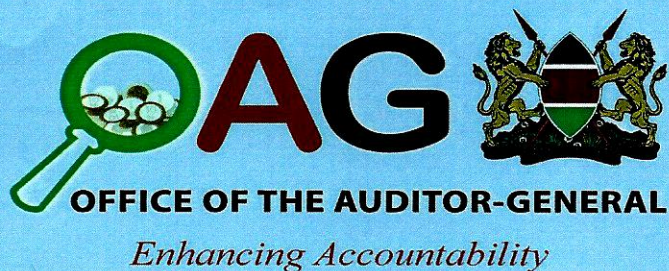


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**MATHIRA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2020**



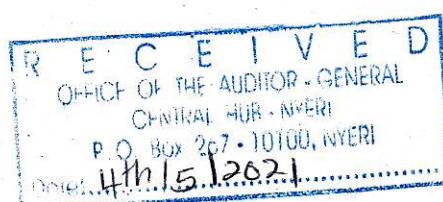
MATHIRA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2020

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



Mathira Water and Sanitation Company
Annual Reports and Financial Statements
For the year ended June 30, 2020

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1. KEY COMPANY INFORMATION

Background information

Mathira Water & Sanitation Company (MAWASCO) is a private limited company formed under Companies Act Cap 486 of laws of Kenya established in July 2005. After promulgation of the current constitution, the company became wholly owned by the County Government of Nyeri.

The company got a license to officially operate as a water service provider in October 2005 and began operating in December 2005 in compliance with the provisions of Water Act 2002.

Principal Activities

MAWASCO provides water and sanitation services to both rural and urban schemes of Mathira East and Mathira West Sub-Counties with population of 148,847 people. The target supply area covers an area of 320 km² which comprises of Konyu, Kirimukuyu, Karatina, Magutu, Iria-ini and Ruguru wards. Some parts of Kirinyaga County - Ndia division are also within company's area of coverage.

At its formation in the year 2005, the company took up most of the Assets that belonged to National Water Conservation and Pipeline Corporation, Ministry of Water and Irrigation and Karatina Municipal Council who used to manage the supply of Water and sewer services in the region.

Vision

To be a model Water and Sanitation Services Company in Kenya.

Mission

Ensure provision of quality, affordable, reliable, portable and sustainable water and sanitation services to all residents of Mathira and its environs.

Core Values

- ❖ Integrity
- ❖ Quality
- ❖ Professionalism
- ❖ Customer friendly
- ❖ Team work
- ❖ Total efficiency
- ❖ Creativity and innovation
- ❖ Reliability

Strategic Objectives

- ❖ Develop and operationalise a sustainable operation and maintenance programme for the assets under the management of the company.
- ❖ Expand sewerage services to cover unsewered areas.
- ❖ Improve and extend the infrastructure under Mathira Water and Sanitation Company Ltd.
- ❖ Achieve operational financial sustainability by reducing the recurrent expenditure by 10%.

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Directors

The Directors who served the Company during the year were as follows:

	Name	Position	Date of Appointment
1	Mr. Reuel Kibugi Muriuki	Chairman	6 th July 2018
2	Mr. David Gathogo Kamau	Managing Director	1 st July 2018
3	Mr. Peterson Muriuki Kigotho	Member	25 th June 2019
4	Mr. Richard Githui Ruhiu	Member	25 th June 2019
5	Mr. John Kariuki Muthuma	Member	29 th January 2016
6	Mrs. Margaret Muthoni Kinyua	Member	29 th January 2016
7	Mrs. Jane P. Warui Waithanji	Member	6 th July 2018
8	Mr. Simon Wachira Ngatia	Member	26 th July 2018
9	Ms. Pauline Wachuka Ndegwa	Member	14 th October 2019

Company Secretary

Gikuhi Kiana & Co
Certified Public Secretary,
P.O Box 1271 -10100
NYERI

Registered Office

Ragati Water Offices
P. O. Box 1981 – 10101
KARATINA

Company Headquarters

Ragati Water Offices
P. O. Box 1981 – 10101
KARATINA

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Company Contacts

Tel: 020-2659069

Email: info@mawasco.co.ke

Website: www.mawasco.co.ke

Company Bankers

Co-operative Bank of Kenya

Karatina Branch

P. O. Box 931 - 10101

KARATINA

Family Bank of Kenya

Karatina Branch

P. O. Box 458 - 10101

Karatina

Independent Auditors

Auditor General,

Kenya National Audit Office,

Anniversary Towers,

P.O Box 30084,

Nairobi

Principal Legal Advisers

The Attorney General

State Law Office.

Harambee Avenue

P.O Box 40112

City Square 00200

Nairobi, Kenya






Wahome Gikonyo and Company Advocate

P.O Box 2088-10100,

Tel 0612030822

Nyeri, Kenya

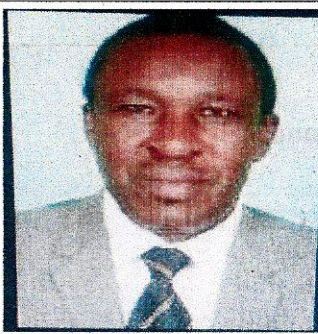

2. THE BOARD OF DIRECTORS

<p>1.</p> 	<p>Mr. Reuel Kibugi Muriuki Representing Resident /Community Organizations Holds B. A (Lands Economics) Year of Birth: 19th June 1977 Chairman – Board of Directors</p>
<p>2.</p> 	<p>Mr. Peterson Muriuki Kigotho Representing Business Community Holds O Level division 3 Year of birth: 11th June 1957 Member - Audit Risk and Governance Committee</p>
<p>3.</p> 	<p>Mr. Richard Githui Ruhii Representing Farmers and Cooperative Societies Holds Master of Business Administration (Strategic Management) Year of Birth: 15th August 1976 Member – Technical Committee</p>
<p>4.</p> 	<p>Mr. Simon Wachira Ngatia Representing County Government of Nyeri Holds Masters and Bachelor Degree in Education Year of Birth: 26th December 1967 Member – Staff, Finance and Administration Committee</p>
<p>5.</p> 	<p>Ms. Pauline W Ndegwa Representing County Government of Nyeri Holds Bachelor of Arts (Culture Studies) Year of Birth: 12th July 1979 Member – Technical Committee</p>

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<p>6.</p> 	<p>Mrs. Jane Purity Warui Waithanji Representing Commercial Consumers Holds Bachelor of Arts (Education). Year of Birth: 30th April 1971 Chairperson – Staff, Finance and Administration Committee</p>
<p>7.</p> 	<p>Mr. Sammy Kariuki Muturi Representing Professional Bodies. LSK Holds Bachelor of Laws (LLB) Year of Birth: 18th February 1977 Member - Staff, Finance and Administration Committee</p>
<p>8.</p> 	<p>Mr. John Kariuki Muthuma Representing Special Interest groups Holds O Level Year of Birth: 5th April 1976 Chairperson – Technical Committee</p>
<p>9.</p> 	<p>Mrs. Margaret Muthoni Kinyua Representing Gender Organizations. Holds O level Certificate Year of birth: 28th December 1964 Chairperson – Audit Risk and Governance Committee</p>

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10.		<p>Mr. Gikuhi Kiana</p> <p>Holds Master of Business Administration (Strategic Management)</p> <p>Certified Secretary Member No.285</p> <p>Year of Birth: 25th December 1952</p> <p>Company Secretary</p>
11.		<p>Mr. David Gathogo Kamau</p> <p>Holds B.A (Econ), MBA, CPA (K)</p> <p>Year of Birth: 26th July 1977</p> <p>Managing Director</p>

3. MANAGEMENT TEAM

<p>1.</p> 	<p>Mr. David Gathogo Kamau</p> <p>Holds B.A (Econ), MBA, CPA (K)</p> <p>Managing Director</p>
<p>2.</p> 	<p>Mr. James Kinyoko Githige</p> <p>Holds Bsc – Water Engineering</p> <p>Technical Manager</p>
<p>3.</p> 	<p>Mr. Martin Muhindi Murebu</p> <p>Holds B.A (Finance), CPA (K)</p> <p>Commercial Manager</p>
<p>4.</p> 	<p>Mr. Gikuhi Kiana</p> <p>Holds Master of Business Administration (Strategic Management)</p> <p>Certified Secretary Member No.285</p> <p>Company Secretary</p>

4. CHAIRMAN'S STATEMENT

In this financial year, the company registered significant improvement on key performance indicators namely; Non-Revenue Water (NRW) management, revenue collections, water quality, water coverage and most importantly in ensuring good Company governance in executing our core mandate. This can mainly be attributed to the reorganization by the board and current management on human resource, harmonization of company's operations by giving more emphasis on staff productivity, efficient water supply through proper rationing program and enhanced NRW management. However, emergence of COVID 19 pandemic in the country led to decline in company's financial performance mainly during the last quarter of the year. The directive to water service providers by the Government that consumer should not be disconnected for non-payment of water bills greatly affected revenue collections

During the same period, we managed to complete Karatina Urban Water Rehabilitation Project that implemented through support from World Bank under Output Based Aid (OBA) Program at a cost of Kshs. 108m. As it had been anticipated, successful completion of the project resulted in decline in NRW levels and increase in revenue within the Urban scheme. In addition, water supply coverage improved with extension and revival of water supply system in uncovered areas mainly in Karindundu, Jamaica and Mathaithi.

