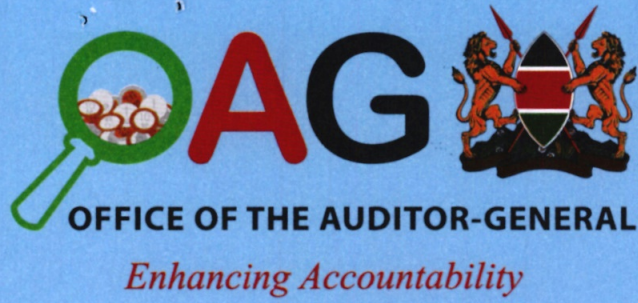


REPUBLIC OF KENYA



REPORT

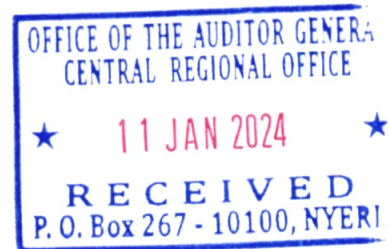
PAPERS LAID	
DATE	23/04/2024
TABLED BY	Dep-Senate majority OF
COMMITTEE	Whip
CLERK AT THE TABLE	CAROLYN E.C.

THE AUDITOR-GENERAL

ON

**MATHIRA WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**



MATHIRA WATER AND SANITATION CO LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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



Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023



Mathira Water and sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Table of Contents

Page

I. Key entity information	iv
II. The Board of Directors.....	vii
III. Management Team	x
IV. Chairman's Statement	xi
V. Report of the Managing Director.....	xiii
VI. Statement of performance against predetermined objectives for FY 2022/2023	xv
VII. Corporate Governance Statement	xviii
VIII. Management discussion and analysis.....	xxi
IX. Environmental and sustainability reporting	xxii
X. Report of the Directors.....	xxiii
XI. Statement of Directors' Responsibilities	xxiv
XII. Report of the Independent Auditor.....	xxv
XIII. Statement of P&L and other comprehensive income for the year ended 30 th June 2023.....	1
XIV. Statement of financial position as at 30 th June 2023	2
XV. Statement of changes in equity for the year ended 30 th June 2023.....	3
XVI. Statement of cash flows for the year ended 30 th June 2023	3
XVII. Statement of comparison of budget & actual amounts for the period ended 30 th June 2023.....	4
XVIII. Notes to the financial statements.....	4-25
XIX. Appendices.....	26

Mathira Water and Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2023

I. Key Entity Information

Background information

Mathira Water & Sanitation Company (Mathira Water and Sanitation Co Ltd) 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

The principal activity of the Company is to provide 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 260 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

- i. Integrity
- ii. Quality
- iii. Professionalism
- iv. Customer friendly
- v. Team work
- vi. Total efficiency
- vii. Creativity and innovation
- viii. Reliability

Strategic Objectives

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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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. Peter Wanderi Muchoki	Member	19 th July 2022
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. Margaret Wachera Kiama	Member	19 th July 2022
8	Mr. Simon Ndirangu Gachunia	Member	7 th March 2022
9	Mr. Sammy Kariuki Muturi	Member	25 th June 2019
10	Mr. Bernard Kiama Kariuki	Member	12 th April 2023

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

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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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






Wahome Gikonyo and Company Advocate
P.O Box 2088-10100,
Tel 0612030822
NYERI

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

II. 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. Bernard Kiama Kariuki Representing County Government of Nyeri Holds B.E (Biology and Chemistry) Year of Birth: 5th November 1982 Member – Technical Committee</p>
<p>3.</p> 	<p>Mr. Richard Githui Ruhiu Representing Farmers and Cooperative Societies Holds B.E(Mathematics & Economics), MBA(Strategic Management) Year of Birth: 15th August 1976 Member – Technical Committee</p>
<p>4.</p> 	<p>Mr. Simon Ndirangu Gachunia Representing County Government of Nyeri Holds Bachelor of Arts (Mathematics & Business Studies), Masters of Arts (International Relations) Year of Birth: 1st January 1981 Member – Staff, Finance and Administration Committee</p>
<p>5</p> 	<p>Mr. Peter Wanderi Muchoki Representing Business Community Holds Bachelor of Commerce Year of Birth: 11th November 1983 Member – Audit Risk and Governance Committee</p>

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

<p>6.</p> 	<p>Ms. Margaret Wachera Kiama Representing Commercial Consumers Holds Bachelor of Education Year of Birth: 12th January 1984 Member - 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>
<p>10.</p> 	<p>Mr. Gikuhi Kiana Holds Master of Business Administration (Strategic Management) Certified Secretary Member No.285 Year of Birth: 25th December 1952 Company Secretary</p>

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023



11.

Mr. David Gathogo Kamau

Holds B.A (Econ), MBA, CPA (K)

Year of Birth: 26th July 1977

Managing Director

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

III. 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>Mrs. Priscilla Muthoni Gikonyo</p> <p>Holds BBM (HR), MBA</p> <p>Human Resources & Administration Manager</p>

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

IV. Chairman's Statement

During the last one year, the company registered significant improvement on key performance indicators namely; Non-Revenue Water (NRW) management, water quality, water supply & sanitation coverage, customer service and most importantly in ensuring good corporate governance as we execute our core mandate. In the latest WASREB's *impact report* on performance of water companies, MAWASCO has been rated position 17 overall and position 6 in large water companies category up from position 27 and 11 respectively in the previous year.

However, our efforts towards achieving desired levels of service delivery have continued to be undermined by some challenges brought about by several key factors among them high NRW levels due to old dilapidated supply network, inadequate water treatment capacity, overstretched sewerage infrastructure and lack of finances for investment towards improvement on water and sewerage service provision. As I have mentioned, the company was put to test on our mandate following drying up of *Ragati* and *Hombe* dams and dwindling of water levels at *Ihwagi* and *Muthira* intakes to unprecedented levels during the months of October and November 2022. This led to conflict with the community who also rely on river Ragati on water for irrigation purposes. Consequently, water supply was greatly affected including in the Urban scheme where supply has been on almost a 24/7 basis since implementation of Karatina Urban rehabilitation project in year 2020. Hombe dam has remained shut since November 2022 as recharge from the catchment area is very slow.

