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REPORT

OF

THE AUDITOR-GENERAL

ON

MBOONI WATER AND SANITATION
COMPANY LIMITED

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FOR THE YEAR ENDED
30 JUNE, 2025



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MBOONI WATER AND SANITATION COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

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

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1. Acronyms and Glossary of Terms

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WSP</i>	<i>Water Service Provider</i>

2. Key Entity Information

Background information

Mbooni Water and Sanitation Company (MBONWASCO) is a legal company incorporated on March 8, 2012 under the company's Act Cap.486 law of Kenya as a public limited company guaranteed by the Government of Kenya. This was as a result of enactment of water Act 2002 which ushered in the reforms in the water sector. The Company was formed by County Council of Makueni with two shareholders, each with one share, holding the shares as trustees for the people of Makueni but not on their own capacity. The ownership and shareholding of the Company has been transferred to the Government of Makueni County and the Company issued with CR12.

The Chief Officer Water, Sanitation and Sanitation and Chief Officer Finance were appointed directors of Mbonwasco. The two (2) appointed County directors together with the three (3) (one appointed member has since resigned) recruited Board members are responsible for the general policy and strategic direction of the Company. The company main office is located at Mbumbuni Water office. The proposed office in Tawa is yet to be constructed.

MBONWASCO has three (3) water sources and a bore hole that is not operational due to low yield and vandalism. The three main water sources include: Mbumbuni, Mukundi and Mulima. The company estimates that 80-200m³/day is produced from water sources. Water from Mukundi and Mulima water supply sources is untreated. The company currently supplies water to approximately 14,720 people, which is 10.2% of the total population in its service area. MBONWASCO has a total of 1,558 registered connections, of which 598 (38%) are active and 960 (62%) are in-active.

The company supplies water to parts of Tulimani ward, Kisau/Kiteta ward and Kako/Waia ward with a combined population of 14,720

Population:-

Total Population- 64,123,

Populationserved-14,720.

Percentage of population served-23%.

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Operating Licence:-The WSP has a **three (3)** year interim operating licence from Water Services Regulatory Board (WASREB).

Principal Activities

MBONWASCO Principal Activities' are; -

- Provision of water services in its area of jurisdiction as defined by their Operating Licence and
- Expansion of county assets for water service provision.

VISION AND MISSION

Vision

Sustainable access to adequate, potable and affordable water supply and sanitation services for all.

Mission

MBONWASCO's mission is to provide potable, reliable and sustainable water and sanitation services to our customers through continuous development.

Core Values

Core values are the principles that guide the conduct and rules of engagement of MBONWASCO representatives. The core values guiding MBONWASCO are:

- Integrity
- Professionalism
- Dedication
- Customer focus
- Teamwork

The Directors who served the entity during this period were as follows:

1. Stephen K. Kiilu	Chairman	Appointed on 11/10/2023
2. Peninah Muendo Nduku	Director	Appointed on 11/10/ 2023.
3. Patrick Kioko Ndunga	Director	Resigned on 21/10/2024
4. John Nguni	Director	Appointed on 29/02 /2024
5. Eng. David M. Makau	Director	Appointed on 29/02/ 2024
6. Nicodemus M. Titus	Managing Director	Appointed on 12/08/ 2024

Company Secretary

The Company has no Company Secretary
P.O. Box 123-MAKUENI

Registered Office

Mbonwasco Mbooni east Office,
Mbooni East Administrative H/Quarters,
P.O. Box 77-90133
TAWA, Mbooni,

Corporate Headquarters

Adjacent to Deputy County Commissioners Compound
P.O. Box 1-90127
MBUMBUNI.

Corporate Contacts

P.O. Box 77-90133
Telephone :(254)
E-mail: mbonwasco@gmail.com,

Corporate Bankers

Corporate Bankers
Kenya Commercial Bank Ltd,
P.O. Box 400-90101
MASII

Corporate Bankers

Kenya Commercial Bank
Wote Branch,
WOTE- MAKUENI.

Independent Auditors


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

Principal Legal Advisers


The County Attorney
Makueni County Government
P.O. Box 78-90300
Makueni, Kenya

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3. The Board of Directors



Directors	Details
<p><i>Stephen Kyalo Kiilu</i></p>  <p><i>Independent Director</i></p>	<p>Age:46years Project manager with AEALtd.</p> <p>Academic Qualification: Diploma in Civil Engineering and BSC. Civil Engineering with a M.sc. Construction Engineering and Management.</p> <p>Key Professional Qualification: Registered with Engineers Board of Kenya.</p>
<p><i>Peninah Muendo Nduku</i></p>  <p><i>Independent Director</i></p>	<p>Age:61years Retired Senior Head teacher</p> <p>Academic Qualification: Diploma in Special needs in education. Diploma in administration and management in education.</p>
<p><i>Eng. David M. Makau:- Institutional Director</i></p> 	<p>Age:1985</p> <p>Academic Qualification: BSC. Environmental and Bio systems Engineering-UON.</p> <p>Key Professional Qualification: Registered with ERB</p> <p>Work Experience: Over13 Years in Water sector.</p>
<p><i>John Nguni:- Institutional Director</i></p> 	<p>Age:1967</p> <p>Academic Qualification: B.Com Accounting, MBA Finance.</p> <p>Key Professional Qualification: PA(K)</p> <p>Work Experience: 33 Years in experience working in different organizations.</p>
<p><i>Nicodemus Mutwii Titus:- Managing Director</i></p>	<p>Age:1983</p> <p>Academic Qualification: B.ED (Special Needs Education)</p>

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	<p>Key Professional Qualification: Human Resource Management</p> <p>Work Experience: over 15 Years managerial experience in different organizations.</p>
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4. Key Management Team

Managers	Details
<p>Nicodemus M. Titus</p> 	<p>MANAGING DIRECTOR She is 42 years old. He was appointed to the position of Managing Director on 12/08/2024. He holds a Bachelor’s degree in Education from Kenyatta University and a post graduate diploma in Human Resource Management from Kenya Institute of Management. Mr.Titus has held several management and leadership position in private and public sectors like, Kenya national bureau of statistics, standard chartered bank Kenya and recently as team leader for customer care unit, Machakos branch.</p>
<p>Stephen K. Munyao</p> 	<p>HR and Administration manager He’s is 58 years old. He was seconded to the Company by the County, Department of water and Sanitation on 13th September 2019 as an Acting Managing Director up to 12th August 2024. He holds a certificate in water supply technology from Kenya Water Institute. He has a wide range of experience in water management.</p>
<p>Elizabeth M. Kyengo.</p> 	<p>TECHNICAL MANAGER She is 51 years old. She holds a certificate in water supply technology from Kenya Water Institute. She was seconded to the Company by the County, Department of water and Sanitation on 13th September 2019 as a Technical Manager.</p>
<p>James Manthi</p>	<p>COMMERCIAL MANAGER He is 58 years old. He has worked in the Company as a Commercial manager since April 2025. He was seconded to the Company by the County, Department of water and Sanitation on 13th September 2025. He holds a certificate in water supply technology from Kenya Water Institute. He holds an advanced</p>

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	<p>certificate in business management from Kenya Institute of Management.</p>
<p>Antony Mutuku</p> 	<p>ACCOUNTS CLERK. He is 44 years old. He has worked as an Accounts Clerk in the Company since 2012. He has a CPA part 1 certificate and the KATC final certificate.</p>

5. Chairman's Statement

Performance

The Company produces between 80m³ to 200m³ per day depending on time of the year and condition of water sources. Mulima and Mukundi sources dried during the March dry season.

Due to increase in population, silting of earth dam reservoirs, unreliable electricity at Kinze, and also the good rain providing customers with alternative water sources, the water supply has drastically reduced.

Mbumbuni source is pumping where electricity is unreliable due to low power most of the time. Low electricity at Kinze and the area in general most of the times has made Mbumbuni water supply unreliable. This unreliable electricity leads to damage to three phase motor and other electrical wiring and appliances and can be rectified through installation of a transformer at Kinze pumping station to reduce power outage and damages due to low voltage. Installation of hybrid solar power to reduce on high production cost of electricity and treatment chemicals is high. The supplies being rural, water consumption is low during the rainy season which also reduces the water demand drastically. Drying of water sources will be mitigated by desilting of Mulima and Kinze earth dam reservoirs as well as construction of a water reservoir at Mukundi.

2. Strengths.

- 1) Good relationship with partners.
- 2) Availability of adequate sunshine most times of the year.
- 3) Good topography within service area with gravity water sources.
- 4) Available water sources.
- 5) Ready market for water.

