

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

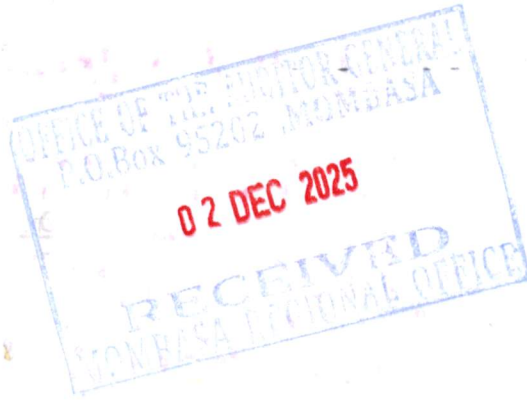
ON

TAVEVO WATER AND SEWERAGE COMPANY  
LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2025

PAPERS LAID	
DATE	18/02/2026
TABLED BY	W. EGWE
COMMITTEE	
CLERK AT THE TABLE	C. CHEROP

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**TAVEVO WATER AND SEWERAGE COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

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

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

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1. Acronyms and Glossary of Terms

A. Acronyms and glossary of terms that appear in this annual report and financial statements are as follows;

- |                       |   |
|-----------------------|---|
| 1. <i>I.C.P.A.K</i>   | <i>Institute of Certified Public Accountants of Kenya</i> |
| 2. <i>I.F.R.S</i>     | <i>International Financial Reporting Standards</i>        |
| 3. <i>M.D</i>         | <i>Managing Director</i>                                  |
| 4. <i>P.F.M</i>       | <i>Public Finance Management Act</i>                      |
| 5. <i>P.S.A.S.B</i>   | <i>Public Sector Accounting Standards Board</i>           |
| 6. <i>W.A.S.R.E.B</i> | <i>Water Services Regulatory Board</i>                    |
| 7. <i>W.A.R.M.A</i>   | <i>Water resource management authority</i>                |
| 8. <i>W.S.T.F</i>     | <i>Water sector trust fund</i>                            |
| 9. <i>W.S.P</i>       | <i>Water Services Provider</i>                            |
| 10. <i>U.B.S.U.P</i>  | <i>Upscaling basic sanitation for urban poor</i>          |
| 11. <i>C.W.W.D.A</i>  | <i>Coast Water Works Development agency</i>               |
| 12. <i>I.F.R.S</i>    | <i>International Financial Reporting Standards</i>        |
| 13. <i>D.O.B</i>      | <i>Date of Birth</i>                                      |
| 14. <i>I.C.T</i>      | <i>Information Communication Technology</i>               |
| 15. <i>C.B.K</i>      | <i>Central Bank of Kenya</i>                              |
| 16. <i>W.A.S.C.O</i>  | <i>Water companies sports organisation</i>                |

B. Definition of terms

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

**Comparative year** – Means the prior period

## 2. Key Entity Information

### Background information

The Company was established in March 2006 under the Water Act 2002, and was registered on 7<sup>th</sup> April, 2006 under the Companies Act (Cap 486) as a public limited company. It is licensed by Water Services Regulatory Board (W.A.S.R.E.B) as a Water Service Provider (W.S.P) under the current Water Act, 2016. The entity is domiciled in Taita Taveta County, Kenya.

Oversight and strategic direction responsibilities lie with the Board of directors under the leadership of the Chairperson.

### Principal Activities

The principal activities of the Company are provision of adequate and portable, safe, Piped Water and Sanitation Services to the residents of Taita Taveta County.

### Directors

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

No.	Name	Designation	Appointment Date
1.	Mr. Alex Mjomba	Chairman	From September 2023
2.	Mr. Houghton Mombo	Member	From 29 <sup>th</sup> May 2020 to date
3.	CPA Laban M. Kinyai	Member	From August 2024 to date
4.	Mr. Peter Mwandawiro	Member	From September 2023
5.	Mrs. Ruth Lelewu	Member	From 29 <sup>th</sup> May 2020 to date
6.	Mr. Sebastian M. Machila	Member	From 17 <sup>th</sup> March 2024 to date
8.	Miss. Rose M. Mbiko	Managing Director	From October 2023 to August 2024
9.	Mr. Benson Mwangoi	Managing Director	From September 2024 to date

**Company Secretary**

Mr Justus Munyiithya,  
Advocate/CPS (K), LL.M, LL.B.  
I.C.P.S.K membership number – P/CPSB/1434,  
4<sup>th</sup> Floor, N.S.S.F Building, Nkrumah Road P.O. Box 43370 - 80100 Mombasa.

**Registered Office**

National Water Camp,  
Voi, Sofia road before Coast institute of Technology,  
P.O. Box 6-80300,  
Voi, Kenya.

**Corporate Headquarters**

National Water Camp,  
Voi, Sofia road before Coast institute of Technology,  
P.O. Box 6-80300,  
Voi, Kenya.

**Corporate Contacts**

Telephone: (254) 713676213/780676213  
E-mail: [info@tavevowater.co.ke](mailto:info@tavevowater.co.ke)  
Website: [www.tavevowater.co.ke](http://www.tavevowater.co.ke)

**Corporate Bankers**

1. Kenya Commercial Bank,  
Next to K.R.A Voi branch,  
P.O. Box 137-80300  
Voi Town, Kenya.
2. Co-operative Bank of Kenya,  
Next to K.C.B Voi,  
P.O. Box 770-80300,  
Voi Town, Kenya.

**Independent Auditor**

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

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**Principal Legal Advisers**


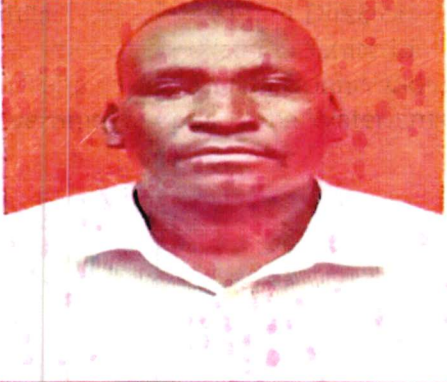



1. The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O Box 40112  
City Square 00200  
Nairobi, Kenya.
  
2. Mr Justus Munyithya,  
Advocate/CPS (K), LL.M, LL.B.  
I.C.P.S.K membership number – P/CPSB/1434.  
4<sup>th</sup> Floor, N.S.S.F Building, Nkrumah Road P.O. Box 43370 - 80100 Mombasa.

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**3. The Board of Directors**

PHOTO	NAME/POSITION	QUALIFICATION
	<p>Mr. Alex Mjomba                      Chairman Board of Directors                      D.O.B 28/08/1960</p>	<p>Chairman Board of directors                      r/c                      r/c</p>
	<p>Mr. Houghton Mombo                      Member                      Chair Technical committee                      From 29<sup>th</sup> May 2020 to date.                      D.O.B 04/02/1964</p>	<p>Executive Master of Business                      Administration.                      Bachelor of Technology                      (Electrical &amp; Electronics)                      Telecommunications.</p>
	<p>C.P.A Laban M. Kinyai                      County Chief Officer Finance                      and Planning Taita Taveta                      County                      D.OB 26/08/1988</p>	<p>MBA Finance                      Bachelor of Commerce                      (Accounting) CPA (K).                      ICPAK M/no. 18867</p>
	<p>Mr. Peter Mwandawiro                      Member                      Chair Finance and human                      resource committee                      D.OB 28/08/1959</p>	<p>Chairman Finance and                      Human resource committee</p>





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	<p>Mrs. Ruth Lelewu          Member from 29<sup>th</sup> May 2020          Chairperson-Audit committee          D.O.B 20/05/1961</p>	<p>Bachelor of Commerce (Marketing Option).</p>
	<p>Mr. Sebastian Machila          Assistant Director          Water &amp; Sanitation Taita Taveta County Government.          D.O.B 17/01/1974</p>	<p>Assistant Director          Water &amp; Sanitation Taita Taveta County Government          Diploma Water engineering</p>
	<p>Miss Rose M. Mbiko          Managing Director          From October 2023 to September 2024</p>	<p>Bachelor of Science Water Engineering</p>
	<p>Mr. Benson Mwangoi          Managing Director          From October 2024 to date          D.O.B 16/10/1967</p>	<p>Higher National Diploma          Water Engineer.          Diploma Water Technology</p>
	<p>Mr. Justus Munyithya          Company Secretary</p>	<p>Kioko Munyithya Ngugi &amp; Co. Advocates,          Advocate/CPS (K), LL.M, LL.B.          I.C.P.S.K membership number – P/CPSB/1434</p>


4. Key Management Team

Photo	Name	Qualification
	Miss. Rose M. Mbiko Managing Director From October 2023 to October 2024	Bachelor of Science Water Engineering
	Mr. Benson Mwangoi Managing Director From October 2024 to date	Higher National Diploma Water Engineer. Diploma Water Technology
	Mr. Justus Munyithya Company Secretary.	Kioko Munyithya Ngugi & Co. Advocates, Advocate/CPS (K), LLM, LLB. I.C.P.S.K membership number – P/CPSB/1434
	C.P.A. Boniface Lewela Ag. Finance Manager	Master of commerce (Currently pursuing) Bachelors of Business Management (Banking & Finance) C.P.A (K)
	Mr. Jason Mwasicho. Head of Technical Services.	Bachelor of Science Civil Engineering

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	<p>Mr. Eric Musa          Ag. Commercial Manager</p>	<p>MBA Finance          (ongoing)          Bachelor of          education,          Economics and          business studies.</p>
	<p>Mr. Alfred Mwatika          Supply Chain Management          Officer</p>	<p>Bachelors in          Procurement and          Supply chain          management          Member of Kenya          institute of supply          chain management</p>
	<p>Mr. Eliakim Mwaghoti          Ag. Internal Audit Manager</p>	<p>Bachelor of          commerce          Finance option          C.P.A 3.</p>
	<p>Mr. Harun Mlagui          Human Resource Manager</p>	<p>Master of Business          Administration          Human Resource          management          Business          (Administration          Human resource)</p>

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 A portrait photograph of Michelle Halima Kulubi, a woman with dark hair, wearing a black lace top and a dark jacket, looking directly at the camera.	<p>Michelle Halima Kulubi Legal &amp; Board affairs</p>	<p>Post graduate Diploma Law, Advocate of the High Court LSK/2025/012407</p>
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## 5. Chairman's Statement

Greetings to our shareholders and stakeholders!

We thank you for your invaluable support and contribution towards sustainable provision of water and sanitation services. Tavevo Water and Sewerage Company Limited has for the last 19 years shown unmatched resilience having gone through major governance and financial challenges.

Today, I am pleased to report that we stand tall, stable in the upward trajectory. On 20<sup>th</sup> June, 2025 we launched our 10-year strategic plan after a rigorous process of reflection and stakeholders' engagement. It is now clear in our minds and paper, where we want to be as a company and what we need, to achieve that. Our foresight revolves around these key strategic goals;

1. Ensuring sustainable access and management of water and sanitation services for all;
2. Ensuring financial sustainability of the company;
3. Strengthening the enterprise and risk management of the organization;
4. Improving billing and collection efficiency;
5. Strengthening legal, compliance and corporate governance of the organization.

