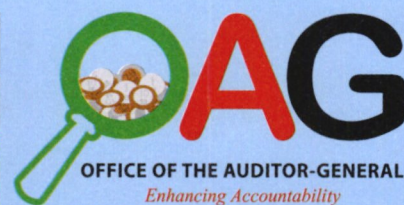


REPUBLIC OF KENYA



**REPORT**

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OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**MWALA WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2025**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30984, 00100, NAIROBI  
MACHAKOS HUB.  
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MWALA WATER AND SANITATION COMPANY LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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Prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting  
Standards



**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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**1. Acronyms and Glossary of Terms**

**A. Acronyms**

<b>CEO</b>	Chief Executive Officer
<b>DG</b>	Director General
<b>IAS</b>	International Accounting Standards
<b>IASB</b>	International Accounting Standards Board
<b>IFRS</b>	International Financial Reporting Standards
<b>ICS</b>	Institute of Certified Secretaries
<b>MD</b>	Managing Director
<b>NT</b>	National Treasury
<b>PFMA</b>	Public Finance Management Act
<b>WASREB</b>	Water Services Regulatory Board

**B. Definition of Key Terms**

**Fiduciary Management** - Members of Management directly entrusted with the entity's financial resources.

**Comparative Year**- Means the prior period.

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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**2. Key Entity Information**

**Background information**

Mwala Water and Sanitation Company was established under the companies Act Cap 486 in March 2010. The company is currently serving Mbiuni, Mwala, Kibauni and Masii areas. Its mandate is to give Water and Sanitation Services in the entire Mwala Sub- County. The Company is run through a Board of Director with the Assistance of the Managing Director. The managing Director is responsible for policy implementation assisted by the Heads of Departments. The vision of the Company is to be the best water service provider in the region. The mission is to provide Sustainable, safe and adequate water for domestic and commercial use.

**Principal Activities**

The principal activity of Mwala Water and Sanitation Co. Ltd is provision of safe adequate water for domestic and commercial use and provision of Sanitation Services within the area of jurisdiction. The vision of the Company is to be the best water service provider in the region. The mission is to provide Sustainable, safe and adequate water for domestic and commercial use.

The objectives of the company include:-

1. To strive towards reduction of Non- Revenue water to below 20%
2. To enhance and sustain quality water sources, production, storage and distribution to customers
3. Human resource management
4. To grow the company revenue and improve collection efficiency

**Directors**

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

<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>	<b>Contract expiry date</b>
1. Benjamin Munywoki Musau	Chairman	13 <sup>th</sup> September 2021	13 <sup>th</sup> September 2025
2. Joseph Mutinda Kasimolo	Member	13 <sup>th</sup> September 2021	13 <sup>th</sup> September 2025
3. David Mutua Mbithi	Member	13 <sup>th</sup> September 2021	13 <sup>th</sup> September 2025
4. Josephine Ndunge Nzivo	Member	13 <sup>th</sup> September 2021	13 <sup>th</sup> September 2025
5. Monicah Ndoti Mwangangi	Member	13 <sup>th</sup> September 2021	13 <sup>th</sup> September 2025
6. Julian Mumbua Ikovo	Member	13 <sup>th</sup> September 2021	13 <sup>th</sup> September 2025
7. Moses M Nzuki	MD- Secretary to the BoD	1 <sup>st</sup> June 2017	
8. CECM-Finance- County Government of Machakos			
9. CECM-Water- County Government of Machakos			

**Registered Office**

Mwala Water and Sanitation Co. Ltd  
Masii Town, Kitui Road  
P. O Box 248 -90101  
Masii  
Tel: 0718811685

**Corporate Headquarters**

Mwala Water and Sanitation Co. Ltd  
Masii Town, Kitui Road  
P. O Box 248 -90101  
Masii  
Tel: 0718811685

**Corporate Contacts**

Telephone: 0718811685  
E-mail: [mwalacluster@gmail.com](mailto:mwalacluster@gmail.com)  
[www.mwalacluster.co.ke](http://www.mwalacluster.co.ke)

**Corporate Bankers**

Kenya Commercial Bank  
Masii Branch  
P.O BOX 134-90102  
Masii

Family Bank  
Machakos Branch  
P.O BOX 101-90100  
Machakos

**Independent Auditors**

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

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**







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**Principal Legal Advisers**


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

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

**3. The Board of Directors**

S/NO.	NAME	Professional Qualification	Work Experience	Age
1.	 Benjamin Muniwoki Musau	Bachelors of Law	Lawyer	71
2.	 Monicah N Mwangangi	Diploma in Education Management	Teacher	67
3.	 Josephine Nzivo	KCSE Certificate	Farmer	61
4	 David Mutua Mbithi	Certificate in Water Engineering	Water Supply Operator	64
5	 Julian M. Ikovo	KCSE Certificate	Business Lady	41
6	 Joseph Kasimolo	Degree in Sociology	Consultant in Social Issues	46





**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

7	 Moses Nzuki	1. Diploma in Plant Engineering	Managing Director	52
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**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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**4. Key Management Team**

S/NO	NAME	PROFFESIONAL /ACADEMIC QALIFICATION	AREA OF RESPONSIBILITY
1.	 Moses Nzuki	1. Diploma in Plant Engineering	Managing Director
2.	 Peter Mwasuna	1. Diploma in water Engineering	Technical Manager
3.	 Phylis Matheka	1. Bachelors of Commerce 2. Diploma In Purchasing and Supplies Management 3. CPA Part 2	Commercial, Finance & Administration Manager
4	 Lucia Kavivya	1. Bachelors of Commerce 2. CPA Section 3	Accountant

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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**5. Chairman's Statement**

On behalf of the Board of directors, it is with great honour I present to you an overview of the annual report and financial statements of the Company for the year ended 30<sup>th</sup> June, 2025

The achievement of the company for the year is highly vested on the good working environment cultivated by the mutual understanding between the B.O.D, Management, staff, our stakeholders and our county government, the good environment based on key benchmark clear responsibility of duties in each level. Tireless commitment to different work assignments, effective utilization of available resources and time.

Although realization of the right to water can be achieved through operating under given standards on water quality, affordable service delivery, cost recovery and consumer protection, to achieve this has been a great challenge within the company.

**Key challenges**

- High cost of Production which has been brought about by the decline of the Kenya shilling,
- High electricity bills compared to our water tariff which cannot fully cover the costs.
- Old pipelines which are prone to bursts.

We desire to achieve the following priorities in our medium strategy.

- Customer service.
- Water infrastructure development.
- Operational efficiency.
- Financial sustainability.
- Corporate Governance.

We will leverage on goodwill from our stakeholders including the County Government of Machakos and development partners to foster growth as we work towards achieving our corporate mission of providing quality water and sanitation services for improved livelihood.

I would like appreciate all our stakeholders, more so the County Government of Machakos and our development partners for the solid commitment and support during the year under review.

To our esteemed customers thank you for your loyalty and support during the year. I also thank the management and staff who have worked tirelessly to ensure our customers get water.

We hope for continued support and cooperation from all our stakeholders in the coming years  
Thank you and God bless you all.

  
Mr. David Mbithi  
For Chairman Board of Directors  
MWASCO

DATE: ..... 2/11/2025 .....



**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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**6. Report of the Managing Director**

I am pleased to present the annual report and financial statements of MWASCO for the financial year ended 30<sup>th</sup> June 2025

**Results**

Despite the hard economic times, the business remained resilient and delivered its key mandate. Cost of electricity has remained a key challenge leading to service interruptions for prolonged time. Operation and administrative expenses have remained high due the hard economic times.

**Service delivery**

The water produced was distributed to customers equitably through water rationing programmes. The Company has four water supplies i.e. Kibauni, Mbiuni, Masii and Mwala. Our main sources of water are Athi River which is highly polluted, Miu River which is a seasonal river that dries in the dry season and two boreholes.