3. Challenges.

1. Lack of funds, limited external support.
2. Lack of policies.
3. Unskilled personnel, old staff.
4. Supply of raw untreated water
5. Inadequate water supply.
6. Dilapidated infrastructure.
7. High NRW levels
8. Minimal focus on sanitation.
9. Limited water storage facilities.
10. Services not automated.
11. Inadequate office infrastructure.
12. Unreliable electricity
14. Vandalism.
13. High abstraction cost by WRA at 5%

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4. Improvement Plan/Way Forward

- The County has invested in the Company Kshs. 150M this Financial year 2023/2024 and 2024/2025 to rehabilitate Mulima w/supply phase one is complete which includes rising mains from Mulima to Nthungoni, Nduni and Nzeveni. Construction of treatment works and rising main to Syiluni is in progress.
- Through investment by the County and World Vision in Athi-Kalawa-W/Project, the Company will increase coverage, customer and revenue base once the project is handed over to the Company for operation and maintenance. The Company has set out a satellite Office.
Other projects implemented by the County and World Vision in Kalawa are all planned to be handed over to MBONWASCO for operation and maintenance.
- Improvement of Water access and service delivery within MBONWASCOs area of operation has been implemented by doing the following through Ksh.11,000,000.by FLLoCA funded by K-WASH: Solar installation at Kinze, Distribution pipeline construction to NO.8, Construction of water kiosk at No.8 and Installation of plastic tanks at No.8.
- The company has applied and submitted a tariff application to the regulator and now awaiting review results from the regulator.
- The Company through support from the County Government has done proposals to K-WASH, proposing to rehabilitate Mbumbuni, Mulima and Mukundi water supplies. The process has progressed and we are at stage of finalising Disbursement Linked Indicators (DLIs).

Name: Peninah Muendo Nduku



Signature

For: Chairman of the Board

6. Report of the Managing Director

I am pleased to present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2025. This is the 9th annual report and financial statements for the Company despite the challenges the Company faces.

The key activities during the year were provision of water services. This involves water treatment, pumping, line patrolling, repair of bursts and leakages, meter reading and servicing, billing and distribution of bills, disconnections, reconnections, revenue collection.

Performance of the Company during the year;

1. This period was faced with challenge unreliable grid power for Kinze pumping station. This lead to decrease in water production, billings and revenue collection.
2. Our revenue collection increased from Kshs. 1,513,108.00 to Kshs. 1,550,979.00 for the years 2023/2024. and 2024/2025 respectively giving an increase of -13.3% compared to 2.4 % last financial year
3. Our billings also dropped by 0.5% from Kshs. 2,613,160.00 to Kshs. 2,600,400 for the years 2023/2024 and 2024/2025 respectively.
4. Registered a pay bill No. with KCB for payment of revenue.
5. Digitised billing.
6. The company has developed a debt recovery policy.
7. The company has drafted a customer service delivery charter
8. A human resource operation manual has been developed by the management

Other challenges faced by the company.

1. Lack of funds, limited external support.
2. Lack of policies.
3. Un skilled personnel, old staff.
4. Supply of raw untreated water
5. Inadequate water supply.
6. Dilapidated infrastructure.
7. High NRW levels
8. Minimal focus on sanitation.
9. Limited water storage facilities.
10. Services not automated.
11. Inadequate office infrastructure.
12. Unreliable electricity
13. High abstraction cost by WRA at 5%
14. Vandalism.

The company is facing financial challenges and strategies have been put in place to improve on the liquidity of the Company by: -

- Enhancing revenue collection by doing timely meter reading, billing, bills distribution and revenue collection exercises.
- Reducing non-revenue water to good level .by carrying out prompt repairs to bursts and leakages, line patrolling, meter servicing and prevention of water theft.

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- Rehabilitation of 6km pipeline network damaged by road construction Companies by lobbying for resources and rehabilitation of other water infrastructure.
- Collection of outstanding debts.
- **Applying for a tariff to Wasreb to improve on the water rates of Kshs.50, Kshs.60 and Kshs.150 per cubic metre which is too low to sustain the Company.**
The application has been done and submitted.
- Board of Directors have been recruited to enhance governance issues and give policy directions.
- **Deposit and operations accounts opened.**
- **Registered a pay bill No to avoid cash losses**
- Billing digitised for ease of collection and accountability.

The successes registered by the Company were as follows: -

- i. All the staff have been put under the NHIF scheme,
- ii. Filing KRA returns monthly for the staff,
- iii. Being able to carry out major breakdowns prompt.
- iv. Board of Directors have been recruited.
- v. **A Managing Director has been recruited.**
- vi. Construction of treatment works by the County at Mulima is in progress- funding by the County.
- vii. Induction/training of the board members and the core management team was conducted.
- viii. **Opened a deposit account with Co-operative bank and an operations account with KCB.**
- ix. Registered a pay bill No. with KCB for payment of revenue.
- x. Digitised billing.

WAY Forward

The following are the needy areas for support/Collaboration

	Item	Current Status	Proposed intervention	current intervention/progress
	Automation of key services-ERP system.	Services carried out manually	Automate the key services	No funds to implement.
	Training of BOD and CMT	Training has been done	Training has been done	Training has been done

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Water treatment	<ul style="list-style-type: none"> Inadequate treatment at Kinze. Connections to benefit-373No. No treatment at Mulima and Mukundi Cons to benefit-224No. 	Construction of Composite Filtration units(CFUs) 2No total capacity 50m3/h at Kinze treatment works. Construction of Mulima and Mukundi treatment works.	<ul style="list-style-type: none"> Lack of funds to undertake construction of treatment works at Kinze and Mukundi. Construction of treatment works at Mulima is in progress.
	<ul style="list-style-type: none"> Old treatment equipment. 	Purchase and installation of water treatment equipment-FRO dosers, solution tanks and water testing equipment as well as chemicals.	Lacking funds to purchase and install water treatment equipment-FRO dosers, solution tanks and water testing equipment as well as purchase of chemicals
GFBC-Kithongo-Mukimwani	Damaged by road construction works:- <ul style="list-style-type: none"> Cons to benefit-45No. Distance -2.6Km, 63mm Distance -1.2Km, 40mm Size of pipe-63mm 	Construction of a 40mm-63mm pipe line from GFBC Mbumbuni to Kivani and Mukimwani	Lacking funds to construct a 63mm pipe line from GFBC Mbumbuni to Kithongo.
Mbumbuni-Usalala pipeline	Damaged by road construction works:- <ul style="list-style-type: none"> Cons to benefit-40No. Distance -5.7Km Size of pipe-90mm-63mm 	Construction of a 63mm pipe line from Mbumbuni to Usalala-Kyangondu	Lack of funds to undertake the works.
Kisau Girls-Ngoluni-Kyangondu-Kavingo pipeline	Damaged by road construction works:- <ul style="list-style-type: none"> Cons to benefit-25No. Distance -0.8Km, 90mm Distance - 3.4Km, 63mm Distance - 2.4Km, 63mm 	<ul style="list-style-type: none"> Construction of a 90mm pipe line from Kisau Girls to Ngoluni Construction of a 63mm pipe line from Ngoluni to Kitandi. 	<ul style="list-style-type: none"> Lack of funds to undertake the works
Mbumbuni Market Steel tank	The Steel tank is corroded, leaking	Erection of a new 100m3	Erection of a new 100m3 steel tank

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		<p>from sides and the bottom and holding a quarter of its original capacity of 86m³.</p> <ul style="list-style-type: none"> • Cons. to benefit-225No. • Required size – 100m³ 	<p>steel tank on a 10m steel tower with all connections done.</p>	<p>on a 10m steel tower with all connections is lacking funds.</p>
	<p>Ngaa masonry tank and pipeline</p>	<ul style="list-style-type: none"> • Current tank is a steel retaining wall with a water proof lining which is tone and holding 20m³ of water of its original capacity of 50m³. • Current pipe line is of small diameter 40mm. • Cons. to benefit-25No. • Distance –0.6Km • Distance – 2.0Km <p>Size of tank-50m³</p>	<ul style="list-style-type: none"> • Construction of 100m³ ground masonry tank • Construction of 1Km pipeline from the constructed tank 	<ul style="list-style-type: none"> • Lack of funds to undertake the works
	<p>NRW</p>	<p>NRW above recommended market bench marks at 36.34%</p>	<ul style="list-style-type: none"> • Acquisition of leak detector. • Acquisition of pipeline locator. • Acquisition of meter calibration bench • Installation of production, zonal smart meters, as well as smart consumer meters. 	<ul style="list-style-type: none"> • Lacking funds for installation of production, zonal smart meters, as well as smart consumer meters.
	<p>Tariffs.</p>	<p>Use of unapproved Tariffs</p>	<p>Development of Tariffs.</p>	<p>Tariff application submitted to the regulator (WASREB)</p>
	<p>Transformer at Kinze pumping station.</p>	<p>Transformer is over six hundred metres away and is being used by the community, leading</p>	<p>Installation of a transformer at Kinze pumping station site.</p>	<p>The management has written to the County and the area MP requesting for assistance to install the</p>

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		to recurrent low power and destruction of our appliances always. Cons to benefit-373No.	KPLC quotation is at Kshs.1.5m	transformer and yet no positive response.
	Three phase motor and pump.	Stand by motor faulty and the current one in use rewind twice Cons to benefit-373No.	Installation of a new Three phase motor 37kw and multi stage centrifugal pump equivalent to the one on site	With availability of funds, Installation of a new Three phase motor 37kw and multi stage centrifugal pump equivalent to the one on site
	Policies and plans	<ul style="list-style-type: none"> • Strategic plan expired in 2023 • Other policies and plans not formulated. 	Review of strategic plan. Formulation and approval of polies and plans.	We are in process of Preparing the 2025-2030 strategic plans. Policies and plans in progress.

