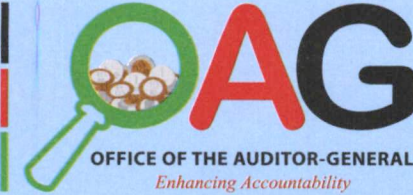


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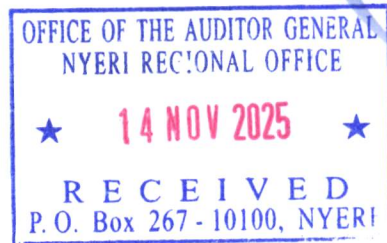
ON

MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED

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FOR THE YEAR ENDED 30 JUNE, 2025

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MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

Murang'a South Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

Murang'a South Water & Sanitation Company Ltd
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1. Acronyms and Glossary of Terms

A. Acronyms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFMA	Public Financial Management Act
PSASB	Public Sector Accounting Standards Board
IASB	International Accounting Standards Board
IAS	International Accounting Standards
WASREB	Water Services Regulatory Board
WSTF	Water Services Trust Fund
AWWDA	Athi Water Works Development Agency
TWWDA	Tana Water Works Development Agency
Ksh	Kenyan Shillings
UoN	University of Nairobi
ICS	Institute of Certified Secretaries
CPA-K	Certified Public Accountant of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
FVTOCI	Fair Value Through Other Comprehensive Income
NWCPC	National Water Conservation & Pipeline Corporation

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

Financial Year (FY)- is a 12-month accounting period used for budgeting and reporting, running from 1st July to 30th June.

2. Key Entity Information

Background information

The Murang’a South Water and Sanitation Company Ltd was established by the Companies Act of Parliament on 23rd May 2008. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and our legislation is the Articles and Memorandum of association.

Principal Activities

The principal activity of the Company is to provide water and sanitation services within Murang’a South, Kandara and Kigumo Sub-counties. Below is the vision, mission and mandate summary:

Vision;

“To be a model Water and Sanitation Services Provider in Kenya”

Mission;

To provide quality, affordable, reliable, and sustainable water and sanitation services by meeting and exceeding the customers' and stakeholders' expectations.

Mandate;

Murang’a South Water and Sanitation Company is mandated to provide efficient and economical water and sanitation services within the area as specified in the license issued by WASREB and maintenance of the developed National and County Governments assets for water and sanitation service provision as per the Water Act 2016.

Directors

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

	Name	Designation	Appointed on:
1.	Ms. Nancy Wanja Muhoro	Chairperson	15th July 2022
2.	Mr. Peter Maina Munina	Member	23rd August 2024
3.	Ms. Caroline Wanjiru Gachacha	Member	23rd August 2024
4.	Mr. Pius Mwangi Njuguna	Member	23rd August 2024
5.	Mr. John Kahi Kiiro	Member	23rd August 2024
6.	Ms. Irene Njeri Wanjiru	Member	23rd August 2024
7.	Mr. John Kiboro Njuguna	Member	23rd June 2023
8.	Prof. Joseph Kiarie Mwaura	CECM-Finance & Economic Planning Murang’a County Govt	
9.	Ms. Mary Muthoni Magochi	CECM-Water & Irrigation Murang’a County Govt.	

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10. Mr. John Macharia Managing Director

11. Mr. Richard K. Gikuhi Company Secretary

Company Secretary

Gikuhi Kiana & Company
Certified Public Secretaries
P.o Box 1271-10100
Nyeri, Kenya.

Registered Office

Kandara Water Office
P.O Box 87-01034
Kandara, Kenya.

Corporate Contacts

Telephone: 0716 645 345
E-mail: murangasouth@gmail.com
Website: www.muswasco.co.ke

Corporate Bankers

Equity Bank Ltd
Thika Branch
P.O Box 253-01000
Thika.

Unaitas Sacco Limited
Kangari Branch
P.O Box 1145-10200
Murang'a.

Sidian Bank Limited
Thika Branch
P.O Box 25363-00603,
Nairobi.

Kenya Commercial Bank
Thika Branch
P.O Box 271-01000
Thika.

Amica Sacco Ltd
Kandara Branch
P.O. Box 4062
Kandara.

National Bank of Kenya
Thika Branch
P.O Box 72866-00200
Nairobi.

Independent Auditor

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

Principal Legal Adviser

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




3. The Board of Directors

	Directors	Details
1.	 <p>Nancy W. Muhoro (BOD Chairperson) Year of Birth:1975</p>	<p>She was appointed on 15th July 2022 as a non-executive director representing Religious organizations. She holds a Diploma in Community Development. She has worked with several NGO's. She is an established leader and is involved in various social and local development initiatives.</p>
2.	 <p>Peter Maina Munina (Technical BOD Committee Chair) Year of Birth:1968</p>	<p>He was appointed in on 23rd August 2024 as a non-executive director representing farmers. He is a professionally trained teacher and Insurance Sales Representative. He holds a Degree in Bachelor of Education(Science) and Certificate of Insurance Proficiency. He is a member of Kenol Law Court and Court User Committee representing Kenol Business Community.</p>
3.	 <p>Caroline Wanjiru Gachacha (Audit & Risk BOD Committee Chair) Year of Birth: 1978</p>	<p>She was appointed on 23rd August 2024 as a non-executive director representing the business community. She holds a Degree in Bachelor of Arts,sociology, Diploma in Management Information Systems(IMIS). She is a Board member at Kenyoho Secondary School and Gacharage Girls Secondary School. She is a program coordinator at Community Ecological Farming and Livelihood improvement initiatives Project .</p>



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4.	 <p>Pius Mwangi Njuguna (Finance & Admin BOD Committee Chair) Year of Birth:1980</p>	<p>He was appointed on 23rd August 2024 as a non-executive director representing professional bodies. He holds a Bachelor Degree in Education and Certificate of Proficiency in Insurance. He has wide experience in insurance field for more than 15 years.</p>
5	 <p>John Kiiru (Director) Year of Birth:1960</p>	<p>He was appointed on 23rd August 2024 as a non-executive director representing Education. He is a professionally trained teacher with over thirty years' experience. He holds a Bachelor Degree of Counselling and Psychology and a Diploma in Education Management.</p>
6	 <p>Irene Njeri Wanjiru (Director) Year of Birth : 2000</p>	<p>She was appointed on 23rd August 2024 as a non-executive director representing women. She holds a Degree in Bachelor of Accounting and Finance. She has experience in front office, Administration and Accounts.</p>

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7.	 John Kiboro Njuguna (Director) Year of Birth: 1966	He was appointed on 30 th June 2023 as a non-executive director representing Members from Special Interest Groups (PLWD). He holds Bachelors in Literature and Sociology. He has worked as an Administrator at Vision Africa and was a Councillor at Kandara Town Council from 2003-2013. He has also worked as teacher for over 8 years.
8.	 Prof. Kiarie Mwaura CECM- Finance & Economic Planning (Murang'a County Govt) Year of Birth: 1971	He is a professor of corporate law (UoN), certified governance auditor, fellow of the UK Higher Education Academy & Institute Certified Secretaries (ICS), CPS-K, an Advocate of the High Court of Kenya, Postgraduate Certificate in Higher Education Teaching, University of Wolverhampton (PhD), Staffordshire University (LLM), Legal Practice Diploma, University of Nairobi (LLB), and Certificate in Tribunal Administrative Justice. He is the immediate former dean of the University of Nairobi's School of Law, during his deanship, the School produced the highest number of graduates in its 50-year history and it secured, for the first time, the prestigious CB Madan Prize. He has served on the boards of the Transport Licensing Appeals Board and National Council for Law Reporting.
9.	 Eng. Mary Muthoni Magochi CECM- Water & Irrigation (Murang'a County Govt) Year of Birth: 1983	She is the County Executive Committee Member-Water, Irrigation, Environment and Natural Resources at Murang'a County Government. She is a degree holder, an engineer by profession with vast knowledge and wide range of experience in water technical issues.




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<p>10.</p>	 <p>Richard K. Gikuihi (Company Secretary) Year of Birth: 1952</p>	<p>He is the company secretary and has Master's degree in Business Administration from Moi University and Certified Public Secretary with a wide range of experience in Corporate Governance and management of over forty years. He is an accomplished leader and a fellow of the Institute of Certified Public secretaries of Kenya and a member of the Kenya Institute of Management.</p>
<p>11.</p>	 <p>John Macharia Wanjiku (Managing Director – Secretary to the BOD), Year of Birth:1985</p>	<p>He is the Managing Director of Murang'a South Water & Sanitation Company, bringing extensive experience in the water sector. He has demonstrated exceptional leadership in water resource management, infrastructure development, and service delivery. He holds a Bachelor of Science degree in Water and Environmental Engineering from Egerton University, providing him with a strong technical foundation and expertise in sustainable water solutions. His unwavering commitment to innovation and operational efficiency continues to propel the company's mission of delivering reliable, safe, and sustainable water services to the community.</p>

4. Key Management Team

Name & Passport size photo	Area of Responsibility & Key Professional/Academic Qualification,
 <p>John Macharia Wanjiku</p>	<p>Managing Director</p> <p>Bachelors of Science (Water & Environmental Engineering)- Egerton University</p>
 <p>CPA Tabitha Waithera Nderitu</p>	<p>Finance Manager</p> <p>Masters of Science in Commerce- Finance & Investment Option (KCA University).</p> <p>Bachelor of Commerce (Finance Option)-Mount Kenya University.</p> <p>Certified Public Accountant (CPA-K).</p>
 <p>Bernard Kiplagt Kipsoi</p>	<p>Technical Services Manager</p> <p>Bachelors of Science (Water & Environmental Engineering)- Egerton University</p> <p>Diploma in Project Management- Kenya Institute of Management</p>

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 <p>Lucas Maina Wango'ndu</p>	<p>Commercial Services Manager</p> <p>Bachelor of Commerce (Finance Option)-Mount Kenya University.</p> <p>Association of Chartered Certified Accountants- ACCA Level 2</p>
 <p>Purity Wachera Kihara</p>	<p>Ag. Internal Auditor</p> <p>Bachelors of Commerce (Accounting Option)- University of Nairobi.</p>
 <p>Richard K. Gikuhi</p>	<p>Company Secretary</p> <p>Master's degree in Business Administration from Moi University and Certified Public Secretary</p>

5. Chairman's Statement

It gives me great pleasure, on behalf of the Board of Directors, to present the Chairman's Report for the financial year ended 30th June 2025. This report outlines the strategic progress, operational performance, and governance milestones achieved during the year, reflecting our continued commitment to delivering quality water through quality services to the people of Kandara, Kigumo and Maragua Sub-Counties. Guided by our core values; customer focus, transparency, good governance, innovation, and teamwork, we have made meaningful progress in expanding access, enhancing efficiency, and strengthening institutional resilience in alignment with national and sectoral goals.

We are proud to have received recognition in the WASREB Impact 17 Report, which ranked our utility:

- 1st in Governance among publicly owned water service providers in Kenya
- 2nd overall in Governance nationally,
- 3rd most improved utility across the country.

These awards affirm our commitment to integrity, leadership, and excellence in service delivery.

Achievements

Our focus remained on expanding access to water and sanitation, reducing non-revenue water (NRW), and building institutional resilience.

Key performance highlights include:

- Water coverage increased from 72% to 74%, highlighting progress in our mission to ensure universal access.
- NRW reduced from 40% to 38.4%, a positive step in improving operational efficiency.
- Commencement of consumer sewer connections Kenol, consistent with established urbanization and sanitation standards for emerging urban settlements.
- Key infrastructure projects including the Makutano Water and Sewerage Project and multiple Ward Fund and Flocca-funded pipeline extensions enhanced connectivity and service reliability across our service areas.