The company has also continued embracing new technology especially in improving efficiency on operations and as a cost cutting measure. Priority has been in automation of operations in service delivery thus ensuring efficiency and optimal staff productivity. Recently established Geographical Information System (GIS) section has been spearheading mapping of the entire network and connections. GIS system that was implemented under the OBA project was integrated with the also newly acquired billing system and ultimately aid in NRW management.

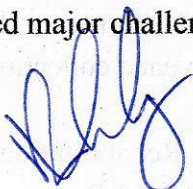
The company has also in place a customer complaints management system also integrated with the billing system. This has eliminated manual recording of customer complaints and ensure effective handling of complaints including their resolution as per customer service charter. Customer bills are also sent either through text messages (SMS) or emails while cash handling has been eliminated by requiring customers to pay their bills through Mpesa, Family Bank or at Post office.

However, realization of the company's strategic objectives is still being undermined by various constraints and challenges key among them high NRW levels, low water supply coverage, dilapidated water supply network especially in the Rural Scheme, overstretched & inadequate sewerage system, inadequate water treatment capacity and lack of finances to implement planned activities and programs.

Way Forward

The company will continue ploughing back any internally generated finances in undertaking small projects designed in improving water and sanitation coverage, reduction in NRW management and improvement on efficiency in service delivery in general.

We also look forward to increased support from both the County Government of Nyeri and the National Government through funding and implementation of key projects both in water and sewerage to improve both in coverage and quality. It is only then that the company will be better positioned to overcome the outlined major challenges thus ensure achievement of set and desired targets and objective.



REUEL KIBUGI MURIUKI
BOARD CHAIRMAN

5. REPORT OF THE MANAGING DIRECTOR

The company managed to produce 3,179,863 cubic meters up from the previous year production of 2,989,472 cubic meters of water. Revenue collected also increased marginally to Kshs. 116,279,438 as compared to Kshs. 115,580,768 recorded in the 2018/2019fy. However, the collection efficiency dropped from 96% to 88% following directive by the government to water service providers not to disconnect consumers for non-payment of bills during the COVID 19 pandemic period as from April 2020.

The company has continued recording steady growth and improvement on other Key Performance Indicators (KPIs) over time. Water and sanitation coverage has continued to improve as demonstrated in growth in the number of active connections, while NRW levels are declining. This has impacted positively on revenue collections as also manifested in the financial report for year, despite challenges brought about by economic effects of COVID 19 pandemic that undermined the overall performance.

The company has continued utilizing internally generated funds in extending water pipeline and distribution network and sewerage system. Public Barraza's are normally organized in liaison with local public administration in targeted areas in order to engage and sensitize potential customers. Consequently, water supply has greatly improved especially in areas that were previously uncovered mainly in Konyu, Kirimukuyu and Ruguru wards including Tumu-Tumu, Ngandu, Kiangoma, Kaiyaba, Kiamabara, Gatina and Kiriko-Giagacuce. The company has also adopted a rationing program to ensure equitable water supply.

We have also benefited greatly from the support from the County Government of Nyeri toward improvement in water provision through some specific projects. These include;

- i) Muthira Water Project. Involved construction of an intake weir, 4kms of main line and a masonry storage tank at Njathaini.
- ii) Water pipe extension to Karembu and Gathugu Tanks/areas.
- iii) Drilling of 2no. Boreholes in Konyu Ward.
- iv) Rehabilitation of Ragati – Kiamucheru water supply line.

Non-Revenue Water Management

During this year, our main area of focus was on reduction of high NRW levels. For this purpose, a dedicated NRW management team had been constituted and skills of its members enhanced through training. NRW management tools and equipment were procured for the team. The company also adopted District Metering Area (DMA) approach in managing and monitoring of progress in reduction of water losses. This has seen reduction in NRW levels in already created DMAs from as high as 60% to below 10%. The following are some of strategies and programs that are also being employed in efforts towards NRW reduction;

- i) Change of use of UPVC to HDPE pipes
- ii) Rehabilitation of old dilapidated network
- iii) Metering of flat rate connections
- iv) Surcharging and penalizing of illegal connections
- v) Mapping of the pipelines and connections
- vi) Upgrading of the billing system to minimize commercial losses

Karatina Urban Water Supply Rehabilitation Project

We successful undertook and completed Karatina Urban Rehabilitation Project through support from World Bank under Out Based Aid (OBA) program at a cost of Kshs. 108,957,510. Upon attainment of agreed additional 1,400 connections targets in the project area, a 60% subsidy on total project cost was granted. Therefore, Kshs. 69,954,293 was received from Water Sector Trust Fund (WSTF) as subsidy thus significantly reducing the amount payable to financing institution (Family Bank).

The main objective of this project was to reduce NRW levels and as a result enhance water coverage especially in Karindundu and Mathaithi areas. The project entailed;

- i) Rehabilitation of about 39kms of pipeline
- ii) Rehabilitation of Mathaithi masonry tank
- iii) Construction a meter testing lab and procurement & installation of meter testing bench
- iv) Procurement and installation of a GIS software
- v) Upgrading of the billing system to allow smart meter reading and integration with GIS software

Sewerage Services

- i) **Sewerage Extensions.** We recently extended sewer lines in Muthua and Ragati areas. Plans are also in place to extend sewer network using internally generated funds to cover Karatina Secondary and some parts of Karindundu.
- ii) **Kirigu Pumping Station.** Routine disludging of ponds and maintenance of pumps at the pumping station had ensured that no reported incident on pollution of Kirigu river during the year.
- iii) **Kiaigi Sewerage Plant.** Routine application of bio enzymes at Kiaigi sewerage ponds has eliminated mosquito and bad smell in the area. The facility has also been fenced to restrict access thus improve on security.

Customer Services

- i) **Customer Complaints Management.** The company has a well-established customer care office with trained personnel. In addition, customer complaints management system has been integrated with billing system.
- ii) **Revenue Collection.** The company has eliminated cash handling. Customers can pay their bills either through Mpesa, Family Bank account or at any Post office.

Current Challenges

- i) **Low Supply Coverage:** The Company serves only about 39% of the target population. This is as a result of high non-revenue water and inadequate water supply.
- ii) **High Non Revenue Water:** The Company inherited old dilapidated supply network with a lot of interconnections leading to high physical losses. In addition, there has been rampant water theft by consumers especially in the rural scheme through illegal connections and meter by-passes.
- iii) **Inadequate water treatment capacity.** Ihwagi treatment plant is overstretched while water supplied from Ragati and Hombe dams is only chlorinated.

- iv) The sewerage system is overstretched to serve the growing urban population. However, the demand for sewer line extension is also high but the company is unable to meet.
- v) Inadequate finances to support investment in rehabilitating water supply network and improvement /expansion of sewerage system.