**Future plans**

The company has however faced many challenges that include old infrastructure, high operational costs and limited funding. These are being addressed through other mechanisms that include partnerships with county government and development partners.

**Appreciation**

I take this opportunity to thank all our development partners, Board of directors, management and staff for their mutual cooperation, trust and continued support.

Thank you and best wishes.



Moses Nzuki  
Managing Director

Date: .....

3/11/2025



**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

**7. Statement of Performance against Predetermined Objectives for FY 2024/25**

Mwala water and sanitation co.ltd has 7 strategic pillars and objectives within its strategic plan for the FY 2023/2024-2027/2028. These strategic pillars are as follows

- Pillar 1: Enhancing the Company’s revenue capacity
- Pillar 2: Management of non-revenue water
- Pillar 3: Expansion of water infrastructure coverage
- Pillar 4: Improved customer service
- Pillar 5: Improved sustainability coverage
- Pillar 6: Metering ratio
- Pillar 7: Hours of supply

Key priority areas during the period are as shown in the table below

Strategic pillar	Objective	Key performance indicator	Activities	Achievements
Pillar 1 Enhancing the Company’s revenue capacity	<ul style="list-style-type: none"> <li>➤ To increase water production.</li> <li>➤ Timely collection of revenue and billing.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased production</li> <li>➤ Increased water sales</li> <li>➤ Increased connections</li> </ul>	<ul style="list-style-type: none"> <li>➤ Completion of Mwala cluster gravitational flow</li> </ul>	<ul style="list-style-type: none"> <li>➤ 75% complete</li> </ul>
Pillar 2 Management of Non-revenue water	<ul style="list-style-type: none"> <li>➤ Reduce unaccounted for water</li> </ul>	<ul style="list-style-type: none"> <li>➤ Reduce non-revenue water to 25%</li> <li>➤ Reduction in response time to bursts</li> <li>➤ Increased stakeholder’s involvement in management of NRW.</li> <li>➤ Effective NRW unit</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ensure every water connection is metered</li> <li>➤ Continuous maintenance of water infrastructure</li> <li>➤ Increasing line patrol</li> </ul>	<ul style="list-style-type: none"> <li>➤ Continued commitment to eliminate non-revenue water</li> </ul>

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

Pillar 3 Expansion of water infrastructu re	<ul style="list-style-type: none"> <li>➤ Cover more areas in terms of</li> </ul>	<ul style="list-style-type: none"> <li>➤ Above 80% total area</li> </ul>	<ul style="list-style-type: none"> <li>➤ Pipe line extension.</li> <li>➤ Completion of Mwala cluster gravitational project</li> </ul>	<ul style="list-style-type: none"> <li>➤ 75% complete</li> </ul>
Pillar 4 Improved customer service	<ul style="list-style-type: none"> <li>➤ Meet customer demands</li> <li>➤ Improved customer trust</li> </ul>	<ul style="list-style-type: none"> <li>➤ Above 85%</li> </ul>	<ul style="list-style-type: none"> <li>➤ Maintaining and capturing customer needs and acting on them</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased customer awareness</li> </ul>
Pillar 5 Improved sanitation coverage	<ul style="list-style-type: none"> <li>➤ Ensure all household have adequate access to sanitation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Above 95%covera ge</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ensure public sanitation facilities owned by the Company are functional</li> </ul>	<ul style="list-style-type: none"> <li>➤ At 98%</li> </ul>
Pillar 6 Metering ratio	<ul style="list-style-type: none"> <li>➤ Ensuring every customer is metered.</li> <li>➤ Monitoring volume billed</li> </ul>	<ul style="list-style-type: none"> <li>➤ 100% metering</li> </ul>	<ul style="list-style-type: none"> <li>➤ Recommending standard meters for use.</li> <li>➤ Meter testing</li> <li>➤ Ensuring all faulty meter are replaced.</li> </ul>	<ul style="list-style-type: none"> <li>➤ 100% achieved.</li> </ul>
Pillar 7 Hours of supply	<ul style="list-style-type: none"> <li>➤ Making water available</li> <li>➤ Delivering more volumes to customers</li> </ul>	<ul style="list-style-type: none"> <li>➤ Above 90%</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increasing pumping hours</li> <li>➤ Timely response to bursts</li> <li>➤ Increase in storage capacity</li> </ul>	<ul style="list-style-type: none"> <li>➤ Achieved 50%</li> </ul>

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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**8. Corporate Governance Statement**

**i. Appointment of Board members, Process of appointment and removal of directors, The size, diversity, and demographics of the Board, Existence of the board charter**

Board members are appointed by the County Government as per the guidelines of WASREB. They are appointed for a term of three years which can be renewed once. The Board number shall not exceed nine with representative from each category as per Mwongozo code.

**ii. Roles and functions of the board**

The Board of Directors are in charge of policy making in the Company

**iii. Induction, training, and development**

All board members receive an induction upon joining the board. During induction, members are provided with an overview of the company, infrastructure and operations, roles and responsibilities of the directors and key issues affecting the Company.

Board members receive training on their roles, duties responsibilities and obligations as well as good governance procedures. Trainings are also done to improve on the understanding of the water sector operations, oversight skills in financial management and compliance requirements.

**iv. Board and members' performance**

The board observes rules and regulations governing the conduct of the board as contained in the corporate governance guideline by WASREB

**v. Number of Board meetings held and the attendance to those meetings by members**

The board had two sittings during the year under review.

Below is a summary of the board's meetings held and attendance of each meeting

S.no	Name	9 <sup>th</sup> Aug,2024	13 <sup>th</sup> Sep, 2024
1.	Dr. Benjamin Musau		
2	David Mutua	√	√
3	Monicah Ndoti	√	√
4	Julian Ikovo	√	√
5	Josephine Nzivo	√	√
6	Joseph Kasimolo		

**Mwala Water and Sanitation Company Ltd**  
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**Board Committees**

The board has constituted board committees in accordance with the corporate guidelines issued by WASREB, which sets out responsibilities delegated by the board to the committee's structures and operations.

During the year under review, the board established three committees namely

- i) Technical and monitoring committee.
- ii) Finance committee
- iii) HR committee

The committees assist the board in the execution of its responsibilities as they sit before the main board and give their reports on quarterly basis

The committee meetings and attendance is as summarised below;

**Technical and monitoring committee**

S.no	Name	9 <sup>th</sup> Aug,2024	13 <sup>th</sup> Sep, 2024
1	David Mutua	√	√
2	Josephine Nzivo	√	√
3	Joseph Kasimolo		

**Finance committee**

S.no	Name	9 <sup>th</sup> Aug 2024	13 <sup>th</sup> Sep, 2024
1	David Mutua	√	√
2	Monicah Ndoti	√	√
3	Julian Ikovo	√	√

**Hr committee**

S.no	Name	9 <sup>th</sup> Aug 2024	13 <sup>th</sup> Sep, 2024
1	David Mutua	√	√
2	Monicah Ndoti	√	√
3	Josephine Nzivo	√	√

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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**vi. Succession plan**

The board of directors are appointed by the County Government to serve for a period of three years whose term can be extended once

**vii. Policy to manage conflict of interest.**

The board observes is conscious of its responsibilities to the stakeholders.as such, the members declare a conflict of interest at the beginning of the meetings, to indicate whether they are or not conflicted in the agenda set for discussion.

**viii. Board remuneration**

The board members are paid a sitting allowance of kshs.3, 000(three thousand) per sitting.

The chairman is entitled to an honoraria of kshs.11, 000(eleven thousand) per month.

**ix. Ethics and Conduct**

The board observes rules and regulations governing the conduct of the board as contained in the corporate governance guideline by WASREB

## **9. Management Discussion and Analysis**

### **Section A**

#### **The entity's operational and financial performance**

Mwala Water and Sanitation Co. Ltd is a water service provider in Mwala sub-county comprising of four water supplies namely Mbiuni, Kibauni, Masii and Mwala water supplies.

