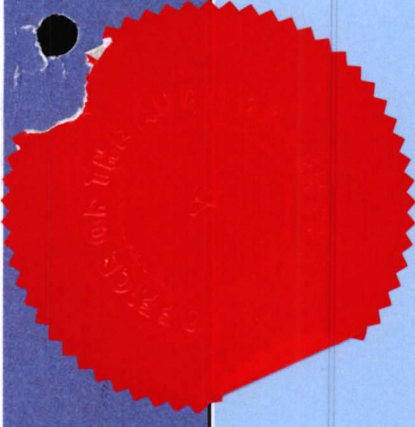


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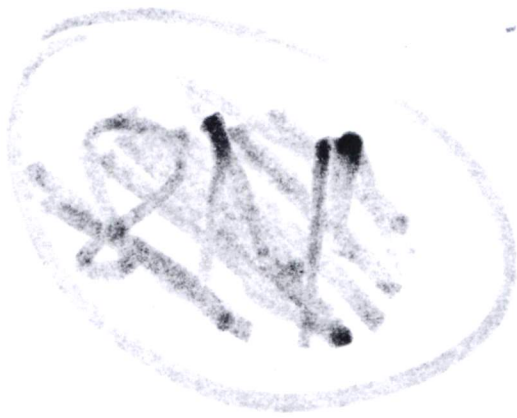
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MURANG'A WEST WATER AND
SANITATION COMPANY LTD

FOR THE YEAR ENDED
30 JUNE, 2025

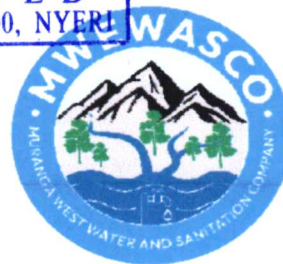


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MURANGA WEST WATER AND SANITATION COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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



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1. Acronyms and Glossary of Terms

Acronyms	Glossary of Terms
MWEWASCO	Murang’a West Water & Sanitation Company
WASREB	Water Services Regulatory Board
AWWDA	Athi Water Works Development Agency
TWWDA	Tana Water Works Development Agency
WSTF	Water Services Trust Fund
KPIS	Key Performance Indicators
WASPA	Water Services Providers Associations
KEWI	Kenya Water Institute
ERP	Enterprise Resource Planning
NRW	Non-Revenue Water
WRA	Water Resource Authority
CECM	County Executive Committee Member
OCCR	Operating Cost Coverage Ratio
DTF	Decentralized Treatment Facility
CLSG	Conditional Liquidity Support Grant

2. Key Entity Information

Background information

Murang'a West Water and Sanitation Company was established by the Companies Act of Parliament on 10th April 2006 with a mandate of providing water and sanitation services to Kangema and Kahuro Sub-Counties. The entity is fully owned by the County Government of Murang'a. The Company changed its name from Kahuti Water and Sanitation Company in December 2022 and was issued with a certificate of change of name by the Registrar of Companies.

Principal Activities

The principal activity of the entity is to provide quality water & sanitation services at an affordable rate.

Vision

To be the leading water and sanitation provider in the country.

Mission

To ensure provision of quality water and sanitation services to its customers in an affordable and sustainable manner.

Core objectives

1. To increase access and coverage to water services within the area of jurisdiction
2. To reduce non-revenue water
3. To achieve operational financial stability
4. To strengthen the company's institutional capacity
5. To improve communication with stakeholders
6. Facilitate improvement in access to sanitation services
7. Mainstream cross cutting issues of poverty, HIV, environment

Directors

The Directors who served the entity during the year/period were as follows as appointed/reappointed by the County Government of Murang'a on 24th November 2023;

1. Mr. George M. Kiragu -Chairperson
2. Mr. John M. Maina-
3. Mrs. Frasih W. Kamau-
4. Mrs. Bridget W. Kariuki-
5. Mr. George M. Maina
6. Mrs. Margaret W. Gitau
7. Mrs. Naomi M. Kariuki
8. Prof. Mwaura Kiarie- CEC Finance
9. Mrs. Mary M. Magochi- CEC Water

Company Secretary

Mr. Gikuhi Kiana
P.O. Box 1271-10100
NYERI

Corporate Headquarters/Registered Office

Murang'a West Water Building
Off Kangema-Kanorero Road
P.O. Box 118-10202
Kangema, KENYA

Corporate Contacts

Telephone: (254) 728 828 168 or 0769 951 223
E-mail: kahutiwater@yahoo.com
Web-site: info@mwewasco.co.ke

Corporate Bankers

Equity Bank Ltd
Kangema Branch

Family Bank Ltd
Kangema Branch

Independent Auditor

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




Principal Legal Advisers

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

3. The Board of Directors

 <p>George M. Kiragu</p>	<p>George Kiragu Mwangi was born in 1971. He is a marketing professional with extensive experience in business and manufacturing sector. He has held key roles at Murang'a Farmers Co-operative Union, Central Kenya Coffee Mills, Sasini Coffee Mills, and Tropical Farm Management. Currently, he serves as the Marketing Executive Officer at Alliance Berries Coffee Brokers.</p> <p>Beyond his marketing expertise, George is an entrepreneur with ventures in the transport sector and the hospitality industry. He also serves as a delegate at Amica Sacco, contributing to its strategic growth and development. He is currently the Chairperson of the Board of Directors</p>
 <p>John M. Maina</p>	<p>John Mwangi Maina is a Certified Change Manager and Human Resources Professional with over 25 years of experience in the energy sector. He possesses strong expertise in strategic HR policy design, human capital development, performance management, and leading organizational change initiatives.</p> <p>John is known for his track record of delivering on targets, with well-honed planning, management, and leadership skills. He holds an MBA in Entrepreneurship from Kenyatta University, a BA in Sociology, a Postgraduate Diploma in Cultural Studies from the University of Nairobi, and a Higher Diploma in Human Resources Management (KNEC). He is currently the Chairperson of Administration and Finance Committee</p>
 <p>Frasah W. Kamau</p>	<p>FrasahWanjiku Kamau was born in 1965. She holds a Bachelor of Education Degree (Arts) from Kenyatta University. She also holds a Diploma in School Management from Kenya Education Management Institute(KEMI). She has served as Head of Institution in several schools and is currently working as the Head of Institution of Muchagara in Murang'a South. She has previously served as a Secondary School Board of Management. She represents woman organisations nominated by KEWOTA(Kenya Women Teachers Association. She has been the Chairperson of the Board of Directors of Mwewasco there before. She is currently the Chairperson of Technical Committee</p>
 <p>Bridget W. Kariuki</p>	<p>Bridget Wambui Kariuki was born in 1993. She is an entrepreneur with a strong background in business and farming. She holds a Diploma in ICT, which she leverages to integrate technology into her operations. Bridget's diverse skill set and experience have contributed to her success in managing and expanding her business ventures in both sectors. She is currently the Chairperson of Audit Committee</p>

**Murang'a West Water and Sanitation Company Ltd
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 <p>George M. Maina</p>	<p>Born in 1994, George Macharia Maina is a qualified technician with a Diploma in Refrigeration, Air Conditioning, and Electrical Installation. He has worked as a technician at Aspendos Dairy in Kangema and Sea View Company in Thika. Currently, George works as a field technician, continuously enhancing his technical expertise and striving for further professional development to achieve his career objectives. He is a member of Technical committee</p>
 <p>Margaret W. Gitau</p>	<p>Margaret Wairimu Gitau was born in 1957. She is a compassionate community leader with extensive experience in peace building, conflict resolution, and pastoral care. She holds an O-Level certificate and a Certificate in Theology, which has enhanced her ability to counsel and support those in need. Margaret has been particularly effective in helping youth affected by substance abuse, using her skills to foster healing and growth. Her lifelong dedication to service continues to positively impact her community, as she bridges generations with care and wisdom. She is a member of Audit committee</p>
 <p>Naomi M. Kariuki</p>	<p>Naomi Muthoni Kariuki was born in 1975. She is a dedicated businesswoman and Kenyan citizen with a Diploma in Sales and Marketing. She has gained valuable experience working as a Clerk at RuaiKamba Society Ltd and as a Secretary at Iyego Society Ltd. Currently, Naomi runs a successful business in Kangema town. With a strong commitment to personal and professional growth, she continually seeks to enhance her skills and achieve new goals in her career. She is a member of Administration and Finance committee</p>

 <p>Eng. Ephantus Kamau</p>	<p>Managing Director Ephantus Kamau holds a Bachelor's degree in Civil Engineering from the University of Nairobi and a diploma in Sustainable Urban Water & Sanitation from Lund University, Sweden. Born in 1962, he has also attended a number of management courses, both locally and overseas. Before joining Murang'a West Water and Sanitation Company, he was working in the Urban Development Department of the then Ministry of Local Government, where he oversaw design and implementation of various water, sanitation and bus park projects, besides participating in many reform programs. He has also been a member of the board in a number of Water Service Providers, including the Meru Water and Sewerage Services trust (Mewass), where he's among the pioneer board members. He was a member of the executive committee of the Water and Sanitation Providers Association (WASPA) for three years from January 2020 to December 2022.</p>
 <p>Mary M. Magochi – CECM Water</p>	<p>She is the CECM in charge of Water, irrigation and environment and natural resources, Muranga County Government. She holds a Bachelor of Science degree in Bio Systems Engineering from the University of Nairobi and registered by both EBK and IEK. She has extensive experience in consulting and business development</p>
 <p>Prof. Mwaura Kiarie – CECM Finance</p>	<p>He is the CEC Finance, IT and Economic Planning Murang'a County Government. Fellow of the Institute Certified Secretaries (ICS), and the immediate former dean of the University of Nairobi's School of Law, where he is a professor of corporate law. He is a certified governance auditor, who has published widely in the area of corporate governance and corporate law and has served on the boards of the Transport Licensing Appeals Board and National Council for Law Reporting. Previously, he has worked as the Vice Chancellor of Riara University. He has served as a consultant on corporate governance for a variety of local and international organizations. He has served as the Chairman of the Murang'a County Initiative (MCI) Steering Committee Towards the realization of goals and development objectives</p>







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Richard Gikuhi Kiana
-Company Secretary

FCS Richard K. Gikuhi is a Certified Secretary and a Fellow of the Institute of Certified Secretaries of Kenya. He is an Accredited Governance Auditor, holds a Master of Business Administration Degree with a major in Strategic Management from Moi University and an Advanced Practical Course in Management of Urban Development from Birmingham University. He is currently the Managing Partner at Gikuhi Kiana & Company, Certified Secretaries. For over 25 years he has worked with various Water and Sanitation Companies as a Company Secretary and advises in the area of Corporate Governance. His stint at the European Union contributes to his knowledge in Project Management and Capacity building

4. Key Management Team

	<ul style="list-style-type: none"> - BSC –Civil Engineering
<p>Eng. Ephantus Kamau-Managing Director</p>	
	<ul style="list-style-type: none"> - Masters in. Engineering - BSC-(Water& Environmental Engineering),PMP
<p>Eng. Peter Njoroge- Technical Manager</p>	
	<ul style="list-style-type: none"> -Master's in Business Administration(MBA) - B.COM- Finance - CPA - K
<p>CPA. Titus Mukunda- Commercial Manager</p>	
	<ul style="list-style-type: none"> - Master's in Business Administration(MBA) -B.COM-Human Resource Management -Dip. -HRM - IHRM -CHRP
<p>Cecilia Nthigah- Human Resource & Administration Manager</p>	
	<ul style="list-style-type: none"> - Bachelor of Business Administration-(BBA) -CPA-K
<p>Josephat Macharia- Internal Auditor</p>	
	<ul style="list-style-type: none"> - MBA - CPS (K)
<p>Richard Kiana - Company Secretary</p>	

5. Chairman's Statement

I am pleased to present the annual report and financial statements of Murang'a West Water and Sanitation Company for the year ended 30th June 2025.