To mitigate on some of these challenges, the company has continued making use of available resources in form of finances and human capital in renewing infrastructure and reorganization of operations by giving more emphasis on staff productivity, efficient water supply through proper rationing program and enhanced NRW management. Some small but key projects geared toward NRW management have also been undertaken though availability of finances is the main limiting factor to attainment of the desired results. External financial support is therefore key on areas requiring significant capital investment to ensure realization of ideal service provision.

I wish to appreciate support from *Tana Water Development Agency(TWWDA)* on enhancement of services during this period. There are two key projects that we sought and have received support from the agency. One is on removal of accumulated sludge at *Kiaigi* sewerage treatment facility to address concerns on quality of effluent released to river Ragati contributed by the sludge. This exercise was undertaken from February 2023 and is now substantially complete. As a result, waste water treatment process has greatly improved. We can confirm that water released back to the river now meets acceptable *World Health Organization(WHO)* and other set quality standards. We also jointly developed a proposal on boosting water production at *Ihwagi* water treatment plant since intake on Ragati river is no longer reliable due to over abstraction upstream especially during dry periods of the year. Consequently, construction of an intake on Kururu river in Chehe forest and laying of 9kms 200/250mm raw water mains from the intake to the treatment plant commenced this month also financed by TWWDA. Once complete later this year, supply within Karatina Urban Scheme is expected to be done uninterrupted throughout the year. The company will also be able to extend supply from the treatment plant to areas of *Jambo* and *Kiamwangi* that currently get partially treated water. In addition, the company managed to undertake repairs of worn out spillway at Ragati dam late last year using internally generated funds. This averted risk of collapsing of the dam if it remained unattended.

We have also received support from the *County Government of Nyen* through department of *Water, Irrigation, Environment and Climate Change* towards pipeline extension and rehabilitation of service lines in various areas of coverage. These include areas of *Cheru-Ritti*, *Mban ya Njora*, *Mbogoini & Rugoka* in *Kirimukuyu* and *Kanjata, Giterendu & Mutini* in *Ruguru*. Implementation of these pipelines is ongoing and once complete an additional over 500 households will be connected with water. We also anticipate funding from the County government on proposed rehabilitation and extension of a dedicated main supply line from Ragati intake to *Kirimukuyu*. This is to address current challenges on supply to Tumutumu areas due to unreliable supply from Hombe dam. There are also proposals on extensions to uncovered areas of *Konyu* including *Mugetho* shopping centre and surrounding areas through collaboration with local elected leaders.

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

MAWASCO has also continued giving emphasis on improving efficiency in service delivery and enhancing productivity of resources especially human capital through embracing appropriate ICT solutions in various areas of operations. For instance, we recently procured and successfully implemented a complete Enterprise Resource Planning (ERP) system. This has eliminated manual processes thus operation costs have been reduced significantly in addition to enhanced accountability and a more productive work force. The already established Geographical Information System (GIS) has been upgraded and greatly enhanced specifically to aid on NRW management and improvement on billing efficiency. Currently, all field officers are required to report all incidents requiring attention and further action through the system accessible from their mobile phones. This include reporting on pipe burst/leakages, sewer blockages, illegal connections, vandalism among other issues. This has seen improvement on turnaround time in attending to such matters and accountability of required materials for necessary repairs. We will soon be rolling out this initiate to the public to facility reporting of such incidences by people of goodwill.

On customer service, the company has a well-established customer service centre with trained personnel who are accessible through our customer care numbers on 24/7 basis. All operations are automated with a customer management system that is also integrated with the billing system. Public barazas are also held in identified areas mainly to sensitize existing and potential customers on their role and that of the company especial on installation of new service lines and individual connections. The company also make use of other modes of communication in disseminating important messages and getting feedback from customers.

Way forward

We still remain optimistic that the developed proposals on enhancing water treatment capacity, rehabilitation of dilapidated system in the rural scheme, extension of sewerage services as well as construction of an alternative sewerage treatment facility downstream Kirigu river will get funding thus spur company growth in terms of water and sanitation coverage and quality thereof.

We also look forward to increased support from the two levels of 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.

Further, we expect support from the all stakeholders and community at large on timely reporting of illegal connections, vandalism, bursts and leakages on our supply network. By so doing, our targets on NRW reductions will be realized thus place the company in a better position to serve larger population of our community with this increasingly scarce commodity.



REUEL MURIUKI
CHAIRMAN, BOARD OF DIRECTORS

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

V. Report of the Managing Director

The company has continued recording steady growth and improvement on key performance indicators (KPIs) over time. The number of active connections and revenue collections have been on upward trend while NRW levels are declining. In the reporting period, the company produced **2,022,607** cubic meters of water as compared to previous year production of **2,202,012** cubic meters. Revenue collected also increased marginally from Kshs. 130,456,074 recorded in the previous year to Kshs. 139,959,198. However, the collection efficiency decreased from 99% to 97% mainly due to non-payment of bills by the county government of Nyeri. Decline in water production and supplied especially during the months hit by dry drought affected realization of projected revenue targets.

NRW levels are also on downward trend though the company is still facing challenges in the rural scheme mainly due to interference of our supply network by community water projects. At the close of the year, NRW levels in the Urban scheme were at 28% while the levels in the Rural scheme averages at 46% and overall at 37%. The on-going road construction activities in our service area have also derailed NRW management due to occasional massive water losses from damaged pipelines.

Water Coverage

In ensuring enhanced water & sanitation coverage, the company have continued utilizing internally generated funds in extending water pipeline and distribution network and sewerage system. Public Baraza'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, Hiriga and Ngorano. The company has also adopted a rationing program to ensure equitable water supply.

Non-Revenue Water Management

During the last five (5) years, our main area of focus has been on reduction of high NRW levels. For this purpose, a dedicated NRW management team was constituted and skills of its members enhanced through training and being equipped with relevant tools & equipment. 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 and integration with GIS system

Sewerage Services

- i) **Sewerage Extensions.** We recently extended sewer lines in Muthua, Karindundu Ragati and Saigon areas. Planned extension of the system to cover Karatina Secondary and surrounding areas has been delayed due to ongoing upgrade of the highway to dual carriage status.
- ii) **Kirigu Pumping Station.** Pollution of Kirigu River due to overflow of raw sewer experienced some years back has been addressed through routine disludging of pond and maintenance of pumps and procurement of new additional pumps.
- iii) **Kiaigi Sewerage Plant.** Routine application of bio enzymes at Kiaigi sewerage ponds has eliminated mosquito and bad smell in the area. Desludging of the two ponds with accumulated sludge was undertaken during the year through support from Tana Water Works Development Authority thus improving on effluent released back to the river.

