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REPORT

OF

THE AUDITOR-GENERAL

ON

**MAVOKO WATER AND SANITATION
COMPANY LIMITED**

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

PAPERS LAID	
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OFFICE OF THE AUDITOR GENERAL
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MAVOKO WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2025

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

Mavoko Water and Sanitation Company Limited
Annual Reports and Financial Statements
For the year ended June 30, 2025

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1. ACRONYMS

• WSP	Water Service Provider
• MAVWASCO	Mavoko Water and Sanitation Company Limited
• IFRS	International Financial Reporting Standards
• MD	Managing Director
• PFM	Public Financial Management
• PSASB	Public Sector Accounting Standards Board
• ICPAK	Institute of Certified Public Accountants of Kenya
• WASREB	Water Services Regulatory Board
• WSTF	Water Sector Trust Fund
• WASH	Water Sanitation and Hygiene
• WRA	Water resources Authority
• KRA	Kenya Revenue Authority
• NG	National Government
• MWI	Ministry of Water and Irrigation
• MLHUD	Ministry of Lands, Housing and Urban Development
• CGM	County Government of Machakos
• CECM	County Executive Committee Member
• TANATHI WWDA	Tanathi Water Works Development Authority
• ATHI WWDA	Athi Water Works Development Authority
• NSSF	National Social Security Fund
• NHIF	National Hospital Insurance Fund
• PAYE	Pay as You Earn
• VAT	Value Added Tax
• WHT	Withholding Income Tax
• WASH-FIN	Water, Sanitation and Hygiene Finance
• SDG 6	Sustainable Development Goal Number 6
• CWIS	Citywide Inclusive Sanitation
• WASUP	Water and Sanitation for the Urban Poor
• CLSG	Conditional Liquidity Support Grant
• QSQF	Quick Start Quick Finish
• NRW	Non-Revenue Water

2. KEY ENTITY INFORMATION

Background information

MAVWASCO was established by the Company Act Cap 486 (now Company's Act 2015 of Parliament) in 2007 and fully owned by CGM. At County level, the Company is represented by the Chief Officer responsible for Water and Sanitation and Chief Officer in-charge of County Finance 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 located in Athi River Town.

Principal Activities. The principal activity of MAVWASCO is to provide Water and Sanitation Services to residents of Mavoko Sub-County.

A. Core business is;

1. Sourcing and distributing of water within its area of operation. Our main sources of water are
 - Bulk Water supply from Nairobi City Water and Sewerage Company
 - Portland Dam (Kasuitu)
 - Stoni Athi Dam
 - Boreholes – Mavoko Tanks, Makadara, Syokimau, Githuguri, Kiasa, Kinanie, Mlolongo
2. Provide sanitation services to the residents of Mavoko
3. Bill and collect revenue from the customers; and
4. Build, maintain and extend water and sanitation infrastructure.

B. Vision

Quality, affordable and sustainable water and sanitation services within Mavoko Sub-County.

C. Mission

To provide high quality water and sanitation services in a timely, efficient and reliable way to the satisfaction of our customers.

D. Core Values

- i) **Integrity**- our company has zero tolerance to unethical business. We strive to be honest and fair in everything we do.
- ii) **Transparency and Accountability** – We will be accountable for our actions and decisions and accept responsibility for them and report in a transparent manner to our stakeholders
- iii) **Teamwork** – We work together towards a shared vision and recognize that teams accomplish more than individuals.
- iv) **Professionalism** – We exercise high levels of professionalism in our work and in our interactions with partners and stakeholders

- v) **Customer Focus** – We are focussed on understanding the customer’s needs, commit to attaining the highest standards in service delivery to all customers and stakeholders
- vi) **Creativity and Innovation** – We endeavour to be a learning organization that embraces change and continuously enhances creativity and innovation in its process towards provision of services.

Directors

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

1. Ms. Florence Kathoki Kivevo	Chairperson	- Exited on 13 th Sept 2024
2. Mr. Michael Mang’eli	Manging Director, Secretary to the Board	
4. Mr. James Gitonga Muhuhu		- Exited on 13 th Sept 2024
5. Mr. Walter Matini Mochoge		- Exited on 13 th Sept 2024
6. Rev. Felix Mualuko Daniel		- Exited on 13 th Sept 2024
7. Ms. Hakima Ibrahim Mohamud		- Exited on 13 th Sept 2024
8. Ms. Jerusa Susan Omari		- Exited on 13 th Sept 2024

Registered Office

LR TOL: NO 5,
Mavoko Road; off Namanga Road,
Opposite Athi River Railway Station,
Next to the Co-operative Bank,
P.O. Box 582 - 00204,
ATHI RIVER.

Corporate Headquarters

LR TOL: NO 5,
Mavoko Road; off Namanga Road,
Opposite Athi River Railway Station,
Next to the Co-operative Bank,
P.O. Box 582 - 00204,
ATHI RIVER.

Corporate Contacts

Telephone :(254) 719148866

E-mail: info.mav-water.org

Website: www.mav-water.org

Corporate Bankers

- 1) Co-operative Bank of Kenya,
Mavoko Road; off Namanga Road,
P.O. Box 321,
Athi River, 00204
Machakos, Kenya

- 2) Kenya Post Office Savings Bank
Mavoko Road; off Namanga Road,
P. O. Box 30311 - 00100 Nairobi
Tel: +254 020 2229551-6
Fax +254 020 2229186
Email: info@postbank.co.ke


Independent Auditors

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



Principal Legal Advisers

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





3. THE BOARD OF DIRECTORS

 <p>Ms. Florence Kathoki Kivevo Chairperson; Board of Directors</p>	<p>Year of birth 1960</p> <ul style="list-style-type: none"> • Business Lady • Clergy –Redeemed Gospel Church • Councillor- Mavoko Town Council <p>Represents Women</p>
 <p>Mr. James Gitonga Muhuhu Chairperson; Technical Committee</p>	<p>Year of birth 1970</p> <ul style="list-style-type: none"> • A- Levels <p>Experience</p> <ul style="list-style-type: none"> • Operations manager Boma Villa Agencies • Manager Issa Marks hardware Stores <p>Represents Residents Associations</p>
 <p>Mr. Walter Matini Mochoge Chairperson; Finance, Staff & General-Purpose Committee</p>	<p>Year of birth 1962</p> <ul style="list-style-type: none"> • BBM HRM • DIP Business Administration • A –levels <p>Experience</p> <ul style="list-style-type: none"> • Imports & Admin Manager Orbit Chemicals • Imports & Exports Co-ordinator Orbit Chemicals • Vice Chair KAM Lower Eastern Chapter <p>Represents KAM Mavoko Chapter</p>
 <p>Rev. Felix Mualuko Daniel Chairperson; Audit Committee</p>	<p>Year of birth 1986</p> <ul style="list-style-type: none"> • PHD Governance & Leadership- Ongoing • MA Religious Studies • BA Divinity <p>Experience</p> <ul style="list-style-type: none"> • Priest ACK • Part Time Lecturer East African University • Lecturer Carlile College <p>Represents Community Based Organisations</p>
 <p>Ms. Hakima Ibrahim Mohamud</p>	<p>Year of birth 1982</p> <ul style="list-style-type: none"> • HND/Diploma Information Technology <p>Experience</p> <ul style="list-style-type: none"> • Business lady • Vice Chair LiqourLanagta Sub County • Community Mobilizer • Administrator Garissa Professional Hospital • Assistant Secretary Danida Health NEP <p>Represents Youth.</p>

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 <p>Ms. Jerusa Susan Omari</p>	<p>Year of Birth: 1969</p> <ul style="list-style-type: none"> • Business Lady • Defence Forces Memorial Hospital <p>Represents Low Income Residents</p>
 <p>CPA. Michael Mang'eli (MD, Secretary to the Board)</p>	<p>Year of Birth: 1973</p> <ul style="list-style-type: none"> • Bachelors of Commerce (Finance) • Master's In Business Administration. • Member of ICPAK <p>EXPERIENCE</p> <ul style="list-style-type: none"> • Miritini Building Products, • Kenya Shell Ltd. • International Committee of Red Cross
<p>CGM Chief Officer or Alternate –Water and Irrigation</p>	
<p>CGM Chief Officer or Alternate -Finance and County Treasury</p>	

4. MANAGEMENT TEAM

 <p>1.CPA. Michael Mang'eli (MD, Secretary to the Board)</p>	<p>Year of Birth: 1973</p> <ul style="list-style-type: none"> • Bachelors of Commerce (Finance) • MBA -Finance & Accounts • Member of ICPAK <p>EXPERIENCE</p> <ul style="list-style-type: none"> • Miritini Building Products • Kenya Shell Ltd. • International Committee of Red Cross
 <p>2.Eng. Jesse Ambundo; Technical Services Manager</p>	<p>Year of Birth: 1979</p> <ul style="list-style-type: none"> • Bachelor's Degree in Engineering (Civil) • MSc. Civil Engineering • Member of IEB <p>EXPERIENCE</p> <ul style="list-style-type: none"> • Area Manager at Nzoia Water and Sewerage Company • Locost Homes as the Site Engineer in charge of housing projects
 <p>3.Ms Elizabeth M. N. Ndeti; Human Resource Manager</p>	<p>Year of birth 1975</p> <ul style="list-style-type: none"> • MBA (HR) • BBM HR • IHRM Member <p>Experience</p> <ul style="list-style-type: none"> • HRM MAVWASCO • Billing Office Mavoko Municipal Council
 <p>4.CPA. Michael Mbui Musila; Finance Manager</p>	<p>Year of birth 1986</p> <ul style="list-style-type: none"> • Bachelor of Commerce (Accounting) • Member of ICPAK <p>Experience</p> <ul style="list-style-type: none"> • Senior Accountant Loreto Institute • Accountant Capital Colours Creative Design Ltd

5. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to reflect on the progress MAVWASCO has made over the 2024/2025 financial year. This period has marked important growth in our service delivery, driven by the dedication, professionalism, and integrity of our Board, management team, and staff. Their efforts have been key to advancing our mission of providing reliable water and sanitation services to the people of Mavoko.

Our commitment to good governance, fair tariff management, and responsive customer service remains at the core of our operations. These values continue to shape how we manage resources, engage with stakeholders, and deliver results that matter. As we look ahead, we recognize the urgent need to develop a clear and realistic investment plan. This plan will help guide the funding and infrastructure development required to ensure that every resident in Mavoko has access to safe water and adequate sanitation services that are not a luxury, but a basic human right. MAVWASCO's goals are in line with Kenya's pledge to achieve Sustainable Development Goal 6: ensuring universal access to clean water and sanitation by 2030. This goal emphasizes not just infrastructure, but also equity especially for women, girls, and vulnerable communities who are often most affected by inadequate services.

In financial year 2024/2025, MAVWASCO water coverage increased to 59% from 53% in the last financial year, whereas our sewerage coverage increased from 27% in the last financial year to 32%. We maintained an impressive 100% sanitation coverage. While these figures reflect significant strides, they also highlight areas that require renewed focus and investment. We are grateful for the continued support from our partners, including the Ministry of Water and Sanitation, TANATHI WWDA, ATHI WWDA, WSTF, the County Government of Machakos, and our broader network of development allies. Your collaboration is essential to our shared success.

Finally, I extend my heartfelt appreciation to every member of the MAVWASCO team. Your commitment and resilience are the foundation of our achievements. Together, we remain focused on building a future where every person in Mavoko can enjoy their right to clean, safe, and reliable water and sanitation services.

Thank you, and may MAVWASCO continue to thrive.

SIGNED _____ **DATE 26/08/2025**

CHAIRPERSON –BOARD OF DIRECTORS,
MAVOKO WATER & SANITATION CO.