This is our second report under the new governance structure following the appointment of a new Board of Directors by the Murang'a County Government in November 2023, in line with Senate resolutions and sector regulations. I thank the former directors for their service and commend the new Board for their dedication and enthusiasm in steering the company forward.

During the year, we continued implementing our five-year strategic plan, expanding service coverage to previously unserved areas and increasing our active consumer base. This progress was made possible through strong cooperation with the communities we serve.

For the year under review, total revenue stood at Kshs.123,353,021 against expenditure of Kshs.118,558,782 resulting in an after-tax surplus of KShs 4,439,806.

Non-Revenue Water (NRW) dropped to 44% as of 30th June 2025, continuing its gradual decline. To address NRW, we have adopted durable HDPE pipes for new lines, enhanced metering to nearly 100%, and deployed GPS tools to detect illegal connections, working closely with local administration to curb such cases. However, climate change particularly frequent and severe landslides have increased repair costs and complicated NRW management.

Significant network extensions were undertaken during the year. We have advanced proposals to both the National and County Governments for key projects, including treatment works at Tuthu, centralized sewerage for Kangema and Kahuro and various distribution expansions.

Under the UBSUP program, we began improving 200 toilets in Kangema Township, with 160 completed and awaiting subsidies for the remaining 40. We are also pursuing approval for a Decentralized Treatment Facility (DTF) to handle waste from septic tanks and VIP toilets in Kangema and surrounding areas.

Additionally, we are engaging with the Water Fund on the Conditional Liquidity Support Grant (CLSG2), which will provide over 40 km of last-mile connectivity.

Our corporate social responsibility efforts have focused on offering industrial attachments to students, with about 10 trainees hosted at any given time. We also participated in World Water Day activities alongside the County Government, other Water Service Providers, and stakeholders. In response to community needs, we provided free water connections to landslide victims at Kiairathe Shopping Centre and other various homes in need (2no).

Looking ahead, the outlook is promising. National Government infrastructure investments are boosting our revenue, while the County Government supports last-mile connectivity through ward funds. We

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

are also part of the World Bank-GoK K-Wash program, expected to inject Kshs.140 million over five years for water and sanitation projects.

We remain committed to delivering clean, affordable, and reliable water to all residents within our jurisdiction, guided by our values and dedication to service excellence.

I extend my gratitude to the Board of Directors for their commitment, the National and County Governments for their support, Athi Water Works Development Agency for infrastructure development and capacity building, Water Fund for partnering on UBSUP and CLSG2, and WASREB for regulatory guidance. Finally, I thank our management, staff, and all stakeholders for their continued trust and support.

Thank you.

George K. Mwangi



Date:

11/11/2025

Board Chairperson

6. Report of the Managing Director

Introduction

The mission of Murang'a West Water & Sanitation Company (MWEWASCO) is to ensure provision of quality water and sanitation services to our customers in an affordable and sustainable manner. This is in tandem with the Sustainable Development Goal (SDG) no.6 (on water & sanitation) and the social & economic pillars of Kenya's vision 2030.

As a regulated Water Service Provider, our operations are highly guided by the sector regulations and Key Performance Indicators (KPIs) as periodically provided by the regulator. Based on these KPIs, the performance of Water Service Providers is accessed annually and the companies ranked accordingly. In the last such ranking, MWEWASCO was position 23 out of 90 and in top 5 most improved WSPs.

Financial status

Revenue for the year ended June 30th 2025 was Kshs.123,353,021 and expenditure of Kshs.118,558,782. Due to our prudent utilization of the CLSG1, we qualified for CLSG2 of Kshs.30 million, to be utilized in mainly on last mile connectivity and procurement of motor cycles for mobility. Kshs.15million has already been disbursed and we are laying ground to commence implementation.

Other Key Performance Indicators

Non-Revenue Water

NRW is the water that is produced at abstraction but not billed. It comprises physical losses (leaks and bursts) and commercial losses (illegal connections, inaccurate meter reading, unmetered consumption, etc.). When the company was incorporated in 2006, the NRW was unknown and could only be estimated. When it was measured for the first time, it was about 89%. This has been going down as noted in the Auditor's report, it was 44% at the time of reporting. Some of the measures that've been applied to reduce this include:

- Shifting from use of PVC pipes to HDPE, that are more durable.
- Application of GPS tools to map out illegal connections in some areas.
- Enhanced metering
- Implementation of the recommendations of the Customer Identification Survey (CIS).

Service Coverage

This is the number of customers served as a percentage of the total population within our area of jurisdiction. This year coverage has increased by 1% and it is at 65%.

Drinking water quality

All our drinking water quality has continued to pass quality tests. This means that our water is safe to drink. Challenges of turbidity however, occur when there are heavy rains, forcing us to use more chemicals or temporarily close the system.

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

Completed projects

Over the period, a number of projects were completed with the assistance of the National Government through the Athi Water Works Development Agency. They include:

- Revival of phase 1 which was heavily damaged during the construction of the MauMau roads.
- The Gitugu -Gikui -G3 line under the Makutano project
- A number of distribution projects and last mile connectivities within our jurisdiction

Anticipated projects/proposals

We've submitted a number of proposals to the National Government, County Government and Water Fund, some of which are awaiting implementation while others await approval. They include:

- Construction of the Decentralised Treatment Facility (DTF) in Kangema, which awaits tendering after clarification of some issues with Water Fund.
- Last mile connectivity under CLSG II, which is at tender evaluation stage.
- Construction of centralized sewerage for Kangema and Kahuro towns. A preliminary study for Kangema was financed by the National Government.
- Raising of the intake weir at both Tuthu and Ichichi.
- Installation of high-volume reservoir tanks to reduce flow disruptions when there's pipe breakdown upstream.

Corporate Social Responsibility

We are cognizant of the fact that we belong to the wider community within our area of jurisdiction. We therefore can't be blind to the needs, aspirations and challenges within it. It is therefore our policy to always give back to the society in accordance with our ability. On this, our focus has been mainly on giving opportunity for attachment to young people who are undertaking training/studies in various institutions. At any given time, we have about 10 no. attachees in our company at any given time.

We've also in a number of occasions, installed connections to the very vulnerable people free of charge and we continue to provide free water to such people, up to 6 cubic metres. Further, we've always ensured participation in World Water Day, in partnership with the County Government and other partners.

Challenges

The key challenges facing the company in its day to day endeavor to execute its mandate, include;

- Damage of pipes during road construction.
- Aging infrastructure that leads to frequent bursts, and thus high NRW
- Vandalism of our pipeline.
- Illegal connections, where customers install water without following the due process.

Despite these challenges however, it is my belief that with your support and cooperation, the company will progress further. I take this opportunity to thank all those who have contributed in bringing the success that we've witnessed so far. They include the National Government, County Government, Board of Directors, Management, Staff, customers and all stakeholders. God bless you all.

E. KAMAU.....

Date:

11th November 2025

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

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

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

The company's performance is assessed using the broad 9 key performance indicators as shown below to assess the company performance. The company posted an improvement in all KPI'S apart from Personnel expenditure and collection efficiency.

WASREB		Good	Acceptable	Not Acceptable	MWE WASC O	MWE WASC O	
					2023-24	2024-25	
Key Performance Indicators							
1.	Water coverage-%	>90%	80-90%	< 80%	64%	65%	
2.	Drinking Water Quality	>95%	90 – 95%	< 90%	100%	100%	
3.	Hours of Supply	Population >100,000	21 - 24	16-20	< 16	23hrs	23hrs
		Population <100,000	17 – 24	12-16	< 12	n/a	n/a
4.	Personnel Expenditure as % of O&M costs	Very large and large WSPs	< 20%	20 – 30%	> 30%	50%	48%
		Medium WSPs	< 30%	30 – 40%	> 40%	n/a	n/a
		Small WSPs	< 40%	40 – 45%	> 45%	n/a	n/a
5.	O&M Cost Coverage	≥ 150%	100-149%	≤ 99%	113%	118%	
6.	Revenue Collection Efficiency	> 95%	95-85%	<85%	98%	98%	
7.	Non-Revenue Water	< 20%	20– 25%	>25%	46%	44%	
8.	Staff Productivity - Staff per 1,000 connections	Very large and large WSPs	< 5	5-8	> 8	5	4.2
		Medium WSPs	< 7	7-11	> 11	n/a	n/a
		Small WSPs	< 9	9-14	> 14		
9.	Metering ratio	100%	95 - 99%	< 95%	99.2%	100%	

8. Corporate Governance Statement

MWEWASCO is committed to operating under clear governance frame work and adheres to sound management practices.

We are committed to ensuring compliance with all the provision of the water Act 2016, Licence conditions granted by WASREB and the Companies Act CAP 486.

Board Committee

In order to enhance corporate governance, the MWEWASCO Board of Directors has constituted the following committees;

(i) Audit Committee:

The committee addresses audit reports from internal and external auditors and also evaluates the financial reporting standards adopted by the company. The committee also ensures compliance with financial regulations and soundness of internal control systems.

The members of the committee are;

- a) Bridget Wambui
- b) Margaret Gitau
- c) CEC Finance

(ii) Technical committee

The Committee oversees technical operations of the company. It recommends capital investment for approval to the board and ensures they meet technical standards and are well maintained

The Members of the committee are;

- a) Frasih Kamau
- b) George Maina
- c) CEC Water

(iii) Administration & Finance committee:

The Committee is responsible ensuring financial stability, regulatory compliance and efficient governance while managing risks and overseeing human resources and administrative functions.