Future Plans

- i) Rehabilitation and expansion of Ihwagi Treatment Plant to increase the treatment capacity.
- ii) Construction of New Treatment Plants at Ragati and Njathaini
- iii) Rehabilitation of the entire reticulation system and storage capacity through support from the County Government of Nyeri, development partners and commercial financing
- iv) Construction of alternative sewer treatment plant downstream Kirigu River and extension of sewer network to uncovered areas in Mathaithi, Karindundu, Muthua, Ragati and Gathugu areas.
- v) Procure and implement a complete Enterprise Resource Planning (ERP) system to be integrated with newly implemented billing and Geographical Information Systems (GIS).
- vi) Continuous automation of operations and capacity building of human capital especially in NRW management and O&M

Way Forward

Moving forward, we will continue embracing technology in all areas of company's operations in order to improve efficiency and ensure optimal utilization of resources including human capital. We shall also continue reaching out and engaging all our stakeholders especially the community within our area of coverage mainly in conserving the environment and more so our sources of water and infrastructure through planting of trees and in embracing community policing. We also look forward to more collaboration and seeking support from the two levels of government, other institutions in the sector and development partners in various areas of interests.

In conclusion, with the continued efforts and investment on NRW management and expansion of supply network through internally generated funds, commercial financing and support from the county government, we believe that MAWASCO has a great future.



CPA DAVID GATHOGO KAMAU
MANAGING DIRECTOR

6. REVIEW OF MATHIRA WATER & SANITATION COMPANY'S PERFORMANCE FOR FY 2019/2020

The year 2020 marked the end of a 5 years' Strategic plan for FY 2015/2016-2019/2020. Over the last five years the Company has made some growth in its various areas of operations. Mawasco operations and resource mobilization are guided by key strategic pillars which are enshrined in its Strategic Plan. The following are the key pillars, their targets and achievement during by the end of 2019/2020 FY:

i) Water Coverage

The overall target was to cover 50% of its area of coverage during the five-year strategic plan where the company managed to achieve 39% by the end 2019/2020fy. During the year the Company managed to rehabilitate its Urban scheme which enabled the Company to minimize bursts and leakages which boosted water supply to areas that initially could not get water. The Company also managed to extension of water supply to Karembu through the support of County government of Nyeri .

ii) Sanitation Coverage

The overall target was to cover 100% of its customers in Karatina urban scheme during the five-year strategic plan where the company managed to achieve 84%. The company is committed to have all the residents of Karatina Urban connected to sewer system.

iii) Non-Revenue Water Management (NRW)

The overall target for the Company was to reduce the NRW to 40% (though the sector target was 25%) where the company managed to achieve 48%. The Company managed to install master meters to aid monitoring of NRW, enhancement of its billing system in order to minimize on commercial loses, During the year the Company initiated the process of GIS mapping which once completed will assist in monitoring of connections

iv) Collection Efficiency

The Company recorded a drop from 96% to 88%. The Company has endeavoured to ensure that collection on services offered and billed are done promptly. However, during the year, the company collection efficiency was affected by the emergence of the Covid 19 pandemic which greatly affected both consumption and economic power of the customers.

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The table below summarizes key pillars:

Strategic Pillar	Objectives	Key performance Indicators	Activities	Achievements
1. Water Supply Coverage	To cover 50% of the Company area of coverage	Increased supply hours Increase in active Connections	Rehabilitation of dilapidated system Extension of water supply network Rehabilitation of storage tanks to increase capacity	The company managed to rehabilitate its Urban Scheme, Storage tanks, and also did some extensions. This helped the company to cover 39%
2. Sanitation Coverage	To cover 100% of Karatina Urban	Increase in number of sewer connections	Extension of sewer line	The company managed to connect more urban customer to the existing sewer network. The Company have 84% of its Urban Customers connected to sewer.
3. Non-Revenue Water (NRW) Management	To reduce NRW to 40%	Decrease in NRW	Ensuring that there is 100% metering ratio Rehabilitation of supply system Upgrading of billing system to facilitate proper analysis	The Company managed to have 94% of all connections metered, rehabilitate Karatina Urban supply system, enhancing billing systems. This helped the Company to reduce the NRW to 48% compared to 52% of the last financial year.
4. Collection Efficiency	To collect 98% of all billed amount	Decrease in arrears	Timely billing and prompt disconnection for customers with arrears	The company managed to collect 88% of all the amount billed. This was a drop from 96% that was achieved in the previous financial year.

The Company achievements was possible through staff teamwork. Every team member has a clear target that are derived from the main company objectives through performance contracts which are reviewed after every for month.

7. CORPORATE GOVERNANCE STATEMENT

MAWASCO is committed to be operating under a clear governance framework and strongly adheres to sound management and control practices. The company is also committed in ensuring compliance with the provisions of Water Act 2016 and adherence to Company's operating license conditions issued by Water Services Regulatory Board (WASREB) and other guiding company governance requirements.

a) Operations of the Board

In ensuring that Company governance is enhanced and that the power of MAWASCO is exercised in the stewardship of the company total portfolio of assets and resources with the objective of maintaining stakeholder value, the Boards of Directors have constituted the following committees:

i) Staff & Finance and Administration Committee

The Staff, Finance & Administration Committee is the overseer of the financial reporting process and sourcing of funds for Company's capital works.

MAWASCO makes cognizance of the fact that Human resources is one single asset in achieving the goals of the Company. It's the duty of the Finance and Administration Committee to ensure that MAWASCO has the right staff, at the right place and doing the right thing. More so, the Committee will ensure that staff welfare is guaranteed.

ii) Technical Committee

The Committee is the overseer of the technical reporting process.

It shall ensure that there is adequate asset development, maintenance and infrastructure improvement to ensure sustainability of all water infrastructures.

iii) Audit, Risk and Governance Committee

In order to promote good Company governance, MAWASCO has constituted an Audit Committee for purposes of

- Safeguarding of the assets.
- Scope and effectiveness of the internal controls.
- Review of the Annual financial statements.
- Compliance with all applicable regulatory requirements and accounting standards.

b) Board Meetings

The following is a list of Board Meetings that were held during the year.

Period	Date	Meeting	Meeting Attendance
1 st Quarter	18 th July 2019	Special Full Board Meeting	8 Members
	6 th September 2019	Inaugural Full Board Meeting	8 Members
	16 th September 2019	Technical Committee	2 Members

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	18 th September 2019	Audit, Risk & Governance Committee	2 Members
	19 th September 2019	Staff, Finance & Administration Committee	3 Members
	26 th September 2019	Full Board Meeting	9 Members
2 nd Quarter	22 nd November 2019	Interviews for Commercial Manager's Position	8 Members
	2 nd December 2019	Staff, Finance & Administration Committee	3 Members
	3 rd December 2019	Technical Committee	3 Members
	4 th December 2019	Audit, Risk & Governance Committee	2 Members
	11 th December 2019	Full Board Meeting	8 Members
3 rd Quarter	10 th February 2020	Technical Committee	2 Members
	12 th February 2020	Audit, Risk & Governance Committee	2 Members
	13 th February 2020	Staff, Finance & Administration Committee	3 Members
	21 st February 2020	Full Board Meeting	9 Members
4 th Quarter	20 th May 2020	Audit, Risk & Governance Committee	3 Members
	21 st May 2020	Technical Committee	3 Members
	22 nd May 2020	Staff, Finance & Administration Committee	3 Members
	9 th June 2020	Full Board Meeting	8 Members

c) Succession Plan

The Board of Directors comprises of seven (7) independent directors that are appointed from the stakeholders' groups as stipulated in the Company's Memorandum of Articles and Association. Two (2) other directors are nominated by County Government of Nyeri. The independent directors serve for a three (3) years term and a third of the directors must retire annually. Retiring directors that have served for one term are eligible for re-election of another term of similar duration.

d) Process of appointment and removal of directors

The independent directors are appointed by the shareholders during the company's annual general meeting (AGM). The prospective candidates must first be nominated by a stakeholder group that should have a representative in the board as per company's memorandum and articles of association. There must also be a vacancy under such category. Such vacancies are normally declared by the board and advertised in one national daily newspaper. The applicants must meet set requirements which include compliance with Chapter six of Constitution of Kenya. A selection committee made up of members from the stakeholders analyses the applications and present list of qualified candidates during the AGM. Two (2) board members are nominated by the County Government of Nyeri. Their nomination is presented to the board of directors for adoption.

Annually, one third of the independent directors must retire. This is based on the age of individual member in the board. A director may also be removed from the board for gross misconduct, violation of signed code of conduct or the constitution.

e) Induction and training

Every new board member is undertaken through induction on company's operations. Training on Company governance including the role of the board and management is organized for all board members once a year.

f) Board and Members Performance

The board and board committees have their terms of reference and annual targets based on which members conduct performance evaluation annually.

g) Conflict of Interest

It is a requirement that all board members make declaration of any conflict of interest in agenda of every board meeting. This is done in writing in a book provided for this purpose and the same recorded in the minutes for board meetings. Any member with a conflict of interest must excuse themselves in deliberations of that agenda.

k) Remuneration for Board Members

Board members are paid a consolidated allowance to cater for sitting and other expenses for every meeting attended. The directors are also paid subsistence allowances while on assignment or attending meetings and official functions outside the county.

Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision making process, assessment and improvement of conformance as shown below.

l) Ethical Conduct:

As a public service company we have a responsibility to act as a good Company citizen all around the county. As a company we recognize and perform the obligations we have towards our people, investors, customers, suppliers, competitors and the community as a whole. We believe our reputation, together with the trust and confidence of those with whom we deal, to be one of our most valuable assets. In order to keep this reputation and trust, we demand and maintain the highest ethical standards in carrying out our business activities. All of our employees are required to abide by our ethical policy, which outlines company core values and approach to doing business. The protection of our reputation is of fundamental importance, and employees are aware of the disciplinary implications of breaches of policy. The policy helps to uphold the reputation of our company and staff, and maintains public confidence.

8. MANAGEMENT DISCUSSION AND ANALYSIS

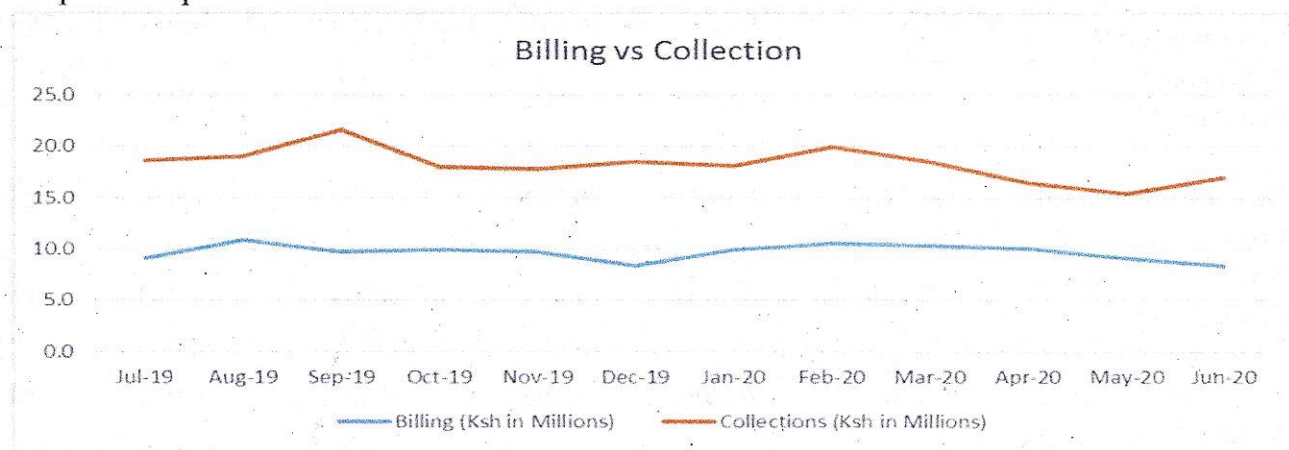
The Company operates two major Schemes (Urban and Rural). During the year the Company made a major milestone in rehabilitation of its Urban Scheme at a cost of Ksh 108,957,510 which was through loan facility which was 60% subsidized by donors through Water Sector Trust Fund (WSTF). The Company's operations however continued to be affected by the emerging Community Based Water Project in the area of operations, especially in rural areas and this has made the Company not to recover on the heavy capital investments being used to extend water to those areas since customers end up shifting to these Community based water Projects. The delay in payment of utility bills especially by Government Institution is also a major setback in operation as this denies the Company the float to finance its operation as per the planned budget.

During the year the company revenue performance is as shown in the table below:

Billing vs Collections During the 2019/2020Fy (Ksh in Million)

Month	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Totals
Billing	9.2	10.9	9.8	10.0	9.8	8.4	9.9	10.5	10.4	10.0	9.1	8.4	116.3
Collections	9.5	8.1	11.8	8.0	8.1	10.1	8.1	9.5	8.1	6.4	6.4	8.6	102.8

Graphical Representation



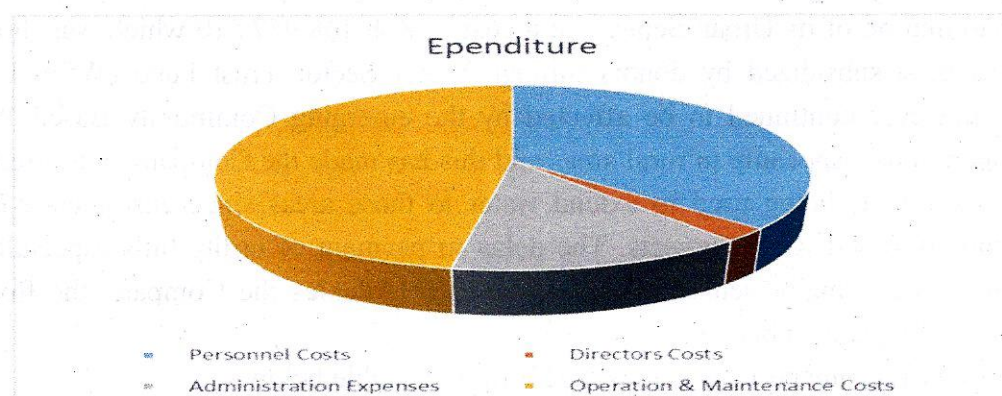
The performance was greatly affected by the Covid 19 pandemic as from the month of March 2020 as depicted in the graph above.

Cost Summary for the 2019/2021Fy

Cost Item	Amount (Kes)
Personnel Costs	52,727,966
Directors Costs	3,254,500
Administration Expenses	19,645,093
Operation & Maintenance Costs	67,789,139
TOTAL	143,416,698

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Chart presentation of expenditure for the 2019/2021Fy.



The table below shows the Company progress in its performance as it executed the 2015/2016-2019/2020 strategic plan

Parameter	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Water Production	4,173,000	3,368,463	3,104,871	3,245,943	2,989,472	3,179,863
Billing (KSh)	94,403,358	103,300,247	98,924,056	105,721,854	115,580,768	116,279,438
Collection (KSh)	89,907,848	95,520,637	98,836,419	100,587,150	111,140,984	102,765,577
Collection Efficiency	95%	93%	96%	95%	96%	88%
No. of Registered Conn.	20,277	20,047	20,724	20,720	22,026	23,009
No. of Active Connections	7,554	8,399	8,431	9,374	10,715	11,365
No. of Active Metered Connections	5,768	6,408	6,408	8,857	10,072	10,599
% of Water Coverage	31.3%	32%	33%	34%	36%	39%
No. of Sewer Connections	2,448	2,564	2,679	2,738	2,882	3,078
% of Sanitation Coverage	60%	66%	69%	73%	79%	84%
% of NRW	62%	59%	56%	54%	52%	48%

The Company operations during the year were greatly affected by the effects of the Covid 19 pandemic, compared with the previous year performance. This halted its growth in collection and collection efficiency which dropped from Ksh. 111,140,984 to Ksh. 102,765,577 and 96% to 88% respectively.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT /SUSTAINABILITY REPORTING

MAWASCO exist to ensure there is provision of quality, affordable, reliable, portable and sustainable water and sanitation services to all residents of Mathira and its environs. This is our purpose; the driving force behind everything we do. It's what guide us to deliver our strategy. Below is our brief highlights of our achievement in delivering our pillars.

i) Sustainability Strategy and profile

The Company is committed in ensuring provision of quality, affordable, reliable, portable and sustainable water and sanitation services in its area of jurisdiction. We are focused on creating sustainable value for both our customers and stakeholders by aligning our long-term Company's strategies with their interests. As we continue to extend our services across the area of Jurisdiction, we seek to address the environmental, social and governance risks that effects our operations in a manner that is consistent with our values. Our approach to sustainability is to address the material risks and opportunities that may impact on our customers and the communities in which we operate in. This will be achieved through collaboration with the County Government of Nyeri, our regulator, local communities and other stakeholders.