6. REPORT OF THE MANAGING DIRECTOR

Over the past year, MAVWASCO has experienced a remarkable journey marked by progress, challenges, and resilience. As the Water Service Provider for Mavoko Sub-County, our mission extends far beyond supplying water and sanitation services. We play a vital role in supporting economic growth, public health, and social equity, especially in a rapidly growing region with a population of over 329,000 people, according to the 2019 census.

Throughout the year, we focused on improving the quality and accessibility of our services. One of our most impactful initiatives was a partnership with the Athi Water Works Development Authority and the Kenya National Ministry of Water and Sanitation to provide last mile Water and Sewer connectivity in Utawala-Githuguri area. This collaboration allowed us to expand our water and sewer infrastructure and connect many new households to the main lines, improving hygiene, dignity, and living conditions for our customers. Additionally, we upgraded our Day Star sewer line increasing access to sewer services in the area and at the same time, we supported Pro-Poor Section to serve low-income neighbourhoods. By doing so, we reaffirmed our belief that access to clean water and safe sanitation is not a luxury, but a right for all.

Our customer base continued to grow, with 723 new water customers and 757 new sewer customers joining us over the year. This brought our total to 12,378 water connections and 6,805 sewer connections. According to our annual data, MAVWASCO achieved 59% water coverage, 32% sewerage coverage, and maintained 100% sanitation coverage. With only eight staff members per 1,000 connections, our team demonstrated impressive productivity, efficiency, and commitment to service delivery.

There was no major climate-related disruptions such as prolonged drought or flooding as witnessed in the prior period, for which we are grateful to God, hence we managed to optimize production for the better part of the year. As a result, we managed to produce over 1.768 million cubic meters of water and billed for nearly 1.193 million cubic meters. Our non-revenue water stood at 36.9%, a figure we recognize as a challenge and are actively addressing.

Financially, we managed to increase our total billing for water and sewer services to Ksh 292,039,110, a notable rise from the previous year's Ksh 218,518,098. This growth speaks to the resilience and determination of our staff and management to provide quality water and sanitation services to all residents in Mavoko Sub county.


Looking ahead, we have laid down a clear roadmap for the future through our Strategic Plan for 2025–2028. This plan outlines key goals and initiatives that will guide us in expanding our services, improving efficiency, and strengthening institutional capacity. We have also begun implementing our revised Technical Policy and are in the process of reviewing our Finance Management Policy to ensure that we attain operational efficiency for optimal output.

Our achievements this year would not have been possible without the support of our partners, including the National Government Ministry of Water and Sanitation, ATHI WWDA, TANATHI

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WWDA, WSTF, and the County Government of Machakos. Their support has been instrumental in driving our progress. I also extend heartfelt appreciation to our Board of Directors, staff, and management team. Your dedication, resilience, and commitment to our mission are what keep MAVWASCO moving forward.

Although we faced difficult moments, we emerged stronger, more united, and more determined to serve. We remain committed to building a MAVWASCO that meets today's needs and is ready to take on tomorrow's challenges. The future is promising, and together, we will continue making a meaningful difference in the lives of the people we serve.



SIGNED _____

DATE 26/08/2025

CPA MICHAEL YUMBYA MANGELI
MANAGING DIRECTOR
MAVOKO WATER & SANITATION CO.

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
FOR FY 2024/2025

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 national government entity’s performance against predetermined objectives.

MAVWASCO has 5 strategic pillars and objectives within its Strategic Plan for the FY 2025-2028. These strategic pillars are as follows:

1. Development of water sources
2. Management of non-revenue water
3. Expansion of water and sewer infrastructure coverage
4. Improved customer service
5. Enhancing institutional capacity

MAVWASCO develops its annual work plans based on the above 5 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. MAVWASCO achieved its performance targets set for the FY 2023/2024 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
1. Development of water sources	To increase water production from 250,000m ³ /month in 2024 to 220,000m ³ /month by year 2028	To satisfy the demand for water in its area of operation Increased water supply Stabilised water supply	i. KMC dam development (dam, treatment plant, intake works) ii. Expand Portland dam / treatment plant iii. Drill new boreholes iv. Development of Ndarugu dam. v. Rehabilitation of Nolturesh line	100% done 100% done
2. Management of Non-Revenue Water	To reduce non revenue water from 36% in 2024 to 25% by year 2028	Reduced NRW Block maps	i. Implementation of GIS ii. Use of technology-based meters	Currently at 36.9% But we are working to bring this figure down inline

		Installed Smart meters Improved meter reading Reduction in response time to bursts Increased stakeholder involvement in management of NRW Water distribution zones Accurate input/output readings Reduced water bursts and leakages Effective NRW unit	iii. Use of technology in meter reading iv. Leak detection and management v. Staff, customer and community sensitization vi. Water distribution balance vii. Continuous maintenance of water infrastructure viii. Strengthen NRW unit to enhance enforcement Benchmarking with industry standards						
3. Expansion of Water and Sewer Infrastructure Coverage	1. To increase water coverage from 60% in 2024 to 80% by year 2028 2. To increase sewer coverage from 20% in 2016 to 40% by year 2024	More water and sewer Customers New sewer plant	i. Pipeline extensions to areas not covered ii. Restore supply to areas not being supplied iii. Extension of existing sewer infrastructure iv. Develop new treatment plant	59% water coverage 32% Sewer coverage					
4. Improved Customer Service	To achieve customer satisfaction level of 80% by year 2024	Less Customer complaints and positive feed back	i. Implement a customer service charter ii. Implement an effective feedback	Customer Charter done SMS feedback system in place					

		Prompt handling of customer issues	mechanism for customers	
		Increased customer/ stakeholder participation	iii. Enhance collaborations with customers and stakeholders	
5. Enhancing institutional capacity	1. To increase operational efficiency	Improved working environment	i. Provision of adequate office space and facilities	Increased Investment in ICT
		Increased operational efficiency	ii. Leverage on ICT	
			iii. Strengthen risk management and internal controls	
			iv. Enhance document management	
			v. Enhance research and development	
	2. To attract and retain qualified staff	High productivity	i. Ensure optimal staff complement	Job Evaluation Done and implementation Done
		Improved performance	ii. Enhance staff training	
		Increased staff motivation and productivity	iii. Performance management and reward	
		Smooth flow of information	iv. Enhance staff welfare	
		Increased team cohesion	v. Enhance staff communication	
	3. To increase funding to MAVWASCO	Timely collection of revenue	i. Improve revenue collection efficiency	Discussions in place with partners
		Adequate financial planning Proper management of financial resources	ii. Enhance collaborations with development partners	

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			iii. Enhance effective and efficient financial management	
4. To enhance good corporate governance	Better understanding of corporate governance by Board members and senior management		i. Enhance synergy between the Board of Directors and management.	Board trainings done Audit committee Charter in place
	Improved Board performance		ii. BOD performance management	Board work plans prepared
	Increased support from the community in company		iii. Enhance good corporate citizenship	Board evaluation done

8. CORPORATE GOVERNANCE STATEMENT

MAVWASCO Board is committed to the values and principles of good corporate governance. Good corporate governance requires that the Board of Directors must govern the Corporation with integrity and enterprise in a manner which entrenches and enhances the mandate it has under section 79-80 of the Water Act 2016 to operate. This embraces the Company's interaction with customers, Machakos County Government, National Government, Water Services Regulatory Board, Water Resources Management Authority and other stakeholders.

The Directors and Management of MAVWASCO regard corporate governance as vital to the successes of the Company and are unreservedly committed to ensuring that good corporate governance is practiced so that MAVWASCO remains a sustainable and viable institution for providing water services in Mavoko Sub-County.

As a public service organization, MAVWASCO's decisions are guided by the core tenets prescribed in the Public Officers Ethics Act, and internal codes of conduct. We continually strive to strengthen and sustain the trust that the government, the water sector and the public have placed on us. Accordingly, the Board and its committees regularly evaluate the latest national and international standards with the aim of incorporating them in the business processes of MAVWASCO so as to consistently deliver on our mandate.

Board of Directors

The role and responsibilities of the Board and management

The Board's primary role is to enable the protection and enhancement of long-term shareholder value taking into account the interests of other stakeholders including employees, customers, suppliers and the wider community. The Board is accountable to shareholders for the performance of the company. It directs and monitors the business and affairs of the company on behalf of shareholders and is responsible for the company's overall corporate governance. In particular, the Board's responsibilities include:

- Setting the 'tone from the top' through influencing the corporate culture, ethical standards and reputation of the company;
- Approving the strategic objectives and direction of the company and overseeing management's implementation of those strategic objectives;
- Monitoring the company's operational performance generally including its financial state and the effectiveness of the company's safety and sustainability strategies;
- Approving major expenditures, transactions, budgets, funding plans and capital management initiative
- monitoring the integrity, effectiveness and consistency of the company's risk management framework, controls and systems;
- Setting the overall remuneration framework for the company;
- Appointing, setting the remuneration and assessing the performance of the CEO, as well as approving the appointment and remuneration of senior executives and overseeing their performance;

- overseeing executive succession planning
- Monitoring the effectiveness of the company's governance practices including overseeing shareholder reporting and engagement as well as compliance with the company's continuous disclosure obligations.

Skills and Diversity

In considering the composition of the Board, directors take into account the appropriate characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company. The Board believes that having a range of different skills, backgrounds, experience and diversity enables a broad range of viewpoints which facilitates effective governance and decision making.

Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board recognises the special responsibility of directors for monitoring executive management and providing independent views.

The Board has determined that, in respect of the 2024/2025 financial year, the Chairman and all directors are independent of executive management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement or compromise their ability to act in the best interests of the company.

Succession

As part of its annual review, the Board continues to consider Board succession. The Board's succession plan is focused on continually identifying suitable candidates for future appointment to the Board, having regard to the Board's current skills mix and desirable future skills, so that the Board remains proactive and renewal occurs in an orderly manner over time. Where a need is identified or arises, the County Government of Machakos considers potential candidates based on the skills required by the Board and the qualities and experience of the candidate. The appointment of directors is vested with the County Government of Machakos which will undertake a search process and shortlisted candidates will be interviewed and suitable candidates appointed.

Director appointment, induction and professional development

Directors (other than the CEO) are appointed by the County Government of Machakos and serve at least three years after which they are reconsidered for re-election. Further, endorsement for re-election of directors to the Board at the conclusion of their three-year term is not automatic.

New directors are provided with a formal letter of appointment that sets out the key terms and conditions of appointment including, among other things, duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with Board

Committee work. New directors also participate in a formal induction program which includes site visits, one-on-one meetings with relevant members of management and provision of relevant policies, charters and other materials. An active professional development program is also in place for directors and is incorporated as part of the annual Board cycle. This varies each year and may include internal presentations, discussions with key external subject matter experts, customers and/or suppliers as well MAVWASCO sites and other places of interest. The purpose of this program is to provide appropriate opportunities for directors to develop and maintain their skills and knowledge needed to perform their role as directors.

Remuneration strategy

Our remuneration strategy is unchanged. It sets the direction for the remuneration framework, and drives the design and application of remuneration programs across the Company, including for executives. Our remuneration strategy is to

- Encourage a strong focus on financial and operational performance and motivate executives to deliver outstanding business results and returns to the Company's shareholders over short- and long-term horizons
- Attract, motivate and retain appropriately qualified and experienced individuals
- Align executive and stakeholder interests through share ownership.

The full Board meets at least four times a year as per the guidelines of WASREB. The Sub Committees of the Board meet at least four times a year. The Directors are given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Managing Director.

The Board nonetheless retains oversight responsibility for establishing and maintaining the control of financial, operational and compliance issues.