With support from the County Government and other development partners the company will put efforts and mitigation measures in addressing the main challenges mentioned above. The company will also continue to extend it services to un-served residents in all the schemes.

Name: Nicodemus M. Titus

Signature

Managing Director

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7.Statement of Performance against Predetermined Objectives

Current status on key performance indicators.

Below are the MBONWASCO performance indicators according to sector benchmarks as indicated in Wasreb Impact Report 16, which are ranked as good, acceptable or not acceptable by the regulator.

WASREB							
Key Performance Indicators		Good	Acceptable	Not Acceptable	Impact Report	Target	
1	Water coverage	>90%	80 – 90%	< 80%	ncd	25%	
2	Drinking Water Quality	>95%	90 – 95%	< 90%	55%	25%	
3	Hours of Supply	Population < 100,000	17 – 24	12 – 16	< 12	9%	12%
4	Personnel Expenditure as % of O&M costs	Small WSPs	< 40%	40 – 45%	> 45%	91%	60%
5	O&M Cost Recovery		≥ 150%	100-149%	≤ 99%	ncd	50%
6	Revenue Collection Efficiency		> 95%	85-95%	<85%	48%	80%
7	Non-Revenue Water		< 20%	20– 25%	>22%	36.34%	33%
8	Staff Productivity - Staff per 1,000 connections	Small WSPs	< 9	9 – 14	> 14	28%	21%
9	Metering ratio		100%	95 - 99%	< 95%	94%	100%

Water coverage: MBONWASCO's water coverage though it was at 10.23%, it was reported as 3%. Due to challenges with the water supply and distribution, occasioned by \;-increased water demand reducing coverage area, damaged pipelines during road construction reducing area supplied, reduced water supply, old dilapidated pipelines. Which no longer function. There is need for rehabilitation of the whole supply system and expansion to new areas.

Drinking water quality: Water quality was reported at 100 % for this indicator, The Company has a small water treatment works at Kinze with a capacity of 10m³/hour contributing to low water production level while the other two sources lack treatment works. The Company has raised proposals on construction and expansion of treatment works.

Hours of supply:- Hours of supply stands at unacceptable levels of 10 hours a day due to insufficient

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water production levels coupled with dilapidated infrastructure. In addition, MBONWASCO's current storage capacity is 1,450m³, which is insufficient for the current population. Given that MBONWASCO operates in Arid Semi-Arid Lands (ASAL), strategies for rain water harvesting are being considered to ensure water is kept for the drought periods.

Personnel expenditure as percentage of O&M costs: MBONWASCO Personnel expenditure as percentage of O&M costs is above the recommended standards but has improved from 69% to 66%.

O&M cost coverage : O&M coverage costs are at low levels improved from 50% to 53%. Tariff levels are also low and there is a need to change the current tariff to enable improvement in finances and service provision. There are three distinct tariffs in effect that were agreed upon at the community level for 1m³ as follows: Mbumbuni water supply project: Kshs. 150, Mulima water supply project: Kshs. 60, and Mukundi water supply project: Kshs. 50.

Revenue collection efficiency: -Revenue efficiency was at a level of 58%.

Staff productivity: - Staff productivity standards is above the recommended standards and has increased from 21 staff per 1,000 connections to 48 staff per 1,000 connections.

Non-Revenue Water: - NRW is at 45%.

Metering Ratio: -Metering ration stands 95%.

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ANNUAL WORKPLAN FY 2024/2025

Strategic Pillar/The me/	Objective	Key Performance Indicators	Activities	Achievements
1. Water sanitation and infrastructure development	Increase water supply coverage from 10.2% to 25% by end of 2024/2025	Number of kilometres of pipeline rehabilitated/replaced, No. of kiosks constructed and rehabilitated, No. of water meters purchased and installed, No of minor repairs/replacements done.	Construction of GFBC-Kithongo pipeline,	Construction of GFBC-Kithongo pipeline will be funded through the ward development fund for county government of Makueni .
			Rehabilitation of 2No. Water Kiosks.	Rehabilitation of the water kiosks at Iviani and Nгаа market from own revenue.
			Repair of Steel Storage Tank (rehabilitation works),	Rehabilitation of steel tank at Mbumbuni market to be done using K-A-WASH Programme.
			Others minor repair works-Replacement of ball valves at Ngetha and tank Zero.	Replacement of ball valves has been funded by the county government of Makueni doing repair works.
2. Operational efficiency and customer satisfaction	Reduce NRW from 45% to 33% by end of 2024/2025	No. of section meters installed	Purchase and install 4 section meters	No funds to Purchase and installation section and consumer meters.
		No. of consumer meters purchased	Purchase and install 100 consumer meters	
		No. of leaks reported by customers	Sensitization of customers and community to report leaks and bursts	34No. breakdowns reported and attended to
		-No. recruited and trained. -% adherence to the billing cycle	-Train more meter readers -Implementation of billing cycle -Provide meter readers with working tools	-On time bill generation and share. -meter readers provided with tools
		-Procure and install proper billing system -Implement an effective and efficient billing system	-Implemented billing system -Percentage of bills without errors	Billing digitised

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		No. of illegal connections prosecuted	Eliminate illegal connections	Lack of legal framework to prosecute illegal connections
		% of meters serviced	Frequent meter servicing	Ensure 100% Meters have been regularly serviced
Improve operational efficiency		NRW reduction	NRW reduced	NRW at 36.34%
		Improve service delivery	Well-coordinated activities	Improved service delivery
Maintain water quality standards at 95% and above by Q4 of 2024/2025		Equip and rationalize testing laboratory	Construction and equipping of water testing laboratory.	Laboratory at Mulima to be constructed.
		Percentage of water quality	Percentage of water quality	Water quality maintained at 100%
Ensure 100% process automation to increase efficiency by end of 2024/2025		Levels of inter and intra departmental coordination and efficiency -No. of computers purchased	Purchase Enterprise Resources Planning (ERP) software -Purchase 5 office computers	No funds to purchase and install the EPR system and computers.
To increase customer satisfaction level from 50% to 85% by Q4		Level awareness and understanding of customer charter	Develop customer service charter	Approved customer charter in place
3.Financial sustainability	Improve O & M cost coverage from 50 % to 60% by 2024/25 Increase water revenues by 100%	Increase water revenues by 100%	Increase water revenues by 100%	Collection at 61%
		% reduced cost of O&M	Cost management measures Investment in green energy audit Feasibility study both technical and financial	<ul style="list-style-type: none"> O & M cost at 53% from 50% indicating an improvement Improved OCCR
	Increase current revenue base from KES 250,000.00 to 500,000.00 per month by end of 2024/2025	Develop and implement appropriate and approved tariff	Develop, seek approval and implement appropriate and approved tariff	Development of cost recovery tariff in progress
		No. of active connections increased	Increase number of active connections from 598 to 750	Connections increased and new water projects absorbed.
To improve collection	Increase in collection efficiency	Improve on collection efficiency	Efficiency at 61%	

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	efficiency from 58% to 85% in 2024/2025	Sensitizations	Sensitize customers on the need for timely and prompt payment	Sensitisation done during revenue collection exercises
		Implemented integrated financial management system-procurement, stores	Implement an integrated financial management system	No funds to purchase and install integrated financial management system
4. Institutional capacity strengthening	Ensure staff to connections ratio of 8 to 1,000 connections in 2024/2025	Implementation status	Implement new organization structure as set in the strategic plan.	No funds to fully implement the organization structure as outlined in the strategic plan.
		Level of compliance and enforcement of HR policy	1. Develop and implement HR function in the organization, 2. Develop HR policy manual	1. No funds to implement the function. 2. Draft HR policy manual done.
		Staff appraised	Manage staff performance	Staff put under performance appraisal
		Revised terms and conditions	Improve employee terms and conditions of service	To be improved once financial position improves
5. Improve corporate governance	Appointment of a Board	Board members recruited	Advertise and recruit Board members	Board members recruited.
	Build board capacity for good corporate governance by 2023	Board members capacity build.	Strengthen capacity of the board on corporate governance	Board members inducted/trained.

8. Corporate Governance Statement

During the year under review, the board held two (2) full board meetings and one (1) special board meeting. The succession plan is as guided by Water Services Regulatory Board (WASREB) guidelines and the Memorandum and Articles of Association of Mbooni Water and Sanitation Company Limited. This requires that after the third year from the date of Board inauguration, a third of the directors shall retire and be replaced. This shall continue by rotation every successive year.

