4,069,797	-	-	-	-	(4,069,797)	-
Bottling plant	17,926,909	-	3,279,499	-	200,100	(21,406,508)	-
Total Cost As At 30th JUNE 2017(RESTATED)	55,721,087	61,819,990	213,143,712	6,377,466	6,827,834	-	343,890,089
Cost as at 1 st July 2017(RESTATED)	55,721,087	61,819,990	213,143,712	6,377,466	6,827,834	-	343,890,089
Additions during the year	-	26,843,666	28,909,983	969,828	-	-	56,723,477
Total Cost As At 30th JUNE 2018(RESTATED)	55,721,087	88,663,656	242,053,695	7,347,294	6,827,834	-	400,613,565
DEPRECIATION							
As at 1 st July 2016(RESTATED)	3,124,096	3,482,991	60,522,932	4,901,068	4,064,165	-	76,095,251
charge for the year Accumulated depreciation As at 1 st July 2017(RESTATED)	1,314,925	1,458,425	19,077,598	369,099	829,101	-	23,049,147
Charge for the year Total Accumulated Depreciation As At 30 th June 2018	1,282,052	2,093,056	20,306,646	519,281	580,371	-	24,781,405
	5,721,071	7,034,472	99,907,174	5,789,450	5,473,636	-	123,925,804
NET BOOK VALUE							
As at 30 th JUNE 2018	50,000,016	81,629,184	142,146,521	1,557,844	1,354,198	-	276,687,762
As at 30 th JUNE 2017(RESTATED)	51,282,066	56,878,574	133,543,184	1,107,299	1,934,568	-	244,745,691

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

NOTES TO THE FINANCIAL STATEMENTS(continued)

10) INTANGIBLE ASSETS (Ksh)

COST:

Cost as at 1 st July 2016	-
Additions during the year	350,000
Total cost as at 30th June 2017	350000
Cost as at 1 st July 2017	350000
Additions during the year	
Total cost as at 30th June 2018	350,000

AMORTISATION:

As at 1 st July 2016	-
Charge for the year	70,000
Total accumulated amortization as at 30th June 2017	70,000
As at 1 st July 2016	70,000
Charge for the year	56,000
Total accumulated amortization as at 30th June 2018	126,000

NET BOOK VALUE:

As at 30th June 2018	224,000
As at 30th June 2017	280,000

	2017/2018	2016/2017
	Kshs.	Kshs.
11) <u>DISALLOWED V.A.T REFUND CLAIMS</u>		
SEPTEMBER 2014-DECEMBER 2014	-	1,102,686
JANUARY 2015-MARCH 2015	-	1,764,936
MAY 2013-SEPTEMBER 2013	-	51,201
MAY 2012-DECEMBER 2012	-	51,781
JANUARY 2013-APRIL 2013	-	109,263
JANUARY 2011-APRIL 2012	-	1.097 853

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

12) TRANSFER BACK OF DEBTORS TO MURANG'A SOUTH WATER AND SANITATION COMPANY.

	2017/2018	2016/2017
<u>ZONE</u>	(Kshs)	(Kshs)
Maragua	534,913	-
Nginda	750,942	-
Itaaga	2,938,163	-
Ichagaki	2,668,199	-
TOTAL	6,892,217	-

13) STATEMENT OF COMPREHENSIVE INCOME FOR FORT BERERAGE INDUSTRIES LTD AS AT 30TH JUNE 2017

INCOME:

Sale of bottled water 220,510

Expenses:

Advertising 82,215

Bank/Mpesa charges 2,450

Catering services 11,269

General office expenses 162,245

Marketing and promotion 26,140

Consultancy/Professional 1,255,214

Subsistence allowances 13,800

Maintenance of property plant & equipment 16,150

Production expenses 924,925

TOTAL EXPENSES **2,494,408**

LOSS FROM OPERATING ACTIVITIES **(2,273,898)**

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

	2017/2018	2016/2017
	(Kshs)	RESTATED
14) <u>RECEIVABLES</u>	(Kshs)	(Kshs)
Trade Receivables	44,431,006	51,628,211
Less allowance for credit risk	(5,564,244)	(6,771,421)
TOTAL TRADE RECEIVABLES	38,866,762	44,856,790
Other receivables	32,645,568	19,464,066
Prepayment and deposits	1,099,682	3,420,105
Prepaid finance cost	26,841	622,754
NET BOOK VALUE	72,638,853	68,,363,715
15) <u>CASH & CASH EQUIVALENT</u>		
The make-up of bank balances and short term deposits is as follows:		
Financial institution	Account number	
a) Current accounts		
Equity bank	0220290765689	759,653
Family bank	06000015543	996,846
Cooperative bank	01141573530000	95,385
Sidian bank	01012020003971	(39,540)
Equity bank-fort beverage	0220272638432	147,660
Sub- total		1,812,344
b) Deposit account		
Equity bank	0220192975587	326,416
Sub- total		326,416
c) Projects accounts		
UBSUP project	0220264133454	-
Equity bank-WSTF PSF project		-
Sub- total		1,889,121
d) Others		
d) M-PESA	898600	113,930
e) M-PESA-fort beverage	795410	93,228
f) Cash at hand –WSTF projects		70,400
g) Cash at hand		40,090
Sub- total		128,203
Sub- total	242,133	588,260
GRAND TOTAL	2,380,893	4,164,464