Committee	Number of meetings
Full Board	1
Audit Committee	1
Finance, Staff and General-Purpose Committee	1
Technical Committee	1
ADHOC Committee	1
Board Trainings	0
Total	5

Committees of the Board

The Board has set up the following committees which meet under well-defined terms of reference. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

A. Finance, Staff and General-Purpose Committee

This committee deals with strategic, financial, human resource management and administrative issues. It meets at a minimum of four times a year or as necessary. Its membership comprises **Walter Matini Mochoge (Chairperson), Jerusa Susan Omari and Hakima Ibrahim Mohamud.**

Its responsibilities include, reviewing of Annual Accounts, monitoring and evaluation, reviewing development, provision of performance contracts and approval of budgets, policies, opening and closure of bank accounts, human resource and Strategic Planning.

B. Technical Committee

There is a Technical Committee whose membership is **James Gitonga Muhuhu (Chairperson), Walter Matini Mochoge, Rev. Felix Mualuko Daniel and Jerusa Susan Omari**

Its responsibilities include overseeing the development of water infrastructure and ensuring standards set by regulator are adhered. This committee oversees policies, strategic planning, planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and to improve efficiency in water production and distribution including sewerage network.

C. Audit and Risk Committee

The Board has constituted an audit committee which meets four times a year or as necessary. Its membership comprises **Rev. Felix Mualuko Daniel (Chairman), James Gitonga Muhuhu and Hakima Ibrahim Mohamud**

Its responsibilities include; examining and assessing the effectiveness of internal control systems, approving Internal Audit programs, carrying out special audits, verifying MAVWASCO assets and liabilities, risk management, strategic planning, adopting pro-active risk based approach to internal audit system and receiving reports from the Internal Auditor. It also receives and evaluates External Audit reports.

9. MANAGEMENT DISCUSSION AND ANALYSIS

MAVWASCO Profile

MAVWASCO is a limited liability company which was formed in line with reforms in the water sector as enshrined in the Water Act 2016. The company is owned fully by CGM and is mandated to provide water and sewerage services within Mavoko sub-county in Machakos County.

As at the 2019 population census, the area covered by MAVWASCO had a population of approximately 329,222 people. However, with population growth and migration resulting from the current development in residential and commercial properties, the population has significantly increased. The customer base in the area comprises domestic, institutional, commercial entities and industrial consumers.

The Constitution of Kenya, 2010 recognizes provision of clean and safe water in adequate quantities as a right of every person under Article 43, Economic and social rights. In addition, the provision of water and sanitation services is a devolved function to be provided by the County Government under Schedule Four of the Constitution. Furthermore, Water Act 2016 has been operationalized.

Organisation Structure

The company is led by the MD who is the Accounting Officer under the PFM Act 2012. He reports to the Board of Directors who are appointed by the CGM in accordance to PFM Act and Mwongozo Guidelines. MD provides overall direction to all departments namely;

- (a) Technical Services Department
- (b) Commercial Services Department
- (c) Human Resources and Administration Department
- (d) Finance Department.
- (e) Procurement
- (f) ICT
- (g) Internal Audit

The departments are headed by Head of Departments who form the Corporate Management Team.

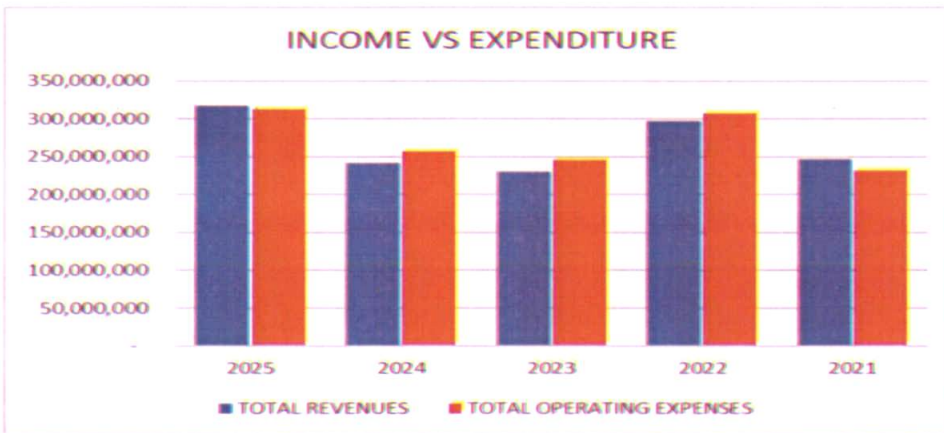
Report on Operational and Financial Performance

MAVWASCO’s Turnover for the year was **KSHS. 292,039,192** up from KSHS. 218,518,098 (33.65 % increase) in 2024. MAVWASCO’s operating profit before tax was **KSHS 6,153,288 in 2025**(2024: KSHS 15,555,011 Loss).

In year ended 2025 trade receivables were **KSHS 175,114,489** (2024; KSHS 133,657,888) MAVWASCO had operating expenses amounting to **KSHS 312,496,256** (2024; KSHS 257,222,934).

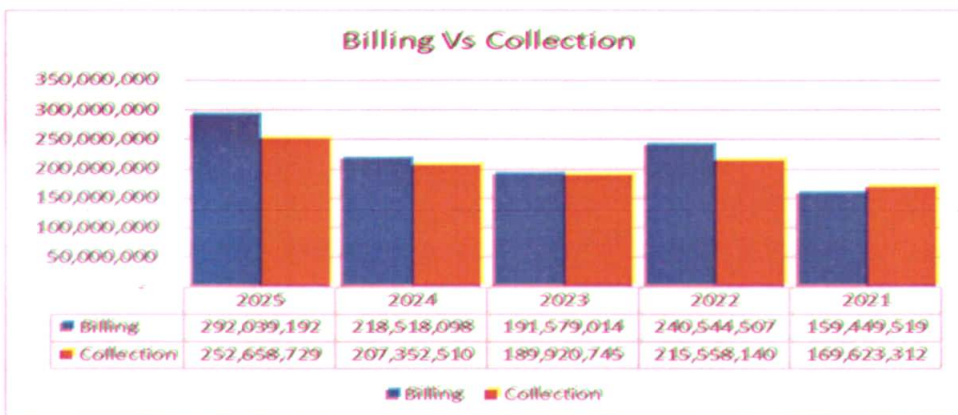
Total Incomes Vs Expenditure

Total Incomes includes normal Billings, Project Income and other incomes. Total expenditure includes Staff costs operational, Board and maintenance expenses.



Billing Vs Collection

Collection efficiency is used to measure the effectiveness of the revenue management system in WSP. Revenue collected impacts on a utility’s direct ability to fund its operation. In 2024/2025 we collected Kshs 252,658,729 against Billing of Kshs 292,039,192 giving a collection efficiency of 87%.

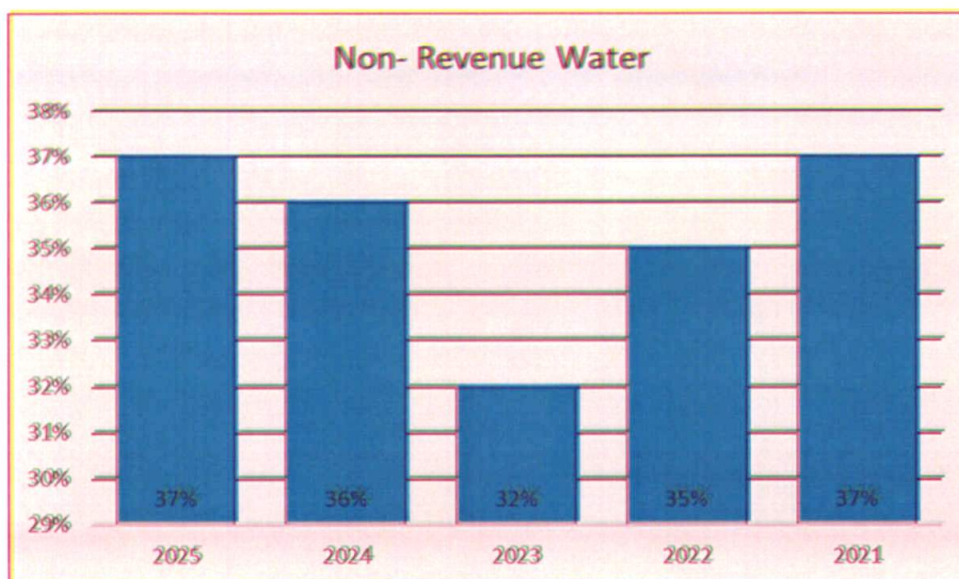


Collection Efficiency



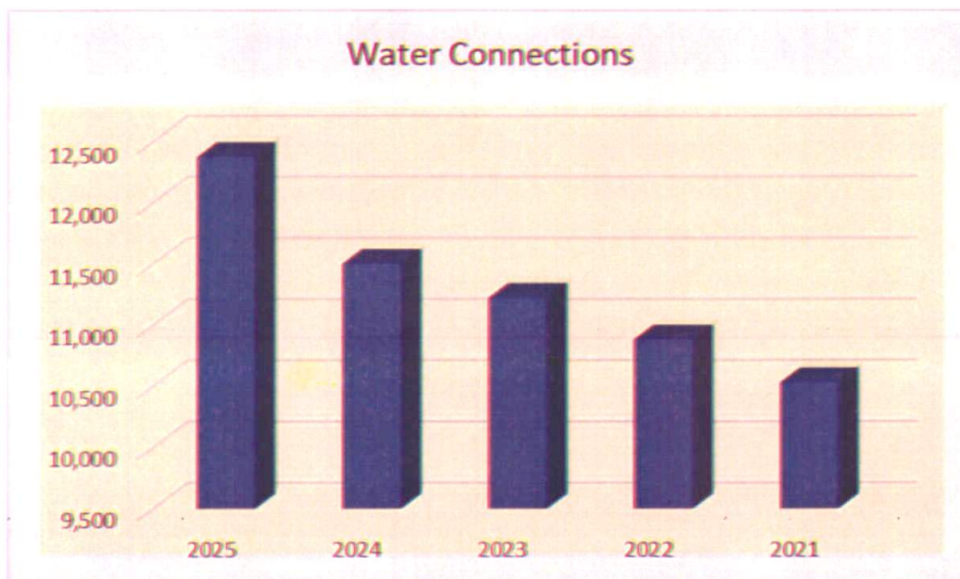
Non-Revenue Water (NRW)

NRW is a key indicator in the measurement of WSP efficiency. It measures the difference between the amount of water produced in cubic meters for onward distribution to the consumers and the actual amounts billed at consumer meters. In the year under review NRW was at 37%



Number of Water Connections

WSP's sizes are determined by the number of Water and Sewer Connections. MAVWASCO is reported in the WASREB impact reports under large utilities. Number of connections continue to grow and as at 30th June 2025 the number of water connections were 12,378.



Key Projects.

Currently these projects are ongoing. They are under Tana Athi WWDA to be handed over to us on completion. These are;

- 1) Northern Collector Tunnel Project (NCT) was commissioned in October 2024 and we are set to be receiving 3,500 cubic meters of water on a daily basis through Nairobi Water and Sewerage Company. This is a major boost to our water supply and it would impact positively on our water coverage going forward.
- 2) The Ministry of Lands, Housing and Urban Development, in collaboration with the County Government of Machakos, is undertaking the extension of the sewer network to enhance sanitation and environmental health in the Daystar area. This initiative involved the extension of **7.5 kilometres of primary sewer lines** and **1.5 kilometres of secondary sewer lines** within the same region.

Compliance with Statutory Requirements

MAVWASCO has strived to meet its statutory obligations. These include providing regular operational and financial reports, Monitoring and Evaluation reports, and regulatory fee submission to the water sector regulator WASREB. MAVWASCO also reports to the resource manager (WRA) and pays abstraction fees. MAVWASCO also reports to CGM

MAVWASCO pays taxes regularly to KRA including VAT, PAYE, Corporate Tax and others. MAVWASCO also pay other statutory bodies including NHIF and NSSF not forgetting pension service providers as directed by employees.