The members of the committee are;

- a) John Maina
- b) Naomi Kariuki
- c) CEC Water

The succession plan for the directors is in accordance with Article 31 and 32 of the Memorandum & Articles of Association, which require that in every Annual General Meeting, one third of the directors must retire and are eligible for election subject to a maximum of two terms. The Article restricting the terms however, came into effect in January 2014. The directors, upon election, do sign a code of ethics and are taken for induction and corporate governance training.

Further, all directors are required to sign a "declaration of interest" book during each meeting to ensure that there is no conflict of interest with the company's matters.

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

The board meetings for the year were held as below

	10/09/2024	17/12/2024	18/12/2024	03/04/2025	17/06/2025	20/06/2025
Name of Member						
George K. Mwangi	✓	✓	✓	✓	✓	✓
John M.Maina	✓	✓	✓	✓	✓	✓
Frasiah W. Kamau	✓	✓	✓	✓	✓	✓
Bridget W. Kariuki	✓	✓	✓	✓	✓	✓
George M. Maina	✓	✓	✓	✓	✓	✓
Margaret W. Gitau	✓	✓	✓	✓	✓	✓
Naomi M. Kariuki	✓	✓	✓	✓	✓	✓
C.O Finance	X	X	✓	✓	✓	✓
C.O Water	✓	✓	✓	X	✓	✓

**Finance & Admin
Committee**

	28/08/2024	03/12/2024	26/03/2025	20/06/2025
Name of Member				
JOHN M.MAINA	✓	✓	✓	✓
NAOMI M. KARIUKI	✓	✓	✓	✓
C.O Water	X	✓	✓	X

Technical Committee

	22/08/2024	28/11/2024	11/03/2025	18/06/2025
Name of Member				
FRASIAH W. KAMAU	✓	✓	✓	✓
GEORGE M. MAINA	✓	✓	✓	✓
C.O Water	✓	X	✓	✓

Audit Committee

	29/08/2024	30/08/2024	29/11/2024	21/03/2025	19/06/2025
Name of Member					
BRIDGET W. KARIUKI	✓	✓	✓	✓	✓
MARGARET W. GITAU	✓	✓	✓	✓	✓
C.O Finance	X	X	X	✓	✓

By order of the Board
For and on its behalf

MR. GEORGE M. KIRAGU
CHAIRPERSON



DATE 14/11/2025

Eng. E. KAMAU
MANAGING DIRECTOR



DATE 20th Nov. 2025

9. Management Discussion and Analysis

The financial year 2024/25 went on well. The company had lined up several projects whereby it has been able to complete some while others are ongoing as follows;

CAPITAL INVESTMENT PROJECTS

STATUS OF CAPITAL PROJECTS BY END OF JUNE 2025						
Project Name	Length	Excavation	Pipe laying	Installation of fittings	Overall Progress	Remarks
1. County water fund phase II						
a) Muguru lastmile	3.2KM	100%	100%	100%	100%	Ceera extension, Wambumbi line, Bishop Line and Gaitembe extension
b) Kanyenya-ini lastmile	3KM	100%	100%	90%	95%	Kahiga, Gatuikira, Kianjuru lines installed
c) Wangu lastmile	2.5km					Mbari ya Kiongo line installed
d) Mbiri lastmile	2KM	100%	100%	100%	100%	Kiawambeu Line installed
e) Murarandia lastmile	3.6KM	10%	0%	0%	5%	Pipe delivered. Laying expected to be done in the next quarter
f) Mugoiri	4KM	10%	0%	0%	5%	Pipe delivered. Laying expected to be done in the next quarter
2.Makutano water and Sewerage projects	122KM	95%	95%	90%	95%	Pending Pressure Release Valves were fitted in June awaiting setting by the supplier together with our O & M team for onward operation of the remaining sub-mains.
3.Murang'a lastmile project (Wangu, Mugoiri, murarandia Wards)	27KM	100%	100%	100%	100%	500 domestic water meters delivered to our stores and immediately mobilized towards new connections in the newly reached areas.

WATER FUND-FUNDED PROJECTS

i) Upscaling Basic Sanitation for the Urban Poor (UBSUP)

Title:	Kangema Household Sanitation project
Components:	1) Subsidy for 200 toilets (Kes. 20,000 and Kes. 15,000 respectively for new and rehabilitated toilets). 2) A decentralized treatment facility (DTF) of 50 M ³ capacity.
Progress:	<ul style="list-style-type: none"> • 137 out of 200 toilet subsidies paid by the end of 30th June, 2025. The balance are complete but not yet subsidized pending disbursement of the balance from Waterfund. • Waterfund objects to the awarding of letter offer to the winning bidder citing expired bid bonds among other issues. Tender expected to be re-floated in the next quarter.

ii) Conditional Liquidity Support Grant II

Project Title:	Construction of last mile pipelines, procurement of 10 motorbikes, and supply, delivery and installation of water meters.
Components:	<ul style="list-style-type: none"> i) Extension of the reticulation network by 15 Km of DN 63 mm and 28.7 Km of DN 50mm last mile lines. This will lead to increase in service coverage, ease pressure build-up in mainlines and reduce several cases of overflows experienced at some break-pressure tanks. ii) To ease mobility and increase staffs' productivity, 10 motorbikes are to be procured. iii) Supply and installation of 3000 domestic Water meters.
Grant Conditions	Meet 70% of the assigned OCCR target of 124%, otherwise the whole amount in the escrow account where we deposit Kes.16,844 daily as part of the conditions, will be transferred to Waterfund to pay the loan.
Progress:	<ul style="list-style-type: none"> • EIA was done and we have the certificate. • Tender advertised and evaluated in June 2025. • Awaiting a letter of no objection from Waterfund to award winning bidder.

Murang'a West Water and Sanitation Company Ltd
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FINANCIAL PERFORMANCE

The year progressed well and we were able to remain a going concern being able to meet our core activities. With the resumption of phase III line after being stalled for a long time, this has made our billing to increase and also our collection as compared with previous years as most of our customers are receiving water.

Billing compared to our collection for the years were as follows;

MURANGA WEST WATER AND SANITATION CO LTD					
BILLING AND COLLECTION ANALYSIS FY 2024/2025					
Month	Water Sales	Billing for Other Services	Total Billing	Collection	Coll Eff
Jul-24	8,350,535	282,050	8,632,585	8,571,446	99
Aug-24	8,457,730	254,760	8,712,490	8,073,954	93
Sep-24	9,057,400	332,390	9,389,790	8,556,828	91
Oct-24	10,131,820	393,440	10,525,260	9,272,206	88
Nov-24	8,955,685	267,550	9,223,235	9,223,344	100
Dec-24	7,004,250	154,530	7,158,780	10,241,949	143
Jan-25	9,636,495	380,364	10,016,859	9,386,137	94
Feb-25	10,289,970	362,270	10,652,240	9,813,500	92
Mar-25	10,832,575	337,650	11,170,225	10,155,536	91
Apr-25	9,066,180	174,600	9,240,780	8,777,073	95
May-25	8,462,245	406,950	8,869,195	9,848,548	111
Jun-25	9,707,812	503,176	10,210,988	9,139,587	90
Totals	109,952,697	3,849,730	113,802,427	111,060,108	98

Our collection efficiency for the year was 98% which is above the regulators benchmark of 95%

CHALLENGES

- **Landslides-** During the year we experienced major landslides at Tuthu and Ichichi which damaged our pipes and affected our operations
- **Huge debts-**The company continue to experience huge debts that remains unpaid years. Some of this debt are irrecoverable and therefore requires to be written off from the books. **We have** lined up several interventions to ensure that this process is finalised.
- **Pipe damage** by road contractors contracted by the various government agencies. A lot of pipes **have been damaged** and no compensation has been forth coming despite our appeals.
- **Aging infrastructure** leading to frequent pipe bursts causing high NRW. **We plan** to progressively replace the same.
- **Erratic weather**, coupled with rough terrain, has led to constant landslides causing pipe damage

Way forward

- We have started major sensitization campaigns across all the areas where we are doing major extension works through the assistance of the National government so as to open up all these areas. This coupled with the new water connection charges will be monitored so as to **build on our** customer base
- **One on one** visitation of our customers to negotiate the terms to pay for the water. We have also established an adhoc team that is currently calling the customers with huge debts and trying to convince them to pay their dues or come up with a payment plan. This approach has **assisted us** to collect without necessarily doing mass disconnections as we also maintain the **supply of water** to our customers at this time when it is very much needed.
- **Conduct debtor's** analysis and categorisation with a purpose to clean our books from the long **outstanding unrecoverable** debts

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During the year an analysis of the company risks, strengths and opportunities were analysed and were as:

STRENGTH	<ul style="list-style-type: none"> i. Good organizational structure ii. Competent staff iii. Adequate water production iv. Good staff working relationship v. Gravitational water system vi. Increased automation vii. A going concern viii. Credit worthiness ix. High revenue collection efficiency 	OPPORTUNITIES	<ul style="list-style-type: none"> i. Wide coverage area ii. Adequate water at the sources iii. Favourable terrain for gravitational supply iv. Improved road network v. Availability of financiers vi. Availability of technology vii. Improving Economic status of the society viii. Potential for introduction of sewer services ix. Continuously rehabilitated infrastructure x. New Tarriffs
WEAKNESSES	<ul style="list-style-type: none"> i. Aging infrastructure ii. Inadequate office space iii. Inadequate transport iv. High NRW level v. High level of debtor's status vi. Inadequate working tools 	THREATS	<ul style="list-style-type: none"> i. Political interference ii. Poor terrain iii. Irrigation Water-Some consumers reverts to using irrigation water iv. Degradation of catchment areas v. Unpredictable weather patterns vi. Vandalism of water infrastructure vii. Low rate of population growth

10. Environmental and Sustainability Reporting

Murang'a West Water & Sanitation Company Ltd exists to transform lives. This is our **purpose**; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the **customer** first, delivering relevant goods and services, and improving operational **excellence**.

Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

Murang'a West Water & Sanitation Company Ltd has invested heavily in an effort to ensure **sustainability** of the company. Following a lot of investment on distribution lines by own **revenue**, ward last miles' connection from County and AWWDA, we are working on **last mile** connectivity, which will increase the number of customers and hence the revenue base. The on-going new lines will increase our coverage and connect more customers with water. Following the **completion** of the different wards last mile lines, we expect increased service coverage in **the area**. Other strategies include adoption of new technologies in improving services, e.g. **smart** meter reading, etc.

Currently, our operations and maintenance coverage is at 118%, meaning that we are **able** to **meet** the operations and maintenance needs without seeking external subsidies.