ii) Environmental performance

The Company believes that, by their nature, our operations have a minimal impact on the environment. However, we acknowledge that there are inevitable environmental impacts associated with daily operations. We aim to minimize any harmful effects and consider the development and implementation of environmental standards to achieve this to be of great importance. It is anticipated that by adopting simple, environmentally friendly initiatives, the company will raise awareness amongst stakeholders and the wider community

iii) Employee Welfare

Employee hiring is on competitive basis all job is advertised and employment is on merit. Gender ratio is put into consideration and 1/3 rule is always considered. Employee takes in stakeholder's engagement i.e. the customers and improves the customer's services. The company trains its employee on various interest and needs this help to improve their working skills. Job placement is done on skilled possessed by employees. Appraisal of staff is done and this help to gage their performance. A reward system has been established and the best performance are rewarded.

iv) Market place Practices

a) Responsible competition practice

The company ensure there is responsible competition practices with issues like anticorruption by reporting all corruption practices, Establishment of anticorruption suggestion boxes. The company does not involve itself with political activities however it recognizes the political holders of the day in power. The company allows supply of water to the residence of Mathira by the neighbouring WSP in areas that the company is not in a position to supply.

b) Responsible supply chain and supplier relations

The company engage its suppliers on competitive bids through annual tenders or quotations and ensures they are paid on time

c) Responsible marketing and advertisement

The company ensures there is healthy advertisement of its products and services both on print and electronic media without misleading its customer.

d) Product stewardship

The company ensures that customer receives services paid for, and are only billed for services received.

v) **Community engagements**

Mathira water and sanitation company ltd practices Company social responsibility within its area of jurisdiction. The company in liaison with the office of the assistant chiefs has identified persons living with disabilities and other needy cases. MAWASCO has connected such identified persons with water.

The work involves: -

a) Free cost of installation for metered service lines

b) Free water consumption

c) Free maintenance of such connections

The company also sponsors Mathira education fund which is a kitty meant to benefit less privileged students in the society.

The company makes an annual visitation to children home within its area of jurisdiction where it provides social amenities to them. In addition, the company provides free tree planting seedlings to local communities to enhance a forestation.

We strongly believe that integrity in dealings with customers is a prerequisite for a successful and sustained business relationship. We operate a highly effective and efficient organization, focused on meeting customer objectives. Our aim is to provide products and services which give fair value and consistent quality, reliability and safety in return for fair reward. We operate policies of continual improvement, of both processes and the skills of our staff, to take best advantage of advances in technology. This safeguards our operations for the future, ensuring that we continue to add value to our customers' businesses.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of Mathira Water and Sanitation Company Ltd affairs.

Principal activities

The principal activity of the Company is to provide water and sanitation services to residents of Mathira East and Mathira West Sub counties in Nyeri County

Results

The results of the Company for the year ended June 30, 2020 are set out on page 2

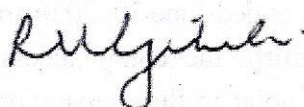
Directors

The members of the Board of Directors who served during the year are shown on page 3-7 In accordance with Regulation of Mathira Water and Sanitation Company Ltd Articles of Association.

Auditors

The Auditor General is responsible for the statutory audit of Mathira Water and Sanitation Company Ltd in accordance with the Article 229 of the constitution of Kenya and public Audit Act 2015

By Order of the Board



Gikuhi Kiana & Co
Certified Public Secretary,
Po Box 1271 -10100
NYERI KENYA

Date 28th September 2020

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81(i) of the Public Finance Management Act, 2012 and public audit Act require the Directors to prepare financial statements in respect of that MAWASCO, which give a true and fair view of the state of affairs of the MAWASCO at the end of the financial year 2019-2020 and the operating results of the MAWASCO for that year 2019-2020. The Directors are also required to ensure that the MAWASCO keeps proper accounting records which disclose with reasonable accuracy the financial position of the MAWASCO. The Directors are 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 company for and as at the end of the financial year ended on June 30, 2020. 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 company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations 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, 2020 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.

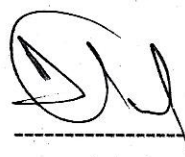
Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Mathira Water and Sanitation Company financial statements were approved by the Board on 28th September 2020 and signed on its behalf by:



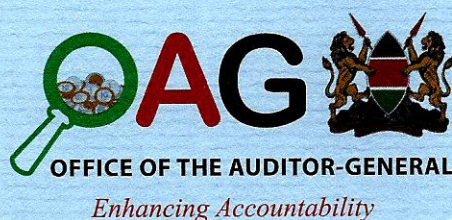
REUEL KIBUGI
BOARD CHAIRMAN



CPA DAVID GATHOGO
MANAGING DIRECTOR

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MATHIRA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mathira Water and Sanitation Company Limited set out on pages 1 to 31, which comprise the statement of financial position as at 30 June, 2020 and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mathira Water and Sanitation Company Limited as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016 and Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Capital Reserves

The statement of financial position reflects capital grants balance of Kshs.65,904,745 which includes development grants amounting to Kshs.41,597,900. However, as previously reported, only grants amounting to Kshs.32,673,194 were supported by a listing of the Government of Kenya funded projects undertaken before the inception of the Company, resulting in a variance of Kshs.8,924,706 which was not explained.

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

Key Audit Matters

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

Other 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 Conclusions on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Revenue Water

During the financial year under review, the Company produced a total of 2,767,391 cubic meters of water, out of which only 1,513,512 cubic meters was billed to customers, leaving a balance of 1,285,246 (or about 46%) of the total volume of water produced as Non-Revenue Water (NRW), which is 21% over and above the allowable 25% set by the Water Services Regulatory Board Guidelines. The Non-Revenue Water of 46% resulted in a loss of sales estimated at Kshs.98,742,317. The significant level of non-revenue water has a negative impact on the Company's profitability and its ability to sustain services. No evidence was provided of any efforts by the Company to address the situation.

2.0 Unmetered Water Connections

The revenue income of Kshs.142,420,329 reflected in the statement of profit and loss and other comprehensive income includes an amount of Kshs.116,279,438 arising from billing of customers. However, the Company had budgeted to receive revenue totalling

Kshs.142,240,078 from billing of customers, but realized Kshs.116,279,438 or about 82%. No explanation was provided for the shortfall of Kshs.25,960,640.

Further, analysis of customer records indicates that although the Company had a total of 9,891 connections as at 30 June, 2020, some 659 (or about 6%) connections were unmetered, each being charged a flat rate of Kshs.500 per month, irrespective of actual consumption. No explanation was provided for failing to meter all the connected customers and charge them according to actual amount of water consumed to maximize on revenue. The unmetered connections could be a major contributor to Non-Revenue Water (NRW) to the Company and consequently to loss of revenue.

3.0 Staff Regional Diversity

During the year under review, the Company had a total of seventy-seven (77) employees out of which seventy-two (72) or 94% were from one dominant ethnic community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Commission Act, 2008 which requires that all public establishments seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment should have more than one third of its staff from the same ethnic community.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Company 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 overall 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 Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 February, 2022

**13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30TH JUNE 2020**

	Note	2019/2020	2018/2019
		Kshs	Kshs
REVENUES			
Revenue	6	116,279,438	115,580,768
Other Income	7	26,140,891	7,707,874
TOTAL REVENUES		142,420,329	123,288,642
OPERATING EXPENSES			
Personnel Costs	8	52,727,966	50,625,828
Directors Expenses	9	3,254,500	3,859,400
Administration Costs	10	19,919,110	22,775,772
Operation and Maintenance	11	67,515,122	44,817,465
Finance Costs	12	0	1,721,118
TOTAL OPERATING EXPENSES		143,416,698	123,799,583
PROFIT/(LOSS) BEFORE TAXATION		(996,368)	(510,941)

14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020


	Note	2019/2020	2018/2019
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	80,745,300	22,417,919
Intangible assets	15	5,704,847	0
Total Non-Current Assets		86,450,147	22,417,919
Current Assets			
Inventories	16	12,053,549	6,964,214
Trade and other receivables	17	53,665,527	42,976,167
Deferred Tax Asset	24	11,665,915	1,518,875
Bank and cash balances	18	25,414,654	38,805,818
Total Non-Current Assets		102,799,646	90,265,074
TOTAL CURRENT AND NON-CURRENT ASSETS		189,249,793	112,682,993
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	19	100,000	100,000
Capital reserve	20	65,904,745	65,904,745
Retained earnings	22	(33,803,095)	(32,806,727)
Capital and Reserves		32,201,650	33,198,019
Non-Current Liabilities			
Borrowings	23	88,335,207	23,000,000
Total Non-Current Liabilities		88,335,207	23,000,000
Current Liabilities			
Trade and other payables	25	68,712,937	56,484,974
Total Current Liabilities		68,712,937	56,484,974
TOTAL EQUITY AND LIABILITIES		189,249,793	112,682,993