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Customer Services

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 and GIS systems.

- i) **Public Barazas.** In order to reach out to customers and the community at large, the company has been organizing public barazas to enlighten customers on specific areas such as revival of new supply lines, application of new connections, community policing to curb illegal connections and destruction of the supply network.
- ii) **Revenue Collection.** There is zero cash handling of revenue collected. Customers can pay their bills either through Mpesa, at any Post office or Family Bank. The billing system is web-based thus customers' accounts are updated and customers notified instantly including on the outstanding balance after the payment. The billing system has also been integrated with recently implemented Enterprise Resource Planning (ERP) system.

Current Challenges

- i) **Low Supply Coverage:** The Company serves only about 45% of the target population. This is as a result of high NRW levels especially in the rural scheme 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, Hombe dam and Muthika intake 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 water treatment plants at Ragati and Njathaini to have water served in the rural scheme is fully treated.
- iii) Rehabilitation of the entire reticulation system and storage capacity through support from the County Government of Nyeri, Tana Water Works Development Agency (TWWDA) development partners and through 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 through support from TWWDA.
- v) Continuous automation of operations and capacity building on 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 available 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 with other institutions 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 Mathira Water And Sanitation Co Ltd has a great future.



CPA DAVID GATHOGO
MANAGING DIRECTOR

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

VI. Statement of Performance against Predetermined Objectives for FY 2022/2023

Mathira Water and Sanitation Co Ltd has 9 strategic pillars and objectives within the current Strategic Plan for the FY 2021- FY 2026. These strategic pillars are as follows:

- i. Water Supply Coverage
- ii. Non-Revenue Water (NRW)
- iii. Sanitation
- iv. Human Resource Capacity
- v. Finance
- vi. Customer Service and Public Relations
- vii. Utilization of Information Communication Technology (ICT)
- viii. Corporate Governance
- ix. Mainstreaming of Emerging Issues and Cross Cutting Issues

Mathira Water and Sanitation Co Ltd develops its annual work plans based on the above 9 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Mathira Water and Sanitation Co Ltd achieved its performance targets set for the FY 2022/2023 period for its 9 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1. Water Supply Coverage	increase to 43% of the target population	Increase in number of active connections	Extension water supply net work Rehabilitation of water storage tanks and dilapidated supply network Re-activation of inactive connections	Increased water supply coverage to 46% Rehabilitated 4 Km of water network Increased active connection from 11,868 to 12,745 Extended water supply network by 10 Km
2. Non-Revenue Water (NRW)	Reduce NRW levels to 43%	Reduction in NRW levels	Having 100% metering ratio Creation of district metered areas (DMAs) Continuous training of NRW team	Reduced NRW level to 37% from 43% Increased District Metering Areas from 30 to 47 No Held 2No. training for NRW staff.
3. Sanitation	Increase sanitation coverage for Karatina Urban and it's environ by 2%	Increase in sewerage connections	Extension of sewer network Sensitization of all potential customers in area covered by sewer network	Increased sewerage coverage from 83% to 85% Extended sewer line network by 0.5 Km Increased sewer connections from 3,465 to 3,546

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

4. Human Resource Capacity	Improve on human resource capacity	Improved skills and motivated staffs	Continuous training of staff Job evaluation Introduction of staff performance contract and rewarding the best performers	Conducted job evaluations and salary survey review Revised staff description Developed career progression guideline
5. Finance	To achieve financial viability and risk management	Increase in revenue Improved collection efficiency	Continuous monitoring of meters of key consumers Accurate and effective meter reading	Increase in revenue from Ksh 130 Million to 143 Million
6. Customer service and public relations	To promote quality customer service and enhance public relations	Improved customer service Improved customer dispute management	Conduct customer satisfaction survey Enhance company website Holding customer barazas	Conducted 14 barazas and 1 customer clinic to sensitize customers on company services Enhanced company website
7. Utilization of information communication technology (ICT)	To integrate management information system	Effective and timely billing and dispatch of bills Effective revenue collection Accurate and timely reports Effective and efficient operations	Procurement of a complete enterprise resource planning (ERP) system Continuous upgrading of GIS system Continuous training of staff on ICT emerging issues	Implemented enterprise resource planning (ERP) system Continuous upgrading of company GIS system and integration with billing system Procured 4 No computers
8. Corporate Governance	To promote good corporate governance and effective management	Accountability and transparent usage of resources	Training of both board members and corporate management team	The company undertook the training of board of directors on corporate governance

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

9. Mainstreaming of emerging and cross cutting issues	To develop and operationalize policies in addressing cross cutting issues in compliance with the relevant acts	Full compliance to all relevant laws	Developing policies mainstreaming of policies in relation to the relevant laws	Continuous trainings to staff on alcohol, substance abuse and HIV/AIDS Continuous trainings to staff aimed at combating corruption and electing of sing boards
---	--	--------------------------------------	--	---

In developing the staff performance contracts, the above strategic pillars are cascaded down to staff by embedding them with achievable, specific, measurable, realistic and timely targets

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

VII. Corporate Governance Statement

Mathira Water and Sanitation Co Ltd 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 Mathira Water and Sanitation Co Ltd 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.

Mathira Water and Sanitation Co Ltd 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 Mathira Water and Sanitation Co Ltd 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, Mathira Water and Sanitation Co Ltd 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.

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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	08 th July 2022	Full Board meeting	9 members
	19 th July 2022	10 th AGM meeting	10 members
	28 th July 2022	Orientation meeting	2 members
	23 rd August 2022	Inaugural BOD meeting	10 members
	14 th September 2022	Staff & Finance Committee	3 members
	15 th September 2022	Audit, Risk & Governance Committee	3 members
	19 th September 2022	Technical Committee	3 members
	22 th September 2022	Field visit	3 members
	23 rd September 2022	Full Board meeting	9 members
	29 th September 2022	Public Consultation on License Application	10 members
2 nd Quarter	09 th November 2022	Induction & Corporate Governance Workshop, Nakuru	9 members
	21 st November 2022	Technical committee meeting	2 members
	23 rd November 2022	Staff & Finance committee meeting	2 members
	24 th November 2022	Audit, Risk & Governance Committee	3 members
	25 th November 2022	Field visit	1 member
	02 nd December 2022	Full Board meeting	10 members
3 rd Quarter	11 th January 2023	Interview – CRO position	2 members
	07 nd February 2023	Technical committee meeting	3 members
	09 th February 2023	Audit, Risk & Governance Committee	2 members
	08 th February 2023	Staff & Finance committee meeting	3 members
	17 th February 2023	Full Board meeting	8 members
	16 th March 2023	Review of Board Evaluation Workshop - Nanyuki	8 members
4 th Quarter	08 th May 2023	Technical committee meeting	2 members
	11 th May 2023	Audit, Risk & Governance Committee	3 members
	10 th May 2023	Staff & Finance committee meeting	2 members
	21 st May 2023	Field visit	1 member
	22 nd May 2023	Full Board meeting	10 members
	21 st June 2023	Special Staff & Finance meeting	2 members
	26 th June 2023	Full Board meeting	10 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.