Environmental performance

Murang'a West Water & Sanitation Company envisions sustainability of the environment as key to its success. Our emphasis is in protection & sustenance of our catchment areas that are our **source** of water. We achieve this through tree planting events, which we do in close **partnership** with educational and other institutes. The company is in the process of **drafting** a comprehensive environmental policy.

ii) Employee welfare

Regarding employee welfare, the company has clear policies guiding the hiring and **separation** processes as outlined in our Human Resource & Administration Regulations. All **recruitments** are on a competitive basis. Those of senior management must be advertised in at least one daily newspaper. Our current gender ratio is about 25% female to 75% male. We however, have a **policy** of encouraging women to apply for new vacancies as we work towards the **one third** rule.

The company has an annual appraisal system. A reward and recognition policy was formulated **this year** and has been implemented. The best performers in various categories receive **rewards** at the **end** of the calendar year.

Training and skills improvement is part of our human resource policy. The company liaises with such associations like Water Service Providers Association (WASPA), KEWI and others in conducting training of its staff. In addition, periodic training needs assessments are carried out.

The company complies with the provisions of the Occupational Safety and Health Act 2007 as captured in our Human Resource & Administration Manual. We are however, in the process of drafting the policy as a stand-alone policy.

iii) Market place practices-

The organisation outlines its efforts to:

a) Responsible competition practice.

In our service provision, our main competitors are mainly community self-help and irrigation water projects. Our competitive advantage over them is proper governance structures, which we rely on to ensure better services. We also capitalize on leveraging on emerging technologies in service provision. In this way, the competition is fair and we leave the choice to the customer. In most of the areas however, there are no competitors and we are guided by our commitment to improve the welfare of the community that we serve.

b) Responsible Supply chain and supplier relations

Regarding our supply chain, we ensure open tendering for all our suppliers, where due process is followed. We also comply with the Public Procurement and Disposal Act 2015 when it comes to issues of dealing with the supplier's payment

c) Product stewardship

Consumer rights are safeguarded by ensuring value for money. In this regard, we endeavour to offer safe and clean water to the best of our ability. The company also has a customer complains desk in each of its four stations i.e. Kangema, Murarandia, Kahuro and Kanyenyaini. Customers also complain through SMS and we've recently installed an ERP with a customer relations module that will improve service delivery. We also have other customer friendly tools like part payment plans where customers can clear their dues in instalments.

11. Report of the Directors

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

Principal activities

The principal activities of the entity are provision of quality water & sanitation services at affordable rates.

Results

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

Directors

The members of the Board of Directors who served during the year are shown on page V in accordance with Regulation of the company's Articles of Association.

i) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. In accordance to section 23 of the Public Audit Act 2015, the Auditor General can elect to appoint an auditor to audit the entity on its behalf.

By Order of the Board

Name..... *Ephraim Kariuki*

Signature..... *[Handwritten Signature]*

Date..... *11th November 2025*

Managing Director

12. Statement of Directors' Responsibilities

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

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

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

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2025, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the entity 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's financial statements were approved by the Board on 17th Nov. 2025 and signed on its behalf by:

Signature: 

Name: George Kiragu

Chairperson of the Board

Signature: 

Name: Eng. E. Kamau

Managing Director

REPUBLIC OF KENYA



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HEADQUARTERS
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NAIROBI

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a West Water and Sanitation Company Ltd set out on pages 1 to 62, which comprise the statement of

financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1.0 Long Outstanding Trade Receivables

The statement of financial position reflects trade receivables of Kshs.55,681,888 as disclosed in Note 19 to the financial statements. However, Note 19 (b) reflects an amount of Kshs.42,341,784 which has been outstanding for over 120 days. Upon inquiry, it was found that this significant amount originated from previous years and was carried over into the year under review. The Increase in receivables is an indication that the measures have not been effective in recovering outstanding amounts. Further, there was no evidence of a comprehensive debt recovery strategy, including debtor profiling, repayment plans, or enforcement of legal action against long outstanding debts.

In the circumstance, the recoverability of the outstanding debt balance of Kshs.55,681,888 remains doubtful, exposing the Company to the risk of financial loss.

2.0 Long Outstanding Trade and Other Payables

The statement of financial position reflects a balance of Kshs.19,913,314 in respect of trade and other payables, as detailed in Note 25 to the financial statements. The audit revealed that payments amounting to Kshs.16,667,444 remained outstanding for over a year. If not addressed, these unpaid amounts may negatively impact the overall performance of the water company in the long run. These obligations were expected to be settled within one year or less, however Management did not settle the obligations.

In the circumstances, the long outstanding trade payables may affect the Company's liquidity position in future.

3.0 Lack of Ownership Documents

The statement of financial position as at 30 June, 2025 reflects property, plant and equipment balance of Kshs.69,263,719. Included in this balance is an amount of

Kshs.8,700,000 being the net book value of land. The land ownership documents namely title deeds or certificate of lease were not provided for audit. In addition, included in the asset register is one motor vehicle pickup of Toyota Hilux Model with zero net book value, that incurred maintenance cost of Kshs.319,200 in the year under review.

In the circumstances, the accuracy, ownership and completeness of the property, plant and equipment amount of Kshs.69,263,719 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Murang'a West Water and Sanitation Company Ltd 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.

Other Matters

Failure to Resolve Prior Year Audit Matters

In the prior year's audit reports, several issues were raised under Report on Financial Statements, Emphasis of Matter, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance that are yet to be addressed as shown in the Appendix 1.

In the circumstance, the matters remain unresolved.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on page iii to xxv which comprise of Key Entity Information and Management, Key Management, The Council/Board of Governors, Key Management Team, Chairman's Statement, Report of the Chief Principal, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting Statement, Report of the Council/Board of Governors and Statement of Board of Governors/ Council's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit, on Murang'a West Water and Sanitation Company Ltd 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 effects 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

1.0 Lack of Staff Ethnic Diversity

Review of employee records revealed that the dominant ethnic community employed as at 30 June, 2025 constitutes 90% (73) of the total population of 81 staff members. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which states that no public establishment shall have more than one-third of its staff from the same ethnic community.

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

2.0 High Non-Revenue Water (NRW)

During the year under review, the Company produced 2,647,458 cubic meters of water but only billed customers for 1,473,087 cubic meters. The remaining 1,274,371 cubic meters (44%) was unaccounted for, exceeding the 25% water loss limit set by the Water Services Regulatory Board, this represented unaccounted for water (UFW) which is over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines. The abnormal water loss of 44% may have resulted to loss of sales estimated to Kshs.64,590,405 when computed at the rate of Kshs.55 per M3 which is the minimum tariff for water sale as per the Water Act.

Further, the Company did not demonstrate existence of non-revenue water function with adequate and competent staff as established in Paragraph 1.6.2 of Non-revenue Water Management Standards in Kenya Guidelines June 2022.

In the circumstances, Management was in breach of Water Service Regulatory Board guidelines.

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

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2025 reflects Kshs.48,357,350 in respect of staff costs out of the operating expenses totalling Kshs.118,558,782. This translates to 41% of total operating expenses which is higher than the recommended threshold of 35% in accordance with the WASREB Guidelines.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matter described in the Basis for Qualified Opinion, I confirm that;

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. Adequate accounting records have been kept by the company, so far as appears from the examination of those records; and,

- iii. The Company's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

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

Responsibilities of the Management and The Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 November, 2025

APPENDIX – UNRESOLVED PRIOR YEARS MATTERS

Year	Unresolved Matter
2023/2024	Long Outstanding Trade Receivables
2023/2024	Long Outstanding Trade Payables
2023/2024	Non-implementation of Kangema Household Project
2023/2024	Non-compliance with Staff Ethnic Diversity
2023/2024	Failure to meet Recruitment Threshold for Persons with Disability
2023/2024	Exceeding Industrial Benchmark on Personnel Costs
2023/2024	Failure to account for Water Inventory
2023/2024	High Non-Financial Water
2023/2024	Incomplete Assets Register
2023/2024	Lack of Board Charter
2023/2024	Lack of Policy documents

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue			
Revenue from Billings	6a	113,802,427	96,536,442
Grants Income	7a	7,833,471	9,036,850
Other Income	8	193,400	8,957,650
Finance income	9	1,523,723	831,478
Total Revenue		123,353,021	115,362,420
Expenses			
Staff Costs	10	48,357,350	44,946,481
General and Operations expenses	11a	44,115,866	36,730,487
Board Expenses	12	3,387,186	2,189,456
Maintenance Expenses	13	1,977,295	2,722,950
Depreciation and Amortization expenses	14	20,721,085	20,476,435
Total Expenses		118,558,782	107,065,809
Profit/(Loss) Before Taxation		4,794,239	8,296,611
Income Tax Expense/(Credit)	15	354,433	762,775
Profit/(Loss) After Taxation		4,439,806	7,533,836

15. Statement of Financial Position as at 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
ASSETS(Restated)			
Non-Current Assets			
Property, plant and equipment	16a	69,263,719	79,078,173
Total Non-Current Assets		69,263,719	79,078,173
Current Assets			
Inventories	18	2,925,171	2,614,808
Trade and receivable	19a	55,681,888	53,520,290
Bank and cash balances	20	54,165,737	41,380,443
Total Current Assets		112,772,797	97,515,541
Total Assets		182,036,515	176,593,714
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital fund		13,512,583	13,512,583
Revaluation reserve		43,567,408	43,567,408
Capital Reserves		1,988,918	1,988,918
Retained earnings		30,013,769	23,801,557
Capital and Reserves		89,082,678	82,870,466
Non-Current Liabilities			
ADB Loan		13,344,063	13,344,063
Deferred Income	27	28,902,216	30,541,687
CLSG II Grant		15,158,987	15,158,987
Total Non-Current Liabilities		57,405,266	59,044,737
Current Liabilities			
Trade and other payables	25	19,913,314	21,705,994
Customer Deposits	26	15,280,825	12,209,743
Taxation	15	354,433	762,775

Murang'a West Water and Sanitation Company Ltd.
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Total Current Liabilities		35,548,572	34,678,511
TOTAL EQUITY AND LIABILITIES		182,036,515	176,593,714

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



Name: Ephantus Kamau

Managing Director



Name: Titus Mukunda

Head of Finance

ICPAK M/No: 10227



Name: George Kiragu

Chairman of the Board

Murang'a West Water and Sanitation Company Ltd.
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16. Statement of Changes in Equity for the Year Ended 30 June 2025