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

	2017/2018	2016/2017
	(Kshs)	(Kshs)
16) <u>INVENTORY</u>		
Tools and Fittings	1,912,782	1,602,084
Chemicals	906,831	862,401
Pipes	1,224,112	2,387,106
Water Meters and Valves	3,025,500	1,663,350
Stationery and cleaning materials	183,720	418,480
TOTAL	7,252,945	6,933,421
17) <u>CAPITAL RESERVES</u>		
Brought forward	33,275,181	33,275,181
Carried forward	33,275,181	33,275,181
18) <u>DEFERRED INCOME</u>		
Brought Forward	93,354,861	82,792,232
Amortization on capital grants	(10,898,878)	(9,233,875)
Murang'a County Government	-	4,912,000
WSTF-Kiriaini bus park PSF(refund)	-	(1,500)
WSTF-Muchungucha water project	-	14,886,004
TWSB-Water meters	3,280,500	-
AWSB-UPVC pipes	17,785,000	-
Water for life project	15,252,535	-
TOTALS	118,774,018	93,354,861
19) <u>REVENUE RESERVES</u>		RESTATED
Brought forward	71,379,915	51,485,493
Current period	14,901,885	19,633,832
Carried forward	86,281,800	71,119,325

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

	2017/2018	2016/2017
20) <u>TRADE AND OTHER PAYABLES</u>	(Kshs)	(Kshs)
Customers Prepayments	1,813,085	1,427,107
Suppliers creditors	18,915,626	26,188,559
Other creditors	4,129,660	3,864,036
Provision for audit fees	1,187,500	1,550,000
Accrued bills	56,211,048	53,041,302
Customer deposits	19,453,622	16,975,176
Gratuity payable	798,600	758,982
Withholding tax-V.A.T	81,152	412,527
Withholding TAX-Income tax	5,086	38,883
W.S.T.F funds-UBSUP project	-	1,929,211
TOTALS	102,595,379	106,185,783

21) LOAN INTEREST AND PRINCIPAL PAYABLE

During the year, the company had an outstanding interest bearing financial obligation from Sidian bank for Muchungucha water project .

		RESTATED
Interest payable b/f	(622,754)	2,616,257
Interest additions in the year	1,704,206)	653,837
Interest paid during the year	(1,108,293)	(3,892,848)
Interest payable c/f(prepaid finance cost)	(26,841)	(622,754)
Loan principal payable b/f	12,370,917	30,797,777
Loan principal additions in the year	-	-
Loan principal paid by Muwasco	(2,033,474)	(3,540,856)
Loan principal paid by WSTF subsidy	-	(14,886,004)
Loan principal payable c/f	10,337,443	12,370,917

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

	2017/2018	2016/2017
	(Kshs)	(Kshs)
Loan principal payable within one yr	3,429,832	2,978,442
Loan principal payable after 1 yr	6,907,611	9,392,475
Loan principal payable c/f	10,337,443	12,370,917

22) TAX PAYABLE

Tax Payable Balance B/F	2,510,040	12,616,459
Charge for the year	-	-
Payment during the year (.V.A.T. receivable offset)	-	(10,106,419)
TAX PAYABLE	2,510,040	2,510,040

23) CONTINGENT LIABILITY

During the year the company had a pending case in court on adjustment of tariffs where the company was charged with Ksh.5,410,594 of which it appealed to high court.

24) RELATED PARTY DISCLOSURES

The following are the related parties of the company

- (a) Ministry of Water and Sanitation
- (b) County Government of Murang'a
- (c) Tana Water Services Board.
- (d) Key Management
- (e) Board of directors

Transactions with related parties

	<u>2017/2018</u>	<u>2016/2017</u>
	<u>Kshs.</u>	<u>Kshs.</u>
<u>1. GRANTS FROM RELATED PARTIES</u>		
Grant from Murang'a county government	3,308,612	9,859,398
Grant from Tana Water Service Board	3,280,500	
Total		
<u>2.EXPENSES INCURRED ON BEHALF OF RELATED PARTIES</u>		
B.O.D expenses	2,098,408	3,332,380
Management salaries and leave allowances	11,930,111	10,431,344
Management gratuity	2,891,382	2,505,297
Total	16,919,901	16,269,021

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

NOTES TO THE FINANCIAL STATEMENTS(continued)

25) CAPITAL COMMITMENTS

The following capital commitments are expected to be incurred in the year 2018/2019.

