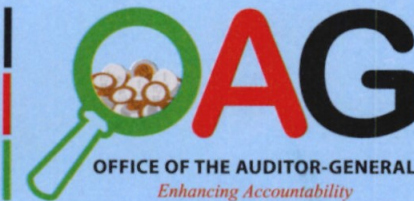


REPUBLIC OF KENYA



REPORT

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THE AUDITOR-GENERAL

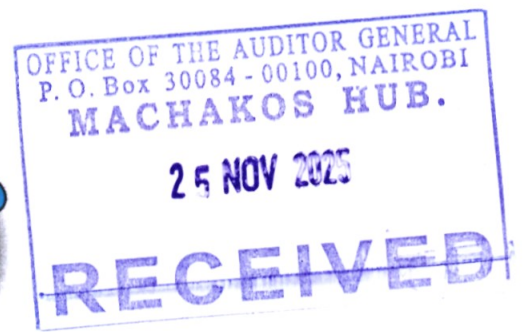
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DATE	19/2/26
TABLED BY	Dr. Kidero
COMMITTEE	
AT THE TABLE	May

MATUNGULU KANGUNDO WATER AND  
SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2025

2025



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**MATUNGULU KANGUNDO WATER & SEWERAGE COMPANY**

**ANNUAL REPORT  
AND  
FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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**Prepared in accordance with the accrual Basis of Accounting Method under international  
Financial Reporting Standards (IFRS)**

MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED  
Annual Reports and Financial Statements  
For the year ended June 30, 2025

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<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
1. Acronyms and Glossary of Terms	ii
2. Key entity Information	iii
3. Board of Directors	v
4. Key Management Team	vii
5. Chairman's Statement	viii
6. Report of the Managing Director	ix
7. Statement of Performance against Predetermined Objectives for FY 2025/24	xi
8. Corporate Governance Statement	xii
9. Management Discussions and Analysis	xiv
10. Environment and Sustainability	xvii
11. Report of the Directors	xix
12. Statement of Directors' Responsibilities	xx
13. Report of Independent Auditors	xxi
14. Statement of Profit or Loss and Other Comprehensive income for the year ended 30 June 2025	1
15. Statement of Financial Position as at 30 June 2025	2
16. Statement of Changes in Equity for the year ended 30 June 2025	3
17. Statement of Cash Flows for the year ended 30 June 2025	4
18. Statement of Comparison of budget and Actual for the period ended 30 June 2025	5
19. Explanatory Notes to the Financial Statements	6
20. Appendices	18

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**I. Acronyms and Glossary of Terms**

ICPAK	Institute of certified Public Accountants of Kenya
MD	Managing Director
WRA	Water Resources Authority
WASREB	Water Services Regulatory Board

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**2. KEY ENTITY INFORMATION**

**Background information**

Matungulu Kangundo Water and Sewerage co. Limited is established by the Company's Act 2015 and is an agent of the County Government of Machakos allowed to provide water and sewerage services within Kangundo and Matungulu sub counties. The County Government has appointed a Board of Directors who are responsible for the general policy and strategic direction of the entity.

**Principal Activities**

The principal activity of the entity is to provide water and sewerage services within its jurisdiction.

**Vision**

To be the best water service provider in the region

**Mission**

To sustain efficient, effective, safe and affordable water and sewerage services in our area.

**Core Objectives**

- Provision of efficient and affordable water services
- Maintenance of assets and water facilities to ensure continuous services
- Sensitize communities to ensure well informed customers
- Implementation of rules and regulations as provided for by the regulator.

**Directors**

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

- |                               |   |
|-------------------------------|---|
| 1. Margaret Muli              | -Ag. Managing Director                      |
| 2. Samuel Muneene             | Acting Chairman Appointed 13 September 2021 |
| 3. Catherine Mutuku           | Appointed 13 September 2021                 |
| 4. Edna M.Mwanzia             | Appointed 13 September 2021                 |
| 5. Magdalene Emma Nthenge     | Appointed 13 September 2021                 |
| 6. CPA Abdullahi Guliye Yunis | Chief Officer water and Irrigation          |
| 7. Kasanga Julius Muindi      | Chief Officer Finance                       |

**Registered Office**

Tala Plaza  
Kangundo Road  
P.O Box 561-90131  
Tala, Kenya

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**Corporate Headquarters**

P.O Box 561-90131  
Tala House

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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Kangundo Road