	Notes	Share Capital Fund	Revaluation reserve	Capital Reserve	Retained Earnings	Total
As at July 1, 2023		13,512,583	30,407,408	1,988,918	25,135,417	71,044,326
Revalued Assets		-	4,260,000	-	-	4,260,000
Prior year adjustment		-	-	-	32,304	32,304
Profit/Loss for the year		-	-	-	7,533,836	7,533,836
Transfer to Revaluation reserve		-	8,900,000	-	(8,900,000)	-
At June 30, 2024		13,512,583	43,567,408	1,988,918	23,801,557	82,870,466
As at July 1, 2024		13,512,583	43,567,408	1,988,918	23,801,557	82,870,466
Prior year adjustment		-	-	-	1,009,630	1,009,630
Corporation tax adjusted		-	-	-	762,775	762,775
Profit/Loss for the year		-	-	-	4,439,806	4,439,806
At June 30, 2025		13,512,583	43,567,408	1,988,918	30,013,769	89,082,678

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash Flows From Operating Activities			
Receipts			
Operating Revenue	6b	111,640,829	95,967,391
Operational Grants	7a	-	4,589,000
Other Income	8	193,400	57,650
Finance Income	9	1,523,723	831,478
Total Receipts		113,357,952	101,445,520
Payments			
Staff Costs	10	48,357,350	44,946,481
General And Operation Expenses	11b	42,138,196	39,177,803
Board Expenses	12	3,387,186	2,189,456
Maintenance	13	1,977,295	2,722,950
Total Payments		95,860,027	89,036,690
Net Cash From/(Used In) Operating Activities		17,497,924	12,408,830
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	16a	(4,712,630)	(3,770,220)
Net Cash From/(Used In) Investing Activities		(4,712,630)	(3,770,220)
Cash Flows from Financing Activities			
CLSG II Loan		-	15,158,987
Net Cash From/(Used In) Financing Activities		-	15,158,987
Increase/(Decrease) In Cash And Cash Equivalents		12,785,294	23,797,596
Cash And Cash Equivalents At Beginning Of Year	20	41,380,443	17,582,843
Cash And Cash Equivalents At End Of The Year		54,165,737	41,380,443

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

INCOME AND EXPENDITURE FOR THE YEAR 2024/25				
1100010 · Revenue	Actual	Budget	Over Budget	% of Budget
1100050 · Billing for Water Sales	109,952,697	105,854,619	4,098,078	4%
1100040 · Billing for Other Charges	3,849,730	3,568,107	281,623	7%
Total 1100010 · Revenue	113,802,427	109,422,726	4,379,701	4%
Total Collection	111,060,108	105,045,817	6,014,291	5%
1200000 · Other Income				
1200005 · Interest Earned	1,523,723	1,200,000	323,723	21%
1200015 · Other Incomes	193,400	-	193,400	100%
1200035. UBSUB Bal b/f	-	2,500,000		
1200060 · Deferred Grant Income	7,833,471	-	7,833,471	100%
Total 1200000 · Other Income	9,550,594	3,700,000	5,850,594	61%
Total Income	123,353,021	108,745,817	14,607,204	12%
Expense				
3100000 · Advertising and Promotion	606,070	550,000	(56,070)	-10%
3100011 · Vehicle Running Expenses	3,435,053	4,200,000	764,947	18%
3100012 · Vehicles /Bikes Repair & maintenance	1,291,234	1,320,000	28,766	2%
3100020 · Bank Service Charges	133,817	144,000	10,184	7%
3100030 · Staff Training	1,022,856	960,000	(62,856)	-7%
3100040 · Depreciation Expense	20,721,085	-	(20,721,085)	0%
3100050 · Subscriptions	324,400	299,800	(24,600)	-8%
3100060 · Insurance Expense	370,409	548,606	178,197	32%
3100080 · General expenses	-	24,000	24,000	100%
3100090 · Postage and Telephone	1,022,789	960,000	(62,789)	-7%
3200000 · Printing and Stationeries	555,228	540,000	(15,228)	-3%
3200010 · Repair and Maintenance Office	419,724	440,000	20,276	5%
3200020 · Repair and Maintenance Intake	160,428	200,000	39,572	20%
3200050 · Staff Welfare	1,869,897	1,715,000	(154,897)	-9%
3200060 · Travelling and Subsistence	3,461,948	3,480,000	18,052	1%
3200070 · Security Services	1,179,093	1,215,600	36,507	3%
3200080 · Staff Uniform	242,800	260,000	17,200	7%
3200090 · Computer Expenses	105,909	80,943	(24,966)	-31%
3300000 · Director Allowances	3,387,186	4,000,104	612,918	15%
3300011 · UBSUP-SAFISAN	3,373,572	2,500,000	(873,572)	-35%
EXPENSES				
3300010 · Corporate social responsibility - Other	220,570	380,000	159,430	42%
3300020 · Audit Fees	335,000	335,000	-	0%
3300030 · Legal & Professional fees	177,700	400,000	222,300	56%

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3300052 · Wasreb Regulatory levy	4,552,097	4,376,909	(175,188)	-4%
3300053 · WARMA - Abstraction fees	720,000	720,000	-	0%
3300060 · AGM/Stakeholder Expenses	823,195	900,000	76,805	9%
3300070 · Salaries & Wages	46,487,453	45,690,444	(797,009)	-2%
3400010 · Electricity	202,354	216,000	13,646	6%
3400030 · Provision for bad debts	548,464	-	(548,464)	0%
3400060 · Repair&Maintenance Pipeline	11,142,913	8,670,000	(2,472,913)	-29%
3400060 · Working tools	133,450	200,000	66,550	33%
3400060 · Water Meters replacemnts	2,747,810	2,000,000	(747,810)	-37%
3400070 · Chemicals	3,783,531	3,600,000	(183,531)	-5%
3400080 · Claims/Compensations	527,864	400,000	(127,864)	-32%
3400090 · Software Maintenance & Hosting	999,983	1,014,000	14,017	1%
3500000 · Customer& Employee Survey	538,660	400,000	(138,660)	-35%
3500020 · Licence& Tariff Expenses	174,240	200,000	25,760	13%
3500030 · Billing Expenses	760,000	860,000	100,000	12%
Total Expense	118,558,782	91,800,407	(26,758,375)	-29%
Surplus/Deficit	4,794,239	16,945,410	12,151,171	
Capital Expenditures				
Repayment of Customer Deposit	1,523,723	1,200,000	(323,723)	-27%
Cold Water Meters Extensions	2,036,190	1,256,000	(780,190)	-62%
Computer and Accessories	2,248,410	2,300,000	51,590	2%
Furniture and Office Equipment	271,840	330,000	58,160	18%
TWWDA arrears	126,000	190,000	64,000	34%
CLSG II Escrow Account	800,000	1,000,000	200,000	20%
Office Generator	6,164,904	6,060,000	(104,904)	-2%
Contribution to DTF	-	450,000	450,000	100%
Total Capital Expenditures	13,171,067	16,948,120	(3,777,053)	78%
Net Surplus/Deficit	(8,376,828)	(2,710)	15,928,224	

Notes

- We had a stable financial year 2024/25 with a positive variance on billing and collection compared to the budget.
- Most of the budget items were within their allocations with small variance over/ under.
- During the year we experienced major landslides which damaged our lines. Major repairs and relocations were done and compensation to land owners leading to high costs exceeding the budget.

- We have also spent more on metering our customer and meter replacement to enhance our revenue and manage water losses.
- We also did both employee and customer satisfaction survey which is a requirement by WASREB. Both were under budgeted thus exceeding the budget
- Ubsup expenses were paid from the balance b/f from the previous year in the bank account.
- We lost one staff during the year and the contribution done on the same increased staff welfare expenses
- Computer expenses borrowed some amount from capital expenditure under computer and accessories as they are all related.

19. Notes to the Financial Statements

1. General Information

Murang'a West Water & Sanitation Company Ltd is established by and derives its authority and accountability from Company's Act. The Company is wholly owned by the Murang'a County Government and is domiciled in Kenya. The Company's principal activity is to provide quality Water & Sanitation services at an affordable rate. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

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

Notes to the financial statements (continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.

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

(The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....)

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

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

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

iii. Early adoption of standards

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

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

Notes to the financial statements (continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Buildings and civil works	40	2.5%
Infrastructure works(Water Pipelines)	8	12.5%
Plant and machinery	40	2.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	30%
Office equipment, furniture and fittings	8	12.5%
Intangible Assets	3	331/3%

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

e) Intangible assets

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

f) Amortization and impairment of intangible assets

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

g) Inventories

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

h) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A general provision of 20% is made on all outstanding debts at the end of financial year.

Notes to the financial statements (continued)

Summary of Accounting Policies

i) Taxation

i) Current income tax

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

j) Deferred tax

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

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

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

k) 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 Accounting Policies

l) Cash and cash equivalents

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

m) Borrowings

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

n) Trade and other payables

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

Notes to the financial statements (continued)

Summary of Accounting Policies

o) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2022. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of employee gross pay.

p) Provision for staff leave pay

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

q) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Notes to the financial statements (continued)

Summary of Accounting Policies

r) Budget information

Our budgets are incremental budgets. The budgets are prepared from the user sections and departments where every section is required to forward all their requirements to the finance and procurement sections. After these budgets are consolidated in their respective votes. There is also a comparison from the last budget period for the purposes of having a realistic budget. The budget after compilation is presented to the management by the commercial manager. Any amendments at that stage are incorporated after which it's presented to the board for the approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under Statement of Comparison of Budget & Actual Amounts of these financial statements.

Notes to the financial statements (continued)

Summary of Accounting Policies

s) Service concession arrangements

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

t) Comparative figures

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

u) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Company's financial statements in conformity with IFRS **requires** management to make judgments, estimates and assumptions that affect the reported **amounts** of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of **the reporting** period. However, uncertainty about these assumptions and estimates could **result in** **outcomes** that require a material adjustment to the carrying amount of the asset or **liability** affected in future periods.

Notes to the financial statements (continued)

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. e.g. provision for bad debts-a general provision of 20% has been provided for debts as at the year end.