Challenges

Despite the gains, we continue to face persistent challenges.

Non Revenue Water: The current non-revenue water level remains above the sector benchmark of 25%, highlighting the need for continued efficiency efforts.

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Encroachment on Service Areas: Murang'a Water and Sanitation Company encroached on several projects and areas under our jurisdiction, including Maragua Bulk Water Supply Project, Maragua area, Kambiti area and Maragua Ridge area. This unauthorized takeover has negatively impacted our supply coverage, billing operations and increased provisions for bad debts.

Pipeline Destruction and Vandalism: Service disruptions were experienced in Kigumo, Sabasaba, Maragua and Kamahuha areas between January and February 2025, due to destruction of pipeline infrastructure in Kinyona and Karinga. Despite these setbacks, we successfully restored services in the affected areas, unearthed and dislodged illegal connections, and reinstated tampered meters, thereby normalizing supply and reinforcing operational integrity.

Conclusion

This year's achievements reaffirm our alignment with sector regulations and national development priorities. We take pride in the progress made, particularly in expanding access, improving service delivery, and enhancing institutional resilience.

The Board recognizes the invaluable commitment of the management team and staff, whose dedication has been instrumental in driving performance and innovation across the organization. As we look to the future, we remain focused on strengthening operational efficiency, deepening partnerships, and safeguarding the long-term sustainability of our water and sanitation infrastructure.

Appreciation

On behalf of the Board of Directors, I extend heartfelt appreciation to all our partners and stakeholders for their continued support and collaboration. We are especially grateful to the Murang'a County Government, Athi Water Works Development Agency (AWWDA), Water Services Regulatory Board (WASREB), Water Sector Trust Fund (WSTF), Constituency Development Fund (CDF), the Ministry of Water, Sanitation and Irrigation (MoWSI), as well as our customers and suppliers. Your partnership remains central to the success of our mission.

As we advance, we remain unwavering in our commitment to providing safe, reliable, and affordable water and sanitation services, while fostering a healthier, more inclusive, and prosperous future for all those within our service areas.

God bless you all.



.....
NANCY WANJA MUHORO
BOD CHAIRPERSON.

6. Report Of the Managing Director

It is with great honour and a strong sense of accountability that I present this Managing Director's Report, offering a comprehensive view of our operational performance and strategic priorities for the year ended 30th June 2025. This year, we have deepened our commitment to improving water and sanitation services through targeted infrastructure investments, innovative solutions, and a focus on operational efficiency. These achievements are a testament to the dedication of our staff, the guidance of our Board of Directors, and the support of our stakeholders and development partners.

Water is more than a basic need. It is the foundation of public health, economic development, and social equity. As an institution entrusted with delivering this vital resource, we continue to embrace this responsibility with unwavering dedication.

Performance Review

In the 2024/2025 financial year, the company generated Kshs. 290 million as operating revenue, recording a growth in comparison with the previous year. Part of this revenue was prudently reinvested into key infrastructure rehabilitation and maintenance aimed at improving reliable service delivery and expanding service coverage.

Our operational strategy has prioritized the expansion of water access, reduction of Non-Revenue Water (NRW), and improvements of infrastructure. Supported by our partners and principals, we focused on high-impact projects and system optimization, with the following outcomes:

Our operational strategy has prioritized the expansion of water access, reduction of Non-Revenue Water (NRW), and improvements in sanitation infrastructure. Supported by our partners and principals, we focused on high-impact projects and system optimization, with the following outcomes:

Key Project Highlights

- Makutano Water and Sewerage Project (Kangari and Kenol) at an investment of Kshs. 689 million with estimated beneficiaries at 28,456 persons
 - Water component: 97% complete
 - Sewer component: 85% complete
 - Phase 1 consumer sewer connections ongoing, accelerating urbanization in Kenol Municipality and enhanced investor confidence.
- FLLoCA (County) Last Mile Connectivity Project
 - 32km of HDPE pipeline installed benefitting 1,000 persons
- Ward Fund Projects (County Funded):
 - Lot 1: Completed impacting 1,070 beneficiaries
 - Lot 2: Ongoing at 10% to impact 1,000 beneficiaries
- CLSG II Project
 - Ongoing at 5% with an investment cost of Kshs. 66 million
 - Focus: Expansion of sanitation services to reach 2,000 beneficiaries
- Kinyona–Karimamwaro Water Project

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- Progress at 30% at an investment cost of Kshs. 136 million to impact 18,654 beneficiaries
- Temporarily stalled due to logistical and funding constraints
- Murang'a South Water Supply Intensification Project
 - Contracted and mobilized
 - Estimated reach: 32,000 people
 - Project Cost: KES 1.3 billion
- Proposed water supply projects
 - Kenol last mile connectivity at an investment cost of Ksh. 186 million to impact 1,500 persons
 - Irati-Sabasaba Last Mile Project at an investment cost of Ksh 75 million to impact 2,200 persons
- Drilling and equipping of Gathungururu, Mbogoini, Muitu, Mutithi, Muthithi, Mumbu, Gikindu and Mukerenju boreholes by the County Government of Murang'a at an investment cost of Kshs. 80 million

Operational Innovations and Sustainability

- Solarization of Boreholes (Wempa, Snr. Chief Gichohi, Ndiara-ini, Kaburugi, Njiri's, Gatumbu, Kianjiruini, Karung'ang'i, Mangoto) at a cost of Ksh. 50 million. Resulted in substantial energy savings and improved pumping reliability.
- Conditional Liquidity Support Grant (CLSG) II
 - Lot I: Installation of 3,500 consumer meters to improve billing accuracy and reduce NRW
 - Lot II: Implementation of Air Management Systems to improve pressure regulation and system longevity.

Challenges

Despite commendable progress, we faced several challenges that affected both operations and service delivery:

- **Tariff Structure Limitations:**
Our current billing model, charging only per unit consumed, proved disadvantageous during rainy seasons when consumption drops significantly, impacting revenue predictability.
- **Persistent Water Theft:**
There has been a rise in water theft cases. As a mitigation measure, we intensified meter sealing, meter relocations, joint monitoring by commercial and technical teams, and imposed penalties in accordance with the tariff guidelines.
- **Pipeline Destruction and Vandalism:**
Frequent damage to infrastructure during road construction projects, with delayed reinstatement by contractors, led to recurrent service interruptions, especially in urban areas. Additionally, between January and February 2025, vandalism in Kinyona and Karinga disrupted supply, largely fuelled by political interference and billing non-compliance in these

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areas. These disruptions were addressed through system restoration, removal of illegal connections, and reinstatement of tampered meters.

- **Inadequate Water Resources:**
Limited availability of raw water continues to constrain coverage expansion and necessitate strict rationing, particularly during dry spells.

Closing Remarks

The strides we have made in the past year are both encouraging and motivating. While we continue to face sector-wide challenges such as high NRW and infrastructure financing gaps, our performance reflects a utility that is steadily evolving, innovative, resilient, and customer-focused.

Looking ahead, we will sustain this momentum by leveraging partnerships, enhancing operational efficiencies, and investing in climate-resilient infrastructure to meet the growing demands of urbanization and sustainable development.

I take this opportunity to sincerely thank our staff for their commitment, the Board of Directors for their strategic oversight, and our partners and customers for their trust and contribution to a successful year.



.....
JOHN MACHARIA

MANAGING DIRECTOR

7.Statement Of Performance Against Predetermined Objectives for FY 2024/25

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

Murang'a South Water and Sanitation Company Limited has strategic issues and objectives within the current Strategic Plan.

The following are the **key strategic issues** identified and prioritized for attention over the current strategic plan;

- ❖ Low access and coverage to safe water and sanitation services
- ❖ High levels of Non-Revenue Water (NRW)
- ❖ Inadequate ICT Capacity-Inadequate management information system (MIS)
- ❖ Inadequate financial sustainability
- ❖ Inadequate institutional capacity
- ❖ Inadequate mainstreaming of cross cutting issues
- ❖ Lack of adequate and reliable data
- ❖ Limited corporate image

The following are the strategic objectives;

- ❖ To increase access and coverage to safe water and sanitation services.
- ❖ To reduce Non-revenue water to standard levels.
- ❖ To Strengthen Information Management System.
- ❖ To enhance institution capacity.
- ❖ To enhance financial sustainability.
- ❖ To enhance ICT capacity.
- ❖ To enhance accurate and reliable data.
- ❖ To enhance mainstreaming of cross cutting issues.

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Murang'a South performance against predetermined objectives.

Murang'a South Water and Sanitation Company Limited develops its annual work plans based on the above eight pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on an annual basis. The Company achieved its performance targets set for the FY 2024/2025 period for its eight strategic pillars, as indicated in the diagram below:

S/No	Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1	To increase the proportion of the population accessing safe water and sanitation services.	Increase service coverage from 56% to 75% over the period	Concept paper, Project Proposal, Designs, BOQs and project implementation	Project undertaken in areas of jurisdiction e.g Ongoing Makutano project (water and sewer), Ward fund last mile connections, Various infrastructural rehabilitations, lines extension, Makutano phase 2 last mile project, Rehabilitation of Sabasaba pipelines, Kiosks	Water Coverage for MUSWASCO has increased to 74%.
2	Reduction of High levels of Non-Revenue Water	To Reduce Non-Revenue from 47% to 35%.	LPOs, Delivery notes, replaced meters, F/R to metered conversions	Customer metering (Replacement) and reduction of all Flat rate connections, CIS and attendance to Billing anomalies, Dislodge of sealed and dormant connection.	Current NRW at 38.4%.
3	To Strengthen Information Management System.	To improve the ICT system within the organization	ERP System, LPOs on mobile phones, Intercom, desktops	Purchase of systems for data harmonization and integration	Improved billing, Collection efficiency and timely data integration
4	To Enhance MUSWASCO's Financial Sustainability.	To establish a financially sustainable tariff	Wasreb Letter towards approval	Finalize on Tariff Approval	Valid tariff in place. Gazetted by WASREB via Gazette Notice No. 10543 and implemented.
		To expand the customer base	Achieve 45,000 connections	Increase the number of Connections	Achieved
		To improve the collection	Collection Efficiency > 95%	Maintain revenue collection Efficiency > 95%	Achieved
		To secure funding to support capital investments or specific projects.	Concept paper, Project Proposal, Initial designs	Mobilizing funds for the development Partners.	Awarded funding for CLSG II project from WSTF.
5		To enhance staff capacity	Training Reports	Identify tailor made courses for the staff	Achieved progressively

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	To enhance institutional capacity	To reform and fully improve the MUSWASCO's Organizational structure in the year	Staff Establishment reports & Annual M&E Reports	Progressive implementation of the organogram within the strategic Plan Period	Achieved progressively
6	To enhance mainstreaming of cross cutting issues.	To institute an occupational safety.	OSHE Policy	Develop and implement an Occupational Safety ,Health and environmental policy	Acquired and Implemented OSH Policy.
		To address social and environmental issues.	Sensitization Reports	Disseminate and create awareness on all cross-cutting policies and related interventions	Conducted all necessary awareness through various forums.
7	Enhance quality of the Database to assist in planning.	Develop Database of Quality and reliable data.	Operational Data Centre	Conducted a need assessment	The company has partially acquired an ERP system, currently using the billing & CRM. Enhanced quality of customer data. Increased operational efficiency.
			Baseline Survey Report	Conducted CIS(Customer Identification Survey) and validated the collected data	
8	Enhance quality Corporate Communication.	To create awareness.	Social media post, website updates, mainstream medias.	Updating social media, held barazas , stakeholder engagements, CSR activities & partnerships, sms.	Enhanced corporate image and awareness on issues pertinent to our services provision.