Water source is Athi River Miu seasonal river and borehole.

Water drawn from River Athi undergoes full water treatment process and basically water is delivered through pumping.

Our main source of income is water sales.

### **Section B**

#### **Entity's compliance with statutory requirements**

As at the year end, there are no foreseeable contingent liabilities that are material to the company's operations. Though the company has some pending bills it is committed to clear all statutory payments.

### **Section C**

#### **Key Projects and Investment Decisions the Entity Is Planning/Implementing**

The company was funded by African Development Bank through Athi Water Works Development Agency and Tanathi Water Works Development Agency for a gravitational flow project ease huge power usage and increase area coverage. The customer base will increase by 75% and thus increase in collections. Water production cost will also reduce by 25% on power and chemicals as the water will be sourced from Ndarungu River which is less polluted compared to River Athi.

### **Section D**

#### **Major Risks Facing the Company**

Our water is purely distributed through pumping were in most of water supplies the water undergoes multi-stage pumping creating high power consumption leading to high electricity bills. Our water sales are low compared to the billing we get for electricity. This leads to power disconnection running for months.

The treatment design plans are outdated and needs to be reviewed

Water pollution level at Athi River is high thus the water requires high quantities of chemicals which are expensive for the company.

No standby pumps leading to closure leading to closure in times of breakdown.

Being a rural water supply the level of water payments is low due to low income levels of the consumers and also the demand goes down during rainy season.

County government programme on free water has also lowered our customer base because most consumers prefer free water. This has also affected negatively our outstanding water bills on both our active and inactive debtors.

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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**Section E**

**Material arrears in statutory /financial obligations**

At the year end the company had the following pending bills

<b>ITEM</b>	<b>DESCRIPTION</b>	<b>AMOUNT(KSHS)</b>
1	Electricity	6,151,276
2	Tanathi Water Works Development Agency	6,636,076
3	WASREB	2,196,576
4	Audit Fees-OAG	1,276,000
5	Sulis East Africa	735,000
6	Salaries	10,234,244
7	Accrued Honoraria	495,000
8	Masaku Technicians	114,280
9	Waspa	110,000
	<b>TOTAL</b>	<b>27,948,452</b>

**Section F**

**The entity's financial probity and serious governance issues**

There is no financial improbity as reported by Board or external auditors.

## **10. Environmental and Sustainability Reporting**

Mwala Water and Sanitation Co. Ltd 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 water and sanitation services and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### **i) Sustainability strategy and Profile**

Water sustainability is effective and holistic management of water resources. The company has ensured all connections are metered and have functional and efficient water meter.

The company has put in place a water rationing programme to ensure that all the consumers are supplied with water regularly.

Due to high production cost due to high electricity bills the company is intending to use solar powered water pumps to reduce production cost in the small supplies i.e. Boreholes

### **ii) Environmental Performance**

The company has public sanitation blocks in the market areas which are used by the public and maintained by the company, the company has partnered with private Waste management companies for the purpose waste disposal and treatment.

The company promotes good hygiene habits through educating the public on importance of hand washing and use of the sanitation blocks

### **iii) Employee welfare**

It's the mandate of the board of directors to recruit and retain staff with appropriate academic and professional qualifications. Vacancies in the company are filled through transparent and competitively promoting suitably qualified serving employees whenever possible whenever such employees are not available vacancies are filled through filled through transparent, competitive and accountable process.

### **iv) Market place practices**

The company has a customer care desk where customer complaints and issues are captured and resolved.

#### **a) Responsible competitive practice**

The company ensures that there is transparency in any tender being awarded. The company contacts public sensitization barazas to ensure the customers and all stake holders are well informed.

#### **b) Responsible supply chain and supplier relation**

The company has suppliers of goods and services which are used in ensuring that the company services are continuous and our customers continue to enjoy water services, the company ensures the suppliers are paid their dues

#### **c) Responsible marketing and advertisement or responsible engagement with the citizens any information to be passed to the consumers**

From time to time the Company holds barazas where sensitization is done to the consumers

#### **d) Product stewardship or awareness creation**

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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The company ensures that water is adequate and well treated to ensure that consumers get quality water free from impurities.

**v) Corporate Social Responsibility / Community Engagements**

Mwasco is focused on the interest of the community we serve and more to the realization of right to water and improved sanitation services. We move beyond our core responsibility by offering free technical, financial trainings to the current existing community projects and also to the upcoming ones in order for them to attain sustainability. We also give technical personnel to other institution to assist during technical needs.

The company continues creating a good, safe working environment for the staff at their work place. We also give free water to our institutions like primary schools during crisis times and also during public functions. We are also ready for any disaster like helping during fire calamities through the water bowser.

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of Mwala Water and Sanitation company ltd affairs.

**i) Principal activities**

The principal activities of Mwala water and sanitation co.ltd are provision of safe, adequate water for domestic and commercial use and provision of sanitation services to the residents of Mwala sub-county.

**ii) Results**

The results of Mwala water and sanitation co.ltd for the year ended June 30, 2025 are set out on pages 1-54

**iii) Dividends**

No dividends were declared during the year.

**iv) Directors**

The members of the board of directors who served during the year are shown on page vi-vii

**Auditors**

The auditor general is responsible for the statutory audit of Mwala water and sanitation Co Ltd in accordance with the Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the Board

Name..... Moses Nzuki  
Signature..... [Signature]  
Date..... 31/11/2025  
Secretary to the Board



## **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/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

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

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Company;
- (v) Selecting and applying appropriate accounting policies;
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015) The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 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.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern (disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements) OR

**Mwala Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the Year ended June 30, 2025**

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

**Approval of the financial statements**

The company financial statements were approved by the Board on \_\_\_\_\_ 2025 and signed on its behalf by:

**Mr. David Mbithi**  
**For Chairman Board of Directors**



**Mr. Moses Nzuki**  
**Managing Director**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
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 MWALA WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Mwala Water and Sanitation Company Limited set out on pages 1 to 54, 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

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*Report of the Auditor-General on Mwala Water and Sanitation Company Limited for the year ended 30 June, 2025*

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 of Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mwala 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, Companies Act, 2015, the County Government Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unconfirmed Property, Plant and Equipment Balances**

The statement of financial position and as disclosed in Note 14(a) to the financial statements reflect property, plant and equipment of Kshs.6,508,769. However, the assets register was not provided for audit review.

In the circumstances, the accuracy of property, plant and equipment balance of Kshs.6,508,769 could not be confirmed.

#### **2. Unconfirmed Refundable Customer Deposits Balance**

The statement of financial position and as disclosed in Note 23 to the financial statements reflect customer deposits balance of Kshs.1,925,692. However, the deposit account balance reflects Kshs.15,897 resulting in unexplained variance of Kshs.1,909,795 which is a clear indication that customer deposits had been used to fund other operations.

In the circumstances, the accuracy and completeness of customers' deposits balance of Kshs.1,925,692 could not be confirmed.

#### **3. Long Outstanding Trade Receivables**

The statement of financial position and as disclosed in Note 15 to the financial statements reflect a balance of Kshs.5,534,100 in respect to trade and other receivables. Included in the balance are debts totalling Kshs.4,578,363 which have been outstanding for more than one hundred and twenty (120) days. Further, the Company does not have a Finance Manual outlining the guidelines and policies on management and collection of receivables which casts doubt on the recoverability of the receivables. In addition, the Company made a provision for bad and doubtful debts of Kshs.457,836 which was not supported by a Policy.

In the circumstances, the accuracy, completeness and recoverability of the receivables balance of Kshs.5,534,100 could not be confirmed.