Notes to the financial statements (continues)

6. (a) Revenue from Billings

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	109,952,697	93,163,143
Billing for other services	3,849,730	3,373,299
Total	113,802,427	96,536,442

6. (b) Operating Revenue

	2024-2025	2023-2024
	Kshs	Kshs
Opening Receivables	53,520,290	52,951,240
Revenue from Billings	113,802,427	96,536,442
Closing Receivables	(55,681,888)	(53,520,290)
Total	111,640,829	95,967,391

7. (a) Grants Income

	2024-2025	2023-2024
	Kshs	Kshs
Operational grants from Government entities	-	4,589,000
Capital grants amortized	7,833,471	4,447,850
Total	7,833,471	9,036,850

7. (b) Grant Analysis

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year	2023-2024
	KShs	KShs	KShs	KShs	KShs
Athi Water Works Development Agency	-	7,833,471	28,902,216	7,833,471	4,447,850
Water Fund(UBSUP)	-	-	-	-	4,589,000
Total	0	7,833,471	28,902,216	7,833,471	9,036,850

8. Other Income

	2024-2025	2023-2024
	Kshs	Kshs
Sale of Water by Bowser& Others	193,400	57,650
Gain on Revaluation	-	8,900,000
Total	193,400	8,957,650

9. Finance Income

	2024-2025	2023-2024
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	1,523,723	831,478
Total	1,523,723	831,478

10. Staff Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Salary and Allowances	38,181,221	35,494,496
Casual Workers Wages	316,168	545,698
Gratuity provisions	3,246,988	2,857,370
Employer's contributions to social security schemes	1,835,638	1,258,793
Employer's contributions to pension scheme	2,284,269	2,262,476
Employer Liability Housing Levy	570,369	439,808
Staff welfare	1,869,897	2,039,090
Other allowances(NITA)	52,800	48,750
Total	48,357,350	44,946,481
The average number of employees during the year	81	83

11.(a) General and Operations Expenses

	2024-2025	2023-2024
Description	Kshs	Kshs
Chemicals	3,783,531	3,206,781
Electricity	202,354	247,285
Fuel, oil, lubricants, and gases	3,435,053	4,723,748
Pipeline repairs-Pipes and fittings	14,024,173	10,321,917
Uniform and protective clothing	242,800	199,616
Postage and courier	1,022,789	868,449
Insurance	370,409	548,605
Domestic Traveling and subsistence	3,636,188	3,420,409
Staff training and development	1,022,856	861,876
Bank Charges	133,817	132,840
Security services	1,179,093	1,064,000
Publicity and advertising	606,070	236,550
Audit fees	335,000	335,000
Legal fees and Consultancy fees	177,700	100,000
Licensing and levies	5,272,097	4,907,287
AGM/Stakeholders' expenses	823,195	588,304
Donations/CSR	3,594,142	1,456,544
Provision for doubtful debts	548,464	146,595
Subscriptions	324,400	429,130
Claims/Compensations	527,864	504,646
Printing and Stationeries	555,228	436,744
Software Maintenance and Cloud Server Hosting	999,983	884,310
Billing Expense	760,000	960,000
Employee/Customer Satisfaction Survey	538,660	-
Company Rebranding	-	139,850
General Expenses	-	10,000
Total	44,115,866	36,730,487

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11. (b) General and Operation Costs		
Description	2024-2025	2023-2024
	Kshs	Kshs
Opening Payables	33,915,736	35,633,112
Purchases (Chemicals,Pipes& Fittings)	18,118,067	14,290,937
General & Operation Expenses(Net of Chemicals & Bulk Water Costs)	26,308,162	23,201,789
Prior year Adjustment	(1,009,630)	(32,300)
Closing Payables	(35,194,139)	(33,915,736)
Total	42,138,196	39,177,803

12. Board Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Sitting allowances	3,387,186	2,189,456
Other allowances	-	-
Total Board Expenses	3,387,186	2,189,456

13. Maintenance Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Buildings/Office	419,724	739,990
Infrastructural networks	160,428	637,970
Motor vehicles	1,291,234	1,246,520
ICT	105,909	98,470
Total Maintenance Expenses	1,977,295	2,722,950

14. Depreciation and Amortization Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Property, plant, and equipment	16,338,805	20,476,435
Intangible assets	4,382,280	-
Total Depreciation and Amortization	20,721,085	20,476,435

15. Income Tax Expense/(Credit)

(a) Current taxation

	2024-2025	2023-2024
	Kshs	Kshs
Balance b/f	762,775	-
Prior year under/over provision	(762,775)	-
Provision for the year	354,433	762,775
Less: Tax paid	-	-
At June 30 2025	354,433	762,775

Note

Upon filling of previous year company tax returns, we realized we had previous year losses carried forward. Thus previous year tax was adjusted as we had no tax liability. This year, previous years losses has well been shown on the tax computation below.

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

	2024-2025	2023-2024
	Kshs	Kshs
Profit/Loss before taxation	4,794,239	8,296,611
Less: Exempt Incomes		
Grant Incomes	7,833,471	9,036,850
Revaluation gain	-	8,900,000
Prior year adjustment	-	-
Adjusted Loss/Profit for the year	(3,039,232)	(9,640,239)
Add:		
Depreciation	20,721,085	20,476,435
Provision for bad debts	548,464	146,595
	21,269,549	20,623,030
	18,230,317	10,982,791
Less:		
Wear & Tear	8,941,652	8,440,208
Taxable Income/Loss	9,288,665	2,542,583
Previous years Losses b/f	(8,107,222)	-
	1,181,443	
Income Tax Expense/(Credit)	354,433	762,775
Profit/(Loss) After Taxation	4,439,806	7,533,836

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Notes to the financial statements (continued)

16. (a) Property, Plant and Equipment

	Land	Buildings	Water Pipelines	Motor cycles vehicles	Furniture & fittings	Plant & Equipment	Office equipment	Computers & copiers & faxes	Water Meters	Intangible Asset	Restated Total
	Shs	Shs	Shs	Shs	Shs		Shs	Shs	Shs		Shs
At 30th June 2025											
Reinstated amounts											
Cost 1st July 2024	8,700,000	12,993,000	62,364,873	6,595,000	897,368	14,672,427	930,317	1,439,879	42,381,884	13,160,000	164,134,748
Disposal	-	-	-	- 1,850,000	-	-	-	-	-	-	- 1,850,000
Reinstated cost	8,700,000	12,993,000	62,364,873	4,745,000	897,368	14,672,427	930,317	1,439,879	42,381,884	13,160,000	162,284,748
Additions	-	-	2,248,410	-	126,000	-	30,190	271,840	2,036,190	-	4,712,630
Grants Additions	-	-	979,000	-	-	-	-	-	5,215,000	-	6,194,000
Total Cost	8,700,000	12,993,000	65,592,283	4,745,000	1,023,368	14,672,427	960,507	1,711,719	49,633,074	13,160,000	173,191,378
Provision for Depreciation											
Balance as at 1st July 2024	-	1,299,300	42,178,110	3,780,000	382,963	2,448,785	429,164	1,154,627	27,151,345	4,382,280	83,206,575
Depreciation charge for the year	-	324,825	8,199,035	482,500	127,921	366,811	120,063	513,516	6,204,134	4,382,280	20,721,085
Total Accumulated Depreciation	-	1,624,125	50,377,145	4,262,500	510,884	2,815,596	549,228	1,668,143	33,355,479	8,764,560	103,927,660
Closing Net Book Value	8,700,000	11,368,875	15,215,138	482,500	512,484	11,856,831	411,279	43,576	16,277,595	4,395,440	69,263,719

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Notes to the financial statements (continued)

16(b). Property, Plant and Equipment (Continued)

	Land	Buildings	Water Pipelines	Motor cycles vehicles	Furniture & fittings	Plant & Equipment	Office equipment	Computers copiers & faxes	Water Meters	Intangible Asset	Restated Total
	Shs	Shs	Shs	Shs	Shs		Shs	Shs	Shs		Shs
At 30th June 2024											
Reinstated amounts											
Cost 1st July 2023	8,700,000	12,993,000	59,852,206	6,595,000	722,115	13,935,427	930,317	1,094,579	32,972,354	4,360,000	142,154,998
Revaluation	-	-	-	-	-	-	-	-	-	8,900,000	8,900,000
Disposal	-	-	-	-	-	-	-	-	-	(100,000)	(100,000)
Reinstated cost	8,700,000	12,993,000	59,852,206	6,595,000	722,115	13,935,427	930,317	1,094,579	32,972,354	13,160,000	150,954,998
Additions	-	-	2,512,667	-	175,253	737,000.00	-	345,300	-	-	3,770,220
Grants Additions	-	-	-	-	-	-	-	-	9,409,530	-	9,409,530
Total Cost	8,700,000	12,993,000	62,364,873	6,595,000	897,368	14,672,427	930,317	1,439,879	42,381,884	13,160,000	164,134,748
Provision for Depreciation											
Balance as at 1st July 2023	-	974,475	34,382,501	3,981,250	270,792	2,081,975	312,875	722,664	21,853,609	-	64,580,140
Depreciation charge for the year	-	324,825	7,795,609	1,648,750	112,171	366,811	116,290	431,964	5,297,736	4,382,280	20,476,435
Total Accumulated Depreciation	-	1,299,300	42,178,110	5,630,000	382,963	2,448,785	429,164	1,154,627	27,151,345	4,382,280	85,056,575
Closing Net Book Value	8,700,000	11,693,700	20,186,763	965,000	514,405	12,223,642	501,153	285,252	15,230,539	8,777,720.00	79,078,173

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Notes to the financial statements (continued)

16.(c) Wear and Tear

Wear& Tear	2024-2025		2023-2024	
	Kshs	Kshs	Kshs	Kshs
Depreciation rate	37.5,30,25	12.5	37.5,30,25	12.5
Wear& Tear rate	25	10	25	10
Assets				
Opening Written Down Value	1,250,252	48,656,501	2,985,665	37,657,215
Additions	271,840	10,634,790	345,300	12,097,450
	1,522,092	59,291,291	3,330,965	49,754,665
Wear& Tear	380,523	5,929,129	832,741	4,975,467
Closing WDV	1,141,569	53,362,162	2,498,224	44,779,199
Intangible asset	20%		20%	
Cost	13,160,000		13,160,000	
w&t	2,632,000		2,632,000	
	10,528,000		10,528,000	
Total Wear & Tear	8,941,652		8,440,208	

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Notes to the financial statements (continued)

17 (a) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	8,700,000	-	8,700,000
Buildings	12,993,000	1,624,125	11,368,875
Plant and machinery	14,672,427	2,815,596	11,856,831
Motor vehicles, including motorcycles	4,745,000	4,262,500	482,500
Computers and related equipment	1,711,719	1,668,143	43,576
Office equipment, furniture, and fittings	960,507	549,228	411,279
	43,782,653	10,919,592	32,863,061

Notes to the financial statements (continued)

17. (b) Intangible Assets

	2024-2025	2023-2024
	Kshs	Kshs
Cost At July 1	13,160,000	4,360,000
Disposal	-	(100,000)
Revaluation	-	8,900,000
At June 30	13,160,000	13,160,000
AMORTISATION		
At July 1	4,382,280	0
Charge for the year	4,382,280	4,382,280
At June 30	8,764,560	4,382,280
NET BOOK VALUE		
At June 30	4,395,440	8,777,720

18. Inventories

	2024-2025	2023-2024
	Kshs	Kshs
Chemicals & Laboratory items	195,050	381,021
Water fittings and Accessories	2,730,121	2,233,787
Total	2,925,171	2,614,808