Tala, Kenya

**Corporate Contacts**

Telephone: +254719212720

Email: kamwasco@gmail.com

**Corporate Bankers**

Kenya Commercial Bank

P.O Box 173-90131

Tala, Kenya

**Independent Auditors**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O Box 30084

GOP 00100

Nairobi, Kenya

**Principal Legal Advisers**

The Attorney General

State Law office

Harambee Avenue

PO Box 40112

City Square 00200


Nairobi, Kenya

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**3. THE BOARD OF DIRECTORS**

	<p><b><u>SAMUEL MUNEENE</u></b> Appointed <u>13<sup>th</sup> September 2021</u>  Mr. Samuel Katumo Muneene chairs the board of the company and represents business community.</p> <p><b><u>ACTING CHAIRMAN(BOD)</u></b>  Academic Qualification : EACE  Professional Qualification: Educational officer  Age : 69 years</p>
	<p><b><u>CATHERINE MUTUKU</u></b> Appointed <u>13September 2021</u>  Miss Catherine Mutuku is a director of the company and chairs the audit committee of the company.</p> <p>Academic Qualification : Bachelor of Laws  Professional Qualification: Lawyer  Age : 35 years</p>
	<p><b><u>MAGDALENE EMMA. NTHENGE</u></b> appointed <u>13<sup>th</sup> sept 2021</u>  Miss Emma M. Mwanzia is a director of the company and chairs the Financial committee. She represents community organizations.</p> <p>Academic Qualification : O level  Professional Qualification: Secretary  Age : 61 years</p>
	<p><b><u>EDNA M Mwanzia</u></b> Appointed <u>13September 2021</u>  Mrs. Magdalene E. Nthenge is a director of the company. She chairs Technical committee of the company and represents women organizations.</p> <p>Academic Qualification : O level  Professional Qualification: Farmer  Age : 59 years</p>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	<p><b><u>CPA Gulive Abdullahi Yunis</u></b></p> <p><u>Chief Officer Water and Irrigation</u>          Alternate to CECM water, irrigation, sanitation, environment and climate change.</p>
	<p><b><u>Kasanga Julius Muindi</u></b></p> <p><u>Chief Officer Finance and Economic planning</u>          Alternate to CECM Finance, Trade, economic planning and Revenue management.</p>
	<p><b><u>MARGARET MUNYIVA MULI</u></b></p> <p>Mrs. Margaret Muniyiva Muli is the Ag. Managing Director and the secretary to the Board of Directors. She holds a Diploma in water Engineering from Kenya Water institute.</p> <p>Appointed: 22 July 2023</p>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**4. KEY MANAGEMENT TEAM**

	<p><b><u>MARGARET MUNYIVA MULI</u></b></p> <p><u>Date of Birth: 1968</u></p> <p>Mrs. Margaret Munyiva Muli is the Ag. Managing Director and the secretary to the Board of Directors. She holds a Diploma in water Engineering from Kenya Water institute.</p> <p>Appointed: 22 July 2023</p>
	<p><b><u>PATRICK KIMITI</u></b></p> <p><u>Date of Birth: 1969</u></p> <p><b><u>TECHNICAL MANAGER</u></b></p> <p>Patrick Kimiti is the manager in charge of Technical Operations within the company. He holds a certificate in Water Supply from the Kenya Water Institute.</p>
	<p><b><u>ANTHONY MUEMA</u></b></p> <p><u>Date of Birth: 1982</u></p> <p><b><u>ACCOUNTANT</u></b></p> <p>Anthony Muema is the company's accountant in charge of the finance department. He holds a Bachelor of commerce (Finance Option) degree from KCA University and is a Certified Public Accountant of Kenya (CPA K).</p>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**5. CHAIRMAN'S STATEMENT**

I feel honored for God to give me this golden opportunity to give out the report of Matungulu Kangundo Water and Sewerage Company limited as at the year ended 30 June 2025.

Briefly this company started in 2008 by the then water officer Mr. Nicholas Mageto. The water Management was handed over to him by the Kangundo urban council. The company popularly known as MAKAWASCO comprises of three water Supplies/Stations namely; Nguluni, Tala and Kangundo.

This young company was handed over with a lot of challenges which has kept on manifesting themselves for quite a long time and which so far we have managed to change.

- a) Unskilled labour
- b) Poorly paid workers and therefore unmotivated to perform better
- c) Poor and unorganized water management systems
- d) Old and dilapidated pipes
- e) Lack of pipes network sketch maps
- f) Illegal connections

The list of the old challenges that existed during the initial stages were very many. However, I am proud and pleased to announce with confidence that I can see light at the end of the tunnel because there is a lot of improvement in terms of:-

- Skilled Personnel
- Personnel are moderately motivated
- Organized management team in place
- Illegal connections almost dealt with completely
- Workers with better remuneration

I must say that I am thankful to the organizations which have come very handy to our rescue in terms of the company water infrastructure namely; Machakos County Government and Water Sector Trust Fund who have tirelessly assisted in improving new pipes network that have led to minimized Non-revenue water.