#### **4. Undisclosed Material Uncertainty Relating to Going Concern**

The statement of profit or loss and other comprehensive income reflects net operating loss of Kshs.5,396,673 (2023/2024 loss of Kshs.5,293,562). Further the statement of financial position reflects current liabilities balance of Kshs.29,874,144 against current assets balance of Kshs.5,790,354 resulting in a negative working capital of Kshs.24,083,790 an indication that the Company is technically insolvent. In addition, trade and other payables increased by Kshs.4,777,949 in the current financial year from Kshs.23,170,503 to Kshs.27,948,452 indicating the Company's inability to pay its current obligations as and when they fall due. The state of the financial affairs and measures put in place to reverse the trend was not disclosed in the financial statements contrary to the requirements of International Financial Reporting Standards framework.

In the circumstances, the ability of the Company to continue to sustain its operations and delivery of services to customers in the foreseeable future is doubtful.

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

#### **Emphasis of Matter**

##### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.14,772,100 and Kshs.4,827,993 respectively resulting to under-collection of Kshs.9,944,107 or approximately 67% of the budget. Similarly, the Company spent Kshs.9,156,010 against actual receipts of Kshs.4,827,993 resulting in over-absorption of Kshs.4,328,017 or approximately 90% of total receipts. However, approval for the over-absorption was not provided for audit review and the source for the extra funds was not disclosed.

The under-collection of revenue negatively affected service delivery to the public and the over-absorption may imply that the Company's performance is poor.

My opinion is not modified in respect of this matter.

#### **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 section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Information**

Management is responsible for the Other Information set out on pages iii to xxii 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 thereon.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Compliance with Monthly Budgetary Reporting**

During the financial year under review, the Company did not submit copies of the monthly financial and non-financial budgetary reports to the Auditor General. This is contrary to Regulation 54.(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that an Accounting Officer of a County Government entity shall not later than the 10th day of each month submit a monthly financial and non-financial budgetary report in the format to be issued by the Cabinet Secretary relating to the activities of his or her County Government entity for the preceding month to the County Treasury with copies to the Controller of Budget and the Auditor-General.

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

## **2. Failure to Remit Statutory Deductions**

As previously reported, the statement of financial position and as disclosed in Note 22 to the financial statements reflect trade and other payables balance of Kshs.27,948,452. Included in the balance are salary arrears totalling Kshs.10,234,244 which include statutory deductions for Pay as you earn (PAYE), National Hospital Insurance Fund (NHIF), National Social Security Fund (NSSF), Housing Levy and Pension of Kshs.307,304, Kshs.132,498, Kshs.253,192, Kshs.73,731 and Kshs.330,369 respectively totalling Kshs.1,097,094 which had not been remitted as at 30 June, 2025. This is contrary to Regulation 22(2)(a) of the Public Finance Management (County Governments) Regulations, 2015 which require Accounting Officers to comply with any tax, levy, pension, commitments and audit recommendations as may be provided for by legislation.

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

## **3. Use of Expired Water Tariff**

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue of Kshs.4,476,852 being water sales for the year under review. However, the water tariffs in use were approved by Water Service Regulatory Board (WASREB) for use between the years 2012 and 2017 hence outdated.

In the circumstances, the validity and regularity of the water tariff applied by the Company to bill consumers could not be confirmed.

## **4. Non-Compliance with Law on Ethnic Composition**

As previously reported, review of staff records revealed that all the twelve (12) employees of the Company were from the dominant ethnic community in the County. This is contrary to Section 65(1)(e) of the County Governments Act, 2012 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

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

## **5. Non-Compliance with Data Protection Act**

Review of documents revealed that the Company did not comply with the Data Protection Act, 2019 by failing to register with the Office of the Data Protection Commissioner. This is contrary to Section 19(1) of the Act, 2019 which stipulates that a Data Controller or Data Processor mandated to register under Section 18 shall apply to the Data Commissioner.

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

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

## REPORT ON 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 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. Failure to Appoint Board of Directors**

As disclosed in the Corporate Governance Statement on page xiii to the financial statements, the Company operated without a functional Board of Directors during the year under review. Records indicate that the term of the Company's Board of Directors expired on 21 September, 2024.

In the circumstances, the Company did not benefit from Directors' leadership and monitoring of resources by the Board.

#### **2. Lack of Internal Audit Function and Audit Committee**

The Company had not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board.

In the circumstances, the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### **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 page xx is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 25 has been properly prepared in accordance with the Companies Act, 2015.

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 the Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal 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.

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


### **Auditor-General's Responsibilities for the Audit**

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

**11 November, 2025**

Mwala Water and Sanitation Company Ltd.

Annual Report and Financial Statements for the year ended June 30, 2025

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

2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	4,476,852	5,316,725
Subsidy	7	323,841	424,973
Other Income—connection fees	6	27,300	39,900
<b>Decrease in prov.for bad doubtful debts</b>		-	-
<b>Total Revenue</b>		<b>4,827,993</b>	<b>5,781,598</b>
<b>Expenses</b>			
Staff Costs	9	5,640,667	6,011,065
General and Operations expenses	10	2,393,913	2,485,707
Board Expenses	11	36,000	48,000
Maintenance Expenses	12	1,085,430	1,262,470
Depreciation and Amortization expenses	13	1,068,655	1,267,918
Finance Costs		-	-
<b>Total Expenses</b>		<b>10,224,666</b>	<b>11,075,160</b>
<b>Total Comprehensive Income For The Year</b>		<b>(5,396,673)</b>	<b>(5,293,562)</b>

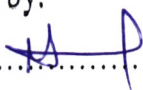


Mwala Water and Sanitation Company Ltd.  
Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Financial Position as at 30 June 2025

		Kshs.	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14(a)	6,508,769	7,577,424
<b>Total Non-Current Assets</b>		<b>6,508,769</b>	<b>7,577,424</b>
<b>Current Assets</b>			
Trade and receivable	15	5,534,100	5,028,891
Prepayments	16	85,316	100,782
Other debtors	18	100,000	100,000
Bank and cash balances	17	70,938	83,549
<b>Total Assets</b>		<b>12,299,123</b>	<b>12,890,646</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	18	100,000	100,000
Retained earnings	21	(35,864,028)	(30,467,355)
Grants	8	18,189,006	18,189,006
<b>Capital and Reserves</b>		<b>(17,575,022)</b>	<b>(12,178,349)</b>
<b>Current Liabilities</b>			
Trade and other payables	22	27,948,452	23,170,503
Customer Deposits	23	1,925,692	1,898,492
<b>Total Current Liabilities</b>		<b>29,874,144</b>	<b>25,068,995</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,299,123</b>	<b>12,890,646</b>

The financial statements were approved by the Board on 31/11/2025 2025 and signed on its behalf by:

  
.....  
Moses Nzuki

Managing Director

  
.....  
Lucia Kavivya

Head of Finance

ICPAK M/No:.....