To achieve these goals, we are guided by four key pillars which forms the key measure of the success for the strategic plan, which include;

1. Water And Sanitation Infrastructure Development and Management
2. Revenue Growth/Commercial Operations
3. Operational Efficiency and Financial Sustainability
4. Institutional Arrangement and Corporate Governance.

Financial year 2024/2025 is the baseline of this document and we are happy to report that there is already an evident growth in revenues which stood at **Kshs. 385,525,170** as compared to **Kshs. 377,355,010** in the previous year. While this is a good indicator, our major success is seen in the increased percentage of cost recovery from **77% to 78%**. To have a sustainable company we must be able to live within our means and so this stands out as the major pointer of our success.

Our major drawback remains in operations which consume the most of our resources. Old systems attract huge costs in pump maintenance, high energy costs and constant repairs. Consequently, the old systems and aged meters are the major contributors to the rise in unaccounted water. Second to these challenges are the high tariffs charged by the bulk water supplier.

This year we prioritised Replacement of old pumps and solarisation which contributed to high electromechanical and energy costs. So far, we have managed to replace Talio, Mwamsha, Ndome, Itinyi, Mbulia and Wundanyi Office station. Other ongoing projects that include pump replacements are; Voi town pump house, Kaloleni pump station and Njoro pump station. In energy reduction strategy, we have been able to solarise Talio and Mbulia Water Projects while Kaloleni and Kishenyi-Kishushe Water Projects over 90% complete are solarised.

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We have also taken new measures in tackling Non-Revenue Water. We now have a fully operational Non-Revenue Water Team with clear strategy, targets and resources. We are looking forward to measuring their success in the coming financial year.

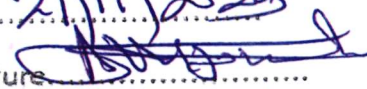
We are mindful that the growth of the company is driven by a motivated human resource. That is why this year we have put deliberate efforts to improve staff career development. We have developed and approved proper placement plan which is currently under implementation by the management. We have also recommended the adoption of a better medical scheme to cover our employees and cushion them from huge medical expenses together with their dependants.

Finally, I have to recognise the efforts of all the employees in implementing the strategies which have seen the company move forward. Some decisions have been tough but requisite for us to make progress, that is why I appreciate the resilience shown by the management whenever they have had to put extra efforts to make the turnaround possible. To all our stakeholders who continue to support the company and the residents of Taita Taveta we thank you.

Date.....

21/11/2025

Signature.....



**CHAIRMAN;**

**TAVEVO WATER AND SEWERAGE COMPANY LTD; BOARD OF DIRECTORS**

## 6. Report Of the Managing Director

I am glad to present to you the Managing Director's Report for the Financial Year 2024/2025. It has been our mandate to provide the residents of Taita Taveta County with water and sanitation services since April, 2006.

This year has seen the company grow its revenues from Kshs. 377,355,010 in the previous year to Kshs. 385,525,170 while our percentage of cost recovery increase from 77% to 78% a slight improvement yet a positive indicator of many interventions we have put in place.

The highlight of the year was the successful launch of our 10-year strategic plan which has helped us align our thoughts and strategies. It is now possible for us set clear targets and measure success as guided by four key pillars of the strategic plan which include Water and Sanitation Infrastructure Development and Management, Revenue Growth/Commercial Operations, Operational Efficiency and Financial Sustainability and Institutional Arrangement and Corporate Governance.

In summary we intend to give life to these results area through implementation of these strategic objectives as state;

- a) Increase water production for the core and peri-urban areas from 15,000m<sup>3</sup>/day to 60,000m<sup>3</sup>/day
- b) Increase water pipeline infrastructure by 50km per year.
- c) Develop a sewerage system of capacity of 20,000m<sup>3</sup>/day.
- d) Develop Faecal Sludge Treatment Plant of Capacity 2,000m<sup>3</sup>/day.
- e) Reduction of Non-Revenue Water from the current 50% to 30.
- f) Reduce cost of water production from Ksh. 135/m<sup>3</sup> to Ksh. 125/m<sup>3</sup>
- g) Development of alternative sources of energy (green) to cut down on electricity costs
- h) To increase funding for water and sanitation infrastructure from Ksh. 2.8 billion from year 2023 to Ksh.15 billion
- i) To improve financial sustainability to cover direct and indirect costs and attain cost recovery and surplus
- j) Risk management and compliance with relevant agencies
- k) Increase annual billing from 316Million to 1Billion
- l) Increase collection efficiency from 93% to 98% by 2034 by adoption of technology and smart meters
- m) To reduce commercial losses from 25% to 15%
- n) To improve corporate governance
- o) To improve staff productivity
- p) To improve efficiency and effectiveness

We have further developed annual workplans and realigned our budgets towards achieving these objectives. The Ongoing Water and Sanitation Development Projects have given a life to our first year with major ongoing upgrade of water supply systems in the four major towns of Taita Taveta. During the year the project implementation stood at 76%.

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Cost of operations and maintenance remain one of our major drawbacks consuming more than 78% of our revenues. Old systems attract huge costs in pump maintenance, high energy costs and constant repairs. Consequently, the old systems and aged meters are the major contributors to the rise in unaccounted water.

This year we prioritised Replacement of old pumps and solarisation which contributed to high electromechanical and energy costs. So far, we have managed to replace Talio, Mwamsha, Ndome, Itinyi, Mbulia and Wundanyi Office station. Other ongoing projects that include pump replacements are: Voi town pump house, Kaloleni pump station and Njoro pump station. In energy reduction strategy, we have been able to solarise Talio and Mbulia Water Projects while Kaloleni and Kishenyi-Kishushe Water Projects over 90% complete are solarised.

Our Non- Revenue Water stands at an average of 50%. We have put in place measures to tackle Non-Revenue Water by first operationalisation of Non-Revenue Water Team will clear strategy, targets and resources. In addition, we have put a deliberate effort through the support of donor funding and internal sources to replace more than 3000 aged and faulty meters which contribute to commercial losses. We are looking forward to measuring their success in the coming financial year.

We are mindful that the growth of the company is driven by a motivated human resource. That is why this year we have put deliberate efforts to improve staff career development. We have developed and approved proper placement plan which is currently under implementation by the management. We have also recommended the adoption of a better medical scheme to cover our employees and cushion them from huge medical expenses together with their dependants.

To improve customer service experience, we have embarked on training all our frontline officers on customer service handling. Customer Focus, as it is one of our core values, we intend to change our approach towards handling their queries and complaints. For we believe a happy customer will support our vision through ideas as well as payment of receivables.

In conclusion, I wish to thank our shareholders, partners, stakeholders and customers for supporting our company. Our continued partnership has opened new possibilities with a prosperous future. My Management team and I, are committed to fully implement the Strategic plan to achieve the vision of a leading water and sanitation services provider in Kenya.

Date. 21/11/2025.....

Signature .....

MANAGING DIRECTOR

**TAVEVO WATER AND SEWERAGE COMPANY LTD**

**7. Statement Of Performance Against Predetermined Objectives for FY 2024/2025**

Tavevo successfully formulated a strategic plan and will be implementing it starting the year 2024/2025. The 10 year strategic plan was launched in June 2025 thereby commencing implementation in the financial year 2025-2026.

## 8. Corporate Governance Statement

The Board of Directors during the year had six full board meetings and four quarterly meetings for each committee as listed below. The attendance of the meetings was between 100% to two thirds quorum as required. The Board has 3 committees namely:

- (a) Finance and Human resource Committee.
- (b) Audit Committee.
- (c) Technical and commercial Committee.

### Board of Directors appointment process

1. Board appointments shall be transparent and competitive so as to ensure the public served has an opportunity to participate in decision making in service delivery that affects them.
  2. Vacant positions shall be advertised in the media and on the website of the WSP and the criteria set out by WASREB shall be used.
  3. An ad hoc nominating committee of the board of directors comprising county and select Committee from two or three primary/key stakeholders shall assess applications and ensure that not only is the Leadership and Integrity criteria met but shall perform a background check to ensure the candidates add value to the entity.
  4. The select committee shall receive the applications, vet them to ensure that they comply to the Fit and Proper Test plus the eligibility criteria and where necessary conduct interviews.
  5. The Report of the selection committee shall be submitted to the shareholder who is required as shareholder and function owner to ensure that only persons who add value to the company are appointed.
  6. The Fit and Proper Test Form is annex 2 to this Guideline and must be filled by all applicants and appointees.
  7. The copy of the Fit and Proper Test Forms of each of the appointed directors shall be sent to WASREB.
  8. A letter of appointment issued by the county secretary that adheres to the articles of association of the WSP shall be given after ratification of names of the accepted directors at annual general meeting by the shareholder.
  9. The letter must contain a termination clause on poor performance and misconduct and ensure that it captures that unless the board is retired due to poor performance a third of the members shall retire every year from the third year.
  10. Board members shall serve a maximum of six (6) years based on the approval of the shareholder and on performance issues.
  11. Before a board member begins to serve, he must be inducted in governance training customized for the water services sector and sign a code of ethics based on the Leadership and Integrity Act 2012 and the Public Officer Ethics Act 2003.
  12. The list of ratified board members and the stakeholder group they represent shall be maintained on the website of the WSP and shall be communicated to WASREB.
  13. It is good practice that board service is not disrupted by the election cycle and independent oversight must not be compromised by the cycle.
- Board meetings held

**Corporate Governance Statement (Continued)**

**Board succession policies and period in office**

1. The shareholder must avoid a situation where all Board members retire at the same time in order to ensure institutional memory.
2. In order to avoid this situation, one third of the Board members other than those from the County Governments, shall retire from office by rotation every year starting from the third year after appointment.
3. The retiring members shall be determined on the basis of those who have served longest and, if they have served for the same period of time, then the retirement will be determined by lot.
4. The retiring members shall be required to reapply for their positions if they are eligible for reappointment
5. The county water department as function owner is advised to use annual performance evaluation of the board of directors and WSP to assess suitability of reapplying members and the need to make changes to improve performance.

**Collective and individual role of directors**

In order to enable every director to be more clearly aware of their collective and individual accountability and liability in regard to their acts of commission and omission, the directors are required to ensure compliance with the law. Having the assistance of competent company secretary / legal officer and internal auditor will largely assist the board of directors understand compliance?

1. Be aware of the License provisions of the water service provider.
2. Be aware of the laws the company is supposed to comply with, that are Water Act 2016, county water legislation, Companies Act 2015, Public Procurement and Asset Disposal Act, 2015, Public Finance Management Act 2012.
3. Be aware of the Environmental Management and Co-ordination Act.
4. Be aware of the Anti- Corruption and Economic Crimes Act № 3 of 2003.
5. Be aware of the laws relating to employment and labour relations.
6. Be able to understand the financial statements of the company in order to know in depth the financial status of the company and take action accordingly.
7. In good faith, a member shall disclose to the board for recording any business or other interest that he/she holds that is likely to create a potential conflict of interest and withdraw himself from participating in that decision.
8. Be aware of liability of directors jointly and severally in the context of personal liability for fraud, secret profits, corruption and bribery.
9. Board members having conflicting directorships or missing three meetings consecutively should resign voluntarily or be replaced by the shareholder as per the articles of association of the company.