MAVWASCO adheres to corporate governance ethics by having an active Board of Directors, audit function and an active Internal Audit function

Major Risks Facing the Organisation

MAVWASCO is a water service provider. Its major undertaking is water treatment and distribution to the residents of Mavoko Sub-County. Mavoko is a bedroom to Nairobi and an industrial zone. This indicates huge demand of water for domestic and industrial consumption. The water sources available cannot meet the demand currently standing at 450,000 m³ per month. MAVWASCO needs more dams, treatment plants and boreholes. At best, the current production is at 120,000m³. MAVWASCO needs funds to develop other sources.

Sewer Coverage is low. In many parts of Athi River, Mlolongo and Syokimau are not covered. Our town is growing fast due to proximity to Nairobi and availability of land for development thus increasing the demand for sewer services. Our plea to the Ministry of Water and the National Government and the County Government of Machakos is to assist in construction of the new sewer lines and sewer treatment plants.

Non-Revenue Water currently stands at 37%. We have created a NRW unit which is mandated to help point out areas where water losses occur and block them. We are the upgrading water main lines and reduce response time to bursts we believe we that will help bring NRW down to industry standards of 25%.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

MAVWASCO's first call to social responsibility is to our staff working our company and to their neighbourhood of Athi River and to truly value the partnership between the company and its employees and have an organization where achievement is duly rewarded and careers are sustained. It is our intention to create a working environment second to none and to set a template for other businesses moving into this region and to help improve the quality of life in communities where we operate.

i) Sustainability strategy and profile -

The management team strives to make sure that MAVWASCO is financially and operationally sustainable to meet the water and sewer needs of Mavoko Sub-County residents. We have continually invested in ICT to ease communicational and operational needs in addition to ease customer transactional activities. We have also invested in the latest NRW activities such as smart meters and GIS in order to reduce NRW to acceptable standards. We have also increased the staff capacity in terms of training and benchmarking so as to ensure our staff meet operational needs.

The company has sought to increase its revenue base by seeking new water and sewer connections in addition to the existing. Billing for services rendered is done on time and meter reading is at 100% for all water connections

MAVWASCO continually has encouraged its customers to allow pay for water and sewer services rendered so as to help the company meet its financial and social obligations

We are continually seeking new funding for new water sources to cater for current and future water-sewer needs for Mavoko residents.

ii) Environmental performance

MAVWASCO strives towards creating a healthy environment for its staff and customers by continually encouraging planting of trees in its sites. Environmental Social and Health Impact Assessment (ESHIA) on all major capital projects to identify potentially significant project-related impacts. These include impacts to surrounding communities, natural resources, biodiversity, air quality, land use, waste management, noise and public health.

iii) Employee welfare

MAVWASCO recognises all their employees to be the most valuable resource and that the health and welfare of all employees is essential in achieving the Company's mission. The well-being of

all employees is of a primary concern by investing in the health and welfare of employees the Company is investing in the efficiency and effectiveness of the organisation. The company is committed to producing a caring and supportive working environment which is conducive to the welfare of all employees, and which enables them to develop towards their full potential. The Company recognises the importance of the professional relationship between line managers and staff, they have primary responsibility for the welfare at work of the staff under their supervision who respond to staff in a supportive manner taking into account their feelings and difficulties, in an atmosphere of trust and confidentiality.

MAVWASCO has continually sought to increase the capacity of its staff through trainings and benchmarking activities based on the Training Needs Assessment and HR Policies. Currently, MAVWASCO is implementing an updated HR Manual and Policy so as to up to par with the current HR practices.

MAVWASCO is a registered DOSH office and has been implementing OSH policies for the safety of our staff.

iv) Market place practices-

a) Responsible competition practice.

MAVWASCO is regulated by WASREB who set standards for operations of Water Service Providers. These include Water and Sewer tariffs and Water Quality and Effluent Standards. The Company has continually stuck to these set standards so as to provide quality services to our clients.

b) Responsible Supply chain and supplier relations

MAVWASCO continually seek and maintain mutually beneficial relationships with Suppliers that uphold the MAVWASCO's principles and core values. MAVWASCO gives qualified Suppliers Adequate, fair, and equal opportunity to bid on goods and services for the MAVWASCO's projects or requirements. MAVWASCO accredits Suppliers based on established criteria that reflect the commitment to adherence to the applicable laws and regulations.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

MAVWASCO's reputation for fair, equal opportunity and honest treatment of all Suppliers. We adhere to the Public Procurement and Disposal Act 2015.

MAVWASCO ensures that, as part of the contract terms with MAVWASCO, Suppliers agree to abide with laws, rules and MAVWASCO standards relating to Industrial Relations Obligations, environment, health and safety, intellectual property rights, other applicable laws. All business transactions of MAVWASCO with Suppliers (i.e., negotiations, contracts, payments, etc.) are documented and reflected accurately and fairly in the accounts of the MAVWASCO in accordance with established rules and procedures. MAVWASCO disburses payments committed to Suppliers in a prompt manner and in accordance with the applicable contract provision.

In all procurement transactions MAVWASCO staff primarily consider the interest of the MAVWASCO and carry out and adhere to the MAVWASCO's established objectives and policies. MAVWASCO staff promote and observe ethical conduct in their relationships, actions, and communications with Suppliers at all times which is essential that in all aspects of the transactions with Suppliers, such as during the negotiation, performance monitoring, or administration of MAVWASCO supply contracts.

c) Responsible marketing and advertisement

MAVWASCO seeks to make all marketing communication legal, decent, honest, and truthful without any exceptions. These Marketing communications respect human dignity, prohibit all form of discrimination (such as gender, age, ethnic origin, disability, religion or sexual orientation...) and incorporate social responsibility. Its descriptions, claims or illustrations are capable of substantiation.

Value of the product or service and pricing promoted in commercial or marketing communication have to be clear for the consumer, including terms of access or usage.

d) Product stewardship

MAVWASCO seeks to provide Clean Potable and affordable water to our clients. Our Water is clean, treated to Water Quality Standards set by WASREB for domestic use. Sewer is treated to Effluent standards set by WASREB. Daily tests are done for physiological and chlorine levels in drinking water. Tests for Bio-Chemical and metals are done regularly.

Corporate Social Responsibility / Community Engagements

MAVWASCO is committed to improving social, environmental and economic conditions where we operate. Our focus on sustainable employment opportunities promotes self-sufficiency. With partners, we identify programmes to promote a better standard of living, create a more stable operating environment and improve relationships. We currently have over 70 water kiosks that are operated by local community-based organizations that are conduits for job and wealth creation.

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 MAVWASCO's affairs.

Principal activities

The principal activity is of the Company continued to be that of providing water and sanitation services to the residents and companies in Mavoko Municipality and its environs as a Machakos County Government owned water service provider.

Results

The results of the MAVWASCO for the year ended June 30, 2025 are set out on [Pages 1-2](#)

Dividends

There shall be no dividends declared as per company's Articles of Association where it states that all profits shall be prowled back to the company for provision of water and sanitation services.

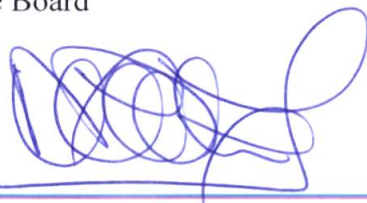
Directors

The members of the Board of Directors who served during the year are shown on [page VI](#).

Auditors

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

By Order of the Board



SIGNED _____

DATE 26/08/2025

CPA. MICHAEL YUMBYA MANGELI
MANAGING DIRECTOR /SECRETARY TO THE BOARD
MAVOKO WATER & SANITATION CO

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 5 and 183 of the Public Finance Management Act, 2012, Companies Act 2015 and Water Act 2016 require the Directors to prepare financial statements in respect of that MAVWASCO, which give a true and fair view of the state of affairs of MAVWASCO at the end of the financial year 2024/2025 and the operating results of MAVWASCO for year 2024/2025. The Directors are also required to ensure that the MAVWASCO keeps proper accounting records which disclose with reasonable accuracy the financial position of MAVWASCO. The Directors are also responsible for safeguarding the assets of MAVWASCO.

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

- a. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- b. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the MAVWASCO;
- c. 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;
- d. Safeguarding the assets of MAVWASCO;
- e. Selecting and applying appropriate accounting policies; and
- f. Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for MAVWASCO's 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, Companies Act 2015 and Water Act 2016. The Directors are of the opinion that MAVWASCO's financial statements give a true and fair view of the state of MAVWASCO's transactions during the financial year ended June 30, 2025, and of the MAVWASCO's financial Position as at that date. The Directors further confirm the completeness

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

of the accounting records maintained for MAVWASCO, which have been relied upon in the preparation of MAVWASCO's financial statements as well as the adequacy of the systems of internal financial control.

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

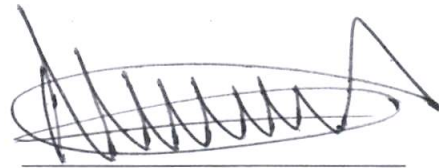
Approval of the financial statements

MAVWASCO's financial statements were approved by the Board on **26/08/2025** and signed on its behalf by:



SIGNED

CPA. MICHAEL Y. MANGELI
MANAGING DIRECTOR



SIGNED

CPA. MICHAEL M. MUSILI
FINANCE MANAGER

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON AUDIT OF MAVOKO 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 Mavoko Water and Sanitation Company Limited set out on pages 1 to 64, which comprise of the statement of financial position and the statement of profit or loss and other comprehensive income, statement

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

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mavoko Water and Sanitation Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.208,951,804 as disclosed in Note 30(a) to the financial statements. Included in the balance are receivables totalling Kshs.134,403,678 which have been outstanding for more than one hundred and twenty (120) days. Management did not provide measures put in place to recover the long outstanding amounts. In addition, the Company does not have a Debt Management Policy.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.134,403,678 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.377,230,996 and Kshs.318,649,544 respectively, resulting to underfunding of Kshs.58,581,452 or approximately 16% of budget.

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

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 43(a) to the financial statements reflect trade and other payables balance of Kshs.129,437,811. Review of the vendor's aging analysis report revealed that the balance includes payables totalling Kshs.86,563,150, which have been outstanding for more than one hundred and twenty (120) days and no measures had been put in place to settle the debts.

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

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on pages iii to xxxi which comprise of Key Entity Information, The Board of Directors, 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, financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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. Delayed Project Implementation - Conditional Liquidity Support Grant II

The Company entered into a Conditional Liquidity Support Grant (CLSG) II Agreement with M/s Water Sector Trust on 30 April, 2024 for the implementation of short-term interventions contributing to the financial recovery plan implemented under the CLSG II. The approved interventions included construction of a new pipeline 4.8km and creation of seven (7) District Metred Areas (DMAs) and Geographic Information Systems (GIS) mapping at a cost of Kshs.10,000,000 and Kshs.11,275,125 respectively both totalling Kshs.21,275,125. The Company received the first disbursement of the funds of Kshs.10,637,562 or approximately 50% of the approved grant amount of Kshs.21,275,150 on 30 May, 2024. However, review of the project records revealed the following anomalies:

- i. The Project had not commenced as at 30 June, 2025 and the original agreement period had expired on 30 April, 2025.
- ii. Amendments to CLSG II Grant Agreement - Financing under FOREX Gains was proposed for an additional amount of Kshs.11,117,507 to finance the supply, delivery and installation of 2,000 water meters and associated fittings. The agreement period was expected to expire on 31 October, 2025. However, the addendum had not been signed as at 30 June, 2025.
- iii. After the funds were made available, the Company did not commence any of the programme related activities including procurement of goods, works and services financed out of the grant agreement.
- iv. On 9 June, 2025 Water Sector Trust Fund terminated the grant agreement for CLSG II programme interventions due to non-compliance with Article 6 of the Conditional Liquidity Support Grant (CLSG) Grant II Agreement which stipulates that the water service Providers shall receive and utilize the CLSG II Transfers to finance the approved short-term interventions contributing to the financial recovery plan. As a result, the Company refunded the full amount of Kshs.10,637,562 to the Fund.