  
.....  
David Mbithi  
For Chairman of the Board



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

16. Statement of Changes in Equity for the Year Ended 30 June 2025

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2023		100,000			(25,173,793)		18,189,006	(6,884,787)
Profit for the year					(5,293,562)			(5,293,562)
As at June 30, 2024		100,000			(30,467,355)		18,189,006	(12,178,349)
As at July 1, 2024		100,000			(30,467,355)		18,189,006	(12,178,349)
Profit for the year					(5,396,673)			(5,396,673)
As at June 30, 2025		100,000			(35,864,028)		18,189,006	(17,575,022)

**Mwala 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
<b>Cash Flows From Operating Activities</b>			
<b>Receipts</b>			
Operating Revenue		3,906,461	4,712,374
Non-Operating Revenue			
Other Income-connection fees		27,300	39,900
Finance Income			
Grants			
Customer Deposits		27,200	38,100
<b>Total Receipts</b>		<b>3,960,961</b>	<b>4,790,374</b>
<b>Payments</b>			
Staff Costs		1,905,010	2,117,535
Board Expenses		36,000	48,000
General And Operation Expenses		1,146,929	1,324,582
Maintenance		885,633	1,159,970
Finance Costs			-
Refund Of Customer Deposits			-
<b>Total Payments</b>		<b>3,973,572</b>	<b>4,650,087</b>
<b>Net Cash From/(Used In) Operating Activities</b>		<b>(12,611)</b>	<b>140,287</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		0	125,500
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets		-	-
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal Of Quoted Investments		-	-
<b>Net Cash From/(Used In) Investing Activities</b>		<b>0</b>	<b>125,500</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds From Issues Of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		-	-
Dividends Paid		-	-
<b>Net Cash From/(Used In) Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Increase/(Decrease) In Cash And Cash Equivalentents</b>		<b>(12,611)</b>	<b>14,787</b>

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

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	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash And Cash Equivalents At Beginning of Year</b>		<b>83,549</b>	<b>68,762</b>
Effects Of Foreign Exchanges Rate Fluctuations		-	-
<b>Cash And Cash Equivalents At End of the Year</b>		<b>70,938</b>	<b>83,549</b>

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

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2024-2025	2024-2025	2024-2025	2024-2025		
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Operating Revenue	10,407,000		10,407,000	4,476,852	5,930,148	43
Subsidy	3,400,000		3,400,000	323,841	3,076,159	10
Other income	965,100		965,100	27,300	937,800	3
Decrease in provision for doubtful debts	0		0	0	-	
<b>Total Revenue</b>	<b>14,772,100</b>		<b>14,772,100</b>	<b>4,827,993</b>	<b>9,944,107</b>	<b>33</b>
<b>Expenses</b>					-	
Staff Costs	6,147,447		6,147,447	5,640,667	506,780	92
Board Expenses	228,000		228,000	36,000	192,000	16
General and operations Expenses	5,878,653		5,878,653	2,393,913	3,484,740	41
Maintenance	1,958,000		1,958,000	1,085,430	872,570	55
Total Recurrent Expenditure	<b>14,212,100</b>		<b>14,212,100</b>	<b>9,156,010</b>	<b>5,056,090</b>	<b>64</b>
<b>Profit or Loss</b>				<b>(4,328,017)</b>	<b>(4,328,017)</b>	
<b>Capital Expenditure</b>	<b>560,000</b>		<b>560,000</b>	<b>0</b>	<b>560,000</b>	
<b>Total Expenditure</b>	<b>14,772,100</b>		<b>14,772,100</b>	<b>9,156,010</b>	<b>5,616,090</b>	<b>61</b>

Notes

The company could not meet the budgeted amounts due to the following reasons

1. Mbiuni water supply which is the main water supply has not been operational for two months due power disconnection

2. Makutano borehole and Mwala water supply were not operational during the year due to power disconnection and pump breakdown

**Budget Reconciliation**

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	(4,328,017)
Depreciation and Amortization expenses	(1,068,655)
Increase/decrease in receivables	489,743
Increase/decrease in payables	4,805,149
Share Capital	100,000
Provision for doubtful debts	58,370
Increase/decrease in cash and cash	12,611
Unbudgeted items	1,737
Cash and cash Equivalentents	70,938

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

### **1. General Information**

Mwala Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act. The Company is wholly owned by the Machakos County Government and is domiciled in Kenya. The Company's principal activity is provision of safe adequate water for domestic and commercial use and provision of Sanitation Services within the area of jurisdiction.

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.

**Mwala 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 2025.**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> <li>i. When a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and</li> <li>iii. New or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</li> </ul>	1 January 2026

*(The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a*

**Mwala Water and Sanitation Company Ltd**  
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*significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....)*

**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted

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

**iii. Early adoption of standards**

Mwala Water and sanitation Company Ltd did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

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

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

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

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

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Plant and machinery	12.5%	12.5%
Motor vehicles, including motor cycles	25%	25%
Computers and related equipment	30%	30%
Office equipment, furniture and fittings	12.5%	12.5%
Intangible Assets	30%	30%

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

**e) Intangible assets**

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

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

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

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

**g) Investment property**

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

## **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) Biological Assets**

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

**j) 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).

**k) 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.

**Summary of Accounting Policies**

**l) 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).

**m) 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.

**n) 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.

**o) 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.

**p) Deferred tax**

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

**q) Borrowing costs**

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

**r) 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.

**Restricted cash**

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity.

**s) 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.

**t) 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.

**u) Retirement benefit obligations**

The Company contributes to a defined contribution scheme for all Permanent & pensionable employees from July 1, 2022. The scheme is administered by County Pension Fund. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act.

**v) 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.

**w) 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.

**x) Budget information**

The original budget for FY 2024/2025 was approved by the Board of Directors on 28<sup>th</sup> June 2024. 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 financial performance, whereas the

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

**y) 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.

**z) Comparative figures**

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

**aa) 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, 20xx.

## **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.

### **Material Uncertainty Relating to Going Concern**

The company has been making loss over the years making it hard for the company to meet its obligations. This has been mainly due to high cost of pumping, free water and high maintenance cost. Due to high power bills the pumping units has been facing frequent power disconnections. However to curb this the company has an ongoing gravitational water project which will be completed in December 2025. The project is being implemented by Athi Water Works Development Agent with Tanathi WWDA.

#### **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.

Provision for bad and doubtful debts is at the rate of 10% of inactive debts as approved by the Board of Directors

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Notes to the financial statements (continues)

**6. Operating Revenue**

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	4,476,852	5,316,725
Billing for other services-connection fees	27,300	39,900
<b>Total</b>	<b>4,504,152</b>	<b>5,356,625</b>

**7. Subsidy**

	Kshs	Kshs
County Government Subsidy	323,841	424,973
<b>Total</b>	<b>323,841</b>	<b>424,973</b>

**8. Grants Income**

	2024-2025	2023-2024
	Kshs	Kshs
Operational grants from Government entities	18,189,006	18,189,006
Recurrent/operational grants from other agencies	0	0
Capital grants amortized	0	0
Donations from County Governments	0	0
In Kind contribution/donations from other agencies	0	0
<b>Total</b>	<b>18,189,006</b>	<b>18,189,006</b>

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	Insert Current FY KShs
Department	0	0	0	0	0
Ministry	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

**9. Staff Costs**

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Salary and Allowances	4,743,624	5,148,416
Casual workers Wages	65,000	34,200
Medical insurance schemes	0	0
Employer's contributions to social security schemes	253,192	216,338
Employer's contributions to pension scheme	330,369	358,351
Provisions for Leave pay	171,751	176,534
Housing Levy	73,731	77,226
NITA Levy	3,000	0
<b>Total</b>	<b>5,640,667</b>	<b>6,011,065</b>
<b>The average number of employees during the year</b>	<b>12</b>	<b>13</b>

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**10. General and Operations Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Chemicals	67,203	0
Electricity	958,879	691,374
Fuel, oil, lubricants, and gases	284,300	382,000
Office supplies	353,000	337,020
Telecommunication	58,000	44,000
Insurance	0	15,000
Rent and Rates	30,000	17,000
Domestic Traveling and subsistence	192,650	493,000
Bank Charges	25,971	36,562
Audit fees	116,000	116,000
Licensing and levies	194,540	230,229
Provision for doubtful debts-increase	58,370	68,522
Waspa Annual subscription fees	55,000	55,000
<b>Total</b>	<b>2,393,913</b>	<b>2,485,707</b>

**11. Board Expenses**

Description	2024-2025	2023-2024
	KShs	KShs
Chairman Honoraria	0	0
Sitting allowances	36,000	48,000
Medical Insurance	0	0
Induction and Training	0	0
Travel and accommodation	0	0
Other allowances	0	0
<b>Total Board Expenses</b>	<b>36,000</b>	<b>48,000</b>

**Mwala Water and Sanitation Company Ltd**  
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**12. Maintenance Expenses**