8. Corporate Governance Statement

Approach to Corporate Governance

Murang'a South Water & Sanitation Company Limited (MUSWASCO) and its Board of Directors are committed to achieving and upholding the highest standards of corporate governance.

The Board of Directors and entire management have committed themselves to act honestly, ethically, diligently and in accordance with the law, WASREB issued regulatory guidelines and License requirements in serving the interests of MUSWASCO's stakeholders, i.e employees, customers and the communities within our area of jurisdiction (Kandara, Kigumo and Murang'a South Sub counties).

Functions and Responsibilities of the Board of Directors

The implementation of corporate strategies and day-to-day management of MUSWASCO affairs are delegated to management through the managing director, however the Board retains specific responsibility for:

- Defining the limits of authority of the Managing Director and the other corporate management team members in a schedule of duties;
- Reviewing and approving business plans and (annual) budgets in accordance with the Service Provision Agreement;
- Reviewing and approving major expenditure, capital management and acquisitions;
- Reviewing and approving systems of risk management, internal controls and compliance, codes of conduct and legal compliance;
- Approving the Company's financial and accounting policies and financial statements;
- Monitoring the Company's operational and financial position and performance;
- Monitoring compliance with statutory requirements, regulatory directives and guidelines issued by WASREB and ethical standards;
- Evaluating its own performance at least once every year based on the Service Provision Agreement;
- Approving the Company's financial and accounting policies and financial statements;
- Monitoring the Company's operational and financial position and performance;
- Monitoring compliance with statutory requirements, regulatory directives and guidelines issued by WASREB and ethical standards;
- Deciding on any matters which exceed the authority limits delegated to the Managing Director.

Board of Directors Composition and Succession

Directors constituting a professional mix are appointed from the Stakeholders through a competitive stakeholder participation procedure (advertisement for positions) such that no individual or group of individuals or interests can dominate its decision-making.

The Company in conjunction with the County Government of Murang'a is responsible for advertising the positions for the Board of directors and setting the criteria for those eligible to apply in accordance with the corporate governance guidelines.

The Board has also adopted a policy on the appointment, tenure and retirement of Directors.

Director Induction and Training

All directors undergo formal training on their role, duties, responsibilities and obligations as well as Board practices and procedures on first appointment and subsequently at least once every three years. This includes full briefings on current and emerging issues, meetings with key managers and tours of operational sites.

Murang'a South Water & Sanitation Company Ltd
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Board of Directors Committees and Meetings

The Board of Directors convenes an average of four meetings per year. The Chairman in consultation with the Managing Director determines the agenda, frequency and length of meetings.

To assist in the execution of its responsibilities and to allow detailed consideration of complex issues, the Board of Directors has established three committees:

- Technical Committee
- Finance & Administration Committee
- Audit, Governance and Risk Committee.

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

S/no	Type of the Meeting	No. of Meetings	Dates Attended	Board Members Present
1.	Inaugural Board Meeting	1	12/09/2024	Nancy Muhoro, Peter Munina, Carol Gachacha, John Kiiru, John Kiboro, Irene Njeri, Prof. Kiarie Mwaura, Bridget Irungu, Richard Gikuhi.
2.	Board Induction & Training	1	9/09/2024-13/09/2024	Nancy Muhoro, Pius Mwangi, Peter Munina, Carol Gachacha, John Kiiru, John Kiboro, Irene Njeri, Prof. Kiarie Mwaura, Mary Magochi.
3.	Full Board Meeting	4	20/09/2024	Nancy Muhoro, Pius Mwangi, Peter Munina, Carol Gachacha, John Kiiru, John Kiboro, Irene Njeri, Samuel Kinyanjui, Bridget Irungu.
			13/12/2024	Nancy Muhoro, Pius Mwangi, Peter Munina, Carol Gachacha, John Kiiru, John Kiboro, Irene Njeri, Samuel Kinyanjui, Bridget Irungu.
			27/03/2025	Nancy Muhoro, Pius Mwangi, Peter Munina, Carol Gachacha, John Kiiru, John Kiboro, Irene Njeri, Prof. Kiarie Mwaura, Isaac Gichuki.
			27/06/2025	Nancy Muhoro, Pius Mwangi, Peter Munina, Carol Gachacha, John Kiboro, Irene Njeri, Prof. Kiarie Mwaura.
4.	Special Board Meetings	2	8/11/2024	Nancy Muhoro, Pius Mwangi, John Kiiru, John Kiboro, Irene Njeri, Samuel Kinyanjui, Bridget Irungu.
			31/01/2025	Nancy Muhoro, Pius Mwangi, Peter Munina, Carol Gachacha, John Kiiru, John Kiboro, Irene Njeri, Prof. Kiarie Mwaura, Isaac Gichuki.
5.	Technical Committee Meeting	4	16/09/2024	Pius Njuguna, Bridget Irungu, Peter Munina.
			4/12/2024	Pius Njuguna, Bridget Irungu, Peter Munina.
			11/03/2025	Pius Njuguna, Bridget Irungu, Peter Munina.
			11/06/2025	Pius Njuguna, Isaac Gichuki, Peter Munina.
6.	Finance & Admin Committee meetings	4	16/09/2024	Pius Njuguna, John Kiiru, Samuel Kinyanjui, Irene Njeri.
			5/12/2024	Pius Njuguna, John Kiiru, Irene Njeri.
			12/03/2025	Pius Njuguna, John Kiiru, Samuel Kinyanjui, Irene Njeri.

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			12/06/2025	Pius Njuguna, John Kiiru, Samuel Kinyanjui, Irene Njeri.
7.	Audit, Risk & Governance	4	17/09/2024	Caroline Gachacha, John Kiboro, Samuel Kinyanjui.
			6/12/2024	Caroline Gachacha, John Kiboro.
			13/03/2025	Caroline Gachacha, John Kiboro.
			13/12/2025	Caroline Gachacha, John Kiboro, Samuel Kinyanjui.

Ad hoc Board and committee meetings may be convened to consider particular unforeseen matters. Unless expressly delegated by the Board to one of its committees, all matters determined by committees are submitted to the full Board as recommendations for Board decision and approval.

The remuneration of the directors individually and collectively

Sitting Allowances for the Directors FY 2024-2025		
S/ no	Name of Director	Amount-Ksh
1	Nancy Wanja Muhoro-Chairperson	400,000.00
2	John Kahiu Kiiru	280,000.00
3	Irene Njeri wanjiru	300,000.00
4	Peter Maina Munina	300,000.00
5	Caroline Wanjiru Gachacha	300,000.00
6	Pius Mwangi Njuguna	340,000.00
7	John Kiboro njuguna	200,000.00
8	Bridget Wairimu Irungu	200,000.00
9	Samue Njooora Kinyanjui-Rep. CECM Finance	160,000.00
10	Isaac Gichuki Gachuca-Rep CECM Water	40,000.00
11	Prof. Joseph Kiarie Mwaura- CECM Finance	180,000.00
12	Lawrence Munga Njoroge	20,000.00
13	Eng. Mary Muthoni Magochi-CECM Water	40,000.00
14	Mathew Chege Kimani	20,000.00
15	Rose Wambui Kinuthia	20,000.00
Total(Ksh)		2,800,000.00

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9. Management Discussion and Analysis

Murang'a South Water and Sanitation Company is a registered Company operating under Water Act 2016 and manages the water supplies of Kandara, Kigumo and (Murang'a South) sub-counties within Murang'a County. The company consists of five corporate management team who heads five major key departments as shown above.

The company has several schemes which run as branches to the company though they are centrally managed at Kandara headquarter office. This due to the wide geographical area that the company covers.

The company also has 170 hardworking and committed staff who operate within our area of jurisdiction that is: Murang'a South, Kandara and Kigumo sub-counties as licensed by Water Services Regulatory Board (WASREB).

In addition, the management is committed to ensure the company complies with statutory obligations such as payment of PAYE, SHA, NSSF and taxes are compiled to on monthly basis, however the Company had statutory arrears as at close of the financial year.

During the year, the company has continued to be hit by effects of the rising rate of inflation and encroachment of our service area by MUWASCO hence making it difficult for the company to meet most of its operation and maintenance costs.

Major Risks Facing the Organisation

Financial risk high cost of operation and maintenance due to rising rate of inflation, impacting profitability and sustainability.

Legal and operational risk from encroachment of our service area by MUWASCO, potentially leading to disputes and restricted access for maintenance or expansion.

Revenue risk caused by harsh weather conditions during rainy seasons, which negatively affect billing and revenue collection.

Risk of non-revenue water and legal exposure arising from illegal activities such as unauthorized connections, meter tampering, and water theft.

Risk of operational disruptions and asset damage resulting from periodic acts of vandalism, landslides, and destruction of critical infrastructure.

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Key projects or investments decision implemented or ongoing;

Project Name		/Status/Progress	Cost (Ksh. Million)	Beneficiaries (Pop)	Result area
A	Project				
1	Makutano water and sewerage project (Kangari and Kenol)	Water project, Ongoing at 97% Sewer 85%	689	28,456	Increase water supply and sanitation
2	Ward fund lot 1 projects pipelines (County)	Completed, 100%	25	1,070	Increase last mile connectivity
3	Ward fund lot 2 projects pipelines (County)	Ongoing, 10%	20	1,000	Increase last mile connectivity
4	Flocca Fund (County) – 32Km of HDPE different assorted sizes	Completed 100%	20	1,000	Increase last mile connectivity
5	Kinyona-Kalimamwaro Project	Water project, stalled at 30%	136	18,654	Increase water supply, increased coverage and increased new connections
6	Kenol last mile connectivity	Proposal stage	185	1,500	Increase in water supply
7	Irati- Sabasaba project	Proposal stage	75	2,200	Increase water supply
8	Murang'a south water supply intensification Project	Works contracted	1,300	32,000	Increase in coverage
9	Decentralized treatment facility (DTF-50)	Stalled at 33%	11	2,000	Increase sanitation coverage
10	CLSG II Project	Ongoing, 5%	66	2,000	Increase sanitation coverage
	Sub totals		2,527	89,880	
B	Boreholes Drilling and Equipping				
1	Kaburugi Borehole	Incomplete, 90%	10	300	Increased water supply connections
2	Ndiara-ini Borehole	Complete, 100%	10	150	Increased water supply connections
3	Chief Wempa Borehole	Complete, 100%	10	300	Increased water supply connections
4	Senior Gichohi Borehole	Complete, 100%	10	160	Increased water supply connections

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5	Njiri's borehole	Complete, 100%	10	80	Increased water supply connections
	Sub totals for boreholes		50	990	
C	Boreholes by the county govt.				
1	Mutithi borehole	Complete	10	80	Increased coverage
2	Muthithi borehole	Complete	10	30	Increased coverage
3	Gathungururu	Complete	10	50	Increased coverage
4	Mbogoini borehole	Complete	10	50	Increased coverage
5	Mutitu borehole	Complete	10	50	Increased coverage
6	Mumbu Borehole	Complete	10	100	Increased coverage
7	Gikindu Borehole	Complete	10	50	Increased coverage
8	Mukerenju borehole	Complete	10	100	Increased coverage
	Subtotal		80	510	
	Total Investment		2,657	91,380	

10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile –

The management has made several proposals to potential donors such as National government, County government, WSTF, AWWDA, World Bank, Gatsby Africa and private partnership programs whereby we have received ongoing grant projects.

ii) Environmental performance

The company has made some significant efforts to improve environmental performance such as an ongoing Decentralized treatment facility which will help improve waste management, construction of over 500 subsidized toilets to residents of Kenol, Kambiti, Sabasaba and Maragua areas whereby it will improve sanitation and construction of ablution blocks in towns of Kenol, Kimorori, Kamahuha, Kambiti and Maragua.

iii) Employee welfare

The policies guiding the hiring process are the company's human resource policy, labour laws and employment act. The company also holds a stakeholders meeting annually and when need arises and matters pertaining welfare and hiring process are normally outlined. The company has a performance management system where staff are appraised on quarterly basis and rewarded after the appraisals. We have also completed the process of registering with OSHA and awarded certification.

iv) Market place practices-

(a) Responsible competition practice

The company has an anti-corruption policy which is adhered to, involves the County Government of Murang'a on all projects we intend to carry out whereby they issue a letter of no objection. Fair competition and respect for competitors is guided by WASREB boundaries clearly specified in the license.