**Corporate Governance Statement (Continued)**

**Directors training and development policy**

1. All directors in the water services sector shall receive formal training on their role, duties, responsibilities and obligations as well as board practices and procedures on first appointment before they begin business. This is particularly critical for those with no previous Board experience.
2. Subsequent trainings involve improving understanding of the water service sector operations, deepening oversight skills in financial management different compliance requirements that are critical to the WSP business.
3. The company shall organize these trainings and inform the County Government Water office which should also participate.
4. All directors shall be exposed, at least once every two years, to the following matters:
  - i. Corporate strategy in the water sector and institutional organization.
  - ii. Role, duties and responsibilities of the Board and directors.
  - iii. The License content.
  - iv. Rights and obligations of a director.
  - v. Statutory liabilities and duties of a director under criminal and company law.
  - vi. Board practices and procedures.
  - vii. Disclosure and communication policies.
  - viii. Financial management systems,
  - ix. Risk management, internal control procedures and internal audit.
  - x. The importance of external audit by the Auditor General
  - xi. Performance targeting, monitoring and evaluation with emphasis to the water service sector minimum service level requirements and sector benchmarks
  - xii. The role of Information Technology in oversight

**Board Remuneration Policy**

To provide efficiency and act as an incentive to improve performance at oversight level, the following are the limits for sitting allowances and other expenditures of the board and its committees:

For companies with:

- a. Annual Turnover of up to Kshs 100,000,000 – board activities capped at the higher of 5% of the turnover or Kshs 4 million per annum
- b. Annual Turnover of up to Kshs 500,000,000 board activities capped at the higher of 2% of the turnover and Kshs 7 million per annum.
- c. Annual Turnover up to Kshs 1,000,000,000 board activities capped at the higher of 1% and 12m per annum.
- d. Annual Turnover above Kshs 1,000,000,000 board activities capped at a maximum of the higher of 1% and Kshs 12m per annum.

Tavevo Water and Sewerage Co. Ltd fall under annual turnover of over Kshs. 100,000,000 up to Kshs. 500,000,000.

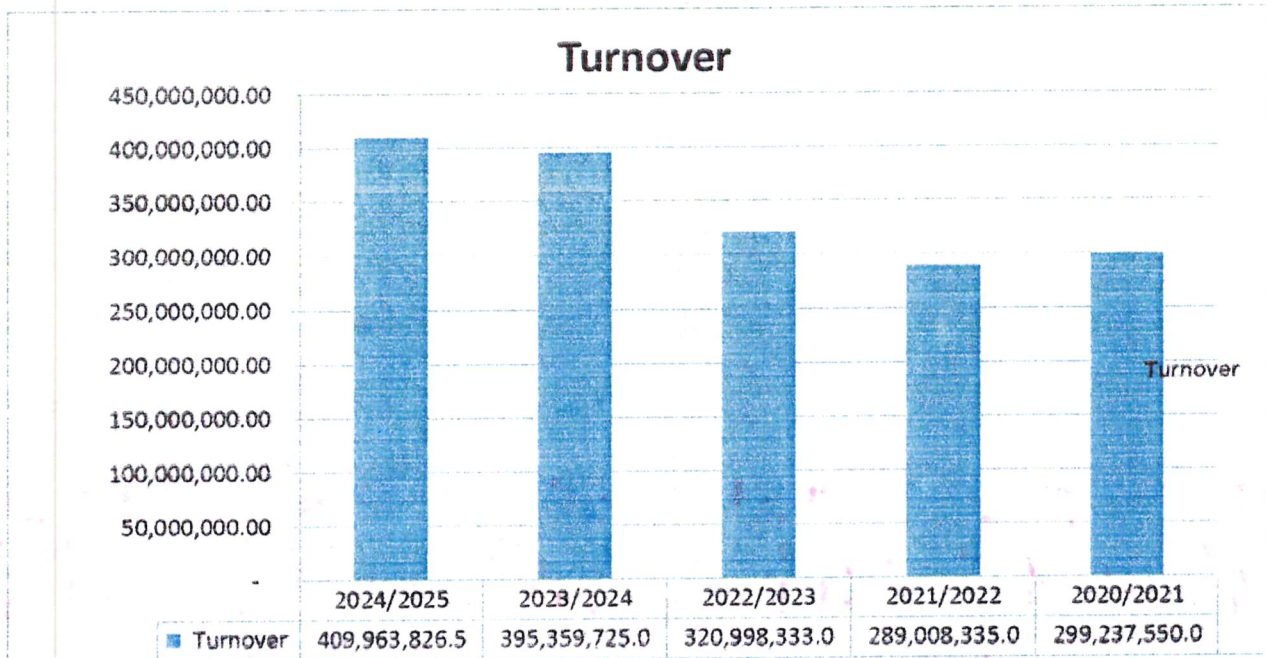
9. Management Discussion and Analysis

Introduction

Under this section Tavevo management wishes to summarise financial performance as stipulated in the below subcategories;

i. Annual Turnover

Tavevo management has seen continued increase in revenue over the last 5 years as summarised in the below graph;



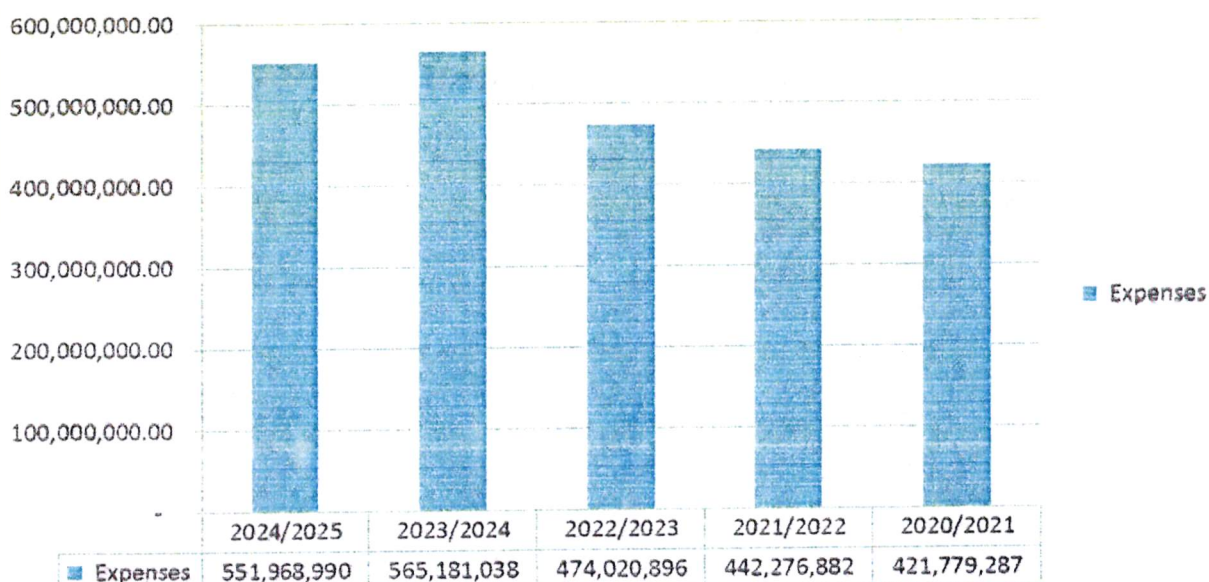
Turnover includes Kshs 385,525,170 and other income Kshs. 24,438,657 totalling **Kshs. 409,963,826**

ii. Expenses

The management of Tavevo Water and sewerage Company limited also has had a challenge in managing expenses especially operational costs due to challenges as addressed in the Chairman's statement. Despite the challenges Tavevo continues to cater for its operational expenses.

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### Expenses



*Total expenses includes all operational expenses excluding grant expenses.*

#### Key Projects during the period

#	Activity Description	Progress as at 30 <sup>th</sup> June, 2025
1	KE-TAVEVO-151304-CW-RFB – Upgrade of Water Distribution Systems for Voi, Taveta, Mwatate and Wundanyi towns.	76%
2	KE-TAVEVO-175703-CW-RFB / Construction of a Storage warehouse for pipes, fittings and portable equipment and construction office block at Voi town. – Lot I - Warehouse	92%
3	KE-TAVEVO-449427-CW-RFB-Immediate Works for Construction of Office Block at Voi Town – Lot II	40%(cumulative-54%)
4	KE-TAVEVO-451075-CW-RFB-Construction and Completion of 8no. Ablution Blocks At Voi, Mwatate, Maungu, Bura Taveta And Wundanyi Towns	32.5%(cumulative-69%)
5	KE-TAVEVO-338455-CW-RFB/Completion Works for Proposed Construction and Equipping of a Combined Water and Wastewater Quality Testing Laboratory	98%
6	Utility Turnaround Framework Consultancy – Consultancy for Water Utility Performance Improvement Program Institutional Strengthening and Capacity Building Contract	<ul style="list-style-type: none"> <li>70% of deliverables completed awaiting approvals.</li> </ul>

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	Contract No.: MOWS-WSDP-02-2019-2020	
7	Supply and Delivery of Laboratory equipment for Tavevo Water and Sewerage Company Ltd	Contract awarded

## 10. Environmental And Sustainability Reporting

The Company remained a social responsible corporate citizen by conducting its business in a socially acceptable and responsible manner. The company contributed and participated in various forums at the County level that include;

### 1. Sustainability strategy and profile

- Strategic development partnerships with Water Sector Trust Fund, Water and Sanitation Development Project (W.S.D.P) through Ministry of Water & Sanitation, Taita Taveta County Government, Water Sector Trust Fund and Red cross Kenya. The above partnerships are bearing fruit through the various development projects as listed earlier in this report.
- Infrastructure development by extension of Water and sewerage systems through efficiency and responsive institutions.

### 2. Environmental Performance

Tavevo management has ensured continued adherence to environmental laws and policy as documented by the National Environmental Management Authority (N.E.M.A).

### 3. Employee Welfare

- The hiring process of Tavevo water and sewerage Co. Ltd is guided by the approved Human resource policy by Board of Directors. Tavevo is an equal opportunity employer. Management also gives high priority to staff training and capacity building as envisaged in the Company policy. Tavevo undertakes annual staff appraisal for staff and the same forwarded to the Board of Directors.

### 4. Market place practices

- Tavevo Water and Sewerage Company Limited have a zero tolerance to corruption policy and ensure all staff adheres to the same policy.
- All procurements by Tavevo are done fairly and on competitive basis as per the Public Procurement and Asset disposal act of 2015. Supplier payments are on first in first out basis.
- Every Kenyan has a right to access clean water. In light of this Tavevo continues to extend its services as close as possible to the residents of Taita Taveta.

### 5. Corporate social responsibility / community Engagements

- Tavevo continues to reach out to communities and its clients on location by customer care clinics to solve their customer care queries. In addition Tavevo has continuously provided hand washing points with tanks during the Covid-19 pandemic for free across the Taita Taveta County Government.

## II. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the company's affairs.

### i) Principal activities

The principal activities of the Company are provision of adequate and portable, safe, Piped Water and Sanitation Services to the residents of Taita Taveta County.

### ii) Results

The results of the Company for the year ended June 30, 2025 are set out on page 1-6.

### iii) Dividends

There were no dividends declared or issued during the reporting period.