Finally, let me thank all our esteemed water customers and the rest of stakeholders for being on our side on this long journey since the inception of the company in 2008. Your challenges, opinion and assistance has taken us this far. The sky is our limit we shall never rest until every customer/household gets water regardless of the distance one is from the water source.

Thank you once again and hope that you will give your help where it is most needed to make MAKAWASCO the water company in this region.

Regards,

Chairman, Board of Director

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**6. REPORT OF THE MANAGING DIRECTOR**

It is my pleasure to present to you Matungulu Kangundo water and sewerage company management report for the year ended June 30 2025. The Company is mandated to provide water services within Matungulu and Kangundo sub counties to a coverage area of approximately 924km<sup>2</sup> targeting a current estimated population of 234,388 people.

Water is a key driver of social and economic development and over the years, supply of reliable and affordable water to our customers, improvement of customer service and acceleration of water access to the public remains at the centre stage of our operations.

Despite our desire to sustain connectivity drive by further extensions and connection of customers to other unserved areas, improve system reliability and complete key projects, our operational performance during the year was affected by unfavorable environment mainly caused by inadequate water sources, continuous grading of feeder roads by the County government of Machakos and inadequate funds to renew our dilapidated pipelines.

**Operational Performance**

In the course of the year under review, we connected 74 new customers to our water network growing the overall customer base to 2049 connections within our service area. This connectivity drive is premised on our strategic goal to secure the water distribution and provide clean and affordable water to every household within the area served by the company and support the country's goal of providing water to all Kenyans which is an important ingredient for socio economic transformation and development.

In the financial year 2024-2025 the company managed to solarize one of its boreholes (Kyamulendu borehole) in Tala through CSR program provided by Davis and Shirliff with the aim of reducing power cost and also production cost.

**Challenges faced during the reporting period**

1. High cost of pumping ( Power bills)
2. Vandalism of water infrastructures
3. Water theft
4. Inflation (High cost of materials)
5. Insufficient sources resulting to water rationing
6. Dilapidated infrastructures contributing to non-revenue water
7. High non-revenue water contributed by vandalism, theft and dilapidated pipelines among others

**Business Performance**

During the year under review, our operating revenues decreased by kshs 404,629 to Kshs 13,102,875. While Other incomes increased with 209,080 leading to an overall revenue of kshs 14,307,555 which decreased by kshs 195,549 from the previous reported year of kshs 14,503,104. In the current year economic challenges and fluctuations in the market have had an impact on and increased our operating costs.

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**Net Deficit**

The deficit before tax increased to kshs.4, 005,566 from kshs 2,735,993 reported in the previous period. This was occasioned by rising operating costs, such power cost.

The company managed to reduce the non-revenue water from the previous 37% to 31%

Through the support of water sector trust fund under conditional liquidity support grant during the covid19 period, the company did a 3km pipeline extension in Nguluni and several customers were able to get sufficient supply.

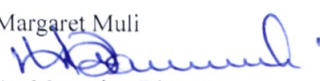
**Future Plans**

- 1) Solarization of the boreholes
- 2) Procurement of a billing and accounting software
- 3) Rehabilitation of the dilapidated pipelines
- 4) Complete overhaul of Ndovoini B return pipe and rerouting of all the pipelines passing through homesteads
- 5) Installation of zone meters to help establish specific areas water is lost

Way forward, we will continue reaching out and engaging all our stakeholders especially the community within our area of coverage mainly in conserving our sources of water and infrastructure. We also look forward to more collaboration and support from the two levels of Government, development partners, and other institutions in the sector.

Finally, I wish to appreciate our stakeholders and corporate partners for the solid commitment and support. To our esteemed customers, we thank you for your loyalty and support. It is through the hard work and dedicated effort of the MAKAWASCO team that we are now able together with our stakeholders to mark the achievements made during the year. Therefore, to the management and staff of MAKAWASCO, let us keep this momentum, to the Board; I thank you for your guidance and leadership.

Margaret Muli



Ag.Managing Director

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR 2025/2024**

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.