The new board of directors were appointed in observance of the water Act 2012, Makueni County water Act 2020, and Wasreb guidelines. The independent board of directors were appointed on 11th October 2023 and inaugurated on 11th October 2023 while the institutional Directors were appointed on 20th February 2024. The roles of the directors are mainly policy formulation, guidance and oversight. The board members as well as core management team have been inducted/trained on corporate governance to prepare it for both board and individual performance.

The boards remuneration is mainly sitting allowance for all the board members for each meeting attended, transport for independent Directors and a monthly honorarium for the Chairperson of the board. The members are subject to observance and adherence to integrity tenets that include conflict of interest, code of ethics and conduct and other issues related to governance as stipulated in the WASREB corporate governance guidelines for the water sector 2018. The interim board assisted in acquiring an interim three (3) year operating licence from the WASREB. Currently the term of office for the interim board expired and advertisement for the new board of directors has been done.

9. Management Discussion and Analysis

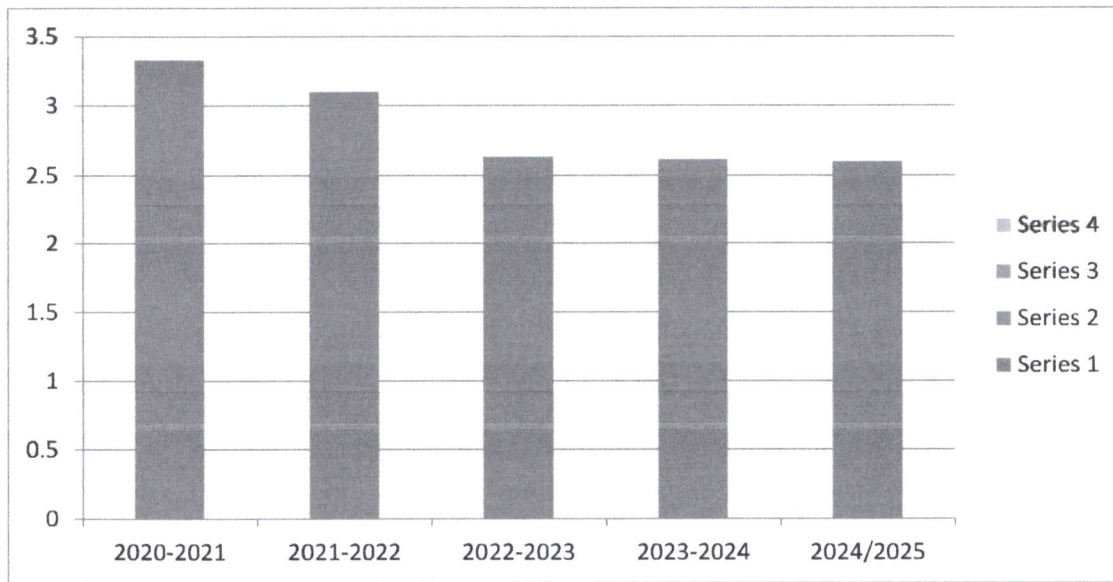
1. Revenue/Income

During the Financial year 2024-2025, the Company registered a slight decrease in its revenue by Kshs.0.013M representing a 0.5% decrease in growth compared to financial year 2023-2024.

The company increased its registered connections by 22 during the year.

The assets of the Company did not grow during the year.

Year	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Amount(Kshs 'm')	3.331	3.100	2.63	2.613	2.6



2.Mbonwasco’s key projects or investments decision implemented or ongoing: -

Mbonwasco did not have key projects or investments decision during the year.

3. Compliance with statutory requirements: -

- NSSF: NSSF is in arrears.
- NHIF: NHIF is in arrears.
- PAYEE: Payee returns filed on monthly basis but in arrears.
- WRA: WRA water use fee paid only outstanding is current billing.
- WASREB: In arrears in payment of regulatory fee to Wasreb.
- WASPA: We were not subscribed for the year under review.
- Operating Licence: The Company has a three-year interim operating licence from the regulator (WASREB).

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4. Major risks facing MBONWASCO:-

MBONWASCO faces a myriad of challenges yet must strive to be effective and efficient in their operations to win the confidence of stakeholders in a dynamic water sector and business environment. The formulation and execution of a comprehensive risk management framework therefore will assist the board and CMT to be well prepared in facing MBONWASCO's challenges through oversight, making informed decisions, control and commitment towards progressive improvement of her risk management capabilities. Currently Mbonwasco has no Risk management policy and Risk Recovery plan place. Formulation of these policies is in progress.

Contributing Factor	Risk/Implication to MBONWASCO	Mitigate / enhance / exploit
Political interference	<ul style="list-style-type: none"> Undermines technical efficiency and operations of MBONWASCO strangling growth and compromises decision making processes 	<ul style="list-style-type: none"> Operate MBONWASCO based on sound business principle at all levels. Create awareness on MBONWASCO's objectives and align where appropriate with relevant political leaders towards achievement of objectives.
High cost of living	<ul style="list-style-type: none"> Inability of people to pay for water Mushrooming illegal connections hence NRW Increased cost of water production (O&M costs) 	<ul style="list-style-type: none"> Create awareness to help consumers understand the need to pay for services if MBONWASCO is to provide quality water Advise on payment in instalments so as not to lock out clientele at different levels.
High cost of raw materials	<ul style="list-style-type: none"> Increase of production costs 	<ul style="list-style-type: none"> Identification and use of quality alternative raw materials
Increased power rates due to inflation	<ul style="list-style-type: none"> Increase of overhead costs 	<ul style="list-style-type: none"> Introduce alternative sources of power for pumping water (solar power and/ or wind power)
Ideology on compensation by land owners where infrastructure traverses through private land	<ul style="list-style-type: none"> Progress in implementation of development projects is hampered. Infrastructure located on road reserves. 	<ul style="list-style-type: none"> Consultations with stakeholders who will be affected by development project should be commenced well in advance before any implementation.
Ideology of free water for all that is reinforced by high-level politicians	<ul style="list-style-type: none"> Unwillingness of communities to pay for water services 	<ul style="list-style-type: none"> Create awareness on implications of free water and reasons on what charges entail and why

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	<ul style="list-style-type: none"> • Vandalism of water supply facilities • Rise of illegal connections hence increasing NRW 	<ul style="list-style-type: none"> • Patrol of areas where distribution network is and act on cases of vandalism and illegal connections
Ideology amongst communities that water is expensive	<ul style="list-style-type: none"> • Unwillingness of communities to pay for water services • Unwillingness of communities to seek for water connections to their households • Realization of losses 	<ul style="list-style-type: none"> • Create awareness on tariff development process to enhance understanding of elements costed in final price given for services provided and the importance.
Community perception on project ownership	<ul style="list-style-type: none"> • Limited support of development project • Vandalism of infrastructure and increase in NRW 	Sensitization and engagement of communities at every stage of the proposed project from planning to implementation to instill a sense of ownership amongst communities
Lack of compliance to the relevant legislation (Water Act 2016, Occupational Safety and Health Act, 2010, WASREB regulations)	<ul style="list-style-type: none"> • Risk of lawsuits and dissolution • Risk of being disreputable 	<ul style="list-style-type: none"> • Apply for SPA for MBONWASCO operations • Submit statutory deductions required • Adopt protective and preventive measures to promote safe working conditions for all staff (use of protective equipment/ clothing)
Lack of legal procedures to prosecute water defaulters	<ul style="list-style-type: none"> • Loss of revenue 	<ul style="list-style-type: none"> • Coordinate with Makueni County government to provide legal officer to guide on actions to be taken.
Climate change and environmental degradation	<ul style="list-style-type: none"> • Disappearance of natural water sources due to interference of the hydrological cycle • Decline in water quality and quantity produced 	<ul style="list-style-type: none"> • MBONWASCO to be proactive in initiating and collaborating with relevant agencies in environmental conservation activities
Drying of water sources	<ul style="list-style-type: none"> • Decline in efficient water and sanitation service provision • Loss of clientele base • Increase in losses 	<ul style="list-style-type: none"> • Lobby NEMA, communities through WRUAs and WRMA to actively engage in conservation of water sources and their related ecosystems • Lobby for the recharge and reactivation of WRUAs in Mbooni

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	<ul style="list-style-type: none"> • Loss of confidence by clientele in MBONWASCO 	<p>to implement environmental protection initiatives to recharge water sources through afforestation and reforestation.</p> <ul style="list-style-type: none"> • Engage in education and awareness drives on the impacts of sand harvesting to water sources and related ecosystems and how it affects water supply
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5. Material arrears in statutory and other financial obligations: -

The Company has an outstanding trade and other payables totalling to **Kshs 11,100,019**

6. Review of the economy: -

The economy has not been performing well occasioned by high inflation which affected most Kenyan earnings, reducing their ability to pay for water services which has direct effect on our operations.