The financial statements were approved by the Board on 28th September 2020 and signed on its behalf by:

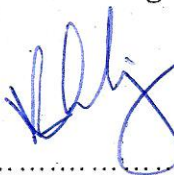
Managing Director
Name: David Gathogo

Head of Finance
Name: Martin Murebu
ICPAK M/NO:25425

Board Chairman
Name: Reuel Kibugi

Sign 

Sign 

Sign 

Mathira Water and Sanitation Company
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15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2020

	Ordinary share capital	Capital reserve	Retained earnings	Total
At July 1, 2018	100,000	65,904,745	(32,295,786)	33,708,959
Total comprehensive income	-	-	(510,941)	(510,941)
At June 30, 2019	100,000	65,904,745	(32,806,727)	33,198,018
At July 1, 2019	100,000	65,904,745	(32,806,727)	33,198,018
Total comprehensive income	-	-	(996,336)	(996,336)
At June 30, 2020	100,000	65,904,745	(33,803,095)	32,201,650

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	27	23,401,169	4,768,129
Net cash generated from/(used in) operating activities		23,401,169	4,768,129
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(93,570,676)	(9,955,391)
Intangible assets	15	(8,556,843)	0
Net cash generated from/(used in) investing activities		(102,127,519)	(9,955,391)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	23	85,957,510	21,000,000
Repayment of borrowings	23	(20,622,303)	
Net cash generated from/(used in) financing activities		65,335,207	21,000,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(13,391,143)	15,812,738
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		38,805,818	22,993,080
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	18	25,414,655	38,805,818

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Water Sales	102,182,613	-	102,182,613	75,999,189	(26,183,424)
Sewer	34,057,465		34,057,465	24,003,922	(10,053,543)
Other income	6,000,000		6,000,000	16,276,327	10,276,327
Transfers from the County Government				5,097,378	(5,097,378)
Donations in kind WSTF				21,043,513	21,043,513
Revenue	142,240,078	0	142,240,078	142,420,329	
Expenses					
Personnel Cost	55,680,000	(3,000,000)	52,680,000	52,727,966	(47,966)
Directors Cost	4,360,000		4,360,000	3,254,500	1,105,500
Administrative cost	24,896,000	(400,000)	24,496,000	19,919,110	4,576,890
Operations and Maintenance Cost	73,333,729	(100,000)	73,233,729	67,515,122	5,718,607
Finance Cost	2,700,000	3,500,000	6,200,000	0	6,200,000
Total expenditure	160,969,729	0	160,969,729	143,416,698	

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Budget Analysis

a) Revenue

The company realised revenue of Kes 137,322,951 against the budgeted Kes. 142, 240,078. The non-achievement was due to;

- i) Covid 19 pandemic that affected the general operations of the company.
- ii) Migration of customers to community water projects.
- iii) Uncontrolled abstraction of water from Ragati river by irrigation projects affecting production at intakes
- iv) High Non-Revenue Water due to illegal connections and interconnections by community water projects.

b) Directors Costs

The Company incurred a cost of Kes. 3, 254,500 against the budget of Kes . 4,360,000. This was because the Company could not hold some of the scheduled Board of director's activity as a result of Covid 19 pandemics that called off public gatherings and meetings.

c) Administrative Costs

The Company incurred a cost of Kes. 19,919,110 against the budget of kes. 24,496,000. The reduction was due to:

- i) Reduced travelling of staff as a result of Ministry of Health directive on Covid 19 guidelines that restricted movements and public gatherings.
- ii) Reduction in printing and stationeries due to emphasis on paperless data transfers.
- iii) Reduction in Staff welfare cost as a result of financial constraints
- iv) Reduction of Training costs as a result of cancellation of scheduled trainings due to Covid 19 pandemic guidelines

d) Operations and Maintenance Cost

The Company incurred a cost of Kes. 67,515,122 against a budget of Kes. 73,233,729. The reduction was due to reduced cost of meter as a result of rehabilitation of Karatina Urban Scheme which resulted to reduced operation and maintenance costs.

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Mathira water and Sanitation Company limited is established by and derives its authority and accountability from water Act 2002. The Company is wholly owned by the County Government of Nyeri and is domiciled in Kenya. The Company's principal activity is distribution of water and provision of sewerage services to the residence of Mathira East and Mathira West in Nyeri County

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Mathira Water and sanitation 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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure prepay able financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that a Company applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when a Company obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognized when a liability to pay a dividend is recognized, and that these income tax consequences should be recognized in profit or loss, other comprehensive income or equity according to where the Company originally recognized the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an

Company to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the Company re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)

Together with the revised Conceptual Framework published in March 2019, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

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

iii) Early adoption of standards

The Company did not early – adopt any new or amended standards in year 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the Company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below:

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Other income** is recognized as it accrues.

b) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

c) Depreciation and impairment of property, plant and equipment

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

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

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The annual rates in use are as follows:

▪ Motor Vehicles and Motor bikes	25%
▪ Buildings	2.5%
▪ Computer Equipment	30%
▪ Furniture, Fixtures, Fittings and Office Equipment's	12.5%
▪ Plant, Equipment's and Meters	33.3%
▪ Computer software	20%

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

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

d) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

e) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

f) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the Company, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

g) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

h) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible

amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

i) Taxation

Current income tax

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

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

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting

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date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

j) Cash and cash equivalents

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

k) Borrowings

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

l) Trade and other payables

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

m) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2019. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.400 per employee per month.

n) Budget information

The original budget for FY 2019-2020 was approved by the Mathira water and sanitation co ltd board

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on 09-06-2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Company upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of 3,400,000 on the 2019-2020 budget following the governing body's approval.

The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

o) Service concession arrangements

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

6. REVENUE

	2019/2020	2018/2019
	Kshs	Kshs
Gross sales of services	116,279,438	115,580,768
Total	116,279,438	115,580,768

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7. OTHER INCOME (Grants)

Description	2019/2020	2018/2019
	Kshs	Kshs
Vitens Evides Grant	0	1,521,403
SNV Netherlands Development Organization	0	350,000
Salary Grant	0	567,300
WSTF Subsidy Receipts	21,043,513	5,269,171
County Government of Nyeri Receipts	5,097,378	0
Total	26,140,891	7,707,874

8. STAFF COSTS

Description	2019/2020	2018/2019
	Kshs	Kshs
Salaries and allowances of permanent employees	45,487,457	43,228,594
Wages of temporary employees	285,850	310,025
Compulsory national health insurance schemes	996,050	1,006,700
Compulsory national social security schemes	384,000	396,400
Other pension contributions	3,577,380	3,282,784
Leave pay and gratuity provisions	1,997,229	2,401,325
Total	52,727,966	50,625,828
The average number of employees at the end of the year was:		
Senior Management	3	2
Permanent employees – Middle level Management	12	12
Permanent employees – Unionisable	24	24
Temporary and contracted employees	40	44
Total	79	82

9. DIRECTORS COSTS

Description	2019/2020	2018/2019
	Kshs	Kshs
Directors' emoluments	3,254,500	3,859,400

10. ADMINISTRATION COSTS

Description	2019/2020	2018/2019
	Kshs	Kshs
Travelling & Subsistence	1,194,433	1,514,840
Printing and Stationery	397,564	697,644
Advertising and Public Relations	648,009	782,793
Company social responsibility	124,660	213,720

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Newspaper & Periodicals	74,280	104,700
Entertainment	311,820	521,490
Staff Welfare expense	259,795	308,968
Functions celebrations expense	634,900	778,370
Insurance	4,394,100	4,135,301
Training	309,875	1,022,456
Consultancy	636,140	588,980
Legal services	565,100	1,169,729
Electricity	2,160,783	2,186,645
Cleaning Materials	135,364	188,476
Seminars	739,797	940,150
Uniforms	13,143	465,435
Security Services	4,800,802	4,508,123
Telephone	856,504	771,639
Postage	74,610	99,230
General office expenses	234,938	539,539
sports	678,476	837,544
Provision for audit fee	400,000	400,000
Bank Charges	274,017	0
Total	19,919,110	22,775,772