19. (a) Trade and Other Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Trade receivables	57,541,285	54,798,966
VAT recoverable	9,400,955	9,400,955
Staff receivables	56,440	88,697
Other receivables	191,466	191,466
Gross trade and other receivables	67,190,145	64,480,083
Provision for bad and doubtful receivable	(11,508,257)	(10,959,793)
Net trade and other receivables	55,681,888	53,520,290

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19(b) Trade Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	57,541,285	54,798,966
Provision for doubtful receivables	(11,508,257)	(10,959,793)
Net trade receivables	46,033,028	43,839,173
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	7,692,174	6,532,041
Between 30 and 60 days	3,142,373	3,230,112
Between 61 and 90 days	2,028,560	2,611,918
Between 91 and 120 days	1,875,399	2,101,047
Over 120 days	42,802,779	40,323,847
Total	57,541,285	54,798,966

19. (c) Reconciliation of Impairment Allowance for Trade Receivables

Description	2024-2025	2023-2024
	Kshs	Kshs
At the beginning of the year	10,959,793	10,813,198
Additional provisions during the year	548,464	146,595
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	11,508,257	10,959,793

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20(a). Bank and Cash Balances

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	54,165,737	41,380,443
Total	54,165,737	41,380,443

20(b). Detailed analysis of the cash and cash equivalents

		2024-2025	2023-2024
Financial institution	Account number	Kshs	KShs
a) Current account			
Equity Bank	0030290276210	1,658,990	587,169
Family bank	009000010652	15,291,097	9,319,135
Family bank CLSG I	009000022124	141	141
Equity Bank CLSG II	0030284084866	15,049,067	15,156,937
Equity Bank ESCROW ACC	0030284084857	6,737,599	572,695
Family bank UBSUB	009000024745	27,753	3,416,275
Sub- total		38,764,647	29,052,352
b) Savings account			
Equity Bank	0030190309493	15,226,805	12,278,973
c) MPESA			
Paybill	8007900	174,285	49,118
Grand total		54,165,737	41,380,443

Notes to the financial statements (continued)

21. Revaluation Reserve

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

22. Fair Value Adjustment Reserve

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

23. Retained Earnings

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

24. Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2022. The scheme is administered by Laptrust Pension Scheme while CPF Financial Services are the custodians of the scheme. The scheme is based on 12 percentage of salary of an employee at the time of retirement.

Notes to the financial statements (continued)

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Laptrust Pension Scheme. Employees contribute 12% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

25(a) Trade and Other Payables

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	11,618,503	12,320,667
Employee payables	1,338,294	1,089,381
Total	12,956,797	13,410,047

25(b).Other Payables

	2024-2025	2023-2024
	Kshs	Kshs
Suspense Receipts from Customers	49,090	49,090
Compensations for damages	217,128	222,902
Internal Borrowings	6,432,150	7,729,516
Withholding Vat	229,926	229,926
Accrued wages	28,224	64,512
Total other payables	6,956,517	8,295,946
Total Payables	19,913,314	21,705,994

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25(c) Aging Analysis for Trade and other Payables

	2024-2025 Kshs	% of the total	2023-2024 Kshs	% of the total
Under one year	3,245,870	16	3,321,017	15
1-2 years	1,593,065	8	1,845,009	9
2-3 years	99,567	1	217,060	1
Over 3 years	14,974,812	75	16,322,907	75
Total	19,913,314		21,705,994	

26(a). Refundable Deposits and Prepayments

	2024-2025	2023-2024
	Kshs	Kshs
Opening Balance	12,209,743	10,662,734
Add: deposits received during the year and Repayments	3,071,082	2,756,754
Less: Refunded deposits/Borrowings during the year/ Debt Recovery	-	(1,209,745)
Total	15,280,825	12,209,743

26(b). Aging Analysis for Refundable Deposits and Prepayments

	2024-2025	% of the total	2023-2024	% of the total
	Kshs		Kshs	
Under one year	3,071,082	20	-	0
1-2 years	2,756,754	18	2,756,754	23
2-3 years	2,888,297	19	2,888,297	24
Over 3 years	6,564,692	43	6,564,692	54
Total	15,280,825		12,209,743	

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27. Deferred Income

The deferred income movement is as follows:

	Balance B/F	Balance B/F	2023-2024				Deferred income	Balance C/F
Name	Grant Deffered Income	Grant Cost	Additions	Total cost	Rate	Useful life		Grant Deffered Income
Pipeline	17,739,559	35,601,955	979,000	36,580,955	12.50%	8yrs	4,572,619	14,145,940
Water Meters	12,357,183	17,312,250	5,215,000	22,527,250	12.50%	8yrs	2,815,906	14,756,276
Vehicle	444,946	2,500,000	-	2,500,000	25%	4yrs	444,946	-
	30,541,688	55,414,205	6,194,000	61,608,205			7,833,471	28,902,216

28. Taxation

	2024-2025	2023-2024
	Kshs	Kshs
At beginning of the year	762,775	-
Income tax charge for the year	354,433	762,775
Under/(over) provision in prior year/s	(762,775)	-
Income tax paid during the year	-	-
At end of the year	354,433	762,775

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29. Notes to the Statement of Cash Flows

	2024-2025	2023-2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	4,794,239	8,296,611
Depreciation	20,721,085	20,476,435
Prior year Adjustment	1,009,630	32,300
Exempt income		
Revaluation gain	-	(8,900,000)
Grant Income (Capital Grant Amortised)	(7,833,471)	(4,447,850)
Operating profit/(loss) before working capital changes	18,691,483	15,457,496
(Increase)/decrease in inventories	(310,363)	(762,239)
(Increase)/decrease in trade and other receivables	(2,161,598)	(569,051)
Increase/(decrease) in trade and other payables	1,278,402	(1,717,376)
	(1,193,559)	(3,048,666)
Cash generated from/(used in) operations	17,497,924	12,408,830
(b) Analysis of changes in loans		
Balance at beginning of the year	28,503,050	13,344,063
Receipts during the year	-	15,158,987
Repayments during the year	-	-

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Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	28,503,050	28,503,050
(c) Analysis of cash and cash equivalents		
Short term deposits	-	
Cash at bank	54,165,737	41,380,443
Cash in hand	-	
Balance at end of the year	54,165,737	41,380,443

Other Disclosures

30. Related Party Disclosures

County Government of Murang'a

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

Other related parties include:

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

Transactions with related parties

	2024-2025	2023-2024
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	745,295	540,775
Water sales to county government agencies	3,050,250	2,212,330
Total	3,795,545	2,753,105
b) Payment from related parties		
Purchases of electricity from KPLC	202,354	247,285
Levies paid to Wasreb	4,552,097	3,861,457
Levies paid to WRA	720,000	720,000
Levies arrears to TWWDA	800,000	700,000

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Total	6,274,451	5,528,742
b) Grants from the Government		
Capital Grants From Government Entities(AWWDA)	1,495,000	9,409,530
Recurrent/Operational Grants from other agencies(Liquidity Support Grant-WSTF)	-	4,589,000
Capital Grants From Other Agencies(County government)	4,699,000	-
Capial Grants Armortized	7,833,471	4,447,850
Total	14,027,471	18,446,380
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for Management employees	10,427,373	9,930,831
Total	10,427,373	9,930,831
d) Key management compensation		
Directors' emoluments	3,387,186	2,189,456
Compensation to key management	-	-
Total	3,387,186	2,189,456

31. Financial Risk Management

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

Notes to the financial statements (continued)

(i) Credit risk

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

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

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

	Total amount	Fully performing	Past due but not Impaired
	Kshs	Kshs	Kshs
At 30 June 2025			
Trade Receivables	46,033,028	15,199,501	30,833,527
Other Receivables	9,648,861	247,906	9,400,955
Bank balances	54,165,737	54,165,737	-
Total	109,847,626	69,613,144	40,234,482
At 30 June 2024(previous Year)			
Receivables	43,839,173	14,475,118	29,364,054
Other Receivables	9,681,118	280,163	9,400,955
Bank balances	41,380,443	41,380,443	-
Total	94,900,733	56,135,724	38,765,009

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables	2,847,434	387,922	8,383,147	11,618,503
Current portion of borrowings	-	-	6,432,150	6,432,150
Employee benefit obligation	965,471	-	372,823	1,338,294
Other Payables	28,224	-	496,144	524,368
Total	3,841,129	387,922	15,684,263	19,913,314
At 30 June 2024				
Trade payables	1,598,603	1,724,200	8,997,863	12,320,667
Current portion of borrowings	-	-	7,729,516	7,729,516
Employee benefit obligation	800,476	-	288,905	1,089,381
Other Payables	64,512	-	501,918	566,430
Total	2,463,591	1,724,200	17,518,203	21,705,994

(iii) Market risk

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

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

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

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

a) Interest rate risk

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

i) Management of interest rate risk

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

Notes to the financial statements (continued)

ii) Sensitivity analysis

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

iii) Capital Risk Management

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

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	43,567,408	43,567,408
Retained earnings	23,801,557	23,801,557
Capital reserve	1,988,918	1,988,918
Total funds	69,357,883	69,357,883
Total borrowings	28,503,050	28,503,050
Less: Cash and bank balances	(54,165,737)	(41,380,443)
Net debt/ (excess cash and cash equivalents)	(25,662,688)	(12,877,393)
Gearing	41.10	41.10

32. Incorporation

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

33. Events after the Reporting Period

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

34. Disclosures

Some assets were fully depreciated and no depreciation was done for the same during the year. Revaluation of asset to be done in the next financial year.