In the circumstances, delay in implementation of the project impacted negatively on service delivery to the community.

2. Non-Revenue Water

Review of water sales and production records revealed that the Company produced 1,774,935 cubic meters (M³), out of which 1,116,035 M³ was billed to customers, leaving a balance of 658,900 (m³) or approximately 37% of the production which was Non-Revenue Water (NRW). This contravenes the Water Services Regulatory guidelines

which require water service providers to ensure that commercial losses in respect of water produced do not exceed 25% of total production.

In addition, review of the annual Non-Revenue Water reduction plan for the year under review revealed that although the Company planned to implement several intervention measures to reduce Non-Revenue Water losses, the set targets were not achieved.

In the circumstances, Management was in breach of law and the huge losses affected the Company's profitability, service delivery and sustainability of services.

3. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was one hundred and thirty (130) out of which one hundred (100) or approximately 77% of the total number were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public Institution shall have more than one-third of its staff establishment from the same ethnic community".

In addition, the total number of employees include thirty-nine (39) employees recruited during the year under review out of which twenty-nine (29) or approximately 74% are from the dominant ethnic community in the County This is contrary to the provisions of Section 65(1)(e) of the County Governments Act, 2012 which stipulates that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure that at least thirty percent of the vacant posts at entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of law.

4. Non-Compliance with the Approved Staff Establishment

Review of employees records revealed that the Company had an approved staff establishment of ninety-eight (98) employees while the actual number in position was one hundred and thirty (130) resulting to over establishment by thirty-two (32) officers. In addition, the staff establishment had not been reviewed and approved by the Board This is contrary to Section 149(1) of the Public Finance Management Act, 2012 which stipulates that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

In the circumstances, Management was in breach of law.

5. Failure to Remit Statutory Deductions

The statement of financial position and as disclosed in Note 43(a) to the financial statements reflect trade and other payables balance of Kshs.129,437,811. Review of documents revealed that the Company owed Water Services Regulatory Board (WASREB) and Water Resources Management Authority (WARMA) regulatory levy and abstraction fees of Kshs.41,609,544 and Kshs.2,239,100 respectively totalling

Kshs.43,848,644. This is contrary to Regulation 22(2)(a) of the Public Finance Management (County Governments) Regulations, 2015 which require Accounting Officers to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation.

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

6. Failure to Refund Customers' Deposits

The statement of financial position and as disclosed in Note 43(d) to the financial statements reflect customers' deposits balance of Kshs.42,724,950. However, the deposit bank (savings) account reflects a balance of Kshs.123,903, resulting to a variance of Kshs.42,601,047. Analysis of the reconciliation provided for audit review revealed that funds totalling Kshs.8,912,312 were held in the Company's escrow, call and fixed deposit accounts while Kshs.34,000,000 was borrowed by Management to finance other activities. Although Management provided Board approvals for utilization of Kshs.34,000,000, only Kshs.311,265 had been refunded back to the account leaving a balance of Kshs.33,688,735 as at 30 June, 2025. This is contrary to Section 149(1) of the Public Finance Management Act, 2012 which stipulates that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

In the circumstances, Management was in breach of the law and the Company's ability to refund the customers' deposits as and when demanded could not be confirmed.

7. Delayed Board of Directors Appointment

Review of the Company's Board records revealed that the previous Board of Directors' term expired in September, 2024 and the positions have since remained vacant seven (7) months later as at the time of audit in October, 2025. Although, Management explained that effort is being made to appoint the Board of Directors, the County Government of Machakos is yet to complete the process. As a result, there was lack of formulation of new Company policies, procedures and execution of the functions of the Board since September, 2024. This is contrary to Section 79(1) of the Water Act, 2016 which stipulates that a water services provider shall have a Board of Directors. Further, the financial statements of the Company were therefore not approved and/or signed by the Chairman on behalf of the Board.

In the circumstances, Management was in breach of law and the Company did not benefit from the oversight role and strategic direction from the Board which may have impacted negatively on effective service delivery.

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:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages x to xi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 31 and 53 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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.

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 December, 2025

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**14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 30 JUNE 2025.**

	Note	2024-2025	2023-204
REVENUES			
Revenue	6	292,039,192	218,518,098
Grants from the National Government	7	-	-
Interest income	9	275,110	439,723
Other Income	10(a)	26,335,243	22,710,103
Other gains/(losses)	11	-	-
TOTAL REVENUES		318,649,544	241,667,924
EXPENSES			
Staff Cost	12	111,559,068	92,609,528
General and Operational Expenses	13	141,145,285	112,411,387
Directors' emoluments	14	3,838,950	6,632,885
Water and Sewer Qualities Repairs and maintenance	15	42,627,953	31,245,775
Depreciation and Amortization Expenses	16	13,325,000	13,875,948
Project Costs	17	-	447,412
TOTAL OPERATING EXPENSES		312,496,256	257,222,934
PROFIT/(LOSS) BEFORE TAXATION		6,153,288	(15,555,011)
INCOME TAX EXPENSE/(CREDIT)	18	(7,137,561)	(11,099,197)
		-	-
PROFIT/(LOSS) AFTER TAXATION		(984,273)	(4,455,813)
Earnings per share – basic and diluted	20		
Dividend per share	21		

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OTHER COMPREHENSIVE INCOME	-	
PROFIT/(LOSS) AFTER TAXATION	(984,273)	(4,455,813)
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	(984,273)	(4,455,813)

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15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Note	2024-2025	2023-2024
			Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	22(a)	89,766,232	94,179,406
Intangible assets	23	140,712	187,616
Investment property	25		
Prepaid operating lease rentals	26		
Fixed interest investments (bonds)	27		
Quoted investments	28		
Unquoted investments	28		
Staff receivables due after one year			
Total Non-Current Assets		89,906,944	94,367,022
Current Assets			
Inventories	29	4,782,189	3,350,068
Trade -and other receivables	30a	208,951,804	168,475,943
VAT Tax recoverable	31 b)	1,131,550	1,131,550
Short-term deposits	32	5,760,990	11,356,717
Bank and cash balances	33	5,094,082	11,640,239
Deferred Tax	40	13,648,151	9,095,282
Tax Recoverable	31(a)	8,844,916	15,982,477
Total Current Assets		248,466,104	221,032,275
Total Assets		338,120,626	315,399,297
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	35	100,000	100,000
Revaluation reserve	36a	8,625,511	4,072,642
General reserves	36 b	24,748,969	24,748,969
Retained earnings	38	34,603,484	24,758,348

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Capital grants	36 c	66,330,133	77,159,542
Proposed dividends	21		
Capital and Reserves		134,408,097	130,839,501
Non-Current Liabilities			
Trade and other payables long term	43(b)	27,000,000	29,530,000
Total Non-Current Liabilities		27,000,000	29,530,000
Current Liabilities			
Borrowings	39		-
Tax payable	31(a)		-
Provision for future expenses	41	4,549,767	2,344,498
Trade and other payables	43 (a)	129,437,811	104,377,944
Customer Deposits	43(d)	42,724,950	37,669,750
Deferred Income	47		10,637,604
Total Current Liabilities		176,712,529	155,029,796
TOTAL EQUITY AND LIABILITIES		338,120,626	315,399,297

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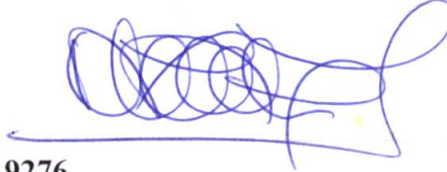
The financial statements were approved by the Board on **26/08/2025** and signed on its behalf by:

Director General/C.E.O
/M.D

Name:

CPA. MICHAEL YUMBYA MANGELI

Signed:



ICPAK M/NO:

R 9276

FINANCE MANAGER

Name:

CPA. MICHAEL MBUI MUSILA

Signed:



ICPAK M/NO:

R 29189

BOARD CHAIRPERSON

Name:

Signed:

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16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE

2025

	Share capital	General reserve	Revaluation reserve	Retained earnings	Capital /Development Grants/Fund	Total
At July 1, 2023	100,000	24,748,969	4,329,731	18,191,369	88,182,334	135,552,402
Issue of new share capital	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	(257,089)	-	-	(257,089)
Fair value adjustment on quoted investments	-	-	-	-	-	-
Total comprehensive income	-	-	-	(4,455,813)	-	(4,455,813)
Capital/Development grants received during the year	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	11,022,792	(11,022,792)	-
At June 30, 2024	100,000	24,748,969	4,072,642	24,758,348	77,159,542	130,839,501
At July 1, 2024	100,000	24,748,969	4,072,642	24,758,348	77,159,542	130,839,501
Issue of new share capital	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	4,552,869	-	-	4,552,869
Fair value adjustment on quoted investments	-	-	-	-	-	-
Total comprehensive income	-	-	-	(984,273)	-	(984,273)
Capital/Development grants received during the year	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	10,829,409	(10,829,409)	-
At June 30, 2025	100,000	24,748,969	8,625,511	34,603,484	66,330,133	134,408,097

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

	Note	2024-2025	2023/2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/ (used in) operations	48	2,138,425	(5,140,890)
Interest received	9	275,110	439,723
Interest paid	48		
Tax Payable	31(a)	(8,844,916)	15,982,477
VAT recoverable	31(b)	1,131,550	1,131,550
Dividends paid	21		
Deferred tax	40	4,552,869	(257,089)
Taxation paid/offset	31(a)	0	0
Net cash generated from/ (used in) operating activities		(746,962)	12,155,770
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	22(a)	(8,864,922)	(459,814)
Proceeds from disposal of property, plant and equipment	22		
Purchase of intangible assets	23		
Purchase of investment property	25		
Purchase of quoted investments	28		
Proceeds from disposal of quoted investments	28		
impairment losses	24		-
Erdermann Sewer payments	43(c)	(2,530,000)	(2,760,000)
Net cash generated from/(used in) investing activities		(11,394,922)	(3,219,814)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of new share capital			
Proceeds from borrowings	39 (b)		
Repayment of borrowings	39 (b)		

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Net cash generated from/(used in) financing activities			
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(12,141,884)	8,935,957
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34	22,996,956	14,060,999
Effects of foreign exchanges rate fluctuations			
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	34	10,855,072	22,996,956

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**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE PERIOD ENDED 30 JUNE 2025**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performanc e difference	% Varianc e
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Sale of goods						
Sale of services	352,086,996	-	352,086,996	292,039,192	60,047,804	83%
Grants from the National Government	-	-	-	-	-	0%
Interest income	200,000	-	200,000	275,110	(75,110)	138%
Other Income	24,944,000	-	24,944,000	26,335,243	(1,391,243)	106%
Total income	377,230,996	-	377,230,996	318,649,544	58,581,452	84%
Expenses						
Staff Cost	100,580,000	10,000,000	110,580,000	111,559,068	(979,068)	101%
Operational Expenses	187,425,004	(13,600,000)	173,825,004	141,145,285	32,679,719	81%
Directors' emoluments	6,904,000	-	6,904,000	3,838,950	3,065,050	56%
Water and Sewer Qualities Repairs and maintenance	48,400,000	3,600,000	52,000,000	42,627,953	9,372,047	82%
Depreciation and Amortization Expenses	15,840,000		15,840,000	13,325,000	2,515,000	84%
Project Expense	15,600,000		15,600,000	-	15,600,000	0%
Total expenditure	374,749,004	-	374,749,004	312,496,256	62,252,748	83%
Surplus for the period	2,481,992	-	2,481,992	6,153,288	3,671,296	248%

NOTES TO THE STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

General Performance

The year ending 30th June 2025 was by far a better period compared to the previous year. Unlike the previous year where we had to close the treatment plant due to drought, we treated and supplied water all year through. However, we were unable to optimize production as one of our dams, KMC Dam, dried up in the months of October and November 2024. As a result, the optimal production capacity possible during this period was 60% as we relied on one raw water source. On a positive note, bulk water supply from Nairobi Water and Sewerage company improved to an average of 2,000 cubic meters per day by the last quarter of 2024/2025 financial year. This resulted to an impressive increase in production from 1.39 million cubic meters in 2023/2024 to 1.793 million cubic meters in 2024/2025. Despite the fact that the optimal production capacity envisaged at the beginning of the year was not possible, this year's performance was much better.