(b) Responsible supply chain and supplier relations

The company has a one-year contract with our suppliers who underwent tender evaluation process FY 2022/2023 under procurement act laws. Payment terms with our suppliers is on credit term basis and payment is made upon delivery of all goods requested. In case of part payments or delayed payments, the company enters into a part payment agreement with the supplier on a reasonable agreed monthly commitment payment structure.

(c) Responsible marketing and advertisement

The company maintains healthy ethical marketing practices such as engaging our customers through holding baraza's, have a customer care contact person in all our 13 branches, engages the customers through sms platforms, introduction and sensitization of customers on self-service portal which includes USSD Code (*483*007#) and Muswasco maji-app available on google play store, advertising through the company's website, Facebook page and public relations department.

(d) Product stewardship

The company makes efforts to safeguard consumer rights and interests through:

- ❖ Provision of quality water
- ❖ Adherence to the regulated tariff by WASREB
- ❖ Customer relations module to sort customer's queries
- ❖ Customer care department
- ❖ Maintaining of confidentiality on customer database.

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

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

As part of our ongoing commitment to inclusive and sustainable development, we continued to embed Corporate Social Responsibility (CSR) within our operational framework during the reporting period. Our CSR agenda focuses on promoting social equity, environmental stewardship, mental wellness, and community empowerment across all our areas of operation.

Key CSR Initiatives in the reporting period:

- **Equitable Access to Water:**
We installed free water connections for 10 households in low-income areas, prioritizing elderly and economically vulnerable members of the community. This initiative underscores our belief that access to clean and safe water is a basic right and critical for human dignity.
- **Support to the Education Sector:**
We donated a 10,000-litre water storage tank to Kaharo Girls High School to enhance reliable water storage and access for hundreds of students, ensuring a steady supply of safe water for drinking, sanitation, and daily use, directly contributing to improved student health.
- **Menstrual Health and Empowerment of Girls**
In commemoration of World Menstrual Hygiene Day, we donated a three-month supply of sanitary towels in Kinyona Primary School, reaching 192 adolescent girls with essential menstrual hygiene support. In addition, we engaged a public health expert who facilitated a health talk with the learners, fostering self-awareness, clarity, and confidence, and helping break the silence around menstrual health, an often overlooked but crucial aspect of gender equity.
- **Youth Empowerment and Mental Health Advocacy**
Partnering with the Kandara University Students Association, we supported Eco-Geeks, a youth-led organization advocating for mental health awareness, sponsoring and participating in a Mental Health Awareness Walk held on 10th October 2024, which brought together students, government officials, and community leaders to promote mental wellness, early intervention, and destigmatization of mental health issues.
- **Environmental Stewardship**
In support of Kenya's national tree-planting initiative, we marked Mazingira Day by planting 200 indigenous trees at Kandara Hospital. This exercise reaffirmed our dedication to restoring ecosystems, promoting climate resilience, and conserving water resources.
- **Stakeholder and Community Support:**
We provided drinking water donations to various stakeholder events including funerals, public engagements, and community forums, reinforcing our commitment to being a reliable and supportive partner in the communities we serve.

Through these efforts, we are mainstreaming cross-cutting development concerns into our business operations. Our CSR initiatives continue to promote health, dignity, education, inclusion, and environmental sustainability, while advancing national and global development goals.

Stakeholder Engagement

In pursuit of transparency, accountability, and community inclusivity, we undertook extensive stakeholder engagement activities throughout the reporting period, in line with our commitment to enhancing cross-cutting issues and fostering sustainable service delivery.

Community Sensitization and Outreach

- Held 21 customer clinics, and door-to-door sensitization campaigns across various schemes to promote registration of new water connections, dormant account reactivation, training on water

Murang'a South Water & Sanitation Company Ltd

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

conservation measures, and sewer registration following the commissioning of the Kenol Sewerage Treatment Plant Phase 1.

- Conducted 14 public engagements across Gichagiini, Kandara, Mariaini, Kenol, Iganjo, Sabasaba and Gatumbu, successfully resolving community concerns and facilitating fair access to water through dialogue and transparent community engagement processes.

Engagement Amid Service Disruptions in Karinga and Kinyona

- We faced persistent resistance and operational disruptions in Karinga and Kinyona, driven by illegal connections, vandalism, non-payment of bills, and incitement. We initiated multiple stakeholder dialogues including public barazas (27th July & 10th September 2024), a consultative meeting at the County Commissioner's Office (28th October 2024), and collaboration with the Water Police Unit in enforcement.
- We successfully regained full access and 100% resumption of operations in the area in the last quarter of the reporting period.

Environmental and Social Impact Assessment (ESIA) Participation

- Partnered with AWWDA and Silma Consultants to facilitate public participation forums for upcoming water intensification projects under the Kandara Bulk Water Supply Project. We jointly held five ESIA meetings across Kandara, Maragua, and Kigumo constituencies in January and February 2025 to gather community feedback and ensure alignment with local priorities.

Media and Public Awareness Campaigns

- Enforcement efforts to combat vandalism and illegal connections were featured in local media, reinforcing the legal implications under the Water Act 2016 and the need for public cooperation.
- Utilised public megaphone announcements for expanded outreach in various campaigns including the Kenol sewer customer registration campaign and sensitization against illegal water use practices.

Through these engagements, we reaffirmed our unwavering commitment to inclusive and collaborative service delivery, grounded in transparency, empathy, and accountability. By constructively addressing the complex socio-political, economic, and operational challenges that threaten water access and infrastructure integrity, we continue to strengthen trust, uphold the rule of law, and safeguard the sustainability of our services in our entire area of jurisdiction.

Murang'a South Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

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 the company's affairs.

i) Principal activities

The principal activities of the Company is to provide quality, affordable, reliable and sustainable water and sanitation services to the residents of Murang'a South, Kandara and Kigumo Sub-counties.

ii) Results

The results of the company for the year ended June 30, 2025 is Ksh. **(161,151.00)** as set out on page 1.

iii) Dividends

The company has not declared dividends for the year ended June 30, 2025 as it does not declare dividends since it's not a profit making organization, where surplus is recognized, it's normally added to the retained earnings.


iv) Directors

The members of the Board of Directors who served during the year are shown on page vi to ix.

v) Auditors

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

By Order of the Board


.....
Name: John Macharia
Secretary to the Board of Directors
Date: 24th October 2025

12. Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015, Memorandum and Articles of Association 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 (period) 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; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015), Memorandum and Articles of Association.

Murang'a South Water & Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025
Statement Of Directors' Responsibilities (Continued)

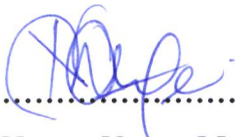
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting 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 and has outlined the measures put in place to mitigate against the uncertainty in relation to going concern. (see note 55).

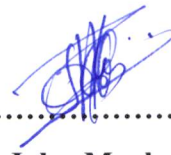
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company financial statements were approved by the Board on 24th October 2025 and signed on its behalf by:



.....
Name: Nancy Muhoro
Chairperson of the Board



.....
Name: John Macharia
Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MURANG'A SOUTH WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a South Water and Sanitation Company Limited set out on pages 1 to 64, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Murang'a South 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 and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property Plant and Equipment

The statement of financial position and as disclosed in Note 20 to the financial statements reflects a balance of Kshs.263,435,610 in respect of the net book value of property, plant and equipment. Examination of records revealed that although the financial statements reflected Nil values on buildings, the Company's assets register showed buildings of undetermined values, developed but not disclosed in the financial statements.

In addition, the Company had in its custody and use motor vehicles and cycles also of undetermined values, donated by other agencies. However, the same transport equipment had not been included in the financial statements and the Company had not taken any steps to obtain ownership documents.

In the circumstances, the accuracy, completeness and valuation of property, plant and equipment balance of Kshs.263,435,610 could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The financial statements reflect net trade and other receivables of Kshs.131,410,582 as disclosed in Note 29 to the financial statements. Although the Company has made a provision for bad and doubtful debts computed at a rate of 10% on gross trade receivables, the breakdown of the gross trade receivables includes a balance of Kshs.125,443,068 or approximately 91% of the total gross trade receivables which have been owing to the Company for over 120 days.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.131,410,582 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Murang'a South Water and Sanitation Company Limited's Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance

with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.235,972,424 which exceeds the current assets balance of Kshs.187,232,143 resulting in a negative working capital of Kshs.48,740,281 as at 30 June, 2025. The Company has disclosed this state in Note 55 to the financial statements. Even though Management of the Company has explained that it has implemented a cost recovery tariff to increase revenue, the precarious financial position still casts a significant doubt on the Company's ability to meet its obligation as and when they fall due.

In the circumstances, the going concern of the Company and its ability to sustain services is in doubt.

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 Matter

Unresolved Prior Year Matters

In the prior years' audit report, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources respectively. Review of the status during audit of the Water Company in 2024/2025 revealed that the following matters remained unresolved.

No.	Financial Year	Audit Issue
1	2023/2024	Material uncertainty in relation to Going Concern.
2	2023/2024	Long outstanding trade receivables.
3	2023/2024	High Level of Non-Revenue Water (NRW)
4	2023/2024	Personnel cost in excess of the recommended threshold.
5	2023/2024	Non-compliance with law on ethical composition.
6	2023/2024	Non-Implementation of Audit Recommendations

Other Information

The Management is responsible for the Other Information set out on page iii to xxx 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-Revenue Water

The financial statements reflect an amount of Kshs.290,831,398 in respect of operating revenue as disclosed in Note 6 to the financial statements. Included in this amount is water sales of Kshs.281,179,178. During the financial year the Company produced 4,303,958m³ of water out of which only 2,647,543m³ was billed to customers, leaving a balance of 1,656,415m³ which represents approximately 38.5% of the total volume of water produced as Non-Revenue Water (NRW). The Non-Revenue Water of 38.49% was over and above the allowable loss of 25% provided by schedule E of Water Service Regulatory Board (WASREB) guidelines.

In the circumstances, the Company exceeded the allowable NRW loss of 25% by 13.5% which if not addressed will negatively impact the Company's profitability and its long-term sustainability.

2. Non-Compliance with the Law on Staff Ethnic Composition

Review of payroll revealed that out of a total workforce of one hundred and seventy-six (176) employees, one hundred and sixty-four (164), constituting 93%, comprised of staff drawn from one ethnic community. Further review of the Company's Board of Directors composition revealed that all the nine (9) members of the Board were from the same

ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Non-Compliance with Law on Staff Gender Composition

Review of staff payroll revealed that out of the total one hundred and seventy-six (176) Company employees, one hundred and twenty-four (124) representing 70% of the workforce were from the same gender contrary to Article 27(6) of the Constitution which provides that, the State shall take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

In the circumstance, Management was in breach of law.