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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.

h) 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.

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

VIII. Management Discussion and Analysis

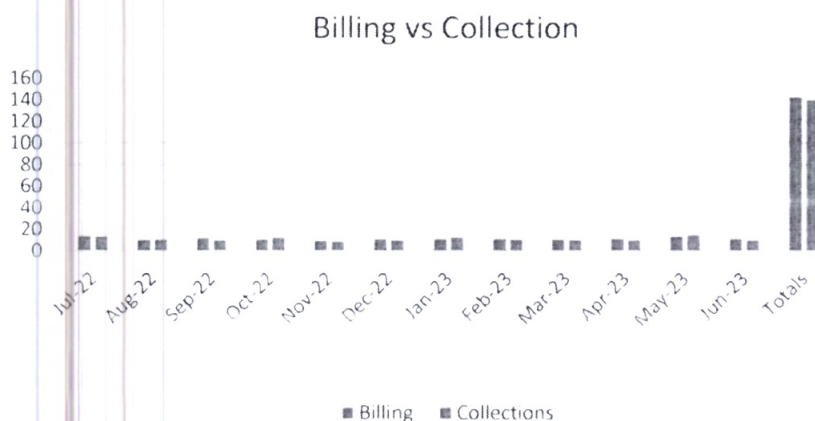
Mathira Water and Sanitation Co Ltd provides water and sanitation services to both rural and urban schemes of Mathira East and Mathira West Sub-Counties. The company collaborate with development partners and the local community to ensure that it fulfills its mandate. The Company operations are sustained by funds that are collected from payment by its customers for services offered and also from its partners through grants, subsidies and donations. In 2022/2023 fy the Company managed to collect a total of Kshs. 140.3 million for services offered from the billing of Ksh.143.3 million, up from the Kshs. 130.5 million collected in the previous 2021/2022 fy.

The company also benefited from grant of Kshs. 3.4 million from the county government of Nyeri and Kshs.169,045 from PEWAK a developing partner from Netherlands.

Billing vs Collections During the 2022/2023 FY (Ksh in Million)

Month	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Totals
Billing	14.4	11.1	12.5	11.4	9.9	11.6	11.6	11.8	11.4	11.8	13.9	11.9	143.3
Collections	13.8	11.4	10.5	12.7	9.2	10.4	13.1	11.3	11.1	10.3	15.7	10.5	140.0

Graphical Representation

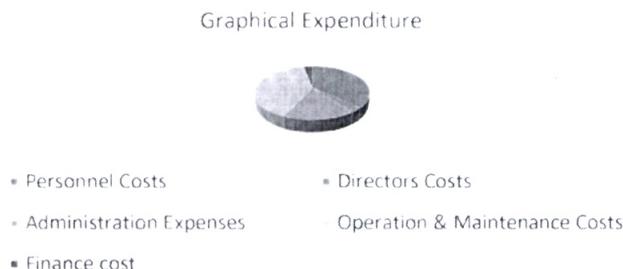


Cost Summary Comparison for 2022/2023Fy and 2021/2022FY

Cost Item	Amount (Ksh)2022/2023FY	Amount (Ksh)2021/2022FY
Personnel Costs	56,012,564	59,076,699
Directors Costs	4,398,220	4,555,200
Administration Expenses	22,629,141	27,200,717
Operation & Maintenance Costs	61,545,328	64,102,016
Finance cost	3,884,210	4,836,030
TOTAL	148,469,463	159,770,663

The total cost reduced compared to last financial year, as there was reduction in number of staff due to retirement, resignation and some due to disciplinary issues and it took sometimes for the company to replace them, also some planned activities like sports, team building were not held during the year as had been planned. In addition, during the last financial year the company had received grant from Water sector trust fund (WSTF) under conditional liquidity support grant (CLSG) which had been utilized in rehabilitation of some of the pipe network leading to high cost compared to the year under review. There was reduction in finance cost since the payment of interest is based on reducing balance of the loan.

Chart presentation of expenditure for the 2022/2023FY



IX. Environmental and Sustainability Reporting

Mathira Water and Sanitation Co Ltd 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 are 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 maximise on 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 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, improvement and implementation of environmental standards to achieve this, as it is 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 jobs are 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 measure their performance. A reward system has been established and the best performers are rewarded.

iv) Market place practices-

The organisation outlines its efforts to:

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.

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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) Corporate Social Responsibility / 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. Mathira Water and Sanitation Co Ltd 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 has maintained 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.

X. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30 2023 which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company are provision of water and sanitation services to the residence of Mathira East and west sub counties

ii) Results

The results of the company for the year ended June 30 2023 are set out on page 33.

iii) Dividends

The company has not declared dividends for the year ended June 30 2023

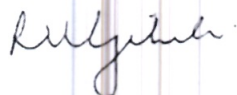
iv) Directors

The members of the Board of Directors who served during the year are shown on page (VI) In accordance with the company's Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30 2023.

By Order of the Board



FCPS Gikuhi Kiana
Corporate Secretary/Secretary to the Board

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

XI. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of Mathira Water and Sanitation Co Ltd, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015) – Company. 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 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company financial statements were approved by the Board on 27/9/23 2023 and signed on its behalf by:



.....
Reuel Muriuki
Board Chairman



.....
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, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mathira Water and Sanitation Company Limited set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of

Report of the Auditor-General on Mathira Water and Sanitation Company Limited for the year ended 30 June, 2023

comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mathira Water and Sanitation Company Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs), and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade Receivables

The statement of financial position reflects a balance of Kshs.53,393,670 in respect of trade and other receivables as disclosed in Note 17 to the financial statements. However, the outstanding receivables have been increasing over the years from Kshs.52,668,222 and Kshs.53,393,670 in financial years 2021/2022 and 2022/2023 respectively without adequate recoverability with over 90% outstanding for the three (3) years.