Matungulu Kangundo water and Sewerage Company limited operates under Five (5) strategic pillars and objectives for the year 2020/2021 and 2024/2025. These pillars are as follows;

Pillar 1: Operational Efficiency and Affordability of water services

Pillar 2: Asset maintenance for continuous service delivery

Pillar 3: Financial Sustainability

Pillar 4: Water infrastructure development

Pillar 5: Effective Corporate Governance

Matungulu Kangundo water and sewerage company limited develops its annual work plan based on the above 5 key pillars. Assessment of the board’s performance against its annual work plan is done on a quarterly basis. Matungulu Kangundo water and sewerage co. Limited achieved its performance targets for the finance year 2025/2024 as per the table below;

Strategic Pillar	Objective	Key performance indicator	Activities	Achievements
Operational Efficiency and Affordability of Water Services	Constant supply of portable water that meets the expectations of our customers	Reduced customer complaints	Carry out customer satisfaction survey and also ensuring that repairs are done at the right time	Power bills and other repair costs settled in time
Water Infrastructure Development	Provide water and Sanitation Services	Increase water and Sanitation coverage	Drilling Boreholes, Extension of Pipeline and Construction of Sanitation facilities	Extension of pipeline in Nguluni area for 3300m.
Effective Corporate Governance	Board of Directors adhere to the board meeting schedules and pass important resolutions in time	Four board Meetings in every quarter.	Board Meetings held as per schedule.	Four board meetings were held during the year and key resolutions passed.

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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### **3. CORPORATE GOVERNANCE STATEMENT**

The board of Directors actively shapes the company's mission and the strategic direction. The board has set out clear agenda to ensure its overall control of the company's affairs. The responsibilities and limitations of the directors are primarily set out in the articles of association of the company and corporate governance guidelines by the sector regulator. The corporate governance guidelines by the regulator (Water sector regulatory board) require the company to have a maximum of five board members inclusive of chief officer in charge of water and Chief Officer in charge of finance from Machakos County Government since the company falls in to classification of small entities.

The board is responsible for policy formulation, approval of utilization of the company funds, administration of the company and protection of the property and assets of the company.

The executive management committee chaired by the managing Director comprises head of departments and sections reporting directly to the Managing Director. The committee meets at least once per month to review performance and to consider policy and business issues including strategic measures while also reviewing papers before they are tabled before the Board for consideration and approvals.

The independence of the Board from the company's corporate management is ensured by separation of the functions of the chairman and Managing Director and a clear definition of their responsibilities. The chairman is primarily responsible for providing leadership of the Board of Directors while the Managing Director is responsible for the day to day management of the company. This helps in achieving an appropriate balance of authority, increased accountability and improved capacity for decision making.

#### **Board of Directors**

On a quarterly basis the Board of Directors considers management reports from the managing Director, Management accounts, and reports of each Board committee, specific proposals for capital expenditure and acquisition as well as strategic planning for the company. The Board meets at least once per quarter. The calendar of meetings is prepared annually and approved in advance. Board Members are remunerated through sitting allowances and also the company caters for their travel expenses in case of meetings for the BOD outside the area of jurisdiction. The chairman of the board earns monthly honorarium. In the year ending June 30, 2024/2025 the company did not conduct board meetings

#### **Committees of the Board**

The Board oversees the monitoring system and has set specific responsibilities for itself and its committees. Board committees have been established with formal written terms of reference and observe the rules of conduct and procedures of the Board.

The Board committees are constituted by the Board which sets out the responsibilities delegated by the Board to the committee and the committee's structure and operation. The role of the committee is to operate within the terms of its charter and to make recommendations to the Board for approval or ratification. The committee may determine on behalf of the Board certain matters with prior approval of the Board.

##### **1. Technical Committee**

The committee deals with strategic planning, operations and technical issues. Its responsibilities include infrastructure development, reviewing and evaluating of water service standards and ensuring service efficiency and effectiveness, monitoring and evaluating performance of both the service provision agreement and the performance contract. This committee is chaired by Miss Edna M. Mwanzia

##### **2. Finance and Administration Committee**

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

The committee deals with financial, recruitment and administrative issues of the company. Its responsibilities include reviewing and evaluation of performance of the approved recurrent budget, opening and closure of bank accounts, financial performance and sustainability of the company, facilitate for the application of tariff and related charges for water services and all staff matters. The committee is chaired by Miss. Magdalene Emma Nthenge

**3. Audit Committee**

The committee deals with compliance issues. Its responsibilities include examining and assessing the effectiveness of the internal control, evaluate internal audit programs, carry out special audits, receive and consider audit reports, verify the company's assets and liabilities and adopt a proactive risk based approach to internal audit systems. This committee is chaired by Miss Catherine Mutuku

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**9. MANAGEMENT DISCUSSIONS AND ANALYSIS**

Matungulu Kangundo water and Sewerage Company limited provides water and sanitation services to Matungulu and Kangundo sub counties. The company engages with development partners and local community to ensure it fulfills its mandate. The company's operations are sustained by funds that are collected from payments from customers for services rendered and also from its partners through grants, subsidies and donations.