<u>NO</u>	<u>DETAILS</u>	<u>Kshs</u>
1	Meters and accessories	9,766,000
2	Water network	35,453,000
3	Sewerage network	2,110,000
4	Computer and computer networking	1,400,000
5	Furniture and office equipments	300,000
6	Non Revenue management and GIS Equipments	2,500,000
	TOTAL	51,529,000

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

XVIII. APPENDIX 1: PROJECTS IMPLEMENTED BY THE ENTITY

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reportin required as per the dono agreement (Yes/No)
1. Upscaling basic sanitation for urban poor(UBSUP)	01HS/TWSB/MURANGA/MURANGA/31	WSTF	MAY 2015 TO DEC 2017	100%	YES
2. Performance enhancement of water utilities in Kenya(PEWAK)-Kiharu DMA	FDW-KN-15-0001	Vitens Evides International	2016 to 2019	45 %	Yes
3. Kabuta Water Project- Water for Life		Vitens Evides International-	2017 to 2018	100 %	NO

STATUS OF PROJECTS COMPLETION

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	Upscaling basic sanitation for urban poor(UBSUP)	12,112,813	11,895,773	100 %	12,112,813	9,966,562	Water Sector Trust Fund
2.	Performance enhancement of water utilities in Kenya(PEWAK)	10,230,750	548,603	40%	10,230,750	3,362,955	Both Vitens Evides International and MUWASCO contributions
3.	Kabuta Water Project	15,252,535	15,252,535	100 %	17,888,400	15,252,535	Vitens Evides International

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

xix. APPENDIX 2: INTER-ENTITY TRANSFERS

The transfers from Murang'a county government are salaries paid directly to our seconded member of staff.

Transfer from Athi and Tana Water Service Boards are in-kind.

ENTITY NAME:		MURANG'A WATER AND SANITATION COMPANY		
<u>Type of grant</u>	<u>Description of grant</u>	<u>Amount(Ksh)</u>	<u>Fy</u>	
1. Transfer from Muranga County Government				
Revenue grant	Salaries to seconded staffs	3,308,612	FY 2017/2018	
2. Transfer from Athi Water Service Board				
Capital grant	HDPE Pipes	17,785,000	FY 2017/2018	
3. Transfer from Tana Water Service Board				
Capital grant	Water meters	3,280,500	FY 2017/2018	

**KANGA WAIK AND SANITATION COMPANY LIMITED
 ANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

APPENDIX 3:PROGRESS ON FOLLOWUP OF AUDITORS RECOMMENDATIONS

Following is the summary of issues raised by the external auditors, and management comments that were provided to the auditor in the annual report and financial statements for the year ended 30th June 2017.

<u>Issue/observations from auditor</u>	<u>Management comments</u>	<u>Focal point person</u>	<u>Status</u>	<u>Timeframe</u>
<p>Sustainability of service-The statement of financial position as at 30th June 2017 reflects more current liabilities than current assets</p>	<p>The company has been operating with non cost recovery tariffs which affected the liquidity of the company making it dependent on Government subsidies for its operations and supplier credits. Efforts were made to ensure that the company has cost recovery tariffs which were approved by the Water Services Regulatory Board and gazetted on 23rd May 2014; however the tariffs were not implemented immediately. After management efforts, the tariffs were partially implemented on September 2015 and the company was embarking on reducing the liabilities which had accumulated for years. The company's liquidity level has since improved and the company is expected to be operational even in the foreseeable future.</p>	<p>Managing director</p>	<p>Not resolved</p>	<p>June 2019</p>
<p>Unaccounted for water- Unaccounted for water is over and above the allowable loss of 25 %</p>	<p>The unaccounted for water is occasioned by dilapidated old infrastructure which dates back to the colonial period. More effort has been put on a continuous basis to bring down the water losses from as high as 65% when the company took over the water services in year 2006 and currently we are just about the allowable 25% mark. We are putting every effort to ensure the Non-Revenue Water (NRW) is reduced to acceptable levels and this includes but not limited to:-</p> <ul style="list-style-type: none"> i. Regional management concept where the whole area of supply is divided into three regions for easy of management and monitoring. ii. Mass changing of old water meters to curb commercial losses iii. Adoption of public private partnership (PPP) to source for funds for rehabilitating the old infrastructure under commercial financing. iv. Benchmarking with Peer Companies to adopt best practices. v. Establishment of NRW team section. vi. Continuous meter testing where there is doubt concerning their accuracy. vii. Internal as well as external trainings on methods to curb NRW. 	<p>Managing director</p>	<p>Not resolved</p>	<p>June 2019</p>

**ANG' A WATER AND SANITATION COMPANY LIMITED
 SOCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018**

APPENDIX 4: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the transferring the	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Fund	06/11/2017	Development	185,727.50	185,727.50	-	-	-	-	185,727.50
Electricity Sector Fund	13/09/2017	Development	548,603.25	548,603.25	-	-	-	-	548,603.25
			734,330.75	734,330.75	-	-	-	-	734,330.75