11. OPERATION AND MAINTENANCE COST

	2019-2020	2018-2019
Description	Kshs	Kshs
Motor vehicle & bikes running cost - Fuel & Oil	2,062,484	2,400,928
Motor vehicle & bikes running cost - Repairs	702,928	1,165,982
Renewal of Water permit license & subscription	427,050	410,000
Maintenance of Pumps	289,300	223,500
Maintenance of water supply system	2,696,390	3,076,438
Maintenance of sewerage systems	2,240,272	3,275,611
Repair & Maintenance -Equipment, Building	813,866	1,702,261
Repair & Maintenance - Computers	31,150	34,484
Software Maintenance	612,910	714,000
Manhole covers		401,490
Engineering design & maps		524,200
Service Lines Rehabilitation	2,130,020	6,251,250
Pipes & Fittings	7,391,519	9,837,513
Chemicals	2,409,556	2,525,800
Ground maintenance	6,750	167,700
Loose tools and equipment's	163,715	1,152,875

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Compensation of Persons affected by Karatina Urban Water Project	380,126	
Depreciation	35,243,314	2,901,461
Amortization Soft ware	2,851,996	
Tanks rehabilitation and intakes		1,418,922
Other levies and fees/Lab analytical fee	123,000	109,000
Environmental audit Assessment	165,000	
Provision for bad debts	562,598	1,437,357
Wasreb levy	4,651,178	3,526,693
Warma levy	1,560,000	1,560,000
Total	67,515,122	44,817,465

12. FINANCE COSTS

	2019/2020	2018/2019
Description	Kshs	Kshs
Interest expense on loans	0	1,721,118
Total	0	1,721,118

13. OPERATING PROFIT/(LOSS)

	2019/2020	2018/2019
The operating profit/(loss) is arrived at after charging/(crediting):	Kshs	Kshs
Staff costs (note 12b)	52,727,966	50,625,828
Depreciation of property, plant and equipment	35,243,314	2,901,461
Amortization of intangible assets	2,851,996	
Provision for bad and doubtful debts	562,598	1,437,357
Directors' emoluments - fees	3,254,500	3,859,400
Auditors' remuneration - current year fees	400,000	400,000
Total	95,040,374	59,224,046

14. PROPERTY, PLANT AND EQUIPMENT

2019/2020	Freehold land and building	Motor vehicles, including, motor cycles	Furniture and Fittings	Computer s & related equipmen t	Plant and Equipment	Capital work in progress	Total
COST OR VALUATION							
At July 1, 2019	9,780,555	12,513,621	1,830,729	5,997,625	16,730,622	7,317,991	54,171,123
Additions	1,322,804	488,000	0	1,007,340	21,392,410	69,360,122	93,570,676
Transfers	-	-	-	-	76,678,113	(76,678,113)	-

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2019/2020	Freehold land and building	Motor vehicles, including, motor cycles	Furniture and Fittings	Computers & related equipment	Plant and Equipment	Capital work in progress	Total
At June 30, 2020	11,103,359	13,001,621	1,830,729	7,004,965	114,801,145	0	147,741,819
DEPRECIATION							
At July 1, 2019	1,426,742	10,318,337	1,131,761	5,013,809	13,862,557	0	31,753,205
Charge for the year	241,915	670,821	87,371	597,347	33,645,860	0	35,243,314
At June 30, 2020	1,668,658	10,989,158	1,219,132	5,611,156	47,508,417	0	66,996,519
NET BOOK VALUE at June 30, 2020	9,434,701	2,012,463	611,597	1,393,809	67,292,728	0	80,745,300

Property, plant and equipment include the following items that are fully depreciated:

2019/2020	Cost or Valuation	Normal annual depreciation Charge
Motor vehicles, including, motor cycles	5,583,000	1,861,000
Furniture and Fittings	442,117	55,265
Computers and related equipment	4,629,407	1,543,136
Plant and Equipment	13,300,252	4,433,417
	23,954,776	7,892,818

2018/2019	Freehold land and building	Motor vehicles, including, motor cycles	Furniture and Fittings	Computers & related equipment	Plant and Equipment	Capital work in progress	Total
COST OR VALUATION							
At July 1, 2018	9,780,555	12,513,621	1,830,729	5,355,425	14,735,422	0	44,215,752
Additions	0	0	0	642,200	1,995,200	7,317,991	9,955,391
At June 30, 2019	9,780,555	12,513,621	1,830,729	5,997,625	16,730,622	7,317,991	54,171,123
DEPRECIATION							
At July 1, 2018	1,212,541	9,586,575	1,031,908	4,592,173	12,428,546	0	28,851,744
Charge for the year	214,200	731,762	99,853	421,636	1,434,011	0	2,901,461
At June 30, 2019	1,426,742	10,318,337	1,131,761	5,013,809	13,862,557	0	31,753,205
NET BOOK VALUE							
At June 30, 2019	8,353,813	2,195,285	698,968	983,816	2,868,065	7,317,991	22,417,919

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Property, plant and equipment include the following items that are fully depreciated:

2018/2019	Cost or valuation	Normal annual depreciation charge
Motor vehicles, including, motor cycles	4,330,000	866,000
Furniture and Fittings	392,067	49,008
Computers and related equipment	3,079,287	1,025,403
Plant and Equipment	9,049,018	2,986,176
	16,850,372	4,926,587

15. INTANGIBLE ASSETS

	2019/2020	2018/2019
	Kshs	Kshs
COST		
At July 1		
Additions	8,556,843	
Disposals		
At June 30	8,556,843	
AMORTISATION		
At July 1		
Charge for the year	2,851,996	
Disposals		
Impairment loss		
At June 30	2,851,996	
NET BOOK VALUE		
At June 30	5,704,847	

16. INVENTORIES

	2019/2020	2018/2019
	Kshs	Kshs
Chemicals	68,625	15,000
stationery , Consumables and loose tools	974,883	1,902,006
meters	5,885,057	37,100
Water pipes and Fittings	5,124,984	5,010,108
	12,053,549	6,964,214

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17. (a) TRADE AND OTHER RECEIVABLES

	2019/2020	2018/2019
	Kshs	Kshs
Trade receivables (note 17 (b))	53,642,777	42,877,762
Salary Advance	22,750	98,405
Net trade and other receivables	53,665,527	42,976,167

17 (b) TRADE RECEIVABLES

	2019/2020	2018/2019
	Kshs	Kshs
Gross trade receivables	56,490,029	45,238,071
Provision for doubtful receivables	(2,824,501)	(2,261,904)
	53,665,527	42,976,167
Less than 30 days	5,366,552.70	4,297,616.70
Between 30 and 60 days	8,049,829	6,446,425
Between 61 and 90 days	10,733,105	8,595,233
Between 91 and 120 days	13,416,382	10,744,042
Over 120 days	16,099,658	12,892,850
	53,665,527	42,976,167

18. a) BANK AND CASH BALANCES

	2019/2020	2018/2019
	Kshs	Kshs
Cash at bank	25,395,979	38,712,328
Cash in hand	18,675	93,490
	25,414,654	38,805,818

The bulk of the cash at bank was held at the Company's main bankers; Family Bank of Kenya, Cooperative Bank of Kenya and Safaricom's Mpesa Mobile Money platform.

b) BANK AND CASH BALANCES

The detailed make – up of bank balances and short term deposits is as follows:

		2019/2020	2018/2019
Financial institution	Account number	Kshs	Kshs
a) Current account			
Cooperative bank	0113659779200	30,588	42,635
Family	056000020173	(2,527,378)	(627,295)
Sub- total		(2,496,790)	(584,660)

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b) Savings Account			
Family Bank			
Savings account	056000020157	587,482	171,787
Customer deposit account	056000020158	1,187,931	540,031
Escrow Account	056000020172	4,967,188	5,269,171
Project Account	056000021270	316,749	15,682,009
Revenue Account	056000021192	135,832	
Cooperative bank			
Savings Account	01100059779200	2,078,158	2,643,175
Customer Deposit Account	01100059779201	10,733,103	10,733,582
c) Others(specify)			
cash in hand		18,675	93,490
M pesa		7,886,326	4,257,233
Sub- total		27,911,144	39,390,478
Grand total		25,414,654	38,805,818

19. ORDINARY SHARE CAPITAL

	2019/2020	2018/2019
	Kshs	Kshs
Authorised:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====
Issued and fully paid:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====

20. CAPITAL RESERVE

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

21. FAIR VALUE ADJUSTMENT RESERVE

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

22. RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the Company's shareholders. Undistributed retained earnings are utilised to finance the Company's business activities.