4. Encroachment of Water Service Area

The financial statements reflect an amount of Kshs.290,831,398 in respect of operating revenue as disclosed in Note 6 to the financial statements, included in this revenue is an amount of Kshs.281,179,178 relating to water sales. However, review of billing patterns revealed that supply of water to customers in parts of Maragua area served by Maragua Dam has been cut off. Further enquiry and reference to the Board Chairman's statement revealed that although the said Maragua area falls within the Water Service Regulatory Board (WASREB) license and jurisdiction of Murang'a South Water and Sanitation Company, Murang'a Water and Sanitation Company has taken over the water service provision to the areas without a valid license.

In addition, Murang'a Water and Sanitation Company Limited has taken over the control, custody and drawing of water from the Maragua Dam Project, implemented by Murang'a South Water and Sanitation Company Limited in collaboration with the Ministry of Water. This is contrary to Section 98(1) of the Water Act, 2016 which provides that it's only the Regulatory Board which has power to vary the areas of water service provision and can do so on application of a licensee whose area of water service is to be varied and with the consent of any other licensees affected and in which case the Regulatory Board will do that by order published in the Gazette.

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

5. Non-Compliance with the Law on Fiscal Responsibility on Wage Bill

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects an amount Kshs.131,900,471 in respect of staff costs. This is approximately 44% of the Company's total revenue for the year amounting to Kshs.300,998,489 and exceeds the set limit of thirty-five percent (35%) under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015.

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

6. Delayed Transfer of Company's Ownership

Review of the memorandum of association of the Company revealed that, the share capital stands at a balance of Kshs.100,000 divided into 5,000 shares of Kshs.20 each with 4,999 shares owned by the Chief Executive Officer of the defunct Tana Water Services Board and 1 share owned by the County Government of Murang'a. This is contrary to Clause 3.3.1.1 of Water services Regulatory Board (WASREB) corporate governance guidelines, 2018 which provides that the shareholder of a water service provider will be for public interest remain the county government. The County Government of Murang'a has not instituted measures necessary to assume the complete ownership of the water company as provided under the guidelines. Although Company's correspondences indicate that the Company has initiated the transfer process, the matter has stalled at negotiations between the County Government and the National Government.

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

7. Long Outstanding Payables

The statement of financial position and as disclosed in Note 43 to the financial statements reflects trade and other payables balance of Kshs.146,570,253, included in the balance is trade payables balance of Kshs.105,949,074 out of which a balance of Kshs.66,985,231 is owed to Tana Water Services Board, Water Services Regulatory Board and Water Resources Authority since the financial year 2020/2021 and earlier years, which have remained unsettled for five (5) years and above. This was contrary to Section 94 (1) (a) of the Public Finance Management Act, 2012 which provides that a state organ or public entity is in serious persistent material breach of the measures established under this Act if it has failed to make any payments as and when due.

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion section, I confirm 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. Adequate accounting records have been kept by the company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The 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

26 November, 2025

Murang'a South Water & Sanitation Company Ltd.
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14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.

	Note	Current FY 2024/ 2025	Comparative FY 2023/ 2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	290,831,398	274,050,243
Grants Income	7	7,425,797	10,434,152
Other Income	8	2,534,402	1,842,337
Finance income	9	206,892	150,080
Other gains/(losses)	10	-	-
Total Revenue		300,998,489	286,476,812
Expenses			
Staff Costs	11	131,900,471	125,445,624
General and Operations expenses	12	90,853,717	86,339,321
Board Expenses	13	5,146,390	5,425,746
Maintenance Expenses	14	56,572,373	51,178,183
Depreciation and Amortization expenses	15	10,291,562	9,013,805
Finance Costs	16	6,395,127	7,968,264
Total Expenses		301,159,640	285,370,942
Profit/(Loss) Before Taxation		(161,151)	1,105,870
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		(161,151)	1,105,870
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(161,151)	1,105,870
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		-	-
Total Comprehensive Income for The Year		(161,151)	1,105,870

15. Statement Of Financial Position As at 30 June 2025

	Note	Current FY 2024/ 2025	Comparative FY 2023/ 2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	20	263,435,610	271,370,522
Intangible assets	21	724,834	990,083
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
Total non-current assets		264,160,444	272,360,605
Current assets			
Inventories	28	3,809,101	1,422,403
Trade and Other receivable	29	131,410,582	79,445,847
Tax recoverable	30	-	-
Short-term deposits	31	-	-
Prepayments	32	-	-
Bank and cash balances	33	52,012,460	30,906,041
Total current assets		187,232,143	111,774,291
Total Assets		451,392,587	384,134,896
Equity and Liabilities			
Capital and Reserves			
Ordinary share capital	34	100,000	100,000
Revaluation reserve	35	-	-
Fair value adjustment reserve	36	-	-
Retained earnings and Capital Reserve	37	9,534,584	(44,481,641)
Capital and Reserves		9,634,584	(44,381,641)

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Non-Current Liabilities			
Deferred tax liability	38	-	-
Borrowings	39	25,935,501	38,954,352
Lease liability	40	-	-
Provisions	41	-	-
Retirement benefits	42	-	-
Deferred income	45	179,850,078	177,628,458
Total Non-Current Liabilities		205,785,579	216,582,810
Current Liabilities			
Borrowings	39	13,018,851	11,843,457
Lease liability	40	-	-
Provisions	41	-	-
Retirement benefit obligations	42	-	-
Trade and other payables	43	146,570,253	131,322,943
Refundable deposits and prepayments	44	76,383,320	68,767,327
Dividends payable	46	-	-
Taxation	47	-	-
Total Current Liabilities		235,972,424	211,933,726
Total Equity and Liabilities		451,392,587	384,134,896


The financial statements were approved by the Board on 24th October 2025 and signed on its behalf by:



.....
Name: John Macharia
Managing Director



.....
Name: CPA Tabitha Nderitu
Head of Finance
ICPAK M/No: 17690



.....
Name: Nancy Muhoro
Chairperson of the Board

Murang'a South Water & 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 Reserve	Total
As at July 1, 2023		100000	-	-	(56,378,692)	-	10,791,181	(45,487,511)
Profit for the year		-	-	-	1,105,870	-	-	1,105,870
At June 30, 2024		100,000	-	-	(55,272,822)	-	10,791,181	(44,381,641)

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital Reserve	Total
As at July 1, 2024		100,000	-	-	(55,272,822)	-	10,791,181	(44,381,641)
Profit for the year		-	-	-	(161,151)	-	-	(161,151)
Prior year adjustment- Water sales billing adjustments related to prior years					(803,321)			(803,321)
Prior year adjustment- Adjustment of Understated Trade receivables.		-	-	-	54,980,697	-	-	54,980,697
At June 30, 2025		100,000	-	-	(1,256,597)	-	10,791,181	9,634,584

Explanatory Note to the prior year adjustment: It relates to;

- i. Water sales billing adjustments in relation to prior years of **Ksh. 803,321.00** and
- ii. Adjustment of trade receivables of **Ksh 54,980,697.00** to present the accurate figure, this was caused by Inherited receivables from community water projects, irrigation water schemes, Trade Fair water supply projects.

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

	Note	Current FY 2024/ 2025	Comparative FY 2023/ 2024
		Ksh.	Ksh.
Cash flows from operating activities			
Loss before income tax		(161,151)	1,105,870
Adjustments for:			
Depreciation of property, plant and equipment	15	10,291,562	9,013,805
Prior year retained earnings adjustment	37	54,177,376	-
Operating profit/(loss) before working capital changes		64,307,787	10,119,674
Decrease/(increase) in:			
Inventories		(2,386,698)	399,524
Trade and other receivables		(51,964,736)	(7,634,501)
Increase/(decrease) in:			
Trade and other payables		22,863,303	22,110,060
Deferred Income		2,221,620	45,956,017
Net changes in Working Capital		(29,266,511)	60,831,101
Net cash generated from operating activities		35,041,276	70,950,775
Cash flows from investing activities			
Purchase of property, plant and equipment	20	(2,091,400)	(36,117,510)
Net cash generated used in investing activities		(2,091,400)	(36,117,510)
Cash flows from financing activities			
Borrowings	39(b)	-	-
Repayments of loan	39(b)	(11,843,457)	(10,926,131)
Net cash generated used in financing activities		(11,843,457)	(10,926,131)
Net (decrease)/increase in cash and cash equivalents		21,106,419	23,907,134
Cash and cash equivalents at the beginning of the period	33	30,906,041	6,998,907
Cash and cash equivalents at the end of the period		52,012,460	30,906,041

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

Particulars	Original Budget	Adjustment	Budget Full Year	Actual on comparable basis	Performance difference	% of Utilization
	A	b	C=a +b	d	e=c-d	f=d/c %
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	%
Revenue						
Operating Revenue	365,956,000	(47,671,866)	318,284,134	290,831,398	27,452,736	91%
Other Income	2,500,000		2,500,000	2,534,402	(34,402)	101%
Finance Income	200,000		200,000	206,892	(6,892)	103%
Revenue Grants	1,768,944	395,000	2,163,944	7,425,797	(5,261,853)	343%
External Funds- Capital	134,990,111	(123,301,475)	11,688,636	11,688,636	0	100%
Total Revenue	505,415,055	(170,578,341)	334,836,714	312,687,125	22,149,589	93%
Expenses						
Staff Costs	143,875,104	(8,000,000)	135,875,104	131,900,471	3,974,633	97%
General and Operations Expenses	111,030,939	(25,071,550)	85,959,389	90,853,717	(4,894,328)	106%
Board Expenses	7,000,000	(1,500,000)	5,500,000	5,146,390	353,610	94%
Maintenance Expenses	40,815,132	15,900,000	56,715,132	56,572,373	142,759	100%
Finance Costs	22,827,831	(16,666,671)	6,161,160	6,395,127	(233,9670)	104%
Total Recurrent Expenditure	325,549,006	(35,338,221)	290,210,785	290,868,078	(657,293)	100%
Capital Expenditure	161,666,049	(135,240,120)	26,425,929	13,934,857	12,491,072	53%
Creditors /Payroll Liabilities Repayments	18,200,000		18,200,000	14,400,000	3,800,000	79%
Total Expenditure	505,415,055	(170,578,341)	334,836,714	319,202,935	15,633,779	95%
Surplus	-		-	(6,515,810)		

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(Budget carryovers* This is for entities whose budget lapses at year-end, but the surpluses are not legally required to be remitted to the Exchequer/CRF.

Budget carryovers should not include third-party funds such as contractors' retention.)

(Entities can present the Statement of Comparison of Budget & Actual amounts in a different format/categorization as approved by the governing body.)

Note: PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

However, for public sector entities, the PSASB (PUBLIC SECTOR ACCOUNTING STANDARDS BOARD) has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

Budget notes: Explanation of differences between actual and budgeted amounts (10% difference over/ under).

S/no.	Item Description	% of Utilization	Explanation on Compliance of 10% difference over/ under.
1	Revenue Grants	343%	Performance was overachieved due to amortization, which is a non-cash item and therefore not budgeted for.
2	Capital Expenditure	53%	Performance was underachieved because the CLSG II project was not fully implemented as planned, following the late receipt of CLSG II funds near the end of the year.