In the circumstances, the completeness and recoverability of the trade receivables amount of Kshs.53,393,670 could not be confirmed.

2. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects a balance of cash and cash equivalents of Kshs.32,538,513 as at 30 June, 2023. However, analysis of the property, plant and equipment movement schedule under Note 14 to the financial statements revealed that the Company disposed off motor vehicle registration number KBN 009E at a cost of Kshs.3,085,000. This cash inflow was not factored nor considered in the computation of the net cash and cash equivalents balance disclosed in the statement of cash flows.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.32,538,513 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2023 and Management has not provided reasons for delay in resolving the prior year audit issues. This is contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require accounting officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

The Directors are responsible for the other information, which comprises the Chairman's Statement, Report of the Managing Director, Review of the Company's Performance for financial year 2022/2023 against the Predetermined Objectives, Report of the Directors and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

Available records indicate that the Company produced 2,022,607 cubic meters(M³) of water. However, the volume of water billed was 1,275,266 cubic meters (M³) giving rise to a variance of 747,341 cubic meters (M³) that was unaccounted for as Non-Revenue Water (NRW). The unaccounted-for water of 37% is 12% above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) Guidelines and is not acceptable.

The significant level of Non-Revenue Water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

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

2. Non-Compliance with Ethnic Diversity Requirement

Review of records maintained by the Company revealed that out of the seventy-two (72) contractual and permanent and pensionable members of staff, sixty-eight (68) persons which represents 94% of the members of staff are from the dominant local ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

3. Outdated Water Tariffs

During the financial year under review, the Company billed its customers Kshs.94,669,609 for water supplied using existing water tariffs that were gazetted on 7 June, 2013 through Kenya Gazette notice number 3040 and were effective from 8 July, 2013 to 8 June, 2014. However, by the time of audit, revision of the rates had not been done. This is contrary to the provisions of Section 72(1)(b) of Water Act, 2016 which states that Water Services Regulatory Board (WASREB) shall evaluate and recommend water and sewerage tariffs to the county water services providers.

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

4. Incorrect Format of Presentation and Disclosure of Financial Statements

The statement of changes in equity reflects negative retained balance of Kshs.8,376,019 as at 30 June, 2023. However, the statement started with the current year's balances as opposed to the previous year's balances as is required by the approved financial reporting template issued by the Public Sector Accounting Standards Board. Additionally, the statement of cash flows was disclosed on the same page (3) as statement of changes in equity which again is contrary to the approved financial reporting template which requires that each set of financial statement shall be prepared and disclosed on separate and distinct page.

In the circumstances, Management was in breach of The National Treasury circular on the presentation and disclosure of the financial statements.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Revaluation and Disposal of Assets with Zero Net Book Value

Review of the company's asset register revealed that the Company had several assets which had been fully depreciated (with zero netbook value), but which were still being used economically. These assets had a significant future economic benefits embodied in them and they should have been revalued to reflect the residual value and the useful life of an asset reviewed as required by IAS16. In addition, the asset register includes items of property, plant and equipment which had been fully depreciated and which were not in use. Although these assets have no economic value, they may earn the company some income if disposed.

In the circumstances, the effectiveness of the asset management system in use could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 March, 2024

Mathira Water and sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

XIII. Statement of Profit or Loss & Other Comprehensive Income for The Year Ended 30 June 2023.

	Note	2022-2023	2021-2022
	Note		
		Kshs	Kshs
REVENUES			
Operating Revenue	6	143,454,682	130,456,074
Other income	7	5,142,020	39,506,017
TOTAL REVENUES		148,596,702	169,962,092
OPERATING EXPENSES			
Personnel Costs	8	56,012,564	59,076,699
Administration Costs	9	22,629,141	27,200,717
Directors Expenses	10	4,398,220	4,555,200
Operation and Maintenance	11	61,545,328	64,102,016
Finance Costs	12	3,884,210	4,836,030
TOTAL OPERATING EXPENSES		148,469,463	159,770,663
PROFIT/(LOSS) BEFORE TAXATION		127,237	10,191,429

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

XIV. Statement of Financial Position as at 30 June 2023

	Note	2022-2023	2021-2022
	Note		
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	40,410,637	48,589,227
Intangible assets	15	10,554,080	3,042,600
Total Non-Current Assets		50,964,717	51,631,827
Current Assets			
Inventories	16	14,147,459	15,728,432
Trade and other receivables	17	53,393,670	52,668,222
Deferred Tax Asset	18	12,154	1,666,713
Bank and cash balances	19	32,538,513	35,065,670
Total Non-Current Assets		100,091,796	105,129,037
TOTAL CURRENT AND NON-CURRENT ASSETS		151,056,513	156,760,864
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	20	100,000	100,000
Capital reserve	21	65,904,745	65,904,745
Retained earnings	22	(8,376,019)	(8,503,256)
Capital and Reserves		57,738,951	57,501,489
Non-Current Liabilities			
Borrowings	23	23,699,688	33,332,313
Total Non-Current Liabilities		23,699,688	33,332,313
Current Liabilities			
Trade and other payables	24	69,728,100	65,927,062
Total Current Liabilities		69,728,100	65,927,062
TOTAL EQUITY AND LIABILITIES		151,056,513	156,760,864

The financial statements were approved by the Board on 27th September 2023 and signed on its behalf by:



Managing Director
David Gathogo



Head of Finance
Martin Murebu
ICPAK M/NO:25425



Board Chairman
Reuel Kibugi

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

XV. Statement of Changes in Equity for The Year Ended 30 June 2023

	Ordinary share capital	Capital reserve	Retained earnings	Total
At July 1, 2022	100,000	65,904,745	(8,503,256)	57,501,489
Total comprehensive income	-	-	127,237	127,237
At June 30, 2023	100,000	65,904,745	(8,376,019)	57,628,727
At July 1, 2021	100,000	65,904,745	(18,694,685)	47,310,060
Total comprehensive income	-	-	10,191,429	10,191,429
At June 30, 2022	100,000	65,904,745	(8,503,256)	57,501,489