The following were the effects to our operations: -

- Affected consumers were not willing to pay for their water bills which reduced our revenue collections.
- Cost power, fuel and oils, water treatment chemicals and other consumables has become very high consuming the little revenue collected.
- Cost of living for the staff has also been affected by the high cost of living.

7. Review of the sector:-

The water sector is growing and there is need for investment in the water sector.

Small and not well established water Service Providers have a challenge in growing in the sector because most donors are not willing to engage them and make them grow because of their low revenue levels. However:-

- The County Government of Makueni has invested in Mulima water supply to desilt the dam reservoir; construct treatment works and rehabilitate the water infrastructure. Currently construction of the treatment works is in the progress.
- The National Government and the World Bank through K-WASH programme are at advanced stages of funding the Company to rehabilitate its infrastructure and do pipeline extensions.

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- The National Government and the World Bank through K-WASH programme (FLLoCA have installed solar power at Kinze pumping station and constructed mamba Nyanya pipeline
- Hand over to Mbonwasco Athi Kalawa water project and other projects developed by World Vision and the County. Some of the projects are complete while others are under construction.

8. Future development: -

Future developments are contained in the Company's strategic plan and implementation of the developments is constrained by lack of resources. This developments covers:-

- Rehabilitation of Mbumbuni water supply which includes: - Installation of green energy at Kinze, Construction of treatment works, desilting of Kinze earth dam, installation of meters, automation of water kiosks, and construction of tanks and pipelines.
- Rehabilitation and expansion of Mukundi water supply comprising a flood water storage reservoir, treatment works, pipelines and tanks.
- Rehabilitation of Mulima water supply which includes desilting of Mulima earth dam, replacement of the pipeline infrastructure and construction of treatment works (In progress).
- Hand over to Mbonwasco Athi Kalawa water project and other projects developed by World Vision and the County. Some of the projects are complete while others are under construction.

10. Environmental and Sustainability Reporting

Mbonwasco exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability

Sustainability strategy and profile -

The sustainability of the utility is key in realization of the rights to water and sanitation services. Water losses measured as NRW is the main operational sustainability indicator and has a direct effect on quality of service seen in terms of access, quality, reliability and affordability. NRW status was reviewed and a marginal decline in NRW was noted in current period, 36.34% is still quite high and efforts have been put to reduce this to an acceptable level of 25%. This is by installation of customer, zonal and master meters as well as repair of tanks, prompt response to bursts and leakages, servicing of meters. Sustainability of the Utility will also depend on political will which will ensure that there is no political interference of running of the utility and willingness to avail County resources to rehabilitate and expand infrastructure of the Company. The Economy of the Country has not been doing well. This has also affected the economy of our customers, reducing their ability to settle their bills, hence reducing our revenues.

We have not been able to have Human resource, Accounting Audit and Procurement functions. Key services are not automated. Most policies are not formulated. But there were positive developments as follows:-

- We have been able to pay for electricity throughout the financial year without a disconnection.
- All the staff have been put under the NHIF scheme,
- Filing KRA returns monthly for the staff,
- Being able to carry out major breakdowns prompt.
- Board of Directors have been recruited.
- A Managing Director has been recruited.
- Construction of treatment works by the County at Mulima is in progress- funding by the County.
- Induction/training of the board members and the core management team was conducted.
- Opened a deposit account with Co-operative bank and an operations account with KCB.
- Registered a pay bill No. with KCB for payment of revenue.
- Digitised billing.

Environmental performance

The organisation does not have an environmental policy, and it does not produce waste.

Employee welfare

The organisation has a draft human resource policy manual and process in on to have it approved by the board. No activity carried out to improve skills and managing careers, appraisal and reward systems during the year. The organisation has no policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

Market place practices

The organisation has made efforts on the following areas:

(i) Responsible competition practice.

We maintain responsible competition practices with issues like anti-corruption by ensuring that our completion is ethical. Our political involvement is responsible and is on development agenda and not in any way to affect operations of the Company. Our competition is fair as our prices cannot be increased without stakeholder consultation and approval by the regulator Wasreb to the disadvantage of our competitors. We respect competitors and they play an important stakeholder in bridging the gap in water coverage and supply. They also supplement our services when we have no supply due to break down or our sources drying up.

(ii) Responsible Supply chain and supplier relations

Suppliers are treated responsibly and their payment done.

(iii) Responsible marketing and advertisement

We don't advertise for our services and we are readily available to our customers and prospective customers.

Product stewardship

The organisation is developing a customer service charter. Customer complaint are received and acted on. Timely response to customer is always issued.

Corporate Social Responsibility / Community Engagements

The organisation did not have CSR activities carried out in the year.

11. Report of the Directors

The Directors submitted their Annual report together with the financial statements for the year ended 30th June 2025 which show the state of the company's affairs

i. Principal activities

The principal activities of the Company are:-

- Provision of water services in its area of jurisdiction as defined by the operating licence and
- Expansion of county assets for water service provision.

ii. Results

The results of the company for the quarter ended June 30, 2025 are set out on page 1.

iii. Dividends

The company did not declared dividends for the year ended June 30, 2025.

iv. Directors

The members of the Board of Directors who served during the year are shown on page v in accordance with Regulation of 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.

By Order of the Board

Name: Peninah Muendo Nduku

Sign:

For: Chairperson of the Board

Date: 22nd August 2025

Nicodemus M. Titus

Sign:

Secretary to the Board

Date: 22nd August 2025

12. 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 that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes:

Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

- (i) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (ii) 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;
- (iii) Safeguarding the assets of the Company;
- (iv) Selecting and applying appropriate accounting policies; and
- (v) Making accounting estimates that are reasonable in the circumstances.

The Directors are responsible for the preparation of 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.

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of the Company's transactions during the financial year ended June 30, 2025, 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.

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The County Owned company is in a tough financial situation and is struggling to pay its debts. The County Government gives the company a bailout and guarantees all payment to its creditors. The state owned company is a going concern despite its poor financial position.

Approval of the financial statements

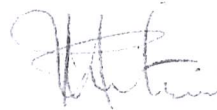
The company financial statements were approved by the Board on 22nd August 2025 and signed on its behalf by:

Name: Peninah Muendo Nduku



For: Chairperson of the Board

Name: Nicodemus M. Titus



Managing Director

REPUBLIC OF KENYA

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Email: 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 MBOONI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mbooni Water and Sanitation Company Limited set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive

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

In my opinion, except for the 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 Mbooni Water and Sanitation Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Note 29 to the financial statements reflect trade and other receivables balance of Kshs.5,189,111. Included in the balance are receivables totalling Kshs.4,118,889 which have been outstanding for more than three hundred and sixty (360) days. Management did not provide measures put in place to recover the long outstanding receivables.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.4,118,889 could not be confirmed.

2. Non-Disclosure of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.21,000 in respect to purchase of a computer during the year under review and as disclosed in Note 20 to the financial statements. However, review of the Company's records provided revealed various assets including land, motorcycle, furniture, tanks and equipment which were not disclosed in the financial statements. Further, ownership documents for land and motor vehicles were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.21,000 could not be confirmed.

3. Unconfirmed Refundable Deposits and Prepayments

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.297,000 as disclosed in Note 43 to the financial statements. However, the certificate of bank balance indicated a closing balance of Kshs.118,891 resulting to a variance of Kshs.178,109 which represent the amount borrowed by Management to finance other Company activities.

Further, the annual report indicates that the Company had 1,558 registered connections as at 30 June, 2025. Analytical review of documents revealed that the Company charges a deposit of Kshs.1000 for each connection resulting to projected customers' deposits of

Kshs.1,558,000 as at 30 June, 2025 which differs with the disclosed balance of Kshs.297,000 resulting to unexplained variance of Kshs.1,261,000.

In the circumstances, the accuracy and completeness of customers' deposits balance of Kshs.297,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mbooni 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.

Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.1,446,430 (deficit of Kshs.720,634 for financial year 2023/2024). In addition, the statement of financial position reflects current liabilities totalling Kshs.11,100,019 against current assets of Kshs.5,385,026 resulting in a negative working capital of Kshs.5,714,993.

Further, trade and other payables balance of Kshs.11,100,019 increased by Kshs.2,619,838 from the previous year's balance of Kshs.8,480,181, which may be an indication of the Company's inability to settle its obligations as and when they fall due.

Management highlighted in the annual report several challenges which include dilapidated water distribution infrastructures, which may have contributed greatly to increased loss of water, limited external support, broken/leaking water storage tanks/reservoir and faulty three phase motor pump.

Although, Management has outlined a number of measures taken to ensure future improved profitability of the Company including: improvement of water access and service delivery within its area of operation, making proposals to rehabilitate Mbumbuni, Mulima, and Mulundi water supplies and application and submission of tariff application to the regulator for review, the measures may not bear immediate results.

In the circumstances, the ability of the Company to continue to sustain its services could not be confirmed.