	2024-2025	2023-2024
Description	Kshs	Kshs
Plant and Equipment	688,730	556,880
Motor vehicles	110,300	387,800
Software	60,000	60,000
Motor cycles	19,400	107,790
Computer repairs & maintenance	207,000	150,000
<b>Total Maintenance Expenses</b>	<b>1,085,430</b>	<b>1,262,470</b>

**13. Depreciation and Amortization Expenses**

	2024-2025	2023-2024
Description	KShs	KShs
Property, plant, and equipment	1,068,655	1,267,918
Right of Use Assets	0	0
Intangible assets	0	0
Investment property carried at cost	0	0
<b>Total Depreciation and Amortization</b>	<b>1,068,655</b>	<b>1,267,918</b>

14. (a)Property, Plant and Equipment

2024-2025	Plant and machinery	Motor vehicles including motor cycles	Computers & related equipment	Office equipment , furniture & fittings	Capital work in progress	Total
<b>Depreciation rate</b>	12.5%	25%	30%	12.5%		
	<b>Kshs.</b>	<b>kshs</b>	<b>kshs</b>	<b>kshs</b>	<b>kshs</b>	<b>kshs</b>
At July 1, 2023	20,421,303	7,095,000	834,550	68,100	-	28,418,953
Additions	105,500					105,500
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>At June 30, 2024</b>	<b>20,526,803</b>	<b>7,095,000</b>	<b>834,550</b>	<b>68,100</b>		<b>28,524,453</b>
At July 1, 2024	20,526,803	7,095,000	834,550	68,100		28,524,453
Additions	-					-
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>At June 30, 2025</b>	<b>20,526,803</b>	<b>7,095,000</b>	<b>834,550</b>	<b>68,100</b>		<b>28,524,453</b>
<b>Depreciation</b>					-	
As At July 1, 2024	13,926,031	6,146,780	817,695	56,525		20,947,031
Charge For The Year	825,097	237,055	5,057	1,447		1,068,655
Impairment Loss	-	-	-	-	-	-
Eliminated On Disposal	-	-	-	-	-	-
<b>As at June 30,2025</b>	<b>14,751,128</b>	<b>6,383,835</b>	<b>822,752</b>	<b>57,972</b>		<b>22,015,686</b>
<b>Net Book Value At June 30, 2024</b>	<b>6,600,773</b>	<b>948,221</b>	<b>16,855</b>	<b>11,575</b>		<b>7,577,424</b>
<b>Net Book Value At June 30, 2025</b>	<b>5,775,676</b>	<b>711,166</b>	<b>11,799</b>	<b>10,128</b>		<b>6,508,769</b>

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

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

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Plant and machinery	20,526,803	14,751,128	<b>5,775,675</b>
Motor vehicles, including motorcycles	7,095,000	6,383,835	<b>711,165</b>
Computers and related equipment	834,550	822,752	<b>11,799</b>
Office equipment, furniture, and fittings	68,100	57,972	<b>10,128</b>
<b>Total</b>	<b>28,524,453</b>	<b>22,015,686</b>	<b>6,508,767</b>

### 15. Trade and Other Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	5,991,936	5,428,357
Provision for bad and doubtful debts	(457,836)	(399,466)
Net trade receivables	<b>5,534,100</b>	<b>5,028,891</b>
<b>at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	139,400	522,980
Between 30 and 60 days	376,620	401,230
Between 61 and 90 days	223,960	257,713
Between 91 and 120 days	673,593	525,920
Over 120 days	4,578,363	3,720,514
<b>Total</b>	<b>5,991,936</b>	<b>5,428,357</b>
Increase/decrease in provision for doubtful debts	58,370	
Increase in trade receivables	505,209	

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**16. Prepayments**

Description	2024-2025	2023-2024
	Kshs	Kshs
WARMA	85,316	100,782
<b>Total</b>	<b>85,316</b>	<b>100,782</b>

**17. Bank and Cash Balances**

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank-Family bank-CSLG	(3,248)	(3,248)
KCB-Expenditure account	3,000	3,000
KCB-Revenue account	46,029	64,609
KCB-Deposit account	15,879	1,670
Family bank-Revenue account	318	318
Cash in hand	0	0
M-pesa	8,960	17,200
<b>Total</b>	<b>70,938</b>	<b>83,549</b>

**18. Ordinary Share Capital**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Authorized:</b>		
100 ordinary shares of Kshs.1,000 par value each	<b>100,000</b>	<b>100,000</b>
<b>Issued and not paid:</b>		
100 ordinary shares of Kshs.1,000 par value each	<b>100,000</b>	<b>100,000</b>

### 19. Revaluation Reserve

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

### 20. Fair Value Adjustment Reserve

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

### 21. Retained Earnings

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

	2024-2025	2023-2024
	Kshs	Kshs
Opening balance	(30,467,355)	(25,173,793)
Profit/Loss	(5,396,673)	(5,293,562)
Bal c/d	(35,864,028)	(30,467,355)

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

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of gross pay per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 7.5 % while employers contribute 7.5% of basic salary and housing allowance. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

**22. Trade and Other Payables**

	<b>KSHS 2024-2025</b>	<b>KSHS 2023-2024</b>
Electricity	6,151,276	5,516,238
Tanathi WSB	6,636,076	6,636,076
Wasreb	2,196,576	2,017,502
Audit Fee- KENAO	1,276,000	1,160,000
Sulis East Africa	735,000	675,000
Salary Arrears	10,234,244	6,498,587
Accrued Honoraria	495,000	495,000
Masaku Technicians	114,280	117,100
Waspa	110,000	55,000
<b>Total</b>	<b>27,948,452</b>	<b>23,170,503</b>
<b>Increase/ Decrease in Trade Payables</b>	<b>4,777,949</b>	

**Aging Analysis for Trade and other Payables**

	<b>2024-2025</b>	<b>% of the total</b>	<b>2023-2024</b>	<b>% of the total</b>
Under one year	6,866,649	24.57%	6,792,543	29.31%
1-2 years	2,131,076	7.62%	2,042,190	8.81%
2-3 years	1,890,453	6.76%	1,772,900	7.65%
Over 3 years	17,060,274	61.04%	12,562,870	54.22%
<b>Total</b>	<b>27,948,452</b>		<b>23,170,503</b>	

**23. Refundable Deposits and Prepayments**

	2024-2025	2023-2024
	Kshs	Kshs
Opening Balance	1,898,492	1,860,392
Add: deposits received during the year	27,200	38,100
Less: Refunded deposits during the year	0	0
<b>Total</b>	<b>1,925,692</b>	<b>1,898,492</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	2024-2025		% of the total	2023-2024	% of the total
Under one year	27,200		1.41	38,100	2
1-2 years	38,100		1.97	60,000	3.1
2-3 years	60,000		3.11	71,200	3.75
Over 3 years	1,800,392		93.49	1,729,192	91.08
<b>Total</b>	<b>1,925,692</b>			<b>1,898,492</b>	

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**24. Notes to The Statement of Cash Flows**

	2024-2025	2023-2024
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(5,396,673)	(5,293,562)
Depreciation	1,068,655	1,267,918
Operating profit/(loss) before working capital changes	<b>(4,328,017)</b>	<b>(4,157,644)</b>
(Increase)/decrease in trade and other receivables	(505,209)	(535,830)
Increase/(decrease) in trade and other payables	4,777,949	4,626,101
Increase in customer deposits	27,200	38,100
<b>Cash generated from/(used in) operations</b>	<b>(28,082)</b>	<b>102,727</b>
<b>(b) Analysis of changes in loans</b>		
<b>Balance at beginning of the year</b>	<b>83,549</b>	<b>68,761</b>
Receipts during the year	3,960,961	4,790,375
Repayments during the year	3,973,572	4,775,587
<b>Balance at end of the year</b>	<b>70,938</b>	<b>83,549</b>
<b>(c) Analysis of cash and cash equivalents</b>		
M-pesa	8,960	17,200
Cash at bank	61,978	66,349
Cash in hand	0	0
<b>Balance at end of the year</b>	<b>70,938</b>	<b>83,549</b>

**Other Disclosures**

**25. Related Party Disclosures**

**County Government of Machakos**

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

Other related parties include:

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

**26. Financial Risk Management**

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

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

**(i) Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
<b>At 30 June 2025</b>				
Trade Receivables	5,991,936	516,025	897,553	4,578,358
<b>Total</b>	<b>5,991,936</b>	<b>516,025</b>	<b>897,553</b>	<b>4,578,358</b>
<b>At 30 June 2024 (previous Year)</b>				
Receivables	5,428,357	924,210	783,633	3,720,524
<b>Total</b>	<b>5,428,357</b>	<b>924,210</b>	<b>783,633</b>	<b>3,720,524</b>

***Credit Risk***

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered

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adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from xxxx.