XVI. Statement of Cash Flows for the Year Ended 30 June 2023

	Note 25	2022-2023 Kshs	2021-2022 Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations			
Operating profit/(loss)		127,237	10,191,429
Depreciation		12,412,642	18,414,929
Amortisation		2,638,520	760,650
Operating profit/(loss) before working capital changes		15,178,399	29,367,008
(Increase)/decrease in inventories		1,580,973	460,794
(Increase)/decrease in trade and other receivables		(725,448)	2,092,366
Increase/(decrease) in trade and other payables		1,654,559	(2,164,042)
Increase/(decrease) Deferred tax		3,801,038	(166,791)
Cash generated from/(used in) operations		6,311,122	222,328
Net Cash generated from/(used in) operations		21,489,521	(29,589,336)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(14,384,052)	(7,876,920)
Net Cash From/(Used In) Investing Activities		(14,384,052)	(7,876,920)
Cash Flows from Financing Activities			
Repayment Of Borrowings		(9,632,625)	(9,071,948)
Net Cash From/(Used In) Financing Activities		(9,632,625)	(9,071,948)
Increase/(Decrease) In Cash And Cash Equivalents		(2,527,157)	12,640,467
Cash And Cash Equivalents At Beginning Of Year		35,065,670	22,425,202
Cash And Cash Equivalents At End Of The Year		32,538,513	35,065,670

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2022

XVII. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2022-2023	2022-2023	2022-2023	2022-2023		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	152,112,184		152,112,184	143,454,682	(8,657,502)	94.31%
Other Income		15,000,000	15,000,000	5,142,020	(9,857,980)	34%
Total Revenue	152,112,184	15,000,000	167,112,184	148,596,702	(18,515,482)	89%
Expenses						
Staff Costs	61,680,000	(650,000)	61,030,000	56,012,564	5,017,436	91.78%
Board Expenses	4,100,000	700,000	4,800,000	4,398,220	401,780	91.63%
Administration Costs	28,950,000	(350,000)	28,600,000	22,629,141	5,970,859	79.12%
Operation and Maintenance	40,289,567	14,950,000	55,290,729	61,545,328	(6,254,599)	111.31%
Finance costs	13,360,151	350,000	13,710,151	3,884,210	9,825,941	28.33%
Total Recurrent Expenditure	148,379,718	0	163,430,880	148,469,463	14,961,417	90.85%
Profit or Loss	3,732,466	15,000,000	3,681,304	127,237		
Capital Expenditure	14,470,000		14,470,000	14,384,052	85,948	99.41%
Total Expenditure	177,900,880	0	177,900,880	162,853,515	15,047,365	91.54%

XVIII. 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 areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the financial statements

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act, and International Financial Reporting

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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)

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows.

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to	The amendments are effective for annual periods beginning on or

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Title	Description	Effective Date
Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	after January 1, 2022. Early application is permitted.

Application of New and Revised International Financial Reporting Standards (IFRS)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Title	Description	Effective Date
	liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022/2023

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

b) In-kind contributions

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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Rates
Freehold Land and buildings	2.5%
Computer software	20%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Plant equipment's and meters	33.3%

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.

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

i) Current income tax

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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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

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

o) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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.

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by an external body Lap trust and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 19-05-2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded budget reallocation of Ksh 3,750,000 in Fy 2022/2023 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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

budget and actual amounts and the actuals as per the statement of comprehensive income has been presented under page number 31 of these financial statements.

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. provisions applicable . provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)and are determined by estimates Percentage.

d) Contingent liabilities

The company was expected to pay ksh of **Kshs. 10,665,436** as at 31st Dec 2022 before the renewal of water permit however the amount is still in dispute.

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

6. Operating Revenue

	2022-2023	2021-2022
	Kshs	Kshs
Water sales	94,669,609	89,043,353
Sewerage Services	27,596,452	27,287,500
Billing for other services (Miscellaneous income (Reconnection, Surcharges, Disconnection at owners request etc.)	21,188,621	14,125,222
Total	143,454,682	130,456,074

7. Other Income

	2022-2023	2021-2022
	Kshs	Kshs
Recurrent/operational grants from other agencies (County Government Nyeri WSTF)	3,499,935	39,341,094
PEWAK	169,045	
Interest Income	713,040	110,381
Decrease Provision bad debts		54,542
Insurance Compensation	760,000	
Total	5,142,020	39,506,017

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2022-2023 KShs
County Government (Nyeri)	3,499,935			3,499,935	3,499,935
Pewak International	169,045			169,045	169,045
Total	3,668,980			3,668,980	3,668,980

8. Personnel Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Gross Salary and Allowances	49,451,570	50,826,853
Casual workers' Wages	164,600	138,300
Employer's contributions to social security schemes	489,120	179,600
Employer's contributions to pension scheme	3,521,644	3,783,402
Others	92,922	1,899,822

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Description	2022-2023	2021-2022
	Kshs	Kshs
Gratuity provisions	2,292,708	2,248,722
Total	56,012,564	59,076,699
The average number of employees during the year	72	73

9. Administration Expenses

Description	2022/2023	2021/2022
	Kshs	Kshs
Travelling & Subsistence	2,082,962	2,137,355
Printing and Stationery	345,822	606,655
Audit Cost		464,000
Advertising and Public Relations	214,046	401,357
Corporate social responsibility	220,700	384,422
Newspaper & Periodicals	25,286	150
Entertainment	432,857	444,490
Staff Welfare expense	424,160	446,785
Functions celebrations expense	1,074,850	2,558,670
Insurance	5,447,050	4,642,233
Training	522,891	1,382,091
Consultancy	1,399,642	1,176,310
Legal services	23,132	
Electricity	1,664,119	1,566,509
Cleaning Materials	310,333	172,124
Seminars	567,620	1,547,179
Uniforms	23,722	326,392
Security Services	5,207,936	5,097,310
Telephone	1,438,511	1,326,197
Postage	70,548	71,890
General office expenses	232,601	457,656
Sports	33,060	1,407,395
Provision for audit fee	464,000	400,000
Bank Charges	403,293	183,547
Total	22,629,141	27,200,717

10. Directors Expenses

Description	2022-2023	2021-2022
	KShs	KShs
Sitting allowances	4,398,220	4,555,200
Total Board Expenses	4,398,220	4,555,200