My opinion is not modified in respect of this matter.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.5,930,176 and Kshs.1,664,130 respectively resulting to under-funding of Kshs.4,266,046 or approximately 72% of the budget.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 42 to the financial statements reflect trade and other payables balance of Kshs.11,100,019. Included in the balance are payables totalling Kshs.5,664,499 which have been outstanding for more than three (3) years and there were no measures in place to settle the debts.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion and Material Uncertainty Related to Going Concern sections, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on pages iv to xxxiv which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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. Excessive Non-Revenue Water

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue from water sales of Kshs.2,600,400. Review of records provided revealed that the Company produced a total of 51,341 cubic meters (m³) of water. However, only 32,686 cubic meters of water were billed to customers. The balance of 18,655 cubic meters or approximately 36% of the total production with a sale value of Kshs.1,476,802 represents Non-Revenue Water (NRW) which is above the allowable loss of 25% provided under the Water Services Regulatory Board Guidelines.

In the circumstances, Management was in breach of the law and Non-Revenue Water negatively impacts on the Company's service delivery, profitability and long-term sustainability.

2. Lack of an Approved Water Tariff

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue from water sales of Kshs.2,600,400. However, the tariff in use is undated and is not approved and gazetted by the Water Services Regulatory Board (WASREB). This is contrary to Paragraph 4.0 (11) of the WASREB Tariff Guidelines of June, 2023 which states that the process for tariff adjustments is initiated by the Water Service Provider (WSP) and upon approval by the Board of Directors, WASREB shall gazette the tariff with a 30 days' notice for implementation by the WSP and this process shall take a maximum of six (6) months from the receipt of a complete application. Although, Management explained that the undated and ungazetted tariff was in use since 2012, the same has not been updated.

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

3. Lack of an Annual Procurement Plan

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflect general and operations expenses amount of Kshs.1,512,142. However, Review of the procurement process for the financial year ending 30 June, 2025 revealed that the Company did not prepare a Procurement Plan contrary to Regulation 113(2) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that every year a Procurement Plan shall be prepared by the Accounting Officers to form the basis for procurement activities undertaken by Government entities in the fiscal year.

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

4. Failure to Maintain an Imprest Register

Review of records revealed that Management did not maintain an imprest register and imprest warrants for issuance of imprest. This is contrary to Regulations 91(2), 93(4)(c)(d)

and 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which require formal application of imprest through an imprest warrant. Further, the Accounting Officer shall ensure the applicant imprest has been recorded in the imprest register including the amount applied for and that adequate funds are available against the relevant items of expenditure to meet the proposed expenditure.

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

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON 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 effect of the matters described in the Basis for Conclusion on the 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

1. Lack of Approved Information and Communication Technology (ICT) Security Policy

Review of the Company's information technology systems revealed that the Company did not have an approved ICT Policy for governance and management of its ICT resources. In addition, there is no ICT Steering Committee in place to assist in the development of ICT Policy framework to enable the Company to realize long-term ICT strategic goals. Lack of an approved ICT Policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risks of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, effectiveness of the internal controls on management of ICT could not be confirmed.

2. Lack of Risk Management Policy and Strategy

Management had not put in place a Risk Management Policy, Strategies and Risk Register to mitigate against risks. It was, therefore, not clear how Management manages risk exposures. This is contrary to Regulation 158 (1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which require the Accounting

Officer to ensure that the County Government entity develops risk management strategies, which include fraud prevention mechanism; and that the County Government entity develops a system of risk management and internal controls that builds robust business operations.

In the circumstances, the effectiveness of risk management system could not be confirmed.

3. Lack of Company's Strategic Plan

During the year under review, Management did not develop a Strategic Plan in conformity with the Medium-Term Fiscal Framework financial objectives for the entity. This is contrary to Section 149(2)(g) of the Public Finance Management Act, 2012 which states that in carrying out a responsibility imposed by Sub-Section (1), an Accounting Officer shall, in respect of the entity concerned, prepare a Strategic Plan for the entity in conformity with the Medium-Term Fiscal Framework financial objectives of the County Government.

In the circumstances, Management was in breach of the law and the Company may not be able to achieve its goals and objectives.

4. Ineffective Board of Directors

Review of records revealed that during the year under review, the Board of Directors held two full board meetings on 4th November, 2024 and 1st April, 2025. This is contrary to Parameter 1.8(1) (a) of Mwongozo Code of Governance for State Corporations on Board meetings which stipulates that Board members should meet as regularly as required and at least quarterly in order to effectively lead the organization.

In addition, the Board did not have an Annual Board Work Plan, Board Charter and a Board Evaluation Report.

In the circumstances, the effectiveness of governance measures put in place could not be confirmed.

The audit was conducted in accordance with 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

Conclusion

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

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

- iii. The auditable part of the Directors' remuneration report on page 27 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

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

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

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

The Board of Directors 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The ISSAIs requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48

of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 December, 2025

Mbooni Water and Sanitation Company Ltd.
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14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June, 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	2,600,400	2,613,160
Grant Income	7	2,036,393	1,609,080
Other Income	8	133,952	
Total Revenue		4,770,745	4,222,240
Expenses			
Staff Costs	11	4,168,563	3,249,328
General and Operations expenses	12	1,512,142	1,296,812
Board Expenses	13	310,680	256,000
Maintenance Expenses	14	203,790	140,735
Depreciation and Amortization expenses	15	22,000	
Total Expenses		6,217,175	4,942,874
Profit/(Loss) Before Taxation		(1,446,430)	(720,634)
Income Tax Expense/(Credit)	17		-
Profit/(Loss) After Taxation		(1,446,430)	(720,634)

The financial statements were approved by the Board on 22nd August 2025 and signed on its behalf by:

Nicodemus M. Titus



Managing Director

Daniel Mutua.



Technical Support Officer

ICPAK M/No:24324

Peninah Muendo Nduku



For: Chairman of the Board

Mbooni Water and Sanitation Company Ltd.
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15. Statement of Financial Position as at 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	20	21,000	
Intangible assets	21	45,000	
Total non-current assets		66,000	
Current assets			
Trade and other receivable	29	5,189,111	4,118,889
Bank and cash balances	32	195,915	136,729
Total non-current assets		5,385,026	4,255,618
Total Assets		5,451,026	4,255,618
Capital and Reserves			
Retained Earnings	36	(6,045,993)	(4,499,563)
Ordinary Share Capital	33	100,000	
Total Capital and Reserves		(5,945,993)	(4,499,563)
Non-current liabilities			
Refundable Deposits and Prepayments	43	297,000	275,000
Total non-current liabilities		297,000	275,000
Current liabilities			
Trade and other payables	42	11,100,019	8,480,181
Total current liabilities		11,100,019	8,480,181
Total liabilities		11,397,019	8,755,181
Total equity and liabilities		5,451,026	4,255,618

The financial statements were approved by the Board on 22nd August 2025 and signed on its behalf by:

Nicodemus M. Titus

Daniel Mutua.

Peninah Muendo Nduku



Managing Director



Technical Support Officer



For: Chairman of the Board

ICPAK M/No:24324

Mbooni Water and Sanitation Company Ltd.
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16. Statement of Changes in Equity for the Year Ended 30 June 2025.

	Kshs	Kshs	Kshs
As at July 1, 2023		(3,778,929)	(3,778,929)
Profit for the period		(720,634)	(720,634)
At June 30, 2024		(4,499,563)	(4,499,563)
As at July 1, 2024		(4,499,563)	(4,499,563)
Issued share capital	100,000		100,000
Transfer to share capital		(100,000)	(100,000)
Profit for the period		(1,446,430)	(1,446,430)
At June 30, 2025	100,000	(6,045,993)	(5,945,993)

Mbooni Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Cash Flows for The Year Ended 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		1,530,178	1,516,227
Customer Deposits		22,000	42,106
Other Income		133,952	
Total Receipts		1,686,130	1,558,333
Payments			
Staff Costs		711,336	680,055
General And Operation Expenses		685,034	617,109
Board Expenses		27,784	43,000
Maintenance Expenses		174,790	140,735
Total Payments		1,598,944	1,480,899
Net Cash From/ (Used In) Operating Activities	47	87,186	77,434
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment		(28,000)	
Net Cash From/ (Used In) Investing Activities		(28,000)	
Cash Flows from Financing Activities			
Other financing activities		-	
Net Cash From/(Used In) Financing Activities		-	
Increase/(Decrease) In Cash and Cash Equivalents		59,186	77,434
Cash And Cash Equivalents At Beginning Of Year		136,729	59,295
Effects Of Foreign Exchanges Rate Fluctuations		-	
Cash And Cash Equivalents At End of the period	32	195,915	136,729