1) TURNOVER (SALES)

Overall sales were **KSHS 292,039,192** while the budgeted was **KSHS 352,086,996**. These varied from the budgeted amount by **KSHS 60,047,804**.

The drying up of KMC dam that occurred in the months of October and November 2024, meant that we were unable to produce enough water for treatment and onward distribution to customers.

2) EXPENSES

The actual Expenses were **KSHS 312,496,256** and the budgeted was **KSHS 374,749,004** which varied by **KSHS 62,252,748**. Due to the variance, we had to reduce our expenses by a third of the budgeted amounts.

The profit for the year 2024/2025 before tax was **KSHS 6,153,288**

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

MAVWASCO is established by and derives its authority and accountability from Water Act 2016 MAVWASCO is wholly owned by the County Government of Machakos and is domiciled in Kenya. The MAVWASCO principal activity is Water and Sanitation Service Provision. 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 entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of MAVWASCO.

The financial statements have been prepared in accordance with the PFM Act, the Companies Act 2015 Act, Water Act 2016, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. Notes to the Financial Statements (Continued)

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

- i. *New and amended standards and interpretations in issue but not yet 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 IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

i. Early adoption of standards

MAVWASCO did not early – adopt any new or amended standards in year under review

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which MAVWASCO delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognised in the year in which MAVWASCO 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 recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to MAVWASCO in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, MAVWASCO 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.

c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognised in the income statement on a Reducing 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
Plant & Machinery	20	12.50%
Motor Vehicles	10	25.00%
Furniture & Fittings	8	12.50%
Computer	5	33.33%
Infrastructure	20	12.50%
Laboratory Equipment	5	33.33%
Intangible Assets	20	25.00%
Tools	3	33.33%

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

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

e) Intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant 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 consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

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

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

ii) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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.

o) 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Summary of Significant Accounting Policies

p) Cash and cash equivalents

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

q) Borrowings

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

a) Trade and other payables

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

b) Retirement benefit obligations

MAVWASCO subscribes to defined contributions schemes (Kenindia Insurance, LAPTRUST and LAPFUND) for all full-time employees from July 1, 2008. The schemes are based on contributions where the employee contributes 10% of basic pay and the employer pays 15% per month. The Company

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act.

c) Provision for staff leave pay

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

d) 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 recognised in profit or loss.

e) Budget information

The original budget for FY 2024/2025 was approved by the Board of Directors on 02/04/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity's budget is prepared on accrual basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

f) Service concession arrangements

The Entity 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

g) Prior – Year Activities.

There were no prior year activities

h) Comparative figures

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

i) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity 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 Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

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

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

The provision for doubtful debts is an estimated number of bad debts that are likely to arise from the accounts receivable. Provision of bad debts is 7.5% of the active debt

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Revenue

	2024/2025	2023/2024
	Kshs	Kshs
Water Sales	157,520,848	103,900,053
Sewer Sales	134,518,343	114,618,045
Less: Value added tax on gross sales		
Total	292,039,192	218,518,098

7. Grants from National Government

	2024/2025	2023/2024
	Kshs	Kshs
Recurrent grants received	-	-
Capital grants realised (see note below)	-	-
Donations in	-	-
Total	-	-

8. Donations and Grants

(a) Conditional Liquidity Support Grant

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	
	Kshs	Kshs	Kshs	Kshs	Kshs
WSTF	-	-	-	-	-
Total	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8(b) Donations

	2024/2025	2023/2024
	Kshs	Kshs
NRW meters	-	-
NRW Equipment	-	-
Pipes and fittings	-	-
COVID-19 Interventions	-	-
Water Chemicals	-	-
Total	-	-

9. Finance Income

	2024/2025	2023/2024
	Kshs	Kshs
Exchange gains on foreign current denominated loans		-
Exchange gains on short-term bank deposits		-
Exchange gains on cash and bank balances		-
Interest income on government securities		-
Interest income on short-term bank deposits	275,110	439,723
Total	275,110	439,723

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Other Income

a) Other income

	2024/2025	2023/2024
	Kshs	Kshs
Penalty + Damages	-	-
New connections	19,977,154	4,164,000
New Sewer connections	6,279,500	3,421,500
Meter Sales	-	-
Project income (10 b)	-	-
Token Kiosks Customers	-	-
Decrease in provision for Bad Debts	78,589	107,611
Creditors Written off	-	15,016,991
Total	26,335,243	22,710,103

10 (b) Project income

	2024/2025	2023/2024
	Kshs	Kshs
Mombasa road pipeline relocation	-	-
Total	-	-

11. Other Gains and Losses

	2024/2025	2023/2024
	Kshs	Kshs
Foreign exchange gains / (losses)		
Loss/gain on disposal on sale of investments		
Unrealized foreign exchange gains/(losses)		
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Administration Costs

12. Staff Cost

	2024/2025	2023/2024
	Kshs	Kshs
Salaries and allowances of permanent employees	90,549,526	76,934,429
Wages of temporary employees	3,737,345	3,149,479
Compulsory national social security schemes	2,468,879	1,453,271
Other pension contributions	6,383,993	5,685,167
Gratuity	1,964,832	1,435,425
Staff welfare	880,829	293,996
Medical Expenses	5,573,664	3,657,760
Total	111,559,068	92,609,528
Number of Staff	130	97

13. General and Operational Expenses

	2024/2025	2023/2024
	Kshs	Kshs
Water Chemicals & Reagents	14,921,285	15,734,417
Water Quality & Effluent Testing	981,300	778,221
Laboratory Items and Maintenance	-	277,385
Regulatory Levies	11,681,364	8,337,689
Abstraction Levies	1,605,269	1,362,313
Electricity	35,834,355	36,218,385
Purchase of water	9,864,544	455,120
Purchase of Meters	2,571,152	1,248,880
Communication services and supplies	3,995,129	3,112,745
Transportation, travelling and subsistence	7,959,585	4,736,759
Foreign Travel	1,088,570	526,537

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Advertising, printing, stationery and photocopying	1,217,091	1,664,461
Rent expenses	2,296,184	1,467,714
Staff training expenses	2,652,223	1,524,005
Staff training Allowances	7,616,250	2,355,730
Hospitality supplies and services	8,216,771	4,740,973
Insurance costs	1,290,276	1,982,696
Bank charges and commissions	556,155	282,690
Auditors' remuneration	232,000	232,000
Legal fees	1,522,300	1,700,000
Consultancy fees	2,085,709	1,409,107
Strategic Review & Biz Plan Expenses	220,400	980,000
OSHE	18,500	124,872
Motor Vehicle & Generator Fuel	7,138,842	9,288,168
Security Expenses	8,985,450	8,619,750
Donations	79,820	74,685
IT Expenses	1,457,051	1,023,054
Increase in bad debts provision	3,109,245	782,075
Bad Debts Written off	-	-
Uniforms	646,450	533,600
WASCO	158,000	401,512
Customer/Stakeholder meetings	494,965	176,310
Annual General Meeting Expenses	499,050	-
Environmental Activities	150,000	2,750
COVID 19 INTERVENTIONS	-	6,000
WASREB Bond	-	-
License Fee	-	250,785
Total	141,145,285	112,411,387

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Directors' emoluments

	2024/2025	2023/2024
	Kshs	Kshs
Board Allowances	2,745,700	3,506,985
Chairman's Honoraria	167,400	864,000
Board Expenses	-	569,900
BOD Medical Expenses	-	755,050
Board Training Expense	925,850	936,950
Total	3,838,950	6,632,885

15. Water and Sewer Qualities, Repairs and Maintenance

	2024/2025	2023/2024
	Kshs	Kshs
Water Maintenance Costs	16,247,649	9,494,194
Sewer maintenance Costs	10,466,953	13,284,543
Water Extensions Costs	4,144,115	1,139,882
New Connection Costs	2,941,880	2,390,812
Sewer Extension Costs	2,785,084	1,109,157
NRW Meter Fittings & Activities	905,300	160,080
NEMA & EIA Reports	-	-
Motor Vehicle Maintenance and repairs	3,237,976	3,042,069
Office Repairs and maintenance	1,211,545	615,757
Pro Poor /LIA activities	687,452	9,280
Total	42,627,953	31,245,775

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Depreciation and Amortization Expenses

	2024/2025	2023/2024
	Kshs	Kshs
Depreciation of property, plant and equipment	13,278,096	13,813,409
Amortization of reserves		-
Amortization of Intangible Assets	46,904	62,539
Total	13,325,000	13,875,948

17. Project Costs

	2024/2025	2023/2024
Description	Kshs	Kshs
Mombasa road pipeline relocation	-	447,412
Total	-	447,412

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Income Tax Expense
Current taxation

	2024/2025	2023/2024
	Kshs	Kshs
Profit before taxation	6,153,288	(15,555,011)
Tax at the applicable tax rate of 30%	1,845,986	(4,666,503)
Current tax: under-provision		
Tax Losses carried forward	(11,099,197)	(8,022,960)
Tax effects of expenses not deductible for tax purposes	4,954,220	4,419,812
Tax effects of income not taxable		
Tax effects of excess capital allowances over depreciation/amortisation	(2,838,569)	(2,829,546)
Deferred tax prior year over-provision		
Total	(7,137,561)	(11,099,197)
To P& L	(7,137,561)	(11,099,197)

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

	2024/2025	2023/2024
	Kshs	Kshs
Current taxation based on the profit for the year at 30%	1,845,986	(4,666,503)
Current tax: prior year under/(over) provision		
Current year deferred tax charge	4,552,869	(257,089)
Prior year under-provision for deferred tax	(13,536,416)	(6,175,605)
Total	(7,137,561)	(11,099,197)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Earnings Per Share

No EPS declared

21. Dividend Per Share

As per Water Act no dividends are declared

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Property, Plant and Equipment

22 a) Tangible Assets

2025	Plant & Machinery	Motor vehicles	Furniture & Equipment	Computers	Infrastructure	Laboratory Equipment	Tools	Total
	12.50%	25.00%	12.50%	33.33%	12.5%	33.30%	33.33%	
COST OR VALUATION								
At July 1	62,619,212	6,611,875	1,802,679	5,531,898	129,288,195	1,358,402	429,012	207,641,273
Additions	7,171,402		557,720	1,135,800				8,864,922
Revaluation								
Transfers	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At June 30	69,790,614	6,611,875	2,360,399	6,667,698	129,288,195	1,358,402	429,012	216,506,195
DEPRECIATION								
At July 1,	40,077,628	6,039,033	895,407	4,432,982	60,536,226	1,178,714	301,878	113,461,867
Charge for the year	3,714,123	38,274	151,174	737,061	8,593,998	43,466		13,278,096
Revaluation			-	-	-	-	-	-
Transfers								-
Impairment			-	-	-	-	-	-
At June 30,	43,791,751	6,077,307	1,046,581	5,170,043	69,130,224	1,222,180	301,878	126,739,963
NET BOOK VALUE								
At June 30	25,998,863	534,568	1,313,818	1,497,655	60,157,971	136,222	127,134	89,766,232