### iv) Directors

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

### v) Auditors

The Auditor General is responsible for the statutory audit of the Tavevo in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 of Tavevo for the year/period ended June 30, 2025 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name: MIGHELLE KULUBI

Company Secretary/Secretary to the Board

Date: 21/11/2025

## 12. Statement Of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and *section 14 of the State Corporations Act*, require the Directors to prepare financial statements in respect of Tavevo Water and Sewerage Company Limited, which give a true and fair view of the state of affairs of Tavevo Water and Sewerage Company Limited at the end of the financial year/period and the operating results of Tavevo Water and Sewerage Company Limited for that year/period. The Directors are also required to ensure that Tavevo Water and Sewerage Company Limited keeps proper accounting records which disclose with reasonable accuracy the financial position of Tavevo Water and Sewerage Company Limited. The Directors are also responsible for safeguarding the assets of Tavevo Water and Sewerage Company Limited.


The Directors are responsible for the preparation and presentation of Tavevo Water and Sewerage Company Limited financial statements, which give a true and fair view of the state of affairs of Tavevo Water and Sewerage Company Limited for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Tavevo Water and Sewerage Company Limited; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of Tavevo Water and Sewerage Company Limited; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for Tavevo Water and Sewerage Company Limited 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 and the State Corporations Act section 14. The Directors are of the opinion that Tavevo Water and Sewerage Company Limited financial statements give a true and fair view of the state of Tavevo Water and Sewerage Company Limited transactions during the financial year ended June 30, 2025, and of Tavevo Water and Sewerage Company Limited financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Tavevo Water and Sewerage Company Limited, which have been relied upon in the preparation of Tavevo Water and Sewerage Company Limited 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 Tavevo Water and Sewerage Company Limited will not remain a going concern for at least the next twelve months from the date of this statement.


### Approval of the financial statements

The company financial statements were approved by the Board on 20/11/2025 2025 and signed on its behalf by:



Name: Alex Mjomba

Chairperson of the Board



Name: Benson Mwangoi

Managing Director

# REPUBLIC OF KENYA

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**HEADQUARTERS**  
Anniversary Towers  
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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON TAVEVO WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

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

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tavevo Water and Sewerage 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 Companies Act (Cap 486), Water Act, 2016 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1. Understatement of Electricity Expense**

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects general and operations expenses of Kshs.466,941,359 which includes Kshs.75,857,869 in respect of electricity expenses. However, review of the electricity payables ledger revealed additions for the year totaling to Kshs.10,007,551 omitted from the ledger provided for audit in support of the expenditure resulting in understatement of expenses by a similar amount.

In the circumstances, the accuracy and completeness of the electricity expenditure of Kshs.75,857,869 could not be confirmed.

### **2. Inaccurate Bulk Water Fees**

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects general and operations expenses of Kshs.466,941,359 which includes Kshs.151,587,028 in respect of bulk water fees. However, the report on non-revenue water provided indicated that the entity acquired 4,001,861 cubic meters of water in the year. Given the rate of Kshs.34 per cubic meter, the entity total cost was Kshs.136,063,274 while the amount recorded in the ledger was Kshs.151,587,028 resulting in an unexplained variance of Kshs.15,523,754 or Kshs.456,581 cubic meters of water.

In the circumstances, the accuracy and completeness of the bulk water fees of Kshs.151,587,028 could not be confirmed.

### **3. Inaccurate Inventory Balance**

The statement of financial position and Note 17 to the financial statements reflects inventory balance of Kshs.158,476,725. However, the balance differs with the ledger amount of Kshs.60,446,088 resulting in an unexplained variance of Kshs.98,030,637. Further, the reported balance differed with the stock report balance of

Kshs.75,142,268 resulting in a variance Kshs.83,334,457 which was not explained or reconciled.

In addition, the inventories balance included cold water miters and other misclassified assets valued at Kshs.36,033,330 resulting in overstatement of inventories balance by a similar amount.

In the circumstances, the accuracy, completeness and valuation of the inventory balance of Kshs.158,476,725 could not be confirmed.

#### **4. Inaccurate and Long Outstanding Trade and Other Payables Balance**

The statement of financial position and Note 27 to the financial statements reflect trade and other payables balance of Kshs.1,041,721,551. Included in the balance is Kshs.732,567,352 owed to Coast Water Works Development Agency. Review of the status of bulk water bills from the Agency of 15 July, 2025 referenced No. CWWDA/COMM.CIRRESS/377/VOL.II/29 indicated that the entity had outstanding bills totaling Kshs.678,525,954 which differs with the reported balance resulting in an unexplained variance of Kshs.54,041,398. Additionally, aging analysis revealed that payables of Kshs.760,456,732 or 73% of the total payables had been outstanding for more than two (2) years.

In the circumstances, the accuracy, completeness and ability to settle the trade and other payables balance Kshs.1,041,721,551 could not be confirmed.

#### **5. Doubtful Recoverability of Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.348,266,514 as disclosed in Note 18 to the financial statements. Review of the aging analysis revealed that Kshs.292,720,283 of the receivables had been outstanding for more than one 120 days and no evidence was provided to indicate efforts put in place by Management to recover the amounts.

In the circumstances, the recoverability of the trade and other receivables of Kshs.292,720,283 was in doubtful.

#### **6. Failure to Revalue Assets**

The statement of financial position reflects property, plant and equipment of Kshs.1,096,491,527 as disclosed in Note 15 to the financial statements. Note 15b to the financial statements revealed that property, plant and equipment items of original costs of Kshs.105,546,510 included in the asset register had been fully depreciated but in use. However, the Company had not revalued the assets for reporting purpose which may misrepresent the actual position of the operations of the entity.

In the circumstances, the accuracy and valuation of property plant and equipment balance of Kshs.105,546,510 could not be confirmed.

#### **7. Unsupported Property, Plant and Equipment Balance**

The statement of financial position and Note 15 to the financial statement reflects property plant and equipment of Kshs.1,096,491,527. Review of Management records

revealed that the land on which the Company is domiciled is not included in the reported balance. Further, the title deed for the land on which reported buildings valued at Kshs.23,875,373 was not provided for audit review.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.1,096,491,527 could not be confirmed.

#### **8. Failure to Disclose Material Uncertainty Related to Going Concern**

The statement of financial position reflects current assets balance of Kshs.553,772,749 and current liabilities of Kshs.1,086,547,602 resulting into a negative working capital of Kshs.532,774,853 representing a current ratio of 0.51. A ratio that is lower than the comparative year of 0.66. The increasing negative working capital and current ratio of less than one (1) is an indication that the Company may not meet its obligations as and when they fall due. As previously reported, the condition indicates the existence of a material uncertainty, which may cast doubt on the Company's ability to continue as a going concern and that the Company's existence is dependent on continued support from the County Government of Taita Taveta and creditors. Management did not disclose measures being taken to mitigate this condition.

In the circumstances, the Company's ability to continue as a going concern could not be confirmed.

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

#### **Emphasis of Matter**

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

The statement of comparison of budget and actual amount reflects final revenue budget and actual on comparable basis of Kshs.1,157,643,287 and Kshs.530,632,999 resulting in under realization of Kshs.627,010,288 or 54% of the budget. The Company spent Kshs.634,949,767 against actual receipts of Kshs.530,632,999 resulting in over expenditure of Kshs.104,316,768 or 20% of the budget.

The over expenditure may be due to unrealistic budget while underfunding may have affected implementation of planned activities and impacted negatively on service delivery to the citizens.

My opinion is not modified in respect of this matter.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters

described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the Company in 2024/2025 revealed that the matters remained unresolved as detailed in **Appendix**.

### **Other Information**

The Director are responsible for the Other Information set out on page iii to xxiii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the managing Director, Statement of performance against predetermined objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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. Irregular Utilization of Customer Deposit.**

The statement of financial position reflects customer deposit balance of Kshs.44,826,051 as disclosed in Note 28 to the financial statements. Management

explained that these funds relate to deposits owed to customers held in the deposit bank account. However, review of the deposit bank account held at the Co-Operative bank revealed a balance of Kshs.12,778,457 resulting in a shortfall of Kshs.32,047,594 which was not explained or reconciled.

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

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

Review of management records revealed that the Company handles customers and employee records in its systems that captures personal confidential information as names, phone numbers and location. However, the Company had not been registered with the Data Commissioner as either a data controller or a data processor contrary to Section 18(1) of the Data Protection Act, 2019 that stipulates that no person to act as a data controller or data processor unless registered with the Data Commissioner.

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

## **3. Failure to Declare Conflict of Interest**

Review of report on legal cases by the Water Company revealed that two (2) firms all owned by the Company Secretary had been providing legal services to the Water Company. However, evidence of the declaration of conflict of interest by the Company Secretary during the application to offer services to the Company was not provided for audit against Chapter 8 annexure 1 Part D (9) of Code of governance for state corporation (Mwongozo) on the appointment and conduct of the Corporation Secretary that provides that the Company Secretary should satisfy the requirement of chapter six of the Constitution on leadership and integrity that requires among other things that leaders avoid any situation where their personal interests could compromise their public or official duties.

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

## **4. Payment of Acting Allowance Beyond Six Months**

Review of the payroll revealed that during the period between July 2024 and June 2025, nine (9) officers were paid acting allowances totaling to Kshs.438,847. It was noted that the positions acted had not been declared vacant and no notice of pending advertising of those posts had been done. Additionally, three (3) officers were paid acting allowance for a period of more than six (6) months contrary to Section C 14(1-2) of human resource policies and procedures manual for the public service, 2016 that stipulates that acting allowance will not be payable to an officer for more than six (6) months.

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

## **5. Non-compliance with Ethnic Composition Requirements**

Review of staff establishment revealed that the Company had a total of 240 staff (136 permanent and 104 on contract). Out of the total staff, 180 or 75% were from the local

dominant ethnic community contrary to National Cohesion and Integration Act of 2008 which provides that no public establishment to have more than one third of its staff from the same ethnic community. There was no evidence of legislative and other measures taken by the entity to correct the imbalance.

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

#### **6. Closure of Bank Accounts Without Approval from County Treasury.**

Review of the financial records revealed that three (3) bank accounts were closed as per the authorized request closure letters all dated 19 December, 2024. However, no evidence was provided to show that approval was granted by the County Treasury as per Section 119 (1) of the Public Finance Act 2012 that stipulates that the County Treasury will be responsible for authorising the opening, operating and closing of bank accounts for the county government and its entities, except as otherwise provided by other legislation and in accordance with regulations made under this Act.

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

#### **7. High Percentage Non-Revenue Water (NRW)**

Review of revenue records revealed the Water Company produced 5,767,858 cubic meters of water during the year under review as reported by the bulk meters supplying the water to the Company. However, out of the produced water, only 2,871,077 cubic meters was billed leading to water loss/non-revenue water of 2,896,781 cubic meters or 50% of the produced volume which is 25% above the allowable loss. It was explained that the huge loss was due to dilapidated/ old infrastructure, leaking storage tanks, vandalism, faulty meters and inaccurate meter reading. The NRW of 2,896,781 cubic meters resulted in loss of sales estimated at Kshs.388,168,654 at the average rate of Kshs.134 per m3.

In the circumstances, the significant level for non-revenue water had a negative impact on the Company's profitability and could affect sustainability of operations.