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18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	A	b	c=(a+b)	D	e=(c-d)	f=d/c %
	Kshs	Kshs	Kshs	Kshs		Kshs
Revenue						
Operating Revenue	3,430,176		3,430,176	1,530,178	(1,899,998)	45%
Grants Income	1,560,000	800,000	2,360,000	-	(2,360,000)	0%
Other Income	140,000		140,000	133,952	(6,048)	96%
Total Revenue	5,130,176	800,000	5,930,176	1,664,130	(4,266,046)	
Expenses						
Staff Costs	3,454,600	765,000	4,219,600	711,336	3,508,264	17%
General and operations Expenses	1,032,171	35,000	1,067,171	685,034	382,137	64%
Board Expenses	320,000		320,000	27,784	292,216	9%
Maintenance Expenses	203,405		203,405	174,790	28,615	86%
Depreciation expense			-		-	
Total expenditure	5,010,176	800,000	5,810,176	1,598,944	4,211,232	
Profit or Loss	120,000.00	-	120,000.00	65,186	(8,477,279)	
Capital Expenditure	120,000.00		120,000.00	88,000.00	32,000	73%

Mbooni Water and Sanitation Company Ltd
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Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	65,186
Add: Cashflow from customer deposits	22000
Closing Cash and Cash Equivalent as per the statement of Cash flows	87,186

Notes:

- a) Operating revenue: The company did not achieve the budgeted operating revenue from sale of water due to low water supply during the year.
- b) Grants Income: The company did not achieve the Grants Income as planned

19. Notes to the Financial Statements

1. General Information

Mbooni Water and Sanitation Co. Limited is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Makueni County Government and is domiciled in Kenya. The Company's principal activity is Provision of water services to its customers. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Mbooni Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025

Notes to the financial statements (continued)

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

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

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 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.
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.
Amendments to IAS 12 titled	The amendments, applicable to annual periods beginning on or after 1st January	The amendments are effective for annual

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Title	Description	Effective Date
Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	periods beginning on or after January 1, 2023.

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Notes to the Financial Statements (Continued)

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

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(Based on the Directors assessment of the potential impact of application of the above standards, they do not expect that there will be a significant impact on the company's financial statements).

iii. Early adoption of standards

Mbooni Water and Sanitation Company Limited did not early – adopt any new or amended standards in year under review.

4. Summary of Accounting Policies

The principal 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.

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

The Company did not disclose any assets in the financial statements due to lack of ownership of the of the assets like buildings which are owned by the National Government. Other assets were donated to company by the County Government, Ministry of Water and Tana Athi. The management has requested the County Government to assist in valuation of the assets inherited by the company.

Summary of Accounting Policies

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. Computers and related equipment are depreciated at a rate of 25% annually.

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) Intangible assets

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

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

Summary of Accounting Policies

f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized and the asset is written down to its estimated recoverable amount. Amortization of software is at 25% annually.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Summary of Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

l) Inventories

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

m) Trade and other receivables

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

Summary of Accounting Policies

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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.

Summary of Accounting Policies

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 is 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.

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For the year ended June 30 2025

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

q) Cash and cash equivalents

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

r) Borrowings

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

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.

Summary of Accounting Policies

t) Retirement benefit obligations

The company 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 12% of an employee's monthly salary. 6% of the said contribution is deducted from the employee's salary while the other 6% is paid by the employer 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.

Summary of Accounting Policies

w) Budget information

The original budget for the FY 2023-2024 was approved by the Board of Directors on September 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 18 of these financial statements.

Summary of Accounting Policies

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

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.

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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Notes to the financial statements (continues)

6. Operating Revenue

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	2,600,400	2,613,160
Total	2,600,400	2,613,160

7. Grants Income

	2024-2025	2023-2024
	Kshs	Kshs
In Kind contribution from the County Government	2,036,393	1,609,080
Total	2,036,393	1,609,080

8. Other Income

	2024-2025	2023-2024
	Kshs	Kshs
Miscellaneous income (8b)	133,952	-
Total	133,952	-

8b. Miscellaneous income

	2024-2025	2023-2024
Description	Kshs	Kshs
New connection fee	57,315	-
Kalawa water project	76,637	-
Total	133,952	-

9. Finance Income

There was no finance income during the year

10. Other Gains and Losses

There were no Other Gains and Losses during the year

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11. Staff Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Salary and Allowances	2,358,398	1,568,520
Casual workers' Wages		6,800
Housing levy	24,820	23,528
Employer's contributions to NSSF	72,276	31,200
NITA Levy	6,850	10,200
Salaries for seconded employees	1,706,220	1,609,080
Total	4,168,563	3,249,328
The average number of employees during the year	17	20

12. General and Operations Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Bank Charges	20,701	17,529
Chemicals	49,060	26,960
Domestic Traveling and subsistence	319,570	334,205
Electricity	466,360	109,604
Fuel, oil, lubricants, and gases	29,160	27,210
Hospitality Expenses	33,702	54,185
Printing and Stationary	112,407	58,659
Office supplies	21,330	11,720
Postage and courier	11,586	6,129
Telecommunication	45,050	22,436
Audit fees	232,000	464,000
Licensing and levies	104,016	103,324
Financial Reporting facilitation	67,200	44,800
Registrar of company's penalties		16,050
Total	1,512,142	1,296,812

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13. Board Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Chairman Honoraria	120,000	
Sitting allowances	152,000	256,000
Travel and accommodation	20,000	
Other allowances	18,680	
Total Board Expenses	310,680	256,000

14. Maintenance Expenses

Description	2024-2025	2023-2024
	KShs	Kshs
Infrastructural networks	119,365	87,880
Plant and Equipment		37,705
Motor vehicles/bikes	39,675	13,885
Software	36,000	
ICT (Information Communication Technology)	8,750	
Office equipment		1,265
Total Maintenance Expenses	203,790	140,735

15. Depreciation and Amortization Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment	7,000	-
Intangible assets	15,000	-
Total Depreciation and Amortization	22,000	-

16. Finance costs

There were no finance costs during the year

17. Income Tax Expense/(Credit)

The company made an operating loss during the reporting year

18. Earnings Per Share

There were no earnings per share during the year.

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19. Dividend Per Share

There were no proposed dividends per share during the year.

20. Property, Plant and Equipment

	Computers & related equipment	Total
Cost Or Valuation		
At July 1, 2024		
Additions	28,000	28,000
At June 30, 2025	28,000	28,000
Depreciation		-
At July 1, 2024		-
Charge For the Year	7,000	7,000
At June 30, 2025	7,000	7,000
Net Book Value At June 30, 2025	21,000	21,000

21. Intangible Assets

	2024-2025	2023-2024
	Kshs	Kshs
Cost		
At July 1		
Additions	60,000	
Disposals		
At June 30	60,000	
Amortization		
At July 1		
Charge for the year	15,000	
At June 30	15,000	
Net book value		
At June 30	45,000	

22. Investment Property

The entity did not have any investment property to recognize in the books

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23. Right-of-use assets

There were no right-of-use assets to disclose

24. Biological Assets

There were no biological assets to disclose

25. Fixed Interest Investments (Bonds)

There were no fixed interest investments (bonds) to disclose

26. Quoted Investments

There were no quoted investments to disclose

Notes to the financial statements (continues)

27. Unquoted Investments

There were no unquoted investments to disclose

28. Inventories

There were no inventories to disclose

29. Trade and Other Receivables

	<i>2024-2025</i>	<i>2023-2024</i>
	KShs	KShs
Trade receivables (note (29a))	5,189,111	4,118,889
Net trade and other receivables	5,189,111	4,118,889

29. (a) Trade Receivables

	<i>2024-2025</i>	<i>2023-2024</i>
	KShs	Kshs
Gross trade receivables	5,189,111	4,118,889
Ageing analysis of the gross trade receivables as at 30th June		
Less than 30 days		411,889
Between 30 and 60 days		823,778
Between 61 and 360 days	1,070,222	1,647,556
Over 360 days	4,118,889	1,235,667
Total	5,189,111	4,118,889

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30. Tax Recoverable

There was no Tax Recoverable disclosure during the year

31. Short Term Deposits

There were no short-term deposits during the year

32. Bank and Cash Balances

	2024-2025	2023-2024
	KShs	Kshs
Cash at bank	195,915	136,729
Total	195,915	136,729

Detailed analysis of the cash and cash equivalents

		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
KCB Bank	1135156115	41,742	94,623
KCB Bank	1324946695	35,282	
CO-OP Bank	01100461017001	118,891	42,106
Grand total		195,915	136,729

33. Ordinary Share Capital

	2024-2025	2023-2024
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs.20 par value each	100,000	-
Issued and fully paid:		-
Grand total	100,000	-

34. Revaluation Reserve

The Company had no revaluation reserves during the year

35. Fair Value Adjustment Reserve

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

36. Retained Earnings

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

37. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently at 30%.

38. Borrowings

There were no borrowings during the year

39. Lease Liability

There were no leases during the year

Notes to the financial statements (continues)

40. Provisions

The company did not provide for provisions during the year. The management is in the process of formulate a policy on debt provision.

41. Retirement Benefit Obligations

There were no retirement benefit obligations to disclose.