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1.0	<p><u>Long Outstanding Trade Receivables</u> Statement of financial position reflects trade receivables and other receivables of Kshs.53,520,290 as disclosed in Note 19 to the financial statements. However, note 19 (b) reflects an amount of Kshs.40,323,847 which has been outstanding for over 120 days. Upon inquiry, it was found that this significant amount originated from previous years and was carried over into the year under review.</p> <p>In the circumstances, failure to collect the long outstanding trade receivables could result to financial losses that would adversely affect cash flows and ability to sustain services</p>	<p>The company has established a debt control office with an intention to reduce the cumulative debts over the years. We have commenced the process of aging of debtors with an ultimate goal to do a specific provision of debtors and also to further escalate to recommendation of debtors write off.</p> <p>Some of these debtors were inherited from the National water and Pipeline Company when they were handing over to companies and we are in the process of identifying their existence on the ground so that appropriate recommendations can be done.</p> <p>We are doing follow up with the County Government as our main debtors to pay their dues. We also have a part payment plans with our customer which help them clear their bills without disconnecting account.</p>	Not Resolved	Continuous process

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0	<p><u>Long Outstanding Trade Payables</u> The statement of financial position reflects a balance of Kshs.21,705,994 in respect of trade and other payables, as detailed in Note 25 to the financial statements. It was revealed that payments amounting to Kshs.18, 384,976 remained outstanding for over a year. If not addressed, these unpaid amounts may continue to grow and negatively impact the overall performance of the water company in the long run. In the Circumstance, failure to settle long-standing payables may lead to legal actions or penalties, exposing the company to additional financial and reputational risks.</p>	<p>The management has ensured it pays suppliers of goods and services as and when they fall due. Currently the company does not have creditors for more than 60 days for the day to day suppliers. The main creditors are for the levies and the management has a payment plan especially for payables exceeding 3 years as follows and this can be ascertained from our financial statements and the specific ledgers.</p> <ul style="list-style-type: none"> • For Tana Water Works Development Agency we pay Kshs 100,00 per month • For Wasreb we pay Kshs100,000 in addition to the monthly levy • For WARMA we pay Kshs 60,000 per month • For Internal borrowings we pay Kshs 100,000 per month 	Not Resolved	Continuous process
	<p><u>Emphasis of Matter</u> <u>Delay in Implementation of Kangema Household Sanitation Project</u> The Water Sector Trust Fund Urban Investment Program entered into contract with the Company to finance the Kangema Household sanitation</p>	<p>The project delayed due to delay in release of funds from Waterfund. We received the first disbursement on 27th February,2024, which was after a delay of 251 days</p> <p>(8 months) from the date of signing of the financing contract. Initial contract validity expired on 21st</p>	Not Resolved –	31 st Dec 2025

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	<p>Project for a period of 12 month (starting 21st June 2023 to 20th June 2024) at a financing cost of Kshs.20,437,251. The project was to help in upscaling basic sanitation for the urban poor Programme like construction of 1 No decentralization treatment facility (50m3) and Subsidy for construction of 200 safisan toilets. However, as at the closer of the financial year and as at the time of audit in the month of November, 2024 only Kshs.5,287,808 or 39% of the funds had been received and construction of decentralization treatment facility (50m3) had not commenced . Though contract was extended up to 21st April 2025, there is no guarantee that the remaining Kshs.15,149,443 will be disbursed and complete the construction of the decentralization treatment facility (50m3) within the remaining five(5) months. In the circumstance, the project might not meet it intended objective.</p>	<p>June, 2024 but we obtained a no-cost extension of up to 21st April, 2025(Attached extension letter Annex 1...). While the component of subsidies for 200 toilets is on track with over 150 toilets already done and more under construction, the DTF component is slightly behind schedule largely due to delayed release of approvals from Waterfund. For instance, we floated and evaluated the tender for procuring a contractor in October, 2024 but we're still awaiting a letter of no-objection from Waterfund to engage the successful contractor 2 months down the line. We're however engaging Waterfund and hope to have the process fast tracked. We will have to seek another no-cost extension at the tail end of current contract validity to ensure successful completion of the DTF facility.</p>	<p>Ongoing project</p>	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1.1	<p>Non-Compliance with Minimum Requirements on Employee Ethnic</p> <p>Review of employee records revealed that the dominant ethnic community employed as at 30 June, 2024 constitutes 89% (74) of the total population of 83 staff members. This was contrary to the requirement of section 7(2) of the National Cohesion and Integration Act, 2008 which state that, no public establishment shall have more than one third of its staff from the same ethnic community.</p> <p>Further, examination of master data and payroll records for the year ended 30 June, 2024 revealed that the management recruited eight (8) new staff members.</p>	<p>As a Company we recognize the importance of promoting inclusivity and diversity within our workforce and we are committed to aligning our recruitment practices with legal requirements and best practices.</p> <p>The Company will establish a monitoring framework to track ethnic diversity in all future recruitments. This will ensure compliance with Section 7(2) of the National Cohesion and integration Act, 2008 and allow for collective actions where necessary.</p>	Not resolved	Continuous Process

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	<p>However, the dominant ethnic community employed by the County constituted of 7 persons out of the 11 which is equivalent to 88% of the new recruits.</p> <p>In the circumstance, Management was in breach of the law.</p>			
1.2	<p>Failure to Meet Recruitment Thresholds for Persons with Disabilities</p> <p>Review of payroll revealed that management recruited a total of 8 employees, out of whom there was no person living with disability. This is contrary to the provisions of Section B.23(2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 that sets a threshold of 5% of</p>	<p>Mwewasco recognizes the critical importance of inclusivity and equal opportunity in its recruitment processes. In the past advertisements have not attracted applications from persons with disabilities and we acknowledge the need for proactive measures to encourage greater participation from this group.</p> <p>We commit to actively engage with organizations, associations and community groups representing persons with disabilities to promote awareness of job opportunities within our organization.</p> <p>Where applicable the company will adopt affirmative action measures to ensure inclusivity in recruitment, as outlined in national policies and</p>	Not resolved	Continuous process

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	positions to be filled by persons with disabilities. In the circumstance, the Management was in breach of human resource policy guidelines.	legislation. "Murang'a West Water and Sanitation is an equal opportunity employer"		
1.3	<p>Failure to Adhere to One-Third Rule on Basic Salary</p> <p>Review of payroll data for the year under review revealed that a total of two (2) employees were paid a net salary that is less than a third (1/3) of their basic pay in the month of June, 2024. The excessive deductions resulted from Management allowing the staff to incur loans and other liabilities whose repayments deduction put the officers at the risk of pecuniary embarrassment.</p>	<p>The recent Government directives on deductions of SHIF, affordable housing and NSSF has affected the 2/3 rules since our staff had committed their salaries prior. Care has always been exercised to avoid such, including advising our staff before committing their salaries and financial management trainings</p>	Resolved	

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	<p>This is contrary to Section 19(3) of the Employment Act, 2007 which provides that the total amount of all deductions made by an employer from the wages of his employee at any time shall not exceed two-third of such wages.</p> <p>In the circumstance, Management was in breach of the law</p>			
1.4	<p>Exceeding Industrial Benchmark on Personnel Expenses</p> <p>The statement of profit or loss and other comprehensive income for the year ended 30 June, 2024 reflected Kshs.44,946,481 in respect of staff costs out of operating expenses totaling to Kshs.107,065,809 which translates to 42% of total</p>	<p>This is an improvement from the previous year's records. Partly this has been caused by the use of old tariffs that were last reviewed in 2010 and also the increased employer liabilities on government deductions and levies on staff salaries ie NSSF and Housing levy. However, in the current license issued by WASREB, we have a target of bring it down to at least below 40</p>	Not resolved	Continuous Process

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	<p>operating expenses. This is higher than the recommended threshold of 40% in accordance with the WASREB Guidelines. As a result, the expenditure was 2% above industrial benchmark.</p> <p>In the circumstances, the excessive personnel cost may negatively impact the Company's profitability and sustainability of services.</p>			
2.0	<p>Unapproved Billing Tariff Rates</p> <p>The Company has been operating with a water Tariff approved by the Water Services Regulatory Authority on 3rd march 2017 vide Gazette notice No.1960 of (8 of 2002). Tariff structure was for the period 2015 and 2017/18. During</p>	<p>New tariffs were approved by WASREB and gazetted in May 2025. We are looking forward to implement it in financial year 2025/2026</p>	Resolved	

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	<p>the year under review the public were billed using a tariff which expired in June 2018 which is approximately six years old.</p> <p>In the circumstance, the old tariffs are commercially untenable and unprofitable and the Company may not be able to cover its operational and maintenance costs to sustain its services.</p>			
3.0	<p>Failure to Account for Water Inventory</p> <p>The statement of financial position reflects inventories balance of Kshs.2, 614,808 as disclosed in Note 18 to the financial statements. However, balance excludes inventory of water in terms of volume of stock that had been produced, stored or held within the distribution</p>	<p>Due to the fact that we're in the process of mapping of our reticulation system, which consists of some very old lines inherited from community schemes whose determination of sizes entail an extensive activity to inspect and verify, we were not in a position to give an accurate estimate but we're looking forward to do so in the consequent years.</p>	Not Resolved	30 th June 2026

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	<p>infrastructure. This is contrary to requirements of International Accounting Standard (IAS) number 2 on inventories that defines inventories as assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials).</p> <p>In the circumstances, the Company has not accounted for its main asset.</p>			
4.0	<p>Non-Revenue Water</p> <p>During the financial year under review, Murang'a west Water and sanitation Company Limited produced 2,547,458 cubic meters (m3)</p>	<p>Several interventions measures have been put in place to reduce NRW</p>		

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	<p>of water, out of which only 1,373,087 (m3) of water was billed to customers. The balance of 1,174,371 cubic meters (m3) or approximately 44% of the total volume of water produced represented unaccounted for water (UFW) which is over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines.</p> <p>The abnormal water loss of 44% may have resulted to loss of sales estimated to Kshs.64,590,405 when computed at the rate of Kshs.55 per M3 which is the minimum tariff for water sale as per the water Act No.8 of 2002</p>		Not resolved but the figures have been dropping significantly	Continuous process

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	<p>Further, the company did not demonstrate existence of non-revenue water function with adequate and competent staff as established in Paragraph 1.6.2 of Non-Revenue Water Management Standards in Kenya Guidelines June 2022.</p> <p>In the circumstances, the significant level of Unaccounted for water may negatively affect company's profitability and long-term sustainability of water supply services if corrective measures are not put in place by the management.</p>			
1.0	<p>Lack of a Board Charter</p> <p>Statement of Profit or Loss & Other Comprehensive and Note 12 to the financial statements reflects board</p>	<p>The company is in the process of coming up with a Board Charter.</p>	Not resolved	30 th Sep 2025

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	<p>expenses of Kshs. 2,189,456. However, the Company does not have a Board Charter.</p> <p>In the circumstance, Management is noncompliance with governance provisions in the</p>			
2.0	<p>Lack of Fraud and Risk Management Policy</p> <p>The Company does not have a fraud management policy to guide the management and Board of Directors in dealing with instances of fraud and falsification of records in the event of their occurrence.</p> <p>In the circumstance, the Company may be exposed to financial losses in the absence of fraud and risk management policy.</p>	<p>The Management has a risk management policy in draft awaiting board approval</p>	<p>Not Resolved</p>	<p>30th Sep 2025</p>

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4.0	<p>Incomplete Asset Register</p> <p>The assets register provided for audit was incomplete, lacking essential information such as acquisition details, classification, disposal records, make and model, tag numbers, serial numbers, and delivery dates, all of which are critical for effective asset management and verification.</p>	<p>Some of the assets held by the company were inherited from TWWDA during inception through a service provision agreement which lacks critical documents search as Logbooks and date of acquisition or receipts. We have been writing to them to give us this ownership documents but we have not succeeded.</p> <p>We will update our register and serialize all asset.</p>	Not fully resolved	30 th Sep 2025

Name *Ephantus Kemau*
Signature *[Signature]*
Managing Director
Date *1st Nov 2025*

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