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2024	Plant & Machinery	Motor vehicles	Furniture & Equipment	Computers	Infrastructure	Laboratory Equipment	Tools	Total
	12.50%	25.00%	12.50%	33.33%	12.5%	33.30%	33.33%	
COST OR VALUATION								
At July 1	62,489,212	6,611,875	1,596,179	5,408,584	129,288,195	1,358,402	429,012	207,181,459
Additions	130,000		206,500	123,314				459,814
Revaluation								
Transfers	-		-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
At June 30	62,619,212	6,611,875	1,802,679	5,531,898	129,288,195	1,358,402	429,012	207,641,273
DEPRECIATION								
At July 1,	36,857,403	5,982,201	794,879	3,890,460	50,714,516	1,113,522	295,478	99,648,458
Charge for the year	3,220,225	56,832	100,528	542,522	9,821,710	65,192	6,400	13,813,409
Revaluation			-	-	-	-	-	-
Transfers								-
Impairment			-	-	-	-	-	-
At June 30,	40,077,628	6,039,033	895,407	4,432,982	60,536,226	1,178,714	301,878	113,461,867
NET BOOK VALUE								
At June 30	22,541,584	572,842	907,272	1,098,916	68,751,969	179,688	127,134	94,179,406

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

Valuation

No valuation was done during the year

22 (b) Property, Plant and Equipment at Cost

Assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Plant & Machinery	69,790,614	43,791,751	25,998,863
Motor Vehicles	6,611,875	6,077,307	534,568
Furniture & Fittings	2,360,399	1,046,581	1,313,818
Computer	6,667,698	5,170,043	1,497,655
Infrastructure	129,288,195	69,130,224	60,157,971
Laboratory Equipment	1,358,402	1,222,180	136,222
Tools	429,012	301,878	127,134
Total	216,506,195	126,739,963	89,766,232

Property plant and Equipment includes the following assets that have reached end of useful life

	Collection or Revaluation	Accumulated Depreciation
Plant & Machinery	-	-
Motor Vehicles	5,813,693	5,411,348
Furniture & Fittings	674,537	471,198
Computer	840,918	827,210
Infrastructure	-	-
Laboratory Equipment	879,560	830,275
Tools	385,812	271,478
Total	8,594,520	7,811,509

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Intangible Assets

	2024/2025	2023/2024
	Kshs	Kshs
	25%	25%
COST		
At July 1	2,428,583	2,428,583
Additions		
Disposals		
At June 30	2,428,583	2,428,583
AMORTISATION		
At July 1	2,240,967	2,178,428
Charge for the year	46,904	62,539
Disposals		
Impairment loss		
At June 30	2,287,871	2,240,967
NET BOOK VALUE		
At June 30	140,712	187,616

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Impaired Assets

	Cost or valuation	Normal annual depreciation charge	Net
Plant and machinery	-	-	-
Motor vehicles, including motor cycles	-	-	-
Computers and related equipment	-	-	-
Furniture & Equipment	-	-	-
Tools	-	-	-
Laboratory Equipment	-	-	-
Total	-	-	-

25. Investment Property

There was no Investment property

26. Right-of-use assets

There were no Right-of-use Assets

27. Fixed Interest Investments (Bonds)

There were no Fixed Interest Investments (Bonds)

28. Quoted Investments and Unquoted Investments

There were no quoted investments. There were no unquoted investments

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Inventories

	2024/2025	2023/2024
	Kshs	Kshs
Water	-	
Meters	1,433,255	112,285
Other inventory	3,348,934	3,237,783
Total	4,782,189	3,350,068

30. Trade and Other Receivables

30 a) Trade and Other Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Trade receivables (note 30 (b))	161,980,902	123,633,547
Other receivables	34,904,889	35,952,744
Other: Provision for bad and doubtful receivable	(2,617,867)	(2,696,456)
Deposits and prepayments	964,586	713,370
Staff receivables (note 30 (c))		
Project receivables	7,363,857	7,363,857
Postbank charges	-	8,882
NSSF Employee		
Salary control	2,855,436	
Performance Guarantee	3,500,000	3,500,000
Gross trade and other receivables	208,951,804	168,475,943

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and prepayments include the following

	2024/2025	2023/2024
	Kshs	Kshs
Group Life Assurance	382,547	310,752
Group Personal Accident	279,842	185,101
Motor Vehicle Insurance	302,198	217,517
Total	964,586	713,370

30 (b) Trade Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Gross trade receivables	175,114,489	133,657,888
Provision for doubtful trade receivables	(13,133,587)	(10,024,342)
Net Trade receivables	161,980,902	123,633,547
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	22,981,368	11,683,210
Between 30 and 60 days	8,027,749	11,130,977
Between 61 and 90 days	3,844,856	8,710,017
Between 91 and 120 days	5,856,838	9,742,293
Over 120 days	134,403,678	92,391,391
Total	175,114,489	133,657,888

31. Tax Payable/ (Recoverable)

31 (a) Tax Payable/(Recoverable)

	2024/2025	2023/2024
	Kshs	Kshs
At beginning of the year	(15,982,477)	(4,883,279)
Income tax charge for the year (note 18)	7,137,561	(3,076,237)
Under/(over) provision in prior year/s (note 18)		(8,022,960)
Income tax paid/offset during the year	.	0
At end of the year	(8,844,916)	(15,982,477)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 (b) Other Taxes Recoverable

	2024/2025	2023/2024
	Kshs	Kshs
VAT Recoverable	(1,131,550)	(1,131,550)
VAT payable(recoverable)	(1,131,550)	(1,131,550)

32. Short Term Deposits

	2024/2025	2023/2024
	Kshs	Kshs
Co-op Bank Fixed Deposit 011320656125202	-	2,660,104
Co-op Bank -Fixed Deposit 011320656125203	5,760,990	5,512,166
Co-op Bank -Fixed Deposit 011320656125205	-	
Cooperative Bank of Kenya Call Account		3,184,446
Total	5,760,990	11,356,717

33. Bank and Cash Balances

	2024/2025	2023/2024
	Kshs	Kshs
Cash At hand	2,325	5,218
Cooperative Bank of Kenya	4,634,728	11,501,564
CLSG FAMILY BANK 036000011006	0	41
MPESA Pay-bill 363100	457,029	126,466
Kenya post office Savings bank 744130009967	-	6,950
Total	5,094,082	11,640,239

The bulk of the cash was held at Co-operative Bank Athi River which is our main bank.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Detailed analysis of the cash and cash equivalents

		2024/2025	2023/2024
Financial institution	Account number	Kshs	Kshs
a) Current account			
Co-operative Bank			
Collection Account	01136066125200	82,696	775,029
Expenditure Account	01136066125202	1,276,807	(3,083,983)
Co-op Bank - Savings	01100066125200	123,903	791,625
Co-op Bank - Deposits	0110066125004	1,649,876	1,654,196
Tanker	01136066125211	-	12,926
ESCROW	01100661252002	1,501,446	718,536
CLSG II	01100661252001	-	10,633,193
Family Bank			
CLSG 036000011006	036000011006	0	41
Sub- total		4,634,728	11,501,564
b) On - call deposits			
	01152066125201	-	3,184,446
Sub- total		-	3,184,446
C) Fixed Deposits Accounts			
Co-op Bank Fixed Deposit	011320656125202	-	2,660,104
Co-op Bank Fixed Deposit	011320656125203	5,760,990	5,512,166
Sub- total		5,760,990	8,172,270
d) Others(specify)			
Cash At hand		2,325	5,218
MPESA Pay-bill	363100	457,029	126,466
7996153 Mavoko		-	
Kenya post office Savings bank	744130009967	-	6,950
Sub- total		459,661	138,634
Grand total		10,855,072	22,996,915

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35. Ordinary Share Capital

	2024/2025	2023/2024
	Kshs	Kshs
Authorised:		
5,000 ordinary shares of Kshs. 20 each	100,000	100,000
Issued & fully paid		
5,000 ordinary shares of Kshs. 20 each	100,000	100,000

36. a) 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, the revaluation amount Ksh 8,626,030. This is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

36. b) General Reserves

General reserves stood at Kshs 24,748,969

36. c) Capital Grants

KMC-Njoguini Sewer Line Grant Kshs 99,011,744 less Amortised amount of Kshs 32,681,611
 NBV Kshs 66,330,133

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. 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.

38. Retained Earnings

The retained earnings represent amounts available for use in company business activities

Balance Brought forward 2024	24,758,348
Profit/(Loss) for the Year 2025	(984,273)
Capital/Development grants received during the year	10,829,409
As at June 2025	34,603,484

39. Borrowings

Description	2024/2025	2023/2024
	Kshs	Kshs
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) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year		

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. Deferred Tax

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:

	2024/2025	2023/2024
	Kshs	Kshs
Accelerated capital allowances	1,455,035	(741,947)
Unrealised exchange gains/(losses)		
Revaluation surplus		
Tax losses carried forward	(9,095,282)	(11,099,197)
Provisions for liabilities and charges	(6,007,891)	2,745,877
Net deferred tax liability	(13,648,151)	(9,095,282)

The movement on the deferred tax account is as follows:

	2024/2025	2023/2024
	Kshs	Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	(9,095,282)	(6,379,281)
Credit to revaluation reserve	4,552,869	257,089
Under provision in prior year	(1,968,164)	8,126,121
Income statement charge/(credit)	(7,137,561)	(11,099,197)
Balance at end of the year	(13,648,151)	(9,095,285)

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41. Provision for Future expenses

	2024/2025	2023/2024
	Kshs	Kshs
Provision for Audit Expenses	232,000	232,000
Provision for Abstraction Expense	3,717,767	2,112,498
Provision for other Expenses	600,000	
Provision for Future expenses	4,549,767	2,344,498

42. Lease Liability

Description	2024/2025	2023/2024
	Kshs	Kshs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43. Trade and Other Payables

43 a) Trade and Other Payables

	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	119,159,336	96,088,009
Staff Liability	1,379,745	1,789,745
Accrued Boad Expenses	-	212,000
Other Payables	-	-
Customer Receipts in Bank Accounts	-	3,385,649
Pending Payments	8,898,730	
Salary Control	-	2,902,541
	129,437,811	104,377,944

Customer receipts in Bank Accounts relates to funds deposited to our bank accounts by unknown customers with no corresponding water and sewerage accounts

43 b) Long Term Payables

	2024/2025	2023/2024
	Kshs	Kshs
Long Term Payable	27,000,000	29,530,000
Totals	27,000,000	29,530,000

43 c) Long Term Payable Kshs 27,000,000

This amount of Kshs 27,000,000 relates to Mlolongo Sewer plant bought at a cost of Kshs. 50,000,000 under property plant and machinery. It will be paid over a period of 18 years. Instalments per month is Kshs 230,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

43 d) Customer Deposits

	2024/2025	2023/2024
	Kshs	Kshs
Opening Balance	37,669,750	37,258,503
Add Deposits received during the year	5,055,200	411,247
less refunded deposits during the year		
Total	42,724,950	37,669,750

44. Retirement Benefit Obligations

Retirement benefit Asset/ Liability

MAVWASCO subscribes to defined contributions schemes (Kenindia Insurance, LAPTRUST and LAPFUND) for all full-time employees from July 1, 2008. The schemes are based on contributions where the employee contributes 10% of basic pay and the employer pays 15% per month.

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.