#### **8. Anomalies in Board Affairs**

The statement of profit or loss and other comprehensive income and Note 11 to the financial statement discloses board expenditure of Kshs.4,068,030. Analysis of board minutes provided for audit revealed that the Water Company in the year under review had six (6) board members inclusive of the those appointed by the County Government. However, review of the appointment letter of the alternate member to the Chief Officer in charge of Water Affairs revealed that the appointee was an assistant director water and sanitation while the Corporate Governance Standards for The Water Services Sector 2024 from Water Services Regulatory Board provides that the alternate shall not be below the cadre of County Director Water or Director Finance. Additionally, the Board had four committees i.e., finance committee, human resource and administration committee, technical committee and audit committee in which the audit committee had co-opted the acting director internal audit who is not a board member. However, the appointment letters to these committees were not availed for audit.

In the circumstances, the board composition was against the law.

#### **9. Failure to Prepare Quarterly Reports**

Review of financial records established that Management did to prepare quarterly financial reports in the format prescribed by the Public Sector Accounting Standards Board and did not present the report to the CECM in charge of Water for further processing contrary to Section 166 of the Public Finance Management Act, 2012 which provides that an accounting officer for a County Government entity to prepare a report for each quarter of the financial year in respect of the entity.

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

#### **10. Irregular Procurement of Fuel**

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements discloses general and operations expense of Kshs.466,941,359. Included in this amount is fuel expense of Kshs.8,908,075. Audit review revealed that the Company procured fuel from five (5) petrol stations through various local purchase orders totaling Kshs.4,268,720. However, the firms were not in the prequalified list of suppliers. There was no evidence provided for audit indicating that the Water Company had contractual agreements with the said fuel companies neither was the procurement proceeding undertaken to identify the firms. The fuel statements indicating when and to which vehicles the ordered fuel was drawn into were not availed for audit.

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

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

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **1. Weak Inventory Management Control Systems**

The statement of financial position reflects inventory balance of Kshs.158,476,725 as disclosed in Note 17 to the financial statements. Review of inventory documents provided for the audit and physical verification of the Company store revealed the following internal controls weaknesses:

#### **1.1. Lack of Quarterly Stock Take and Obsolete Stock Item Reports.**

Review of documents provided showed that the Company did not carry out a quarterly stock-take to monitor and manage inventory levels. Consequently, there were no regular reconciliations of inventory balances to facilitate optimum inventory balances for timely service delivery. Physical verification at the stores indicated that the central store had obsolete stock items which were not documented.

#### **1.2. Lack of Segregation of Duties at The Store**

Analysis of stores records and staff files revealed that the store had only one officer handling all the processes of receiving, storing, issuance of stock items, and recording stock movement. Therefore, there was no evidence of segregation of duties in the operations of the store.

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

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**

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 iii to xxiii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 1 and 42 has been properly prepared in accordance with the Companies Act, 2015.

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for

maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

The Board of Directors is responsible for overseeing the Water 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

08 December, 2025

## Appendix - Unresolved prior year matters

No.	Financial Year	Audit issues
1	2023/24	Material Uncertainty related to going concern
2	2023/24	Unsupported cash and cash equivalents
3	2023/24	Un explained Variance
4	2023/24	Undisclosed donated assists
5	2023/24	Misclassification of Grants income
6	2023/24	Unsupported Lease fees obligation
7	2023/24	Irregular Legal Costs
8	2023/24	Non-Revenue Water
9	2023/24	Use of estimated billing
10	2023/24	Unsupported fuel, Oils and lubricants.
11	2023/24	Undisclosed Payables on unsettled terminal dues
12	2023/24	Undisclosed provision for doubtful receivables
13	2023/24	Presentation of the financial statements
14	2023/24	Unsupported procurement
15	2023/24	Regularity of human resource practices
16	2023/24	Weak IT internal controls

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30  
June 2025

	Note	2024-2025 Kshs	2023-2024 Kshs
<b>Revenue</b>			
Operating Revenue	6	385,525,170	377,355,010
Grants Income	7	120,669,172	151,793,875
Other Income	8	24,438,657	18,004,715
<b>Total Revenue</b>		<b>530,632,999</b>	<b>547,153,600</b>
<b>Expenses</b>			
Staff Costs	9	137,388,545	128,319,021
General and Operations expenses	10	466,941,359	509,093,936
Board Expenses	11	4,068,030	5,602,636
Maintenance Expenses	12	21,873,950	17,315,146
Depreciation and Amortization expenses	13	42,409,824	53,380,474
<b>Total Expenses</b>		<b>672,681,708</b>	<b>713,711,213</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(142,048,709)</b>	<b>(166,557,613)</b>
<b>Income Tax Expense/(Credit)</b>	14	-	-
<b>Profit/(Loss) After Taxation</b>		<b>(142,048,709)</b>	<b>(166,557,613)</b>
<b>Total Comprehensive Income For The Year</b>		<b>(142,048,709)</b>	<b>(166,557,613)</b>

Notes;

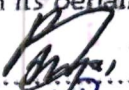
- I. Under General and operations expenses are grants expenses of Kshs. W.S.D.P 118,125,322, W.S.T.F 2,543,850.
- II. Grants Income utilised under operations is reported at Kshs. 120,669,172 whereas the balance of Kshs. 116,367,293 was transferred to capital development projects.


4 Tavevo Water and Sewerage Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2024

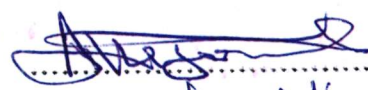
15. Statement Of Financial Position As at 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	15	1,096,491,527	917,346,761
Intangible assets	16	19,382,426	2,217,772
<b>Total Non-Current Assets</b>		<b>1,115,873,953</b>	<b>919,564,533</b>
<b>Current Assets</b>			
Inventories	17	158,476,725	111,968,352
Trade and other receivables	18	348,266,514	341,364,633
Short-term deposits	19	46,000	3,849,590
Bank and cash balances	20	46,983,510	196,275,617
<b>Total Current Assets</b>		<b>553,772,749</b>	<b>653,458,192</b>
<b>Total Assets</b>		<b>1,669,646,702</b>	<b>1,573,022,725</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	21	100,000	100,000
Fair value adjustment reserve	22	117,162,233	97,214,636
Retained earnings	23	(399,731,903)	(257,683,194)
Capital/Development Fund	24	667,135,568	550,768,275
		<b>384,665,898</b>	<b>390,399,717</b>
<b>Non-Current Liabilities</b>			
Service Gratuity	25	69,035,386	68,185,999
Coast Water Works Development Agency-Lease fees	26	129,397,816	129,397,816
<b>Total Non-Current Liabilities</b>		<b>198,433,202</b>	<b>197,583,815</b>
<b>Current Liabilities</b>			
Trade and other payables	27	1,041,721,551	943,899,142
Customer deposits	28	44,826,051	41,140,051
<b>Total Current Liabilities</b>		<b>1,086,547,602</b>	<b>985,039,193</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,669,646,702</b>	<b>1,573,022,725</b>

The financial statements were approved by the Board on 20/11 2025 and signed on its behalf by:

  
Name: Benson Mwangi  
Managing Director

  
Name: Boniface Keveta  
Head of Finance

  
Name: Alex Mjomba  
Chairman of the Board

ICPAK M/No: 18741

Tavevo Water and Sewerage Company Ltd  
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16. Statement Of Changes in Equity for the Year Ended 30 June 2025

	Ordinary share capital	Fair value adjustment reserve	Retained earnings	Capital/Development Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>At July 1, 2023</b>	100,000	97,214,636	(88,144,504)	199,446,371	208,616,503
Total comprehensive income	-	-	(166,557,613)	-	(166,557,613)
Capital/Development grants received during the year	-	-	-	351,321,904	351,321,904
Transfer of depreciation/amortization from capital fund to retained earnings	-	-	-	-	-
Prior Year adjustments (Inventory Bal c/F)	-	-	(39,073,568)	-	(39,073,568)
Prior Year adjustments (Inventory Bal c/F)	-	-	36,092,491	-	36,092,491
<b>At June 30, 2024</b>	100,000	97,214,636	(257,683,194)	550,768,275	390,399,717
<b>At July 1, 2024</b>	100,000	97,214,636	(257,683,194)	550,768,275	390,399,717
Issue of new share capital	-	-	-	-	-
Total comprehensive income	-	-	(142,048,709)	-	(142,048,709)
Capital/Development grants received during the year	-	-	-	116,367,293	116,367,293
Proposed final dividends	-	-	-	-	-
Opening Balances Inventory/additions adjustments	-	19,947,597	-	-	19,947,597
Prior Year adjustments (Inventory Bal c/F)	-	-	-	-	-
<b>At June 30, 2025</b>	100,000	117,162,233	(399,731,903)	667,135,568	384,665,898

Tavevo Water and Sewerage Company Ltd  
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17. Statement Of Cash Flows for The Year Ended 30 June 2025

	Note	2024-2025
		Kshs
<b>Cash Flows from Operating Activities</b>		
<b>Receipts</b>		
Operating Receipts		399,948,110
Transfer from capital fund		120,669,172
Finance Income		-
Customer Deposits		5,797,867
<b>Total Receipts</b>		<b>526,415,149</b>
<b>Payments</b>		
Staff Costs and Board expenses		186,266,534
General And Operation Expenses		242,459,357
Maintenance Expenses		93,746,087
Finance Costs		-
Refund Of Customer Deposits		2,043,853
<b>Total Payments</b>		<b>524,515,831</b>
<b>Net Cash From/ (Used In) Operating Activities</b>		<b>1,899,318</b>
<b>Cash Flows from Investing Activities</b>		
Purchase Of Property, Plant And Equipment (PPE)		(253,612,411)
Proceeds From Disposal Of PPE		-
Purchase Of Intangible Assets		-
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(253,612,411)</b>
<b>Cash Flows from Financing Activities</b>		
Cash Proceeds (to) Financier		(2,543,851)
Cash Proceeds (from) Financier		222,348,975
Cash Proceeds from owned bank accounts		1,095,354
Performance Guarantee Cashed		3,288,439
Cash Transfer to Owned Bank Accounts		(1,045,354)
Transfer to operations		(120,669,172)
<b>Net Cash From/(Used In) Financing Activities</b>		<b>102,474,391</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>(149,238,702)</b>
<b>Cash And Cash Equivalents At Beginning of Year</b>		<b>196,222,212</b>
Effects Of Foreign Exchanges Rate Fluctuations		-
<b>Cash And Cash Equivalents At End of the Year</b>		<b>46,983,510</b>

**Notes**

Previous years cashflow statement was presented in indirect method therefore for comparative purpose is presented separately.