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

11. Operation and Maintenance Expenses

Description	2022-2023	2021-2022
	Kshs	Kshs
Motor vehicle & bikes running cost - Fuel & Oil	3,317,004	2,312,104
Motor vehicle & bikes running cost - Repairs	1,286,053	997,438
Renewal of Water permit license & subscription	848,064	545,900
Maintenance of Pumps	26,800	
Maintenance of water supply system	5,405,083	1,793,450
Maintenance of sewerage systems	1,144,904	1,610,171
Repair & Maintenance -Equipment, Building	1,973,974	3,710,463
Repair & Maintenance - Computers	595,680	15,300
Software Maintenance	917,640	1,580,900
Engineering design & maps		357,744
Service Lines Rehabilitation	2,216,516	3,570,556
Pipes & Fittings	11,765,618	16,553,372
Chemicals	2,950,193	1,964,592
Ground maintenance	64,296	6,000
Loose tools and equipment's	30,915	50,600
Depreciation	12,412,642	18,414,929
Amortization Soft ware	2,638,520	760,650
Tanks rehabilitation and intakes	4,853,033	747,774
Other levies and fees/Lab analytical fee	236,900	157,000
Environmental audit Assessment		649,750
Increase Provision for bad debts	38,226	
Wasreb levy	5,738,187	5,218,243
WRA levy	3,085,080	3,085,080
Total	61,545,328	64,102,016

12. Finance Cost

Description	2022-2023	2021-2022
	KShs	KShs
Finance Cost	3,884,210	4,836,030
Total Expenses	3,884,210	4,836,030

13. Earnings Per Share

The earnings per share is calculated by dividing the profit before tax of Kshs. (10,191,429) 2021-2022 by the average number of ordinary shares in issue during the year of (2022-2023: 127,237). There were no dilutive or potentially dilutive ordinary share as at the reporting date.

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

14. Property, Plant and Equipment

2022/2023	Freehold land and building	Motor vehicles, including, motor cycles	Furniture and Fittings	Computers & related equipment	Plant and Equipment	Total
COST OR VALUATION						
At July 1, 2022	11,103,359	20,727,721	2,658,197	7,654,567	116,401,145	158,544,989
Additions		328,800		428,400	3,476,852	4,234,052
Disposal KBN 009E		(3,085,000)				(3,085,000)
At June 30, 2023	11,103,359	17,971,521	2,658,197	8,082,967	119,877,997	159,694,041
DEPRECIATION						
At July 1, 2022	2,134,496	13,992,948	1,465,908	6,580,561	85,781,848	109,955,762
Disposal KBN 009E		(3,085,000)				(3,085,000)
Charge for the year	224,222	223,393	149,036	450,722	11,365,269	12,412,642
As At 30 th June 2023	2,358,718	11,131,341	1,614,944	7,031,283	97,147,118	119,283,404
NET BOOK VALUE As at June 30, 2022	8,968,863	6,734,773	1,192,289	1,074,006	30,619,297	48,589,227
NET BOOK VALUE As at June 30, 2023	8,744,641	6,840,180	1,043,253	1,051,684	22,730,879	40,410,637

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

2022/2023	Cost or Valuation	Normal annual depreciation Charge
Motor vehicles, including, motor cycles	6,216,811	2,072,270
Furniture and Fittings	492,308	54,701
Computers and related equipment	5,154,960	1,718,320
Plant and Equipment	14,810,163	1,645,574
TOTAL	26,674,242	5,490,864.89

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

2021/2022	Freehold land and building	Motor vehicles, including, motor cycles	Furniture and Fittings	Computers & related equipment	Plant and Equipment	Total
COST OR VALUATION						
At July 1, 2021	11,103,359	14,024,621	1,830,729	7,308,215	116,401,145	150,668,069
Additions		6,703,100	827,468	346,352		7,876,920
At June 30, 2022	11,103,359	20,727,721	2,658,197	7,654,567	116,401,145	158,544,989
DEPRECIATION						
At July 1, 2021	1,904,525	11,748,023	1,295,581	6,120,273	70,472,430	91,540,833
Charge for the year	229,971	2,244,924	170,327	460,288	15,309,419	18,414,929
As At 30 th June 2022	2,134,496	13,992,948	1,465,908	6,580,561	85,781,848	109,955,762
NET BOOK VALUE As at June 30, 2021	9,198,834	2,276,598	535,148	1,187,942	45,928,715	59,127,236
NET BOOK VALUE As at June 30, 2022	8,968,863	6,734,773	1,192,289	1,074,006	30,619,297	48,589,227

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

2021/2022	Cost or Valuation	Normal annual depreciation Charge
Motor vehicles, including, motor cycles	6,155,258	2,051,753.
Furniture and Fittings	487,434	60,929
Computers and related equipment	5,103,921	1,701,308
Plant and Equipment	14,663,528	4,887,842
	26,410,141	8,701,831

Valuation

Land and buildings, have not been revalued during the year.

15. Intangible Assets

	2022/2023	2021/2022
	Kshs	Kshs
COST		
At July 1 2022	8,556,843	8,556,843
Additions	10,150,000	
Disposals	0	
At June 30 2023	18,706,843	8,556,843
AMORTISATION		
At July 1 2022	5,514,243	4,753,593
Charge for the year	2,638,520	760,650

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

Disposals	0	
Impairment loss	0	
At June 30 2023	8,152,763	5,514,243
NET BOOK VALUE		
At June 30 2023	10,554,080	3,042,600

16. Inventories

	2022/2023	2021/2022
	Kshs	Kshs
Chemicals	606,119	9,576
stationery , Consumables and loose tools	488,082	1,220,931
meters	2,155,948	4,600,950
Water pipes and Fittings	10,897,310	9,896,974
	14,147,459	15,728,432

17. (a) Trade and Other Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Trade receivables (note 17 (b))	53,355,520	52,629,226
Salary Advance	38,150	38,996
Net trade and other receivables	53,393,670	52,668,222

17. (b) Trade Receivables

	2022/2023	2021/2022
	Kshs	Kshs
Gross trade receivables	56,163,705	55,399,185
Provision for doubtful receivables	(2,808,185)	(2,769,959)
Salary Advances	35,150	38,996
Net Trade Receivables	53,393,670	52,668,222
Less than 30 days	2,921,660	2,915,828
Between 30 and 60 days	5,757,048	5,745,557
Between 61 and 90 days	11,185,122	11,162,796
Between 91 and 120 days	15,390,324	15,359,605
Over 120 days	18,139,516	17,484,436
	53,393,670	52,668,222

18. 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:

	2022/2023	2021/2022
	Kshs	Kshs
Accelerated capital allowances	8,492,685	10,224,511
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses/gains carried forward	(8,376,019)	(8,503,256)
Provisions for liabilities and charges	(104,512)	(54,542)
Net deferred tax asset (liability)	12,154	1,666,713

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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 above items:

19. Bank and Cash Balances

	2022/2023	2021/2022
	Kshs	Kshs
Cash at bank	32,466,139	35,053,844
Cash in hand	72,374	11,826
	—	—
	32,538,513	35,065,670

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:

Financial institution	Account number	2022/2023	2021/2022
		Kshs	Kshs
a) Current account			
Cooperative bank	0113659779200	59,698	0
Family	056000020173	790,647	(3,678,136)
b) Savings Account			
Family Bank			
Savings account	056000020157	142,221	7,357,033
Customer deposit account	056000020158	2,878,974	446,634
Escrow Account	056000020172	1,248,272	1,248,272
Project Account	056000021270	629,111	301,328
Revenue Account	056000021192	315,798	3,789,766
WSTF Grant	056000023996	130	130
Cooperative bank			
Savings Account	01100059779200	4,120,144	5,686,655
Customer Deposit Account	01100059779201	36,325	36,325
c) Others(specify)			
cash in hand(Customer Deposit)		25,500	
cash in hand(Imprest)		46,874	11,826
M- pesa Utility Account		6,597,924	17,865,837
M- pesa Working Account		7,007,857	
Short term Deposit bank Guarantee		8,600,000	2,000,000
Posta		39,037	
Grand total		32,538,513	35,065,670

20. Ordinary Share Capital

	2022/2023	2021/2022
	Kshs	Kshs
Authorized:		
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
	=====	=====

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

21. Capital Reserve

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

22. Retained Earnings

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

23. Borrowings

	2022/2023	2021/2022
Description	Kshs	Kshs
Balance at beginning of the year	33,332,313	42,404,262
External borrowings during the year		
Domestic borrowings during the year	0	
Repayments of external borrowings during the year	(9,632,625)	(9,071,949)
Repayments of domestics borrowings during the year	(0)	
Exchange rate gains/(losses) on revaluation of borrowings	0	
Balance at end of the year	23,699,688	33,332,313
Less: Amounts due with one year (current portion)	0	
Amounts due after one year (non-current portion)	23,699,688	33,332,313

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

	2022/2023	2021/2022
	Kshs	Kshs
Domestic Borrowings		
Kenya Shilling loan from family bank		33,332,313
Total balance at end of year	23,699,688	33,332,313

24. Trade And Other Payables

	2022/2023	2021/2022
	Kshs	Kshs
Trade payables	55,372,985	51,783,748
Prepayments	214,315	380,772
Retention/ contract monies customer deposits For the year	14,140,800	13,762,541
Total balance at end of year	69,728,100	65,927,062

25. Notes to The Statement of Cash Flows

	2022/2023	2021/2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	127,237	10,191,429
Depreciation	12,412,642	18,414,929
Amortisation	2,638,520	760,650
Operating profit/(loss) before working capital changes	15,178,399	29,367,008
(Increase)/decrease in inventories	1,580,973	460,794

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

(Increase)/decrease in trade and other receivables	(725,448)	2,092,366
Increase/(decrease) in trade and other payables	1,654,559	(2,164,042)
Increase/(decrease) Deferred tax	3,801,038	(166,791)
Cash generated from/(used in) operations	6,311,122	222,328
	=====	=====
(b) Analysis of changes in loans		
Balance at beginning of the year	33,332,313	42,404,262
Receipts during the year		
Repayments during the year	(9,632,625)	(9071.948)
Balance at end of the year	23,699,688	33,332,313
	=====	=====
(c) Analysis of cash and cash equivalents		
Cash at bank	32,466,139	35,053,844
Cash in hand	72,374	11,826
Balance at end of the year	32,538,513	35,065,670
	=====	=====

Other Disclosures

26. Related party disclosures

County Government of Nyeri

The County Government of Nyeri is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County Government of Nyeri has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- County Government of Nyeri
- Water works Agencies
- WASREB
- WRA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2022/2023	2021/2022
	Kshs	Kshs
a) Grants from the Government		
Subsidy income WSTF		39,341,094
Grant income County government Nyeri	3,499,935	
Grant PEWAK	169,045	
Total	3,668,980	39,341,094
b) Key management compensation		
Directors' emoluments	4,398,220	4,555,200
Compensation to key management	12,437,516	12,660,879
Total	17,216,079	17,216,079
	=====	=====

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

27. 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 position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	53,393,670	39,105,920	14,287,750	0
Bank balances	32,538,513	32,538,513	0	0
Total	85,932,183	71,644,433	12,581,244	0
At 30 June 2022				0
Receivables	52,668,222	22,876,816	34,315,225	0
Bank balances	35,065,670	35,065,670		0
Total	87,733,892	57,942,486	34,315,225	0

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from Ksh 5,000

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 current year				
Trade payables	1,569,296	8,518,730	59,640,074	69,728,100
Current portion of borrowings			23,699,688	23,699,688
Total	1,569,296	8,518,730	83,339,762	93,427,788
At 30 June 2022 previous year				
Trade payables	2,441,854	4,687,644	58,797,564	65,927,062
Current portion of borrowings			33,332,313	33,332,313
Total	2,441,854	4,687,644	92,129,877	99,259,375

(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 entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2023 Current Year			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022 Previous year			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2023 Current FY			
Euro	0	0	0
USD	0	0	0
2022 Previous FY			
Euro	0	0	0
USD	0	0	0

b) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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

28. Incorporation

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

29. Events After the Reporting Period

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

30. Currency

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

Mathira Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

XIX. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	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)
1	Long Outstanding trade and other receivables	Most of the accumulated water debts relates to public institution such as the County Government of Nyeri. However the company has established debt collection units that's deal with the customers with accumulated arrears in an effort to recover accumulated debts.	DAVID GATHOGO MD	Not Resolved	31/12/2023
2	Revaluation and disposal of assets with Zero Net Value	The company is in the process of engaging a valuer to ascertain their current market value. This will help the company to include their value in subsequent years. Appointed disposal committee shall ascertain all assets with no economic value for disposal.	DAVID GATHOGO MD	Not Resolved	31/12/2023

APPENDIX 2: PROJECTS IMPLEMENTED BY THE COMPANY

There was no project implemented by the State Corporation/ SAGA or Funded by development partners

Managing Director



Sign

27th September 2023
 Date.....