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

**ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2025 current year</b>				
Trade payables	569,887	692,267	16,452,054	17,714,208
Employee benefit obligation	621,259	1,694,194	7,918,790	10,234,244
<b>Total</b>	<b>1,191,146</b>	<b>2,386,462</b>	<b>24,370,844</b>	<b>27,948,452</b>
<b>At 30 June 2024 previous year</b>				
Trade payables	460,499	84,344	16,127,073	16,671,916
Employee benefit obligation	637,011	911,396	4,950,180	6,498,587
<b>Total</b>	<b>1,097,510</b>	<b>995,740</b>	<b>21,077,253</b>	<b>23,170,502</b>

**(iii) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of

financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

**a) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

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

**iii) Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value**

Determination of fair value and fair values hierarchy

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

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

There were no transfers between levels 1, 2 and 3 during the year.

**Financial instruments not measured at fair value**

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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

**iv) Capital Risk Management**

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

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(35,864,028)	(30,467,355)
<b>Total funds</b>	<b>(35,864,028)</b>	<b>(30,467,355)</b>
Total borrowings	0	0
Less: cash and bank balances	70,938	83,549
Net debt/(excess cash and cash equivalents)	<b>(35,934,966)</b>	<b>(30,550,904)</b>

**27. Incorporation**

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

**28. Events After the Reporting Period**

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p><b>INACCURACIES IN OPERATING REVENUE</b></p> <p>The Statement of Profit or Loss and Other Comprehensive Income and as disclosed in Note 6 to the financial statements reflect operating revenue of Kshs.5, 316,725 .however, review of the schedule provided for audit review revealed an amount of Kshs.5,320,725 resulting in unexplained variance of Kshs.4,000.</p> <p>In the circumstances, the accuracy and completeness of the operating revenue amount of kshs.5, 316,725 could not be confirmed</p>	<p><i>During the year under review the company had operating revenue of ksh 5,316,725 and not ksh 5,320,725. Attached is the operating revenue schedule for the year totalling to kshs 5,316,725 at is in the financial statements. Attached as appendix Isame schedule was provided during audit and extract of financial statements</i></p>	Resolved	
2	<p><b>LONG OUTSTANDING TRADE RECEIVABLES</b></p> <p>The statement of financial position and as disclosed in Note 14(a) to the financial statements reflects trade and receivables balance of</p>	<p><i>The company has developed a finance manual that has addressed debt collection and</i></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>Kshs.5, 028,891. Included in the balance are debts amounting to Kshs.3, 720,524 which have outstanding for over 120 days. Further, the Company has no finance manual setting out guidelines and policies on management and collection of receivables. This casts doubt on the recoverability of the receivables. Further the Company made provision for doubtful debts of Kshs.399, 466. Which was not supported by a policy. Although the management indicated they were in the process of engaging debt collectors and preparing a finance manual, it was not possible to confirm when the process will be completed.</p> <p>In the circumstances, the accuracy completeness and recoverability of the receivables balance of Kshs.5, 028,891 could not be confirmed.</p>	<p><i>doubtful debts among other issues. This has been forwarded to the chief officer department of finance, county government of Machakos. Extract attached as Appendix 2(i)</i></p> <p><i>The provision of kshs.399, 466 is 10% of the inactive debts which was approved by the board of directors. Minutes attached as appendix 2(ii) Minute 4/15/2015.</i></p> <p><i>On the issue of recoverability the management from time to time issues demand notices to all the outstanding debtor in order to pay the debts. Attached as appendix 2 (iii)</i></p> <p><i>Soon the company will engage a debt collector to assist in collection of the outstanding debts</i></p>		
3	<p><b>UNCONFIRMED REFUNDABLE CUSTOMER DEPOSITS BALANCE</b></p> <p>The statement of financial position and as disclosed in</p>	<p><i>The company has attached minutes</i></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>note 20 to the financial statements reflects customer deposits balance of kshs.1,898,492 However, the deposit account balance reflected Kshs.1,670 resulting in unexplained variance of kshs.1,896,822 indication that customer deposits are not available for refund as and when required. Further, the support schedule for the outstanding customers' deposits was not provided for audit review although the management indicated that the funds were borrowed by the Company to finance its operations, no explanation was provided on measures put in place to ensure funds are readily available when required. In the circumstances, accuracy and completeness of customer deposits balances of kshs.1, 898,492 could not be confirmed.</p>	<p><i>approving the borrowing of customer deposits and the customer deposits schedule for review as appendix 3(i). The delay in ensuring the funds are readily available for refund is occasioned by financial challenges faced by the company. The company has taken the following measures to ensure it collects enough money for refund.</i></p> <ol style="list-style-type: none"> <li><i>1. Requested county government of Machakos to hand over some of the high yielding boreholes drilled within Mwala sub-county attached as appendix 3(ii)</i></li> <li><i>2. The management will soon engage debt collector to collect all the outstanding debts</i></li> </ol> <p><i>The management will ensure that all the</i></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)
		<i>amounts collected from the above measures will be used to refund the customer deposits</i>		
4	<p><b>BUDGETARY CONTROL AND PERFORMANCE</b></p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.23,894,220 and Kshs.5,781,598 respectively resulting to an under collection of Kshs.18,112,622 or approximately 76% of the budget. Similarly, the water company spent Kshs.11,207,160 against actual receipts of Kshs.5,781,598 resulting to an over-absorption of Kshs.5,425,562 or 94% of total receipts. Although the management indicated that non-performance was attributed to one major supply not operating due to power disconnection and other supplies being affected by floods where the pumps were submerged and washed away, no evidence was provided on the measure put in place to avert similar occurrences in future.</p>	<p><i>The amount of kshs. 5,425,562 over absorbed above the actual receipts are pending bills. The company has taken the following measures to avert the above mentioned occurrences in near future.</i></p> <ol style="list-style-type: none"> <li><i>1. The company has requested Machakos county government to do Solarisation of the existing boreholes to avoid power disconnection. Appendix 4(i)</i></li> <li><i>2. The company has requested the county government to hand over high yielding borehole within Mwala sub-county. Appendix4(ii)</i></li> <li><i>3. The company has engaged</i></li> </ol>		