23. BORROWINGS

	2019/2020	2018/2019
Description	Kshs	Kshs
Balance at beginning of the year	23,000,000	0
External borrowings during the year	85,957,510	23,000,000
Domestic borrowings during the year	0	
Repayments of external borrowings during the year	(20,622,303)	
Repayments of domestic borrowings during the year	(0)	
Exchange rate gains/(losses) on revaluation of borrowings	0	
Balance at end of the year	88,335,207	23,000,000
Less: Amounts due with one year (current portion)	0	
Amounts due after one year (non-current portion)	88,335,207	23,000,000

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

	2019/2020	2018/2019
	Kshs	Kshs
Domestic Borrowings		
Kenya Shilling loan from family bank	88,335,207	23,000,000
	88,335,207	23,000,000
Total balance at end of year	88,335,207	23,000,000

24. DEFERRED TAX ASSET

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

	2019/2020	2018/2019
	Kshs	Kshs
Accelerated capital allowances	10,435,819	154,622
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses/gains carried forward	1,518,875	1,364,253
Provisions for liabilities and charges	(288,779)	(0)
Net deferred tax asset (liability)	11,665,915	1,518,875

25. TRADE AND OTHER PAYABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade payables	52,962,009	41,360,940
Prepayments	1,940,338	151,068

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Retention/ contract monies customer deposits	13,810,590	12,408,967
Accruals	0	2,564,000
Total balance at end of year	68,712,937	56,484,974

26. RETIREMENT BENEFIT OBLIGATIONS

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200per employee per month.

27. NOTES TO THE STATEMENT OF CASH FLOWS

	2019-2020	2018-2019
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(996,368)	(510,941)
Depreciation	35,461,814	2,901,461
Amortisation	2,851,996	0
Operating profit/(loss) before working capital changes	37,098,941	2,390,520
(Increase)/decrease in inventories	(5,089,335)	(354,273)
(Increase)/decrease in trade and other receivables	(10,689,360)	3,636,887
Increase/(decrease) in trade and other payables	12,227,963	(781,556)
Increase/(decrease) Deferred tax	(10,147,040)	(523,449)
Cash generated from/(used in) operations	23,401,169	4,768,129
(b) Analysis of changes in loans		
Balance at beginning of the year	23,000,0000	2,000,000
Receipts during the year	85,957,510	21,000,000
Repayments during the year	20,622,303	0
Balance at end of the year	88,335,207	23,000,000
(c) Analysis of cash and cash equivalents		
Cash at bank	25,395,979	38,712,328
Cash in hand	18,675	93,490
Balance at end of the year	25,414,654	38,805,818

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Repayments during the year	20,622,303	0
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Cash at bank	25,395,979	38,712,328
Cash in hand	18,675	93,490
Balance at end of the year	25,414,654	38,805,818

28. RELATED PARTY DISCLOSURES

Related party disclosure

i) **County Government of Nyeri**

The county government of Nyeri owns substantial shareholdings in the company hence help in making company policies it also owns number of water connections.

ii) **Water Services Regulatory Board (WASREB)** Act as the regulator and is paid regulatory fee of 4 % on billing by the company.

Transactions with related parties

	2019-2020	2018-2019
	Kshs	Kshs
a) Grants from the Government		
Grants from Vitens Evides	0	1,521,403
Grants from SNV Netherlands dvpt Org	0	350,000
Salary grant	0	567,300
Subsidy income WSTF	21,043,513	5,269,171
County Govt of Nyeri	5,097,378	
Total	26,140,891	7,707,874
b) Key management compensation		
Directors' emoluments	3,254,500	3,859,400
Compensation to key management	6,511,764	5,728,394
Total	9,766,264	9,587,794

29. FINANCIAL RISK MANAGEMENT

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

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial

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position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The delayed payments especially from government agencies is a challenge to the Company and the Company has been engaging with the respective officers for payments.

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	53,665,527	37,565,869	16,099,658	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	25,414,654	25,414,654	0	0
Total	79,080,181	62,980,523	16,099,658	0
At 30 June 2019				
Receivables from exchange transactions	42,976,167	30,083,317	12,892,850	0
Receivables from non-exchange transactions	0	0	0	0
Bank balances	38,805,818	38,805,818	0	0
Total	81,781,985	68,889,135	12,892,850	0

ii) Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2020				
Trade payables	1,396,538	1,692,497	49,872,974	52,962,009
Current portion of borrowings	0	0	88,335,207	88,335,207
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	1,396,538	1,692,497	138,208,181	141,297,216
At 30 June 2019				
Trade payables	38,052,065	2,068,047	1,240,828	41,360,940
Current portion of borrowings	0	0	23,000,000	23,000,000
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	38,052,065	2,068,047	24,240,828	64,360,940

(iii) Market risk

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

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies. The emergence of Community water projects exposes the Company to market risks. The Company is seeking interventions from the regulators to come up with policies that will regulate their numbers and their management.

a) Foreign currency risk

The Company has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0
	0	0	0
Net foreign currency asset/(liability)	0	0	0
At 30 June 2019			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities	0	0	0
Trade and other payables	0	0	0
Borrowings	0	0	0

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	0	0	0
Net foreign currency asset/(liability)	0	0	0

b) Foreign currency sensitivity analysis

The Company is not exposed to any foreign currency sensitivity.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2020			
Euro	0%	0	0
USD	0%	0	0
2019			
Euro	0%	0	0
USD	0%	0	0

a) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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

At 30 June 2020				
	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	71,313,599	0	71,313,599
Land and buildings	0	9,434,701	0	9,434,701
	0	80,745,300	0	80,745,300
At 30 June 2019				
Financial Assets	0			
Quoted equity investments	0	0	0	0
Non- financial Assets	0			
Investment property	0	14,064,106	0	14,064,106
Land and buildings	0	8,353,813	0	8,353,813
	0	22,417,919	0	22,417,919

iv) Capital Risk Management

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

	2019-2020 Kshs	2018-2019 Kshs
Revaluation reserve	0	0
Retained earnings	(33,803,095)	(32,806,727)
Capital reserve	0	0
Total funds	(33,803,095)	(32,806,727)
Total borrowings	88,335,207	23,000,000
Less: cash and bank balances	(25,414,654)	(38,805,818)
Net debt/(excess cash and cash equivalents)	3.47	0.59
Gearing	274%	69%

30. INCORPORATION

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

31. EVENTS AFTER THE REPORTING PERIOD

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

32. CURRENCY


The financial statements are presented in Kenya Shillings (Kshs).

**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR
RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	Capital Reserves	This relates to funding done to the company by various stake holders. However, no documentation was provided to the company for record purposes. We have written to Tana water board which carried out various Funded Projects to provide supporting documentation for our record purposes.	DAVID GATHOGO MD	Not Resolved	30/12/2021
3	Non-Revenue Water 48.72% (NRW)	The company has established a non-revenue water department that is headed by a Technical officer. The team will ensure increased metering, rehabilitation of dilapidated old water pipes and curbing irrigation in rural areas. We have established a district metering area (DMA) which is a continuous engagement in our areas of supply. It's the intention of the company to convert all unmetered connection to metered connections	DAVID GATHOGO MD	Not resolved	30/12/2021

Managing Director

Sign 

28th September 2020
Date.....

APPENDIX 2: PROJECTS IMPLEMENTED BY THE COMPANY

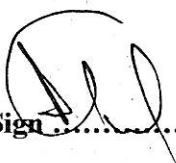
Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement	Consolidated in these financial statements.
Karatina Urban Water Rehabilitation Project	1	Wstf /World Bank	18 Months	60% subsidy of total cost	YES	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Karatina Urban Water Rehabilitation	Ksh 108,957,510	Ksh 108,957,510	100%	Ksh 108,957,510	Ksh 108,957,510	Wstf /World Bank

Managing Director

Sign 

28th September 2020
Date.....