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Budget Reconciliation- Reconciliation between the Profit on the Statement of comprehensive income and the Profit on the Statement of Budget Comparison

Particulars	Statement of Comparison of Budget	Statement of Comprehensive income	Difference	Explanation on the Difference
Item	Ksh.	Ksh.	Ksh.	
Profit or Loss	(6,515,810)	(161,151)	(6,354,659)	<p>This difference is as a result of :-</p> <ol style="list-style-type: none"> 1. Provision for depreciation and amortization expenses of ksh. 10,291,562 reflected on the statement of comprehensive income but was not factored in the budget. 2. CLSG II Funds received of ksh. 11,688,636 reflected on the statement of budget compliance but not factored in the statement of comprehensive income as it meant for capital works thus a capital grant not a revenue grant. 3. Creditors /Payroll Liabilities Repayments ksh. 14,400,000 reflected on the statement of budget compliance but not factored in the statement of comprehensive income. 4. Capital Expenditure of Ksh. 13,934,857 reflected on the statement of budget compliance but not factored in the statement of comprehensive income as it meant for capital works thus a capital expenditure not an expense.

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19. Notes To the Financial Statements

1. General Information

Murang'a South water & Sanitation Company Ltd is established by and derives its authority and accountability from companies Act. The Company is wholly owned by the Murang'a County Government and is domiciled in Kenya. The Company's principal activity is to provide Water and Sanitation Services to three Sub-counties within Murang'a County namely: Murang'a South, Kandara and Kigumo Sub-counties. 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, Memorandum and Article of association and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented

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.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. 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 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. 	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 significant

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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.

Title	Description	Effective Date
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

Murang'a South Water & Sanitation Company Limited did not early – adopt any new or amended standards in year under review.

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.

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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:

Item	Years	Rates
Freehold Land	-	-
Leasehold Land	-	-
Buildings and civil works	-	-
Infrastructure works	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3.3	30%

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Office equipment, furniture and fittings	8	12.5%
------------------------------------------	---	-------

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 derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. ⁽⁰⁰⁾

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). *(Whichever is applicable).*

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.

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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 (*Whichever is applicable*). 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.

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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 on settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

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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 operates a defined contribution scheme for all full-time employees from July 1, 20. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time as per the law.

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 23rd April 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. Accordingly, the Company recorded additional appropriations on the 2024-2025 budget following the governing body's approval. The Company's budget is prepared on a different basis to

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the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented on 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, 2025.

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.

State all judgements, estimates and assumptions made e.g.

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.

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Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The Company made a general provision for bad debts of 10% at the end of the financial year, without writing them off from our books.

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Notes to the financial statements (continues)

6. Operating Revenue

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
	Kshs	Kshs
Operating Income		
Water Sales	281,179,178	267,915,833
Sewerage Services	502,120	-
Billing for other services	9,150,100	6,134,410
Total	290,831,398	274,050,243

Billing for other services refers to income generated from connection and reconnection services that is connection and reconnection fees.

7. Grants Income

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
	Kshs	Kshs
Grants Income		
CLSG Revenue Grant	-	-
DTF subsidy -revenue grant	-	-
Capital grants amortized	5,314,885	5,925,180
GOK salary grants	1,315,380	1,553,620
County Government Grant	795,532	-
UPC 8TH Call Project	-	294,102
PSF Revenue Grant	-	2,661,250
Total	7,425,797	10,434,152

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehens ive Income Ksh.	Amount deferred under deferred income Ksh.	Amount recognis ed in capital fund. Ksh.	Total grant income during the year Ksh.	FY 2024-2025 Ksh.
Murang'a County Govt.	2,110,912	-	-	2,110,912	FY 2024/2025
Amortization	5,314,885,	-	-	5,314,885,	FY 2024/2025
Total	7,425,797	-		7,425,797	

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Notes to the financial statements(continued)

8. Other Income

Other Income	Current FY 2024/ 2025	Comparative FY 2023/ 2024
	Kshs	Kshs
Compensation from KENHA	-	350,740
Other Misc Income	2,141,008	-
Meter Accessories and Water Fittings	59,344	-
Tender fees	-	-
Exhauster services	-	120,000
Social Connection	334,050	1,371,597
Decrease in Provision for Bad debts	-	-
Total	2,534,402	1,842,337

9. Finance Income

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
	Kshs	Kshs
Interest income	206,892	150,080
Total	206,892	150,080

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10. Other Gains and Losses

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

11. Staff Costs

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
Description	Kshs	Kshs
Gross Salary and Allowances	110,584,896	107,010,331
Casual workers' Wages	4,829,376	3,530,990
Medical insurance schemes	-	-
Employer's contributions to social security schemes	5,243,957	3,173,781
Employer's contributions to pension scheme	4,738,020	4,498,220
Employer's contributions to housing levy	1,710,642	1,605,182
Provisions for Leave pay	-	1,144,000
Gratuity provisions	3,478,200	2,929,500
Fringe Benefit tax	-	-
Staff welfare	-	-
Other allowances	-	-
GOK Salary Grant	1,315,380	1,553,620
Total	131,900,471	125,445,624
The average number of employees during the year	170	162

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12. General and Operations Expenses

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
Description	Kshs	Kshs
Chemicals	1,334,018	2,408,015
Electricity	6,667,605	7,689,432
Fuel, oil, lubricants, and gases	21,684,794	21,754,269
Bulk Water Costs	1,476,420	1,476,465
General Office supplies	1,736,292	866,627
Uniform and protective clothing	478,300	411,020
Telecommunication	4,753,550	4,719,451
Postage and courier	12,540	34,749
Insurance	5,230,455	3,558,573
Domestic Traveling and subsistence	2,902,651	2,820,290
Staff training and development	836,975	211,900
Bank Charges	301,594	1,552,432
Security services	3,720,120	3,689,408
Advertising	1,487,336	292,106
Publicity and Corporate Communications	2,306,979	904,994
Audit fees	348,000	348,000
Legal fees	697,190	3,313,520
Consultancy fees	840,888	730,819
Licensing and levies	13,017,983	12,393,817
Donations/CSR	564,731	209,187
Hospitality & Staff welfare expenses	4,470,810	2,525,413
Increase in Provision for doubtful debts	5,773,860	786,780
Printing service & stationeries	3,145,814	2,264,943
Subscription (Waspa + Professional bodies)	216,600	236,600
E-Billing Services	3,762,300	4,255,800
Water Quality Activities	683,590	953,189
Revenue Enhancement Activities	106,500	1,105,364
Compensation of KENHA activities	320,050	45,314
Bowser Distribution Expenses	101,512	50,995
Occupational Safety and Health	-	49,800
Customer Satisfaction Survey	-	352,350

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Corporate Income Tax	97,366	51,715
UPC 8TH Call Software expenses	-	347,946
Bonus & Awards	284,888	1,142,600
Meter accessories & Fittings	-	135,718
PSF Administrative Expenses	-	2,649,720
Sports	1,064,421	-
Environmental Conservation Expenses	300,500	-
Pro-poor Initiatives	127,085	-
Total	90,853,717	86,339,321

13. Board Expenses

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
Description	Kshs	Kshs
Chairman Honoraria	-	-
Sitting allowances	2,800,000	2,332,000
Medical Insurance	-	-
Induction and Training	-	310,000
Travel and accommodation	2,346,390	2,783,746
Other allowances	-	-
Total Board Expenses	5,146,390	5,425,746

14. Maintenance Expenses

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
Description	Kshs	Kshs
Plant and Equipment	-	-
Buildings	2,053,206	290,938
Infrastructural networks	35,497,956	31,947,239
Motor vehicles/Cycles	9,486,425	9,726,646
Soft Wares & Website Maintenance	1,181,386	1,205,386
ICT (Information Communication Technology)	344,520	112,520
Water Meter Maintenance/NRW costs	2,649,084	3,979,418
Repairs & Maintenance of water pumps	564,521	861,167
Repair & Maintenance of chambers & Air valves	2,877,225	1,228,458
Computer Repairs & Accessories	1,865,900	1,804,511
Generator Maintenance	52,150	21,900
Total Maintenance Expenses	56,572,373	51,178,183

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15. Depreciation and Amortization Expenses

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
Description	Kshs	Kshs
Property, plant, and equipment	10,026,313	8,651,489
Right of Use Assets	-	-
Intangible assets	265,249	362,315
Investment property carried at cost	-	-
Total Depreciation and Amortization	10,291,562	9,013,805

16. Finance costs

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
Description	Kshs	Kshs
Interest expense on loans	6,365,821	7,945,765
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Loan Charges	11,750	-
Interest charge paid	17,556	22,499
Total	6,395,127	7,968,264

17. Income Tax Expense/(Credit)

Current taxation

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	Current FY 2024/ 2025	Comparative FY 2023/ 2024
	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total	-	-

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year .There were not dilutive or potentially dilutive ordinary share as at the reporting date.The Company **did not** issue shares during the year.

19. Dividend Per Share

The company does not declare dividend. where surplus is recognized, its normally added to the retained earnings.

20. Property, Plant and Equipment

Description	Motor vehicles, including, motor cycles	Furniture & fittings	Equipment/ Water kiosks/Water pumps/ Sanitation Blocks	Water Meters	Infrastruc ture	Computer s & related equipment	Capital work in progress	Total
Depreciation rate	25%	12.5%	12.5%	12.5%	2.5%	30%	-	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1st July 2023	19,914,220	1,671,619	12,470,481	36,068,365	173,585,168	10,740,876	63,200,187	317,650,916
Additions	-	-	237,000	-	281,482	892,400	34,706,629	36,117,510
Disposals	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	49,567,739	-	(49,567,739)	-
Revaluation Adjustments	-	-	-	-	-	-	-	-
As at 30th June 2024	19,914,220	1,671,619	12,707,481	36,068,365	223,434,389	11,633,276	48,339,077	353,768,426
Additions	-	389,500	-	-	-	797,220	904,680	2,091,400
Disposals	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	29,271,475	2,369,584	14,625,358	-	(46,266,417)	-
Revaluation Adjustments	-	-	-	-	-	-	-	-
As at 30th June 2025	19,914,220	2,061,119	41,978,956	38,437,949	238,059,747	12,430,496	2,977,340	355,859,826
Depreciation And Impairment								
At 1st July 2023	11,421,368	870,696	6,889,456	27,282,317	18,906,293	8,376,285	-	73,746,415
Depreciation	1,932,326	95,520	687,134	1,047,839	4,145,913	742,756	-	8,651,488
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-
As At 30th June 2024	13,353,694	966,216	7,576,590	28,330,156	23,052,206	9,119,041	-	82,397,903
Depreciation	1,492,676	108,091	1,526,653	996,922	5,054,194	847,778	-	10,026,313
Disposals	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-	-

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As at 30th June 2025	14,846,370	1,074,307	9,103,243	29,327,078	28,106,400	9,966,819	-	92,424,216
NBV As at 30th June 2024	6,560,526	705,403	5,130,891	7,738,209	200,382,183	2,514,235	48,339,077	271,370,523
NBV As at 30th June 2025	5,067,850	986,812	32,875,713	9,110,871	209,953,347	2,463,677	2,977,340	263,435,610

A brief description of what the Capital Work in Progress relate: The work-in-progress as at 30th June 2025 of Ksh. 2,977,340 relates to the DTF project.