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

Statement of Cash flows for the year ended 30 June 2024 (Previous period)

	Note	2023-2024
		Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from/(used in) operations	29	(113,177,139)
Increase/decrease in receivables		(219,570)
Increase/decrease in prepayments		(949,650)
Increase/decrease in customer deposit		3,173,710
Increase/decrease in Lease fee payable		-
Increase/decrease in payables		208,976,532
Increase/decrease in gratuity payables		8,744,283
Increase/decrease in Long term loan		-
Inventory additions during the year		(2,981,077)
<b>Net cash flows from/(used in) operating activities</b>		<b>103,567,089</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment		(348,233,450)
Inventory increase		(36,092,491)
Proceeds from Donors for capital/development funds		351,321,904
Purchase of intangible assets		(47,096)
<b>Net cash flows from/(used in) investing activities</b>		<b>(33,051,133)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Donors for capital/development funds		-
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>70,515,956</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>125,759,662</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>196,275,618</b>

Tavevo Water and Sewerage Company Ltd  
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18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2024-2025	2024-2025	2024-2025	2024-2025		
Revenue	Kshs		Kshs	Kshs	Kshs	%
Operating Revenue	519,693,785	(10,000,000)	509,693,785	385,525,170	124,168,615	76%
Grants	513,578,391	106,840,042	620,418,433	120,669,172	499,749,261	19%
Other Income	27,531,069	-	27,531,069	24,438,657	3,092,413	89%
<b>Total Revenue</b>	<b>1,060,803,245</b>		<b>1,157,643,287</b>	<b>530,632,999</b>	<b>627,010,289</b>	
Expenses						
Staff Costs	160,400,496	(2,250,000)	158,150,496	137,388,545	20,761,951	87%
Board Expenses	5,802,680	-	5,802,680	4,068,030	1,734,650	70%
General and operations Expenses	818,601,564	35,099,395	853,700,959	466,941,359	386,759,601	55%
Maintenance expenses	21,149,110	5,700,000	26,849,110	21,873,950	4,975,160	81%
<b>Total Recurrent Expenditure</b>	<b>1,005,953,850</b>		<b>1,044,503,245</b>	<b>630,271,883</b>	<b>414,231,362</b>	
<b>Profit or Loss</b>	<b>54,849,395</b>		<b>113,140,042</b>	<b>(99,638,885)</b>		
Capital Expenditure -Internally funded	54,849,394	(48,549,394)	6,300,000	4,677,884	1,622,116	74%
<b>Total Expenditure</b>	<b>1,060,803,244</b>		<b>1,050,803,245</b>	<b>634,949,767</b>		

Notes:

1. Grants received during the year is Kshs. 237,036,465 whereas Kshs. 116,367,293 received was transferred to Capital expenditure and Kshs. 120,669,172 was utilised in operational expenses (See note 24).
2. Depreciation charge for the year Kshs. 42,409,824 Has been omitted from the above report being a non-cash item thereby leaving a deficit of Kshs. 99,638,885,

## 19. Notes To the Financial Statements

### 1. General Information

Tavevo Water and sewerage Co. Ltd is established by and derives its authority and accountability from Companies Act. The entity is wholly owned by the County Government of Taita Taveta and is domiciled in Taita Taveta. The entity's principal activity is to provide adequate portable piped water and sanitation services to residents of Taita Taveta.

### 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 Public Sector Accounting Standards (IPSAS) 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 financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Tavevo.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (I.F.R.S). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the financial statements (continued)

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

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 <sup>st</sup> January 2024.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2024, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2024.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2024, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2024.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2024, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2024.

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

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

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

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 amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

Tavevo Water and Sewerage Company Ltd  
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Title	Description	Effective Date
	the entity complying with conditions specified in the loan arrangement.	

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

**iii. Early adoption of standards**

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

Notes to the financial statements (continued)

**4. Summary of Accounting Policies**

**a. ) Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Tavevo water and sewerage Co. Ltd and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

- i) Revenue from the sale of goods and services is recognized in the year in which the Tavevo water and sewerage Co. Ltd 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 recognized in the year in which the funds are actually received. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income is recognized in the income statement as it accrues using the effective lease agreements.
- vi) Other income is recognized as it accrues.

**b.) In kind contributions**

During the reporting period Tavevo did not receive any in-kind contributions or donations.

**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.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

d. Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital Work in Progress relates mainly to the costs of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line 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:

Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Intangible assets	30%
Buildings	2.5%
Water distribution systems	2.5%

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

e. Intangible assets.

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an

Notes to the financial statements (continued)

**Summary of Significant Accounting Policies**

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 is included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on DE recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

**h. Right of use of 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.

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

**Summary of Significant Accounting Policies**

**i. Fixed interest investments(bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (C.B.K) 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**

There were no quoted investments for Tavevo water and sewerage Co. ltd.

**k. Unquoted investments**

There were no unquoted investments for Tavevo water and sewerage Co. ltd.

**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.

**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.

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

**Summary of Significant Accounting Policies**

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

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

**o. Deferred Tax**

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

**p. Borrowing Costs**

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

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

q. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorized public officers which were not surrendered or accounted for at the end of the financial year.

r. Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at 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.

s. Trade and other payables

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

t. Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2012. The scheme is administered by a registered fund Manager and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

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

**Summary of Significant Accounting Policies**

**u. Provision for staff Leave**

Employees' entitlements to annual leave are recognised as they accrue at the employees. The total leave cost is captured at the reporting date

**v. Exchange rate difference**

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Tavevo did not undertake any transactions in foreign currency.

**w. Budget information**

The original budget for FY 2024-2025 was approved by the Board of directors on 21-06-2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations on the 2024-2025 budgets following the Board of director's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference,

Adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

Notes to the financial statements (continued)

Summary of Significant Accounting Policies

a. 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.

b. Comparative figures

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

c. Subsequent events

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

d. Fair value adjustment reserve

The fair value adjustment reserve relates to assets handed over from Coast Water Works Development Agency during formation of Tavevo water and sewerage Company. Details of the same are still scanty from the handover in the year 2006.

5. Significant judgements 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.

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

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

**Summary of Significant Accounting Policies**

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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 not issued during the period under review. No information has come to the attention of management as to collectability of accounts receivables in the period ended 30<sup>th</sup> June 2025.

Notes to the financial statements (continued)

**Summary of Significant Accounting Policies**

**a) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The 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 not issued during the period under review.

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

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

**6. Operating Revenue**

	2024-2025	2023-2024
	Kshs	Kshs
Water sale	387,317,492	374,236,350
Meter rent	-	3,118,660
Adjustments	(1,792,322)	-
<b>Total</b>	<b>385,525,170</b>	<b>377,355,010</b>

**7. Grants Income**

	2024-2025	2023-2024
	Kshs	Kshs
Water Sanitation Development Project (I.D.A) Funding Through County Government	118,125,322	148,006,875
Water Sector Trust Fund-U.B.S.U.P	-	3,300,000
Water Sector Trust Fund- Kishenyi Kishushe W.R.U.A	-	487,000
Water Sector Trust Fund-Grants	2,543,850	-
<b>Total</b>	<b>120,669,172</b>	<b>151,793,875</b>

*See Grants breakdown below;*

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	2024/2025
	Kshs	Kshs	Kshs	Kshs	Kshs
Water Sector Trust Fund	2,543,850	-	27,313,176	29,857,026	29,857,026
Ministry of Water and sanitation- W.S.D.P	118,125,322	-	89,054,117	207,179,439	207,179,439
<b>Total</b>	<b>120,669,172</b>	<b>-</b>	<b>116,367,293</b>	<b>237,036,465</b>	<b>237,036,465</b>

*1. Grant income for the year is categorised as per the above schedule.*

Notes to the financial statements (continued)

8. Other Income

	2024-2025	2023-2024
Description	Kshs	Kshs
Bowser service charge	9,594,100	7,555,029
Water Drilling charge	-	(210,000)
Exhauster Services	3,952,000	2,212,300
Sewer Billing/Unblocking charges	918,935	1,258,715
Illegal Connection charge	825,100	1,042,257
New Connection charge	3,090,252	1,307,984
Account Reconnection charge	2,300,500	2,126,889
Collapsible tank hire charge	10,000	10,500
Account Termination charge	22,200	6,089
Meter Damaged/Tampering	401,300	668,454
Water loss charges	1,555,696	-
Meter Replacement	1,470,500	42,642
Meter testing	51,700	62,000
Materials cost (Bought by clients)	246,374	-
Payroll Recoveries	-	18,300
Public sanitation facility	-	1,903,556
<b>Total</b>	<b>24,438,657</b>	<b>18,004,715</b>

Other income refers to income generated from services such as reconnection fees, sales from sludge handling, bowzers, illegal connection penalties etc.

9. Staff Costs

	2024-2025	2023-2024
Description	Kshs	Kshs
Salary	107,168,070	94,649,361
Leave allowance	5,275,191	3,326,926
Casual wages	38,690	8,147,052
Recruitment cost	-	1,119,250
NSSF - Company contribution	4,696,447	4,257,047
Housing Levy	1,047,271	1,748,733
Gratuity	12,418,478	11,549,284
Pension	5,731,525	3,071,388
Training expenses	1,012,873	449,980
<b>Total</b>	<b>137,388,545</b>	<b>128,319,021</b>
The average number of employees during the year	240	246

Notes to the financial statements (continued)

10. General and Operations Expenses

	2024-2025	2023-2024
Description	Kshs	Kshs
Abstraction fees	6,691,105	9,099,260
Bulk water fees	151,587,028	162,101,322
Electricity	75,857,869	94,755,400
Water treatment	1,972,358	3,047,029
Wasreb Levy	15,421,007	14,969,454
Burial expenses	-	225,000
Electricity - Office	76,240	-
End year gift vouchers	1,265,000	1,008,000
Staff Telephone Airtime	3,641,742	2,988,700
Internet & website expenses	1,288,727	1,951,164
Postal services	27,740	25,885
Transportation, travelling and subsistence	33,793,173	21,379,568
Fuel oils & lubricants	8,908,075	19,913,159
Corporate social responsibility	-	154,000
Customer care & public relation	281,350	305,920
Rent & rates	920,000	603,200
Insurance Motor vehicle	211,928	856,656
Seminars & Conferences	672,445	469,000
Entertainment & Office meals	2,708,428	1,235,479
Provision of Audit fees	464,000	464,000
Legal fees	3,212,268	5,324,214
Staff Uniforms	-	37,700
Staff Membership & subscription	240,560	499,100
Advertising & promotion expenses	637,826	504,845
Publishing & printing	147,180	63,500
Office & general	3,677,304	1,991,670
Bank Commissions & charges	1,747,124	1,894,970
Managing Directors office	-	172,300
Contracted Guards	14,734,000	9,204,000
Wasco games	1,151,000	1,319,267

Notes to the financial statements (continued)

General and Operations Expenses (continued)

	2024-2025	2023-2024
Description	Kshs	Kshs
World Water day	-	100,000
WSTF-UBSUP Expenses	1,065	3,900,000
W.S.D.P Expenses	118,125,322	147,816,174
W.S.T.F WRUA	42,480	414,000
W.S.D.P A.R.A.P Expenses	-	300,000
W.S.T.F Refunds	2,543,850	-
W.S.T.F Wildlife support project	14,893,165	-
<b>Total</b>	<b>466,941,359</b>	<b>509,093,936</b>

11. Board Expenses

	2024-2025	2023-2024
Description	Kshs	Kshs
B.O.D Allowances	2,738,548	4,159,000
B.O.D Airtime allowance	294,000	294,000
Chairman's Honoraria	840,000	840,000
B.O.D Mllege claims	195,482	309,636
<b>Total Board Expenses</b>	<b>4,068,030</b>	<b>5,602,636</b>