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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>The over absorption may imply that the Company performance is poor and the under collection of revenue may negatively affect service delivery to the public.</p>	<p><i>development partners such as world vision to drill a solar powered bore hole in Masii which upon completion will be handed over to the company to increase sales. Appendix 4 (iii)</i></p> <p>4. <i>The company has engaged Water services maintenance trust fund to assist in subsidizing the maintenance cost.</i></p> <p>5. <i>The company has requested the county government to reinstate the water pumping units damaged by floods. Appendix 4(iv)</i></p>		
5	<p><b>UNDISCLOSED MATERIAL UNCERTAINTY RELATING TO GOING CONCERN</b></p>	<p><i>The cost of production is very high due to high electricity cost and frequent burst due to old pipeline system and frequent damage</i></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>The statement of profit or loss &amp; other comprehensive income reflects net operating loss of Kshs.5,425,562 (2022/2023 deficit of kshs.4,840,412) further the statement of financial position reflect current liabilities balance of Kshs.25,068,995 against current assets balance of.5,313,222 resulting in a negative working capital of Kshs.19,887,773 an indication that the Company is technically insolvent. In addition, trade and other payables increased by Kshs.4,855,067 from Kshs.18,447,436 in the previous year to Kshs.23,170,503 in the current financial year indicating the company's inability to pay its current obligations as and when they fall due. The state of the financial affairs and measures put in place to reverse the trade has not been disclosed in the financial statements contrary to the requirements of international financial reporting standards reporting framework. Although the management attributed the status to high electricity cost and frequent bursts of old pipes and the</p>	<p><i>by development works being undertaken by various departments. To curb this there is ongoing Mwala Cluster project which is gravitational and is due for completion by December 2025 which is aimed at reducing operational cost in electricity and increase customer base. Progress of the project is attached as appendix 5 The Company has also requested for solarisation of existing boreholes as a measure of reducing cost of production and continuous supply thus improvement on revenue</i></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>situation is being addressed through Mwala cluster project which is gravitational the outcome of the measures put in place could not be confirmed.</p> <p>In the circumstances, the Company's ability to sustain it operations and delivery of services to the customers in the foreseeable future is doubtful</p>			
6	<p><b>Non- Adherence to Fiscal Responsibility Principles on Staff Costs</b></p> <p>The statement of profit or loss and other comprehensive income and Note 8 to the financial statements reflect staff costs of Kshs.6,011,065 which represent approximately 103% of the revenue collected of Kshs.5,781,598. This is contrary to Section 25 (1) (b) of Public Financial Management (County Governments) Regulations, 2015 which states that the County Government expenditure on wages and benefits for public officers should not exceed 35% of the County Government total revenue. Management attributed the scenario to low revenue as a result of floods, power</p>	<p><i>The company endeavours to comply with the fiscal responsibility principles on staff cost but collection of enough revenue is a challenge. To curb this company has taken several measures to increase its revenue in order to meet the 35% thresh hold.</i></p> <p><i>1. The company has requested Machakos county government to do Solarisation of the existing boreholes to avoid power disconnection. Appendix 6(i)</i></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>disconnection and machines break down. In the circumstances management was in breach of law</p>	<p>2. <i>The company has requested the county government to hand over high yielding borehole within Mwala sub-county. Appendix6(ii)</i></p> <p>3. <i>The company has engaged development partners such as world vision to drill a solar powered bore hole in Masii which upon completion will be handed over to the company to increase sales. Appendix 6 (iii)</i></p> <p>4. <i>The company has engaged Water services maintenance trust fund to assist in subsidizing the maintenance cost.</i></p> <p>5. <i>The company has requested the county government to reinstate the water pumping</i></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)
		<i>units damaged by floods. Appendix 6(iv)</i>		
7	<p><b>Failure to Comply with Law on Ethnicity</b></p> <p>Review of the staff records revealed that 13 employees or 100% of actual establishment were all from the dominant ethnic community in the County. This is contrary to Section 65(1) (e) of the County Government Act, 2012 which states that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p><i>The company inherited employees from the dominant community in the county during formation of the company. The company plans to be placing all employment vacancies in newspapers to attract other communities.</i></p>		
8	<p><b>Failure to Remit Statutory Deductions</b></p> <p>The statement of financial position and as disclosed in Note 19 to the financial statements reflect trade and</p>	<p><i>The company has fully paid PAYE and Housing levy as required. Attached</i></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>other payables balance of Kshs.23,170,503. Included in the balance are salary arrears totaling Kshs.6,498,587 which include statutory deductions for NSSF,PAYE,CPF Housing levy of kshs.356,644,kshs15,698,ks hs.655,844 and kshs.61,502 respectively all totalling to kshs.1,089,729 which had not been remitted. This is contrary to regulation 22(2)(a) of the public finance management act(county government) regulations 2025 which requires accounting officers to comply with any tax, levy, pension, commitments and audit recommendations as may be provided for by legislation.</p> <p>Although Management explained that they failed to remit deductions due to poor performance, measures put in place to ensure compliance were not provided for audit review.</p> <p>In the circumstances, Management the Company is exposed to the risks of paying interest and penalties due to unremitted statutory deductions</p>	<p><i>schedule of payment as appendix 7(i)</i>  <i>During the year the company faced financial challenges and did not fully remit Nssf and CPF contributions and is committed to paying them. Appendix 7(ii)</i></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)
9	<p><b>NON-REVENUE WATER</b></p> <p>The statement of profit or loss and other comprehensive income and as disclosed in note 6 to the financial statements reflect operating revenue of Kshs. 5,316,725 which relates to water sales. Review of the records revealed that the company produced 35,150 cubic meters of water, out of which 25,574 cubic meters was sold. The balance of 9,546 cubic meters or approximately 27.18% of the total volume of water produced represent non-revenue water (NRW). The loss is above the Water Service Regulatory Board guidelines allowable loss of 25%. The NRW resulted in loss of sales estimated at Kshs.1,984,573 adversely affecting the financial performance of the company. Although management attributed the loss to burst water pipes, no evidence was provided for audit review to confirm measures put in place to avoid future losses</p> <p>In the circumstances, Management was in breach of law</p>	<p><i>The company experiences high non-revenue water due to old pipelines and frequent road repairs which tempers with the pipeline along the road reserves. The company has improved on response time to bursts.</i></p> <p><i>The company has improved on monitoring of meters and replacement of faulty meters.</i></p> <p><i>The company continuously sensitizes the community on importance of protecting the company resources and the effects of vandalizing them.</i></p>		
10.	Use of outdated water tariff			

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	<p>The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue of Kshs.5,316,725 being the amount for water sales for the year under review. The current water tariff approved by the Water Service Regulatory Board (WASREB) was to be used from 2012 to 2017 period. The Company is therefore using outdated water tariff. This is contrary to section 72 of the Water Act, 2016 which stipulates that Water Service Regulatory Board is required to evaluate and recommend water and sewerage tariffs in line with consumer protection standards. Although Management indicated that they were in the process of applying for approval of new tariff from Water Service regulatory Board, it was not possible confirm how long the process will take.</p> <p>In the circumstances, the management was breach in of law.</p>	<p><i>The company is currently applying for new tariff from the regulator which is at data entry stage. Attached as appendix 8</i></p>		
11	<b>PRESENTATIONS, INACCURACIES AND DISCLOSURE IN THE</b>			

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	<p><b>FINANCIAL STATEMENTS</b></p> <p>The following anomalies were noted on presentations and disclosures in the financial statements:</p> <ul style="list-style-type: none"> <li>i. Statement of performance against predetermined objectives has omitted Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012.</li> <li>ii. The ICPAK no, of head of finance missing in the statement of financial position at page 2.</li> </ul>	<p><i>The anomaly in roman (I) above was rectified in the financial statements submitted on date 30<sup>TH</sup> December 2024 attached as appendix 9(i)</i></p> <p><i>The company has contacted department of finance county government of Machakos requesting secondment of a certified accountant. Appendix 9(ii)</i></p>		
12	<p><b>Lack of an Audit Committee</b></p> <p>During the year under review, the Company had not established an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 and Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides for the</p>	<p><i>Currently the company is sharing the audit committee with county Government of Machakos. Appendix 10</i></p>		

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	<p>establishment of the internal audit function and an Audit Committee of the Board. As such the Company did not benefit from the assurance and advisory services from the internal audit function as well as oversight from the Audit Committee.</p> <p>In the circumstances, the effectiveness of internal controls and overall governance could not be confirmed.</p>			

Name **MOSES NZUKI**

Signature **[Handwritten Signature]**

Managing Director

Date **3/11/2025**