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20 (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:

	Cost	Accumulated Depreciation	NBV
	Ksh.	Ksh.	Ksh.
Motor vehicles, including motorcycles	19,914,220	14,846,370	5,067,850
Furniture and fittings	2,061,119	1,074,307	986,812
Equipment /water kiosks/water pumps	41,978,956	9,103,243	32,875,713
Water Meters	38,437,949	29,327,078	9,110,871
Infrastructure	238,059,747	28,106,400	209,953,347
Computers and related equipment	12,430,496	9,966,819	2,463,677
Work-in-progress	2,977,340	-	2,977,340
Total	355,859,826	92,424,216	263,435,610

Property, Plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation- Ksh.	Normal Annual Depreciation Charge- Ksh.
Motor vehicles, including motorcycles	14,846,370	1,192,676
Furniture and fittings	1,074,307	108,091
Equipment /water kiosks/water pumps	9,103,243	1,526,653
Water Meters	29,327,078	996,922
Infrastructure	26,106,400	5,054,194
Computers and related equipment	9,966,819	847,778
Total- Ksh.	90,424,216	9,726,313

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21. Intangible Assets

	2024-2025	2023-2024
	Ksh.	Ksh.
COST		
At July 1	3,770,000	3,770,000
Additions	-	-
Disposals	-	-
At June 30	3,770,000	3,770,000
AMORTISATION		
At July 1	2,779,917	2,417,602
Charge for the year	265,249	362,315
Disposals	-	-
Impairment loss	-	-
At June 30	3,045,166	2,779,917
NET BOOK VALUE		
At June 30	724,834	990,083

Intangible assets relates to billing software.

22. Investment Property

	Current Year 2024/2025	Comparative Year 2023/2024
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	-	-
Depreciation (if at cost)		
At July 1 2024	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30 2025	-	-
Net book value		
At June 30 2025	-	-

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23. Right-of-use assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2024	-	-	-	-
Additions	-	-	-	-
As at 30 June 2025	-	-	-	-
Additions	-	-	-	-
As at 30 June 2025	=	=	=	=
Accumulated Depreciation				
As at 1 July 2024	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2025	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2025	=	=	=	=
Carrying Amount				
As at 30 June 2025	=	=	=	=
As at 30 June 2025	=	=	=	=

24. Biological Assets

	Current Year 2024/2025	Comparative Year 2023/2024
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
Total	-	-

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25. Fixed Interest Investments (Bonds)

	Current FY 2024/2025	Comparative FY 2023/2024
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
Total	-	-

[The movement in investment during the year is as follows:]

Details	Current FY 2024/2025	Comparative FY 2023/2024
	Kshs	Kshs
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Fair value gain/(loss) – if measured at FVOCI/FVTPL	-	-
Balance at 30 June	-	-

26. Quoted Investments

	Current Year 2024/2025	Comparative Year 2023/2024
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	-	-

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Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Current year	Prior year
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

27. Unquoted Investments

	Current Year 2024/2025	Comparative Year 2023/2024
	Kshs	Kshs
Cost		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	(-)	(-)
At June 30	-	-
Impairment		
At July 1	-	-
Disposals	(-)	(-)
Impairment loss in the year	(-)	(-)
At June 30	-	-
Net book value	-	-

[OBJ]

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Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

28. Inventories

	2024-2025	2023-2024
	Ksh.	Ksh.
General stores	569,848	-
Chemicals & Laboratory items	-	-
Pipes, Water fittings and Accessories	2,911,393	1,197,834
Water meters	95,295	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery	201,233	189,845
Finished goods- Water stocks	31,332	34,724
Work in progress	-	-
Less: Impairment of stocks	-	-
Total	3,809,101	1,422,403

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Annual Reports and Financial Statements For the year ended June 30 2025
29. Trade and Other Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Trade receivables (note (29a))	138,088,486	80,349,891
Surcharge	45,068	45,068
VAT recoverable	-	-
Staff receivables (note 29 (c))	-	-
Other receivables;		
TWWDA-Customer Deposit	775,751	775,751
WASREB- Performance Guarantee	2,344,677	2,344,677
Gatanga community water scheme deposit	100,000	100,000
Amica Sacco Shares	538,287	538,287
Investment Deposit Amica Sacco	2,000,000	2,000,000
AWWDA	1,227,162	1,227,162
Un-paid share capital	100,000	100,000
Gross trade and other receivables	145,219,431	87,480,836
Provision for bad and doubtful receivable	(13,808,849)	(8,034,989)
Net trade and other receivables	131,410,582	79,445,847

Murang' a South Water & Sanitation Company Ltd
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29. (a) Trade Receivables

	Current FY 2024/2025	Comparative FY 2023/2024
	Kshs	Kshs
Gross trade receivables	138,088,486	80,349,891
Provision for doubtful receivables	(13,808,849)	(8,034,989)
Net trade receivables	124,279,637	72,314,902
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	6,567,590	4,485,388
Between 30 and 60 days	2,015,705	1,746,567
Between 61 and 90 days	1,634,146	2,268,516
Between 91 and 120 days	2,427,977	2,338,835
Over 120 days	125,443,068	69,510,585
Total	138,088,486	80,349,891

29. (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2024/2025	2023/2024
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	(-)	(-)
Written off during the year	(-)	(-)
At the end of the year	-	-

29. (c) Staff Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	(-)	(-)
Net staff loans	-	-
Less: Amounts due within one year	(-)	(-)
Amounts due after one year	-	-

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29. (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2024/2025	2023/2024
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	(-)	(-)
Written off during the year	(-)	(-)
At the end of the year	-	-

30. Tax Recoverable

	2024/2025	2023/2024
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 17)	-	-
Under/(over) provision in prior year/s (note 17)	-	-
Income tax paid during the year	(-)	(-)
At end of the year	-	-

31. Short Term Deposits

	2024/2025	2023/2024
	Kshs	Kshs
Commercial banks		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (specify)	-	-
	-	-

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32. Prepayments

Description	2024/2025	2023/2024
	Ksh.	Ksh.
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
Total	-	-

33. Bank and Cash Balances

	2024/2025	2023-2024
	Ksh.	Ksh.
Cash at bank	51,487,924	6,936,241
Cash in hand	-	-
Mobile money account	524,536	62,666
Totals	52,012,460	6,998,907

Murang' a South Water & Sanitation Company Ltd
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Detailed analysis of the cash and cash equivalents

Financial Institution	Account Number	2024/2025	2023-2024
(a) Current account			
K.C.B Bank	1114420859	2,693,793	1,173,175
Unaitas Bank	002020037	-	256,465
Amica Sacco	006101000019618	220,547	137,785
Amica Sacco-Loan Account	0061090000000020	-	1
Sidian Bank -1675	01012020001675	1,509,697	-
Equity Bank	0090292737794	43,328	327,789
Sidian Bank -3831	01012020003831	2,615,403	791,324
Sidian Bank -5208	01012020005208	-	4,156,967
NBK-Operational account	01020247827200	-	30493
NBK-UPC 8 TH Call Project	01020246328900	-	203,259
Sidian Bank CLSG II- Project Account	01012020007114	33,067,129	21,382,753
Sidian Bank CLSG II- Escrow Account	01012190004815	11,338,027	1,425,677
Equity Bank- PSF Account	0090280306122	-	684,876
Sub-Total		51,487,924	30,570,564
Others			
M-PESA Facility	346350	414,244	209,111
M-PESA Facility	600654	24,260	25,293
M-PESA Holding	854979	62,582	86,253
M-PESA Bowser & Exhauster	4099279	23,450	14,820
Cash in hand		-	-
Sub-total		524,536	335,477
Grand Total		52,012,460	30,906,041

34. Ordinary Share Capital

	2024/2025	2023-2024
	Ksh.	Ksh.
Authorized:		
5,000 ordinary shares of Ksh 20 par value each	100,000	100,000
Issued and fully paid:		
Ordinary shares of Ksh par value each	-	-
Total Share Capital	100,000	100,000

35. 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.

36. 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.

37. Retained Earnings

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

		2024-2025	2023-2024
		Ksh	Ksh
Capital Reserve		10,791,181	10,791,181
Retained earnings: As at beginning of the year		(55,272,822)	(56,378,692)
Profit/ (loss) for the year		(161,151)	1,105,870
Prior year adjustment- Adjustment of understated trade receivables.	54,980,697		-
Prior year adjustment- Water sales billing adjustments related to prior years.	(803,321)	54,177,376	-
Retained Earnings & Capital Reserve As at the end of the year		9,534,584	(44,481,641)

Explanatory Note to the prior year adjustment: It relates to;

- iii. Water sales billing adjustments in relation to prior years of **Ksh. 803,321.00** and
- iv. Adjustment of trade receivables of **Ksh 54,980,697.00** to present the accurate figure, this was caused by Inherited receivables from community water projects, irrigation water schemes, Trade Fair water supply projects.

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38. Deferred Tax Liability

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

	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(-)	(-)
Provisions for liabilities and charges	(-)	(-)
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2024/2025	2024/2025
	Kshs	Kshs
Balance at beginning of the year	-	-
Credit to revaluation reserve	(-)	(-)
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

39. Borrowings

Description	2024-2025	2023-2024
	Ksh.	Ksh.
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	50,797,809	61,723,940
Domestic borrowings during the year	-	-
Adjustment prior year	-	-
Repayments during the year	(11,843,457)	(10,926,131)
Balance at end of the year	38,954,352	50,797,809
c) Total Balance at end of the period c = a+b	38,954,352	50,797,809

Murang' a South Water & Sanitation Company Ltd
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The analyses of both external and domestic borrowings are as follows:

	Current FY 2024/2025	Comparative FY 2023/2024
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from Amica Sacco	38,954,352	50,797,809
Total balance at end of the year	38,954,352	50,797,809

Description	2024-2025	2023-2024
	Ksh.	Ksh.
Short term borrowings (current portion)	13,018,851	11,843,457
Long term borrowings	25,935,501	38,954,352
Total	38,954,352	50,797,809

Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms are the borrowing is commercial loan from the Amica Sacco, at an interest rate of 14% p.a reducing balance.

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40. Lease Liability

Description	Current FY 2024/2025	Comparative FY 2023/2024
	KShs	KShs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	(-)	(-)
At end of the year	-	-

	2024/2025	2023/2024
Maturity analysis	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
	=	=
Less: unearned interest	(-)	(-)
	=	=
Analysed as:		
Non-Current	-	-
Current	-	-

41. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-	-
Additional Provisions	-	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)	(-)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-

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Provisions details

Description	2024/2025	2023/2024
	Kshs	Kshs
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
Total	-	-

42. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	Insert Current FY	Insert Comparative FY
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total	-	-	-	-	-

Retirement benefit Asset/ Liability

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. Other than NSSF the entity also has a defined contribution schemes operated by County Pension Fund(CPF) and National Water Conservation & Pipeline Corporation(NWCPC). Employees contributes 5% and 7.5% while employers contribute 10% and 15% of basic salary to County Pension Fund and NWCPC respectively . Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

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Notes to the financial statements (continued)

43. Trade and Other Payables

	2024-2025	2023-2024
	Ksh.	Ksh.
Trade payables	105,949,074	87,458,473
Accrued expenses	348,000	348,000
Revenue received in advance	-	-
Retention/ contract monies	-	-
Employee payables	40,273,179	*43,516,470
Other payables	-	-
Total	146,570,253	131,322,943

Aging Analysis for Trade and other Payables

	Current FY 2024/2025	% of the total	Comparative FY 2023/2024	% of the total
Under one year	40,643,258	28%	43,016,740	28%
1-2 years	36,330,143	25%	18,865,360	26%
2-3 years	19,344,545	13%	19,665,205	13%
Over 3 years	50,252,307	34%	49,776,568	33%
Total	146,570,253		131,323,873	

Footnote:

*The prior year figure in the note on Trade and Other Payables for Employee Payables has been corrected to Ksh. 43,516,470 to reflect the accurate position following a typographical error.