42. Trade and Other Payables

	2024-2025	2023-2024
	KShs	Kshs
Operation's Payables		
Trade payables	256,872	165,727
Accrued Expenses	643,690	-
Revenue received in advance		
Employee payables	6,511,405	4,720,438
Other payables	3,688,052	3,594,016
Total Trade and Other Payables	11,100,019	8,480,181

Notes to the financial statements (continues)

42B. Aging Analysis for Trade and other Payables

	2024-2025	% of the total	2023-2024	% of the total
Under one year	2,662,642	24%	1,887,683	22%
1-2 years	2,076,878	19%	232,000	3%
2-3 years	696,000	6%	696,000	8%
Over 3 years	5,664,499	51%	5,664,499	67%
Total	11,100,019		8,480,181	

43. Refundable Deposits and Prepayments

	2024-2025	2023-2024
	KShs	Kshs
Customer deposits	297,000	275,000
Total	297,000	275,000

Aging Analysis for Refundable Deposits and Prepayments

	2024-2025	% of the total	2023-2024	% of the total
Under one year	22,000	7%	31,000	11%
1-2 years	31,000	10%	244,000	89%
2-3 years	244,000	82%		
Over 3 years				
Total	297,000		275,000	

44. Deferred Income

There was no deferred income during the year

45. Dividends Payable

There was no dividend payable during the year

46. Taxation

There was no tax effect during the year

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47. Notes to The Statement of Cash Flows

	2024-2025	2023-2024
	KShs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(1,446,430)	(720,634)
Depreciation	22,000	
Operating profit/(loss) before working capital changes	(1,424,430)	(720,634)
Working capital changes:		
(Increase)/decrease in trade and other receivables	(1,070,222)	(1,116,188)
Increase/(decrease) in trade and other payables	2,559,838	2,158,257
Customer deposits used in operations	22,000	(244,000)
Cash generated from/ (used in) operation	87,186	77,434
(b) Analysis of cash and cash equivalents		
Cash at bank	195,915	136,729
Balance at end of the year	195,915	136,729

48. Related Party Disclosures

County Government of Makueni

The County Government of Makueni is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Makueni has provided full guarantee 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 Makueni
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- WASPA

49. Capital Commitments

There were no capital commitments during the year

50. Contingent Assets and Liabilities

There were no contingent assets or liabilities to disclose during the year

51. Financial Risk Management

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

52. Incorporation

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

53. Events After the Reporting Period

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

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Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Qualified Opinion				
	LONG OUTSTANDING RECEIVABLES	(a) The customers have been having difficulties in paying for their water bills; their response to demand notices has been low. Despite this, the Company will put all the efforts to recover monies owed for services rendered.	Being resolved	June 2026
		(b) The Company will come up with a Debt recovery policy in the 2024/2025 financial year.	Resolved	
	BUDGETARY CONTROL AND PERFORMANCE	The management appreciates that the company faces a challenge in revenue collection due to the operating environment which mostly is due to the low income of the consumers, lack of transport, under-staffing, lack ICT infrastructure and delays in settling of bills when they fall due. However, the management is pursuing the following strategies: 1. The board to consider contracting a debt recovery agency.	Being resolved	June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>2. Enhancing revenue generation through increasing revenue base so that when the staff costs are catered for, revenue remains for service delivery through tapping potential customers under projects proposed to be handed over to the Company for operation and maintenance once complete.</p> <p>Some of these are:-</p> <ul style="list-style-type: none"> a) Athi-Kalawa water project under construction b) Mukelenzu borehole: - 7No. Water kiosks, 2No. Individual connections. c) Kwa Masaku: - 12No. water kiosks, 119 individual connections and 4 institutions d) Kyaani:- 8No. Water kiosks and 3 institutions. e) Kalawa borehole- 1No. Water kiosk. With 2No. Multi-dwelling connections. <p><u>Projects hand over in Kalawa.</u> During the month of November 2024, Mbonwasco together with Kalawa Ward Administration Officers attended Kyaani borehole, Kwa Masaku borehole, the Mukelenzu borehole and Kalawa borehole projects hand over to the County Government of Makueni by World Vision Kenya. The County is making plans to hand over the projects to</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Mbonwasco.If the above activities are realized, the customer base will increase; increasing revenue and the Company will become more profitable and sustainable.</p> <p>3. Hand over to Mbonwasco of viable project implemented by the County across the area of jurisdiction.</p> <p>4. Rehabilitation of Mulima water project by the County government where treatment works is currently under Construction, pipeline rehabilitation is ongoing and the chemical house is complete.</p> <p>5. Rehabilitate dilapidated water infrastructure and other key actions:</p> <ul style="list-style-type: none"> a) GFBC-Kithongo pipeline construction. b) Rehabilitation of steel tank and automation of 2No. Water kiosks. c) Water meters and separation of pipelines. d) Development of strategic plan and business plan (2023-2028). e) Kinze-Namba Nyanya pipeline rehabilitated/constructed by FLLoCA. This involves:- Construction of Namba Nyanya rising main and distribution, 		

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Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Construction of water kiosk 1No, solarization of Kinze pumping station, installation of 10m3 plastic tanks-3No. This will reinstate the lost customers, saving on power cost, hence increasing revenue.</p> <p>Contractor is on site and the work is in progress and work 99.9% complete.</p> <p>(6).Getting cost recovery Tariffs:- Action:- The Company has development a tariff and has submit to WASREB for review</p> <p>(7).Make Water sources more reliable:- Mulima and Mukundi water sources usually dries up during severe dry seasons. Action:- The Government of Makueni has funded desilting of Mulima earth dam, construction of treatment plant and rehabilitation of the water infrastructure and contractor is on site doing the treatment plant in phase 1. Mukundi needs a dam reservoir and the management has done a proposal to K-Wash Programme.</p> <p>(8).Improve power supply at Mbumbuni water supply Kinze pumping station:-</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Action:-The management has written to the area Member of Parliament, requesting support for a transformer installation at Kinze pumping station; waiting response.</p> <p>FLLoCA has funded Kinze for installation of solar energy; solarization has since been done and operational. Namba Nyaanya rising main has been constructed and tested. Installation of plastic water tanks at Namba Nyaanya and at Ngaa leaking tank. 99.90% complete.</p>		
	Unresolved Prior year Matters	<p>The management has tried and resolved some of the issues while others are being resolved.</p> <p>The management is working closely with the County Government of Makueni to assist in resolving most of the issue raised by the auditors in the previous audit report. Some of the issue requires budget allocations and technical support which can only be funded by the County Government and other stakeholders in public water supply like the international donors.</p>	Being resolved	Being resolved
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES.				
Basis for Conclusion				
1	LACK OF WATER TARIFF	The management has applied and submitted a tariff application to WASREB during the year 2024/2025. Awaiting response after review by WASREB.	Being resolved	December 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	Non Compliance with the law on Fiscal Responsibility- Wages Bill	This has been noted and management will take necessary action. Under budgetary control and performance (response above), the company will increase the revenue base which will raise the water infrastructure investment and lower the staff cost gradually to the regulatory requirement.	Being resolved	30 th June 2026
3	Excessive Non-Revenue Water	The company is working closely with the County Government, FLLOCA and K-WASH to upgrade most of the water infrastructure which consists of old leaking pipes, clogged water pipes ,lack of master meters and leaking water tanks leading to the excess water loss above the allowable 25%. Already rehabilitation works is going on in Mulima and Mbumbuni.	Being resolved.	30 th June 2026
4	Failure to Observe Ethnicity and People with Disabilities Distribution Rule	In future recruitments, the management will consider this recommendation.	To be resolved gradually	To be resolved gradually
5	Lack of a Strategic Plan	-he Company has an Strategic plan which expired in 2023 -The management had successfully done a proposal to USAID STAWI requesting assistance in review/formulation of a new strategic plan and a business proposal before the Programme was suspended by the US Government.	Resolved resolved	30 th June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		-Currently the management is reviewing the plan by its own and hopes to get external support to to hire a consultant to complete the work.		
6	Long Outstanding Trade and Other Payables	The management is in advanced talks with the County Government seeking financial support to clear the outstanding bills through county government grants to the water company.	Being Resolved	Being Resolved
REPORT ON EFFECTIVENESS ON INTERNAL CONTROLS RISK MANAGEMENT AND GOVERNANCE.				
Basis for Conclusion				
1	Lack of Internal Audit and Audit Committee	The company currently lacks the capacity to employ key staff like an Internal Auditor due to budgetary constraints. However, the board has advised the management to seek for internal audit support through the County Government Internal audit function. The management will wrote to the executive committee member Budget, Finance requesting for support in due course. Internal audit was done in July 2025 and the report is being compiled. The board has since established an Audit Committee which is functional.	Resolved	Resolved
2	Lack of Risk Management Policy and Strategy.	The management is working on a draft which will be submitted to the board of directors for review and approval upon completion.	Being resolved	June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	Lack of Approved Information Technology Security Policy.	The Management will seek technical assistance from the County Government of Makueni in order to formulate and come up with the IT policy.	Being resolved.	June 2026

Name Nicodemus M. Titus

Signature

Managing Director

Date 22nd August 2025.