45. Provisions

	2024/2025	2023/2024
	Kshs	Kshs
Balance at beginning of the year	-	-
Additional provision at end of year	-	-
Leave paid out or utilised during the year	-	-
Balance at end of the year	-	-

46. Dividends Payable

No dividends are payable,

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

47. Deferred Income

	2024/2025	2023/2024
	Kshs	Kshs
CLSG 1	-	41.00
CSLG 2	-	10,637,563
Project Deferred Income	-	
Total	-	10,637,604
	-	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

48. Notes to The Statement of Cash Flows

	2024/2025	2023/2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Operating profit/(loss)	6,153,288	(15,555,011)
Depreciation	13,325,000	13,875,948
(Gain)/ Loss from disposal of Assets		
Provision for future expenses	(4,549,767)	(2,344,498)
Provisions for liabilities and charges	(997,181)	7,685,319
Deferred Income	-	(10,637,604)
Operating profit/(loss) before working capital changes	13,931,339	(6,975,845)
(Increase)/decrease in inventories	(1,432,121)	775,410
(Increase)/decrease in trade and other receivables	(40,475,860)	(9,709,701)
Increase/(decrease) in trade and other payables	25,059,867	10,357,999
Increase/(decrease) in retirement benefit obligations		
Increase/(decrease) in provision for staff leave pay		
Increase/(decrease) in Customer Deposits	5,055,200	411,247
Cash generated from/(used in) operations	2,138,425	(5,140,890)
(b) Analysis of cash and cash equivalents		
Short term deposits	5,760,990	11,356,717
Cash at bank	5,091,757	11,635,021
Cash in hand	2,325	5,218
Balance at end of the year	10,855,072	22,996,956

NOTES TO THE FINANCIAL STATEMENTS (Continued)

49. Related Party Disclosures

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

Other related parties include:

- Ministry of Water and irrigation
- Kenya Meat Commission
- Tanathi WWDA
- Board of Directors

Transactions with related parties

	2024/2025	2023/2024
	Kshs	Kshs
a) Sales to related parties		
Sales of goods		
Sales of services CGM Institutions	2,374,342	105,290
Sales of services NG Institutions	21,100,826	18,305,125
Total	23,475,168	18,410,415
b) Grants from the Government		
Grants from National Govt		
County Govt of Machakos		
JICA		
CLSG-WSTF		
WSTF		
Donations in kind Tanathi WSB		
Total		-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees		

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Payments for goods and services for

Total

-

d) Key management compensation

Directors' emoluments	3,838,950	6,632,885
Compensation to the CEO	6,145,908	5,282,940
Compensation to key management	9,107,640	10,365,072
Total	19,092,498	22,280,897

Motor Vehicles Owned by Related Parties maintained and used by MAVWASCO

Type	Number Plate	Owner	Status
Motor Bike	KMFW902A	Tanathi WWDA	Good
Motor Bike	KMFW935A	Tanathi WWDA	Good
Motor Bike	KMFW968A	Tanathi WWDA	Good
Lorry	KBU829T	Tanathi WWDA	Good
Car	KBG410C	Tanathi WWDA	Fair
Double Cab	KCQ979Z	Tanathi WWDA	Good
Bowser	GKA424T	NG	Good
Bowser	Chassis 2429	CGM	Good

50. Capital Commitments

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

	2023/2024	2022/2023
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorizes but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

51. Contingent Assets and Liabilities

MAWASCO provides insurance cover to its staff under Group Life Assurance and WIBA. During the Year we lost one staff to sickness – John Mwatu. We put an insurance claim for payment amounting to Kshs 1,379,745.00 which had not been honoured by the close of the year. It's expected to be honoured by September 2025.

52. Financial Risk Management

The entity'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.

(i) Credit risk

MAVWASCO 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:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Receivables from exchange transactions	208,951,804	208,951,804	144,105,371	
Receivables from non-exchange transactions		-		
Bank balances	10,855,072	10,855,072		
Total	219,806, 875	219,806, 875	144,105,371	
At 30 June 2024				
Receivables from exchange transactions	168,475,943	168,475,943	110,843,701	
Receivables from non-exchange transactions		-		
Bank balances	22,996,956	22,996,956		
Total	191,472,899	191,472,899	110,843,701	

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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
At 30 June 2025	KSHS	KSHS	KSHS	KSHS
Trade payables	11,277,311	15,865,624	92,016,401	119,159,336
long term payables	-	-	27,000,000	27,000,000
Current portion of borrowings	-	-	-	-
Provisions	4,549,767	-	-	4,549,767
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	15,827,078	15,865,624	119,016,401	150,709,103

At 30 June 2024	KSHS	KSHS	KSHS	KSHS
Trade payables	8,169,914	12,511,026	75,404,261	96,088,485
long term payables	-	-	29,530,000	29,530,000
Current portion of borrowings	-	-	-	-
Provisions	2,344,498	-	-	2,344,498
Deferred income	10,637,604	-	-	10,637,604
Employee benefit obligation	-	-	-	-
Total	21,152,015	12,511,026	104,934,261	138,600,587

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

a) Foreign currency risk

The entity 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk (Continued)

The carrying amount of the entity'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
At 30 June 2025			
Financial assets			
Investments	-	-	-
Cash			
Debtors			
Financial Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

	Kshs	Other currencies	Total
	Kshs		Kshs
At 30 June 2025			
Financial assets			
Investments	-	-	-
Cash			
Debtors			
Financial Liabilities			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Foreign currency sensitivity analysis

MAVWASCO currently has no transactions in foreign currency.

c) Interest rate risk

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

i) Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Sensitivity analysis

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

iii) Fair value of financial assets and liabilities

MAVWASCO has not invested in financial instruments

iv) Capital Risk Management

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

	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve	8,625,511	4,072,642
Retained earnings	34,603,484	24,758,348
Capital reserve	24,748,969	24,748,969
Total funds	67,977,964	53,579,958
Total borrowings	-	-
Less: cash and bank balances	(10,855,072)	(22,996,956)
Net debt/(excess cash and cash equivalents)	10,855,072	22,996,956
Gearing	16%	43%

53. Incorporation

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

54. Events After the Reporting Period

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

55. Currency

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

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: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1.Unsupported Write-off of Payables	The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects other income amount of Kshs 22,710,103 which includes amount of Kshs 15,016,991 in respect to accounts payable write off. The write off relates to amount owed to Mavoko Municipal Council. However, the amount written off was not supported with the requisite approval, full statement of account from the vendor and reconciliation of the account to the vendor statement to determine write off amount were not provided for audit verification.	<p>The repealed water Act 2002 had provided for lease fees to the defunct water services board and municipalities who were the owners and/or stakeholders. However, Water Act 2016 abolished lease fee. Copy of water act is attached, see appendix 1.1 on page 8.</p> <p>Under the IAS1, Financial statements should reflect true and fair view of the company's financial position hence one of the solutions is to write off any payable that will never be paid. This is the justification for the write off.</p> <p>There was a board resolution to write off the payables.</p>	Resolved	
2.Unsupported Short-Term Deposits	The statement of financial position reflects short-term deposits balance of Kshs 11,356,717 which, as disclosed in Note 32 to the financial statements, includes fixed deposit accounts and call account balances of Kshs 8,172,270 and Kshs 3,184,446 respectively. The balances include rollover interest totaling Kshs 439,723. However, the bank certificates of confirmation and an investment register were not provided for audit review. In the circumstances, accuracy and completeness of short-term deposits balance of Kshs 11,356,717 could not be confirmed.	The bank confirmation certificate with all bank account balances, which agree with the balances shown in our financial report, was provided for verification by the auditors. We however, wish to resubmit the same as shown on appendix 2.1 on page 9. We have noted the issue of investment register and we have opened the register as suggested by the O.A.G	Resolved	
3.Long Outstanding Trade and Other Receivables	The statement of financial position reflects trade and other receivables balance of Kshs 168,356,717 as disclosed in Note 30(a) to the financial statements. Review of the ageing	The company has a debt management policy which guides on debt collection measures as shown in appendix 3.1 on page 10. We have been enforcing debt collection via customer	Continuous	

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	<p>analysis indicated that the receivables totalling Kshs 92,361,391 have remained outstanding for a period of more than one hundred and twenty (120) days. However, management did not provide any measures put in place to recover the long outstanding receivables. In addition, Note 30(b) to the financial statements reflects provisions for doubtful trade receivables which is not supported by the Company Policy on Debt Management hence casting doubt on the basis for the provisions. In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs. 168,475,943 could not be confirmed.</p>	<p>disconnections as per the policy. However, disconnections do not yield much results when taps run dry during drought season as our customers are forced to get alternative sources of water hence they do not prioritize paying accumulated water bills. To address this challenge, the management engaged debt collectors to assist in collecting long outstanding debts as per the engagement letter attached on appendix 3.2-3.5 page 10. Additionally, we are in communication with County Government of Machakos (CGM) regarding payment of their outstanding debts as show on appendix 3.6 and 3.7 on page 12. Going forward, the company is sourcing for funds from County Government of Machakos (CGM), Water Sector Trust Fund (WSTF) and other investment partners to invest in smart water meters so as to deal with the issue of delayed customer payments once and for all.</p>	
<p>4. Budgetary Control and Performance</p>	<p>The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs 366,290,514 and Kshs 241,586,924 respectively, resulting to a short fall of Kshs Kshs.124,622,590 or approximately 34% of budget.</p> <p>The underfunding and under expenditure affected the implementation of the planned activities and programs and may have impacted negatively on service delivery to the public.</p> <p>My opinion is not modified in respect of this matter.</p>	<p>The company derives its revenue from provision of water and sanitation services. Water is sourced from Dams and Boreholes which are affected by drought. In financial year 2023/2024, we experienced two extreme climatic externalities which had significant adverse effects on our budget projections. We experienced drought and the dams dried up during the months of August -October 2023. In April 2024, we experienced floods which destroyed our water treatment infrastructure and distribution networks. Water treatment was hampered during the two occasions for an aggregate period of four months in the year, resulting to very low production which significantly affected our sales.</p>	<p>Resolved</p>
<p>5. Excessive Non-Revenue Water</p>	<p>Review of water sales and production records revealed that the Company produced 1,393,805 cubic meters (m³) of water, out of the volume, 896,727 m³ was billed to customers while the balance of 497,078 m³ or 36% of production was Non-Revenue Water (NRW) valued at Kshs 14,912,340 (at Kshs 30 per m³). However, the level of NRW was above the allowable threshold of 25% prescribed by the Water Services Regulatory Board (WASREB) Guidelines.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>We acknowledge that the non-revenue water rate of 36% is above the acceptable rate as set out in Water Services Regulation Board (WASREB) water regulations. To tackle the issue of Non-Revenue Water (NRW), we have implemented a series of targeted measures. A specialized NRW team has been established to oversee and streamline activities related to its reduction. Routine inspection, servicing, and replacement of faulty meters are conducted to address commercial water losses, while tamper-resistant digital meters have been installed for commercial customers, water</p>	<p>Continuous</p>

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kiosks, and residential flats to ensure accurate monitoring. Additionally, regular patrols of pipelines help detect and repair leaks or bursts promptly, minimizing physical water losses. We are also leveraging technology by implementing a mobile meter reading system, which ensures precise data collection and eliminates errors linked to manual processes. In addition, we are working with the CGM roads department to ensure road construction works are carefully designed and executed to avoid damaging the existing water pipelines while providing sleeves for future pipeline extensions.

SIGNED _____



DATE 26/08/2025

CPA MICHAEL YUMBYA MANGELI
MANAGING DIRECTOR
MAVOKO WATER & SANITATION CO.

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

All projects mentioned in the CEO's Statement above are being implemented by TANATHI WWDA and the donors.

APPENDIX III: INTER-ENTITY TRANSFERS

There were no inter-entities transfers

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Don or Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Where Recorded/recognized						
			Total Amount - KSHS	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
WSTF									
Total									