12. Maintenance Expenses

	2024-2025	2023-2024
Description	Kshs	Kshs
SMS Billing & maintenance	-	933,326
ICT equipment & software maintenance	344,208	372,008
Maintenance of motor vehicles	5,783,396	5,679,037
Refurbishment & maintenance of assets	82,240	610,589
Electro-mechanical expenses	2,913,834	663,598
Maintenance of water supplies	12,356,393	9,056,588
Maintenance of Sewer systems	393,879	-
<b>Total Maintenance Expenses</b>	<b>21,873,950</b>	<b>17,315,146</b>

Notes to the financial statements (continued)

13. Depreciation and Amortization Expenses

	2024-2025	2023-2024
Description	Kshs	Kshs
Property, plant and equipment	35,053,544	53,366,345
Intangible assets	7,356,281	14,129
<b>Total Depreciation and Amortization</b>	<b>42,409,824</b>	<b>53,380,474</b>

14. Income Tax Expense/(Credit)

Current taxation

	2024-2025	2023-2024
	Kshs	Kshs
Profit/Loss before taxation	(142,048,709)	(166,557,613)
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
<b>Total</b>	<b>(142,048,709)</b>	<b>(166,557,613)</b>
	=====	=====

No Tax was paid at the end of the period since there was a reported loss of **Kshs. 142,048,709.**

Notes to the financial statements (continued)

15. Property, Plant and Equipment

	Computers 30% Kshs	Plant and Machinery 12.5% Kshs	Meters 12.5% Kshs	Furniture & Fittings 12.5% Kshs	Office equipment 12.5% Kshs	Buildings 2.5% Kshs	Water distribution systems 2.5% Kshs	Motor Vehicles/Cycles 25% Kshs	Capital work in Progress Kshs	Total Tangible assets Kshs
Cost/valuation										
As at 1-07-2023	9,097,969	35,263,514	125,749,641	3,832,275	6,646,821	11,823,083	273,396,971	85,970,000	249,530,807	801,311,081
Additions 23/24	1,711,100	4,353,021	23,081,720	-	1,536,516	-	-	-	317,551,093	348,233,450
Reclassification to Water distribution	-	-	-	-	-	-	-	-	-	-
As at 30th June 2024	10,809,069	39,616,535	148,831,361	3,832,275	8,183,337	11,823,083	273,396,971	85,970,000	567,081,900	1,149,544,531
Additions 24/25	810,000	3,867,884	9,731,926	-	4,692,200	-	-	-	234,510,401	253,612,411
Reclassification to Buildings	-	-	-	-	-	12,052,290	-	-	(51,466,390)	(39,414,100)
As at 30th June 2025	11,619,069	43,484,419	158,563,287	3,832,275	12,875,537	23,875,373	273,396,971	85,970,000	750,125,911	1,363,742,841
Depreciation										
As at 1st July 2024	7,824,498	19,125,492	85,438,254	3,832,275	6,078,814	1,556,191	22,372,246	85,970,000	-	232,197,770
Depreciation	756,330	5,435,552	19,820,411	-	1,609,442	596,884	6,834,924	-	-	35,053,544
As at 30th June 2025	8,580,828	24,561,044	105,258,665	3,832,275	7,688,256	2,153,075	29,207,170	85,970,000	-	267,251,313
NBV at 30.06.2024	2,984,571	20,491,043	63,393,107	-	2,104,523	10,266,892	251,024,725	-	567,081,900	917,346,761
NBV as at 30.06.2025	3,038,241	18,923,375	53,304,622	-	5,187,281	21,722,298	244,189,800	-	750,125,911	1,096,491,527

Notes to the financial statements (continued)

Work In Progress schedule

Donor	Project	Cost as at 1-07-2024	Additions 2024/2025	Transfers/ Reclassification	NBV at 30.06.2025
W.S.T.F	Kaloleni Water project	15,864,584	36,336,904	-	52,201,488
	Kishenyi Kishushe Water Project	26,214,048	36,542,350	-	62,756,398
	K.W.S - Water pans	12,974,954	1,918,211	(14,893,165)	-
	Msharinyi Public sanitation facility	956,655	4,821,222	(5,777,877)	-
	Voi Public sanitation facility	3,075,164	3,199,249	(6,274,413)	-
	Manga Public sanitation facility	4,326,675	97,000	-	4,423,675
	Upscaling basic sanitation	2,535,058	-	-	2,535,058
	E.R.P System	1,171,875	23,349,060	(24,520,935)	-
W.S.D.P	Warehouse	28,554,710	13,036,565	-	41,591,275
	Laboratory	32,647,779	15,689,069	-	48,336,848
	Upgrade of Water distribution	385,932,388	73,499,201	-	459,431,589
	Ablution Block	30,739,801	-	-	30,739,801
	Office Block	22,088,208	26,021,570	-	48,109,778
	<b>Total</b>	<b>567,081,900</b>	<b>234,510,401</b>	<b>(51,466,390)</b>	<b>750,125,910</b>

Notes

1. Work in progress detailed movement is provided in the above schedule. These are donor funded activities that have continued since the previous year 2023-2024.

**Tavevo Water and Sewerage Company Ltd**  
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**Notes to the financial statements (continued)**

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

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

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Land & Buildings	23,875,373	2,153,075	21,722,298
Plant and machinery	43,484,419	24,561,044	18,923,375
Motor vehicles, including motorcycles	85,970,000	85,970,000	-
Computers and related equipment	11,619,069	8,580,828	3,038,241
Office equipment, furniture, and fittings	12,875,537	7,688,256	5,187,281
Meters	158,563,287	105,258,665	53,304,622
Furniture & Fittings	3,832,275	3,832,275	-
Water distribution systems	273,396,971	29,207,170	244,189,800
Capital work in progress	750,125,911	-	750,125,911
<b>TOTAL</b>	<b>1,363,742,841</b>	<b>267,251,314</b>	<b>1,096,491,527</b>

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

	<b>Cost or valuation</b>	<b>Normal annual depreciation charge</b>
	<b>Kshs</b>	<b>Kshs</b>
Motor vehicles, including motorcycles	85,970,000	21,492,500
Furniture and fittings	3,832,275	479,034.38
Computers	9,097,969	2,729,390.70
Intangible assets	6,646,266	1,993,879.80
<b>Total</b>	<b>105,546,510</b>	<b>26,694,805</b>

**Notes**

- Computers have been fully depreciated as at 30<sup>th</sup> June 2023 Kshs. 9,097,969 while intangible assets as at 30<sup>th</sup> June 2024 Kshs. 6,646,266 have been fully depreciated.*

Notes to the financial statements (continued)

**16. Intangible Assets**

	2024-2025	2023-2024
	Kshs	Kshs
<b>COST</b>		
At July 1	6,646,266	6,599,170.00
Additions	24,520,935	47,096.00
Disposals	-	-
<b>At June 30</b>	<b>31,167,201</b>	<b>6,646,266</b>
<b>AMORTISATION</b>		
At July 1	(4,428,495)	(4,414,365)
Charge for the year	(7,356,281)	(14,129)
Disposals	-	-
Impairment Loss	-	-
<b>At June 30</b>	<b>(11,784,775)</b>	<b>(4,428,494)</b>
<b>NET BOOK VALUE</b>		
<b>At June 30</b>	<b>19,382,426</b>	<b>2,217,772</b>
	=====	=====

**17. Inventories**

	2024-2025	2023-2024
	Kshs	Kshs
General stores	121,432,334	111,968,352
Chemicals & Laboratory items	22,967,821	-
Electromechanical fittings	13,018,972	-
Stationery and general stores	632,618	-
Hardware & Furniture	424,980	-
Work in progress	-	-
Less: Impairment of stocks	-	-
<b>Total</b>	<b>158,476,725</b>	<b>111,968,352</b>

Notes

1. Valuation of the inventory is as per IAS 2.

Notes to the financial statements (continued)

17 a) Inventory movement details

Description	2024-2025	2023-2024
	Kshs	Kshs
At the beginning of the year	111,968,352	75,875,861
Additional provisions during the year	46,508,373	36,092,491
At the end of the year	158,476,725	111,968,352

18. (a) Trade and Other Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Trade receivables (note 18(b))	340,372,422	335,536,225
Staff receivables (note 18 (c))	769,936	765,513
Taita Taveta County receivable	3,878,616	3,878,616
BOD Receivable	240,728	240,728
Staff Imprest	2,954,201	892,940
Kenya Commercial Bank	18,150	18,150
Pan-African Insurance co. Ltd	32,461	32,461
<b>Gross trade and other receivables</b>	<b>348,266,514</b>	<b>341,364,633</b>
Provision for bad and doubtful receivable	-	-
<b>Net trade and other receivables</b>	<b>348,266,514</b>	<b>341,364,633</b>
<b>Analysed as:</b>		
<b>Short-Term Trade and other receivables</b>	<b>344,387,898</b>	<b>337,486,017</b>
<b>Long-Term Trade and other receivables</b>	<b>3,878,616</b>	<b>3,878,616</b>

18. (b) Trade Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	340,372,422	335,536,225
Provision for doubtful receivables	-	-
<b>Net Trade receivables</b>	<b>340,372,422</b>	<b>335,536,225</b>
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	13,614,897	13,413,770
Between 30 and 60 days	10,211,173	10,060,328
Between 61 and 90 days	6,807,448	6,706,885
Between 91 and 120 days	17,018,621	16,767,213
Over 120 days	292,720,283	288,588,029
	<b>340,372,422</b>	<b>335,536,225</b>

Notes to the financial statements (continued)

18. (c) Staff Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross staff advances	769,936	765,513
Provision for impairment loss	-	-
<b>Net staff advances</b>	<b>769,936</b>	<b>765,513</b>
Less: Amounts due within one year	(769,936)	(765,513)
<b>Amounts due after one year</b>	<b>-</b>	<b>-</b>

19. Short Term Deposits

	2024-2025	2023-2024
	Kshs	Kshs
Deposit receivable - Rented property	46,000	46,000
Wasreb Performance Guarantee-Cash collateral	-	3,803,590
<b>Total</b>	<b>46,000</b>	<b>3,849,590</b>

- I. Deposits relate to rented/leased premises used in our MacKinnon, Mwatate and Maungu branch offices.
- II. Wasreb guarantee was encashed during the period under review and paid against the Wasreb levy payable.