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44. Refundable Deposits and Prepayments

	2024- 2025	2023- 2024
	<i>Ksh.</i>	<i>Ksh.</i>
Customer deposits	71,868,689	65,942,589
Prepayments by customers	4,514,631	2,824,738
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	76,383,320	68,767,327

Aging Analysis for Refundable Deposits and Prepayments

	Current FY 2024/2025	% of the total	Comparative FY 2023/2024	% of the total
Under one year	10,440,731	14%	7,028,199	10%
1-2 years	4,204,461	6%	6,299,766	9%
2-3 years	4,108,781	5%	4,968,728	7%
Over 3 years	57,629,347	75%	50,470,634	74%
Total	76,383,320		68,767,327	

45. Deferred Income

Description	2024-2025	2023-2024
	<i>Ksh.</i>	<i>Ksh.</i>
National/County government	-	-
International funders	179,850,078	177,628,458
Public contributions and donations	-	-
Total deferred income	179,850,078	177,628,458

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The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward	-	177,628,458	-	177,628,458
Additions	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	(5,314,885)	-	(5,314,885)
Other transfers	-	-	-	-
Balance carried forward		172,313,573	-	172,313,573

46. Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analysed in annual amount below.

	2024/2025	2023/2024
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	(-)	(-)
Balance at end of the year	-	-

Dividend Payable analysis

	Current FY 2024/2025	% of the total	Comparative FY 2023/2024	% of the total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

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Notes to the financial statements (continued)

47. Taxation

	Current FY 2024/2025	Comparative FY 2023/2024
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	(-)	(-)
At end of the year	-	-

48. Notes to The Statement of Cash Flows

	Note	Current FY 2024/ 2025	Comparative FY 2023/ 2024
Cash flows from operating activities		Ksh.	Ksh.
Loss before income tax		(161,151)	**1,105,870
Adjustments for:			
Depreciation of property, plant and equipment		10,291,562	9,013,805
Prior year retained earnings adjustment		54,177,376	-
Operating profit/(loss) before working capital changes		64,307,787	10,119,674
Decrease/(increase) in:			
Inventories		(2,386,698)	***399,524
Trade and other receivables		(51,964,736)	(7,634,501)
Increase/(decrease) in:			
Trade and other payables		22,863,303	22,110,060
Deferred Income		2,221,620	45,956,017
Net changes in Working Capital		(29,266,511)	60,831,101
Net cash generated from operating activities		35,041,276	70,950,775
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,091,400)	(36,117,510)
Net cash generated used in investing activities		(2,091,400)	(36,117,510)
Cash flows from financing activities			
Borrowings		-	-
Repayments of loan		(11,843,457)	(10,926,131)

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Net cash generated used in financing activities		(11,843,457)	(10,926,131)
Net (decrease)/increase in cash and cash equivalents		21,106,419	23,907,134
Cash and cash equivalents at the beginning of the period		30,906,041	6,998,907
Cash and cash equivalents at the end of the period		52,012,460	30,906,041

Footnote:

**The prior year figure — Notes to the Cash Flow Statements: Loss Before Income Tax — has been corrected to Ksh. 1,105,870 to reflect the accurate position following a typographical error.

*** The prior year figure — Notes to the Cash Flow Statements: Inventories — has been corrected to Ksh. 399,524 to reflect the accurate position following a typographical error.

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Notes to the financial statements (continued)

Other Disclosures

49. Related Party Disclosures

County Government of Murang'a

The County Government of Murang'a is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Murang'a 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 Murang'a
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2024/2025	2023/2024
	Kshs	Kshs
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	2,093,059	25,144,953
Interest income from Govt Commercial Banks	206,892	150,080
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	2,299,951	25,295,033
b) Purchases from related parties		
Purchase of water from govt service providers	1,476,420	1,476,465
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-

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	2024/2025	2023/2024
	Kshs	Kshs
Bank charges paid to Govt Commercial banks	301,594	1,552,432
Interest expense to investments by other govt. entities		-
Others (specify)	-	-
Total	1,778,014	3,028,897
b) Grants from the Government		
Grants from National Govt Agencies	6,110,417	8,880,532
Grants from County Government	1,315,380	1,553,620
Donations in kind	-	-
Total	7,425,797	10,434,152
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	2,800,000	5,425,746
Compensation to key management	-	-
Total	2,800,000	5,425,746

50. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2024/2025	2023/2024
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	(-)	(-)
	-	-

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51. Contingent Assets and Liabilities

Contingent Assets

	2024/2025	2023/2024
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

Contingent Liabilities

	2024/2025	2023/2024
	Kshs	Kshs
Contingent liabilities	-	-
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	-	-
Others (Specify)	-	-
Total	-	-

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

52. 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:

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Notes to the financial statements (continued)

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	138,088,486	124,279,637	-	8,034,989
Other Receivables	7,130,945	7,130,945	-	-
Investments	-	-	-	-
Bank balances	52,012,460	52,012,460	-	-
Total	197,231,891	183,423,042	-	8,034,989
At 30 June 2024 (Previous Year)				
Receivables	80,349,891	72,314,902	-	13,808,849
Other Receivables	7,130,945	7,130,945	-	-
Investments	-	-	-	-
Bank balances	30,906,041	30,906,041	-	-
Total	118,386,877	110,351,888	-	13,808,849

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Credit Risk (Continued)

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

The 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
At 30th June 2025				
Trade payables	2,673,174	6,539,414	96,736,486	105,949,074
Current portion of borrowings	-	-	13,018,851	13,018,851
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	2,673,174	6,539,414	109,755,337	118,967,925
At 30th June 2024				
Trade payables	3,313,917	14,001,338	70,143,219	87,458,474
Current portion of borrowings	-	-	11,843,457	11,843,457
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	3,313,917	14,001,338	81,986,676	99,301,931

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(iii) Market risk (*Tailor as appropriate*)

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

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

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

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

a) Foreign currency risk

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

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June Current Year			
Financial assets			
Investments	-	-	-
Cash	52,012,460	-	52,012,460
Debtors	124,279,637	-	124,279,637
Financial Liabilities			
Trade and other payables	146,570,253		146,570,253
Borrowings	38,954,352	-	38,954,352
Net foreign currency asset/(liability)	-	-	-

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June Previous year			
Financial assets			
Investments	-	-	-
Cash	30,906,041	-	30,906,041
Debtors	72,314,902	-	72,314,902
Financial Liabilities			
Trade and other payables	131,323,873	-	131,323,873
Borrowings	50,797,809	-	50,797,809
Net foreign currency asset/(liability)	-	-	-

b) Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20xxCurrent FY			
Euro	10%	-	-
USD	10%	-	-
20xx Previous FY			
Euro	10%	-	-
USD	10%	-	-

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c) 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.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of **Ksh.9,645**(FY 2024/2025), **Ksh.11,059**(FY 2023/2024). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of **Ksh.8,058** (FY 2024/2025), **Ksh.55,294** (FY 2023/2024)

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.

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- 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.

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

At 30 June 2025 Current FY	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
At 30 June 2024 Previous FY				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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.

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:

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	Current FY 2024-2025	Comparative FY 2023-2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	9,534,584	(44,481,641)
Capital reserve	100,000	100,000
Total funds	9,634,584	(44,381,641)
Total borrowings	38,954,352	50,797,809
Less: cash and bank balances	(52,012,460)	(30,906,041)
Net debt/ (excess cash and cash equivalents)	(81,332,228)	19,891,768
Gearing		

53. Incorporation

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

54. Events After the Reporting Period

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

55. Going Concern Disclosure

The Company has a negative working capital which poses challenge to the going concern of the Company. The following measures have been put in place to mitigate against the uncertainty in relation to going concern; The Company implemented a cost recovery tariff which will go a long way on improving this situation due to increased revenue that will improve the status as evidenced in the reduced negative working capital to Ksh. 48,740,281 for the year ended 30th June 2025 from Ksh. 100,159,436 for the year ended 30th June 2024, the Company has various ongoing projects, the company is following up with the road contractors to ensure timely completion of the projects and compensation of damaged pipes where necessary for rerouting. All the above measures will lead to increase in revenues which will have a positive impact in our working capital as the Company will utilize the additional revenue to settle some of the pending bills.

The encroachment by Murang'a Water and Sanitation Company Limited (MUWASCO) into our operational area has reduced our revenue generation, as the area includes a dam facility that supplied significant volumes of water to our customers. Additionally, MUWASCO collects payments from our former customers without assuming the associated liabilities that had accrued and staff that were operating the area were not transferred to MUWASCO hence we are still incurring their staff costs. This encroachment is further worsening our financial challenges.

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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)
BASIS FOR QUALIFIED OPINION				
1.0	Material uncertainty in relation to Going Concern.	There is a great improvement from prior year and Company has measures to further improve on this status as detailed on note.55 above.	Not fully resolved	Progressive
2.0	Long outstanding trade receivables.	The Company is continuously engaging stringent debt control measures to address this.	Not resolved	Progressive
BASIS FOR CONCLUSION				
1.0	High Non-Revenue Water	Progressively being reduced through various measures as evidenced by our June 2025 status of 38.4% from 40% as of June 2024.	Not resolved	Progressive
2.0	Non-compliance with law on ethical composition.	The company, located in a rural setting, mainly attracts applicants from the local community for lower-cadre roles such as plumbers and technicians, making wider diversity a challenge. Nevertheless, we remain committed to promoting diversity and inclusion and will progressively work towards compliance.	Not resolved	Continuous
3.0	Personnel cost in excess of the recommended threshold.	Majorly affected by encroachment done by MUWASCO as they never assumed the responsibilities of staff costs yet they are collecting revenues from that area.	Not resolved	Continuous

Name: John Macharia

Signature:.....

Managing Director

Date: 24th October 2025

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Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in the financial statements (Yes/No)
1.	Makutano water and sewerage project	AWWDA	4 years	Excellent	No	No
2.	Kinyona-Karimamwaro Project	AWWDA	4 years	Excellent	No	No
3.	UPC 8th call, Construction and rehabilitation of sabasaba water pipeline project	WSTF	2 years	Excellent	No	Yes
4.	CLSG II Project: installation of airvalves along kandara bulk supply, installation of consumer meters and construction of Kangari 9.96km pipeline	WSFT	2 years	Excellent	No	Yes

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Status of Projects completion

(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)

	Project	Total project Cost(Ks h.Million)	Total expended to date	Completion % to date	Sources of funds
1	Makutano water and sewerage project	689.6		94.9% water 82.1% sewer	AWWDA
2	Kinyona-Karimamwaro Project	136.4		65%	AWWDA
3.	UPC 8 th call, Construction and rehabilitation of sabasaba water pipeline project	16.8	August 2024	100%	WSTF
4.	CLSG II Project: installation of airvalves along kandara bulk supply, installation of consumer meters and construction of Knagari 9.96km pipeline	66		5%	WSTF

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Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June 2025					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:
Name Sign Date

Head of Accounts Department - Beneficiary Entity:
Name Sign Date.....

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Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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Appendix V: Reporting Disaster Management Expenditure

Date:						
Entity						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

(Attach forms from each transferring Government entity.)

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Statement of Comprehensive income	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Trust Fund	08/04/2025	Development	11,688,636.25	-	11,688,636.25	-	-	-	11,688,636.25
Total			11,688,636.25	-	11,688,636.25	-	-	-	11,688,636.25