Notes to the financial statements (continued)

20. Bank and Cash Balances

	2024-2025	2023-2024
	Kshs	Kshs
Cash at Bank	46,594,618	195,681,041
Cash in Hand	-	53,400
Mobile Money	388,892	541,175
<b>Total</b>	<b>46,983,510</b>	<b>196,275,617</b>

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

	2024-2025	2023-2024
	Kshs	Kshs
<b>a). Current Accounts</b>		
Co-operative Bank - Customer deposit a/c 01136220957300	12,778,457	9,024,443
KCB-collection a/c-1108161227	664,527	193,949
KCB-expenditure a/c-1108161332	(516,690)	7,332
Posta Pay	3,040,247	3,040,246
<b>Sub-Total</b>	<b>15,966,541</b>	<b>12,265,971</b>
<b>b). Mobile money accounts</b>		
M-PESA Paybill-913350	368,274	541,175
M-PESA Paybill-Working account	20,618	-
<b>Sub-Total</b>	<b>388,892</b>	<b>541,175</b>
<b>(c). Project accounts</b>		
K.C.B - WSDP a/c 1242765387	3,986,668	93,719,549
K.C.B-WSTF Voi PSF 1316970515	-	581,711
KCB-W.S.T.F UBSUP a/c 1268029874	98,879	100,002
Co-operative Bank - ARAP a/c 01141220957302	119,517	119,516
K.C.B-WSTF C.L.S.G a/c 1282488406	8,314	5,239
Co-operative Bank - W.S.T.F Kishenyi kishushe a/c01141220957304	8,947,748	34,815,323
Co-operative Bank -W.S.T.F P.S.F Manga a/c 01141220957303	346,941	1,267,952
Co-operative Bank -W.S.T.F Kaloleni project A/c 01102209573002	17,094,065	48,555,905
K.C.B - W.S.T.F Wildlife support 1313168114	-	1,662,286
Co-operative Bank -W.S.T.F W.R.U.A 01102209573001	25,945	72,770
K.C.B -W.S.T.F Msharinyi PSF 1323245626	-	2,514,815
<b>Sub-Total</b>	<b>30,628,077</b>	<b>183,415,070</b>
<b>(d). Cash in Hand</b>		
Cash in Hand-Cashier	-	53,400
<b>Sub-Total</b>	<b>-</b>	<b>53,400</b>
<b>Grand Total</b>	<b>46,983,510</b>	<b>196,275,617</b>

Notes to the financial statements (continued)

**21. Ordinary Share Capital**

	2024-2025	2023-2024
	Kshs	Kshs
1,000 ordinary shares of Kshs. 100/= par value each	100,000	100,000

**22. Fair Value Adjustment Reserve**

	2024-2025	2023-2024
	Kshs	Kshs
Fair value adjustment reserve	117,162,233	97,214,636

**23. Retained Earnings**

	2024-2025	2023-2024
	Kshs	Kshs
Retained earnings	(399,731,903)	(257,683,194)

**24. Capital/Development Fund**

	2024-2025	2023-2024
	Kshs	Kshs
Opening Balance for the period	550,768,275	199,446,371
Water Sanitation Development Project (I.D.A) Funding Through County Government.	89,054,117	280,393,025
Water Sector Trust Fund Wildlife support program	-	13,189,181
Water Sector Trust Fund Kishushe Kishenyi water project	6,495,169	-
Water Sector Trust Fund- Voi Public sanitation facility	1,440,099	3,518,470
Water Sector Trust Fund- Manga Public sanitation facility	(822,955)	1,711,051
Water Sector Trust Fund- Kaloleni water project	18,399,410	49,051,707
Water Sector Trust Fund- Msharinyi P.S.F	1,801,453	3,458,470
<b>Net grant cashflows for the period</b>	<b>116,367,293</b>	<b>351,321,904</b>
<b>Closing Balance for the period</b>	<b>667,135,568</b>	<b>550,768,275</b>

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Notes to the financial statements (continued)

	2024-2025	2023-2024
	Kshs	Kshs
Grants Received during the period	237,036,465	503,115,779
Transfers to Capital fund during the period	(116,367,293)	(351,321,904)
Grants utilised in operations during the period	120,669,172	151,793,875

Notes:

I. The above are grants utilised for capital projects from donors and development partners.

II. For Manga Public sanitation facility balance of funds Kshs. 822,955 returned to donor being balance not utilised in the project.

25. Service Gratuity

	2024-2025	2023-2024
	Kshs	Kshs
Service Gratuity	69,035,386	68,185,999

26. Coast Water works Development Agency-Lease fees

	2024-2025	2023-2024
	Kshs	Kshs
Coast Water Works Development Agency-Lease fees	129,397,816	129,397,816

27. Trade and other payables

	2024-2025	2023-2024
	Kshs	Kshs
Coast Water Works Development Agency Bulk water supply	732,567,352	653,142,565
Other payables	258,327,752	247,435,861
KENAO fees	7,180,000	6,716,000
KPLC	6,685,931	8,053,174
Employee payables	36,824,523	27,951,908
KCB payable	76,606	76,606
Staff Payables	59,387	523,028
<b>Total</b>	<b>1,041,721,551</b>	<b>943,899,142</b>

Notes to the financial statements (continued)  
Aging Analysis for Trade and other Payables

	2024-2025	% of the Total	2023-2024	% of the Total
	Kshs		Kshs	
Under one year	52,086,078	5%	47,194,957	5%
1-2 years	229,178,741	22%	207,657,811	22%
2-3 years	166,675,448	16%	151,023,863	16%
Over 3 years	593,781,284	57%	538,022,511	57%
<b>Total</b>	<b>1,041,721,551</b>	<b>100%</b>	<b>943,899,142</b>	<b>100%</b>

28. Customer Deposit

	2024-2025	2023-2024
	Kshs	Kshs
Customer Deposits	44,826,051	41,140,051
Prepayments by Customers	-	-
<b>Total</b>	<b>44,826,051</b>	<b>41,140,051</b>

Aging Analysis for customer Refundable Deposits

	2024-2025	% of the total	2023-2024	% of the total
	Kshs		Kshs	
Under one year	3,586,084	8%	3,173,710	8%
1-2 years	4,930,866	11%	4,490,825	11%
2-3 years	5,827,387	13%	5,460,110	13%
Over 3 years	30,481,715	68%	28,015,406	68%
<b>Total</b>	<b>44,826,051</b>		<b>41,140,051</b>	

Management notes the challenges to Tavevo's going concern and has taken a number of strategies to counter the same as listed below;

- *To ensure growth in revenues, we have also employed a number of non-revenue water reduction strategies as stated in the NRW response.*
- *Collections of receivables is another angle we wish to employ to increase collection on top of the amounts we bill every month. This will be achieved by employing the collection solutions provided through the ERP system and a contracted debt collector.*
- *The company proposes solarization on major installations to cut high electricity costs contributing to negative working capital.*
- *Finally, engagement with donors and partners to develop efficient systems e.g. Water sector trust fund and World bank.*

Notes to the financial statements (continued)

29. Notes to The Statement of Cash Flows

	2024-2025	2023-2024
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit/(loss)	(142,048,709)	(166,557,613)
Depreciation	35,053,544	53,366,345
Amortization	7,356,281	14,129
(Gain)/loss on disposal of property, plant and equipment	-	-
<b>Operating profit/(loss) before working capital changes</b>	<b>(99,638,885)</b>	<b>(113,177,139)</b>
	=====	=====
<b>(b) Analysis of changes in loans</b>		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>
	=====	=====
<b>(c) Analysis of cash and cash equivalents</b>		
Cash at bank	15,966,541	12,265,971
Cash in hand	-	53,400
Project accounts	30,628,077	183,415,070
Mobile money	388,892	541,175
<b>Balance at end of the year</b>	<b>46,983,510</b>	<b>196,275,617</b>
	=====	=====

Notes to the financial statements (continued)

Other Disclosures

30. Related Party Disclosures

County Government of Taita Taveta

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

Other related parties include:

- The County Department in charge of Water
- County Government of Taita Taveta
- Coast Water works Development Agency
- W.A.S.R.E.B (Water Services Regulatory Board)
- W.A.R.M.A
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2024-2025	2023-2024
	Kshs	Kshs
<b>a.) Purchases from related parties</b>		
Purchase of water from C.W.W.D. A	151,587,028	162,101,322
<b>Total</b>	<b>151,587,028</b>	<b>162,101,322</b>
<b>b.) Key management compensation</b>		
Directors' emoluments	4,068,030	5,602,636
<b>Total</b>	<b>4,068,030</b>	<b>5,602,636</b>

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

**31. Incorporation**

Tavevo water and sewerage Co. Ltd in Kenya under the Kenyan companies Act and is domiciled in Kenya.

**32. Events After the Reporting Period**

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

## 20. Appendices

### Appendix I: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Material Uncertainty related to going concern	Upon the installation and commissioning of the E.R.P system there has been tremendous improvement of Revenues from Kshs. 395 million to Kshs. 409 million and reduced deficit of Kshs. 141 million from Kshs. 166million. The above demonstrates positive movement towards going concern of the company.	Resolved	
2.	Unsupported Cash and cash equivalents	The management has done demand letter for unremitted funds from Posta pay. Additionally management has also filed a lawsuit to compel Posta pay to pay the outstanding amounts.	Not resolved	30/6/2026
3.	Un explained Variance in Customer Deposits	I. Water sales II. Wasreb Levy III. Inventories All the above have been resolved	Resolved	
4.	Undisclosed donated assets	Assets in question are still under the ownership of Coast water works development agency therefore the company is unable to report the same as assets in its books until the handover of the same is done.	Resolved	
5.	Misclassification of Grants income	The matter is now resolved and grants well presented in the current financial statements.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6	Unsupported Lease fees obligation	The matter has been raised with C.W.W.D.A and management are awaiting positive feedback from the Agency.	Not resolved.	
7.	Irregular Legal Costs	The management appointed a full time Legal and board affairs officer who now maintains all records appertaining legal cases for the company.	Resolved	
8.	Non-Revenue Water	Management has put in place a myriad of measures to counter NRW levels including purchase of modern equipment and formation of a NRW task team.	Resolved	
9.	Use of estimated billing	The management has now digitised meter reading and all meter reading staff are furnished with equipment to ensure capturing of meter readings. Additionally new meters have been purchased for replacement of non-functional ones.	Resolved	
10.	Unsupported fuel ,Oils and lubricants.	The management has gone through all fuel orders and registers and reconciled the same to satisfaction.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
11.	Undisclosed Payables on unsettled terminal dues	The management has resolved this matter. The new system captures both current and historical staff dues accrued on monthly basis.	Resolved	
12.	Undisclosed provision for doubtful receivables	Management has embarked on debt collection for the old debts and will provide a provision once the exercise is done and collection is found to be impossible.	Resolved	
13.	Presentation of the financial statements	Management has adopted the water service providers template 2024-2025 in the current reporting period.	Resolved	

Name: BENSON MBATA MWANGI

Signature: [Handwritten Signature]

Managing Director

Date: 21/11/2025

**Appendix II: Projects Implemented by the Company**  
**Projects**

Projects implemented by the Company Funded by development partners

**Status of Projects completion**

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Water Sanitation Development Project (I.D.A) Funding Through County Government	2,500,000,000	1,637,006,181	65%	2,500,000,000	2,500,000,000	Word Bank IDA
Water Sector Trust Fund Wildlife support program	17,167,322	17,167,322	100%	17,167,322	17,167,322	W.S.T.F
Water Sector Trust Fund- Manga P.S. F	5,808,548	4,331,301	100%	5,717,833	5,717,833	W.S.T.F
Water Sector Trust Fund - Kaloleni water project.	69,973,673	52,879,482	76%	69,973,673	69,973,673	W.S.T.F
Water Sector Trust Fund- Mui P.S. F	5,982,323.00	5,982,323.00	100%	5,982,323.00	5,982,323.00	W.S.T.F
Water Sector Trust Fund- Msharinyi P.S. F	5,982,323.00	5,982,323.00	100%	5,982,323.00	5,982,323.00	W.S.T.F
Water Sector Trust Fund- Kishenyi Kishushe water project	87,521,466	78,573,718	90%	87,521,466	87,521,466	W.S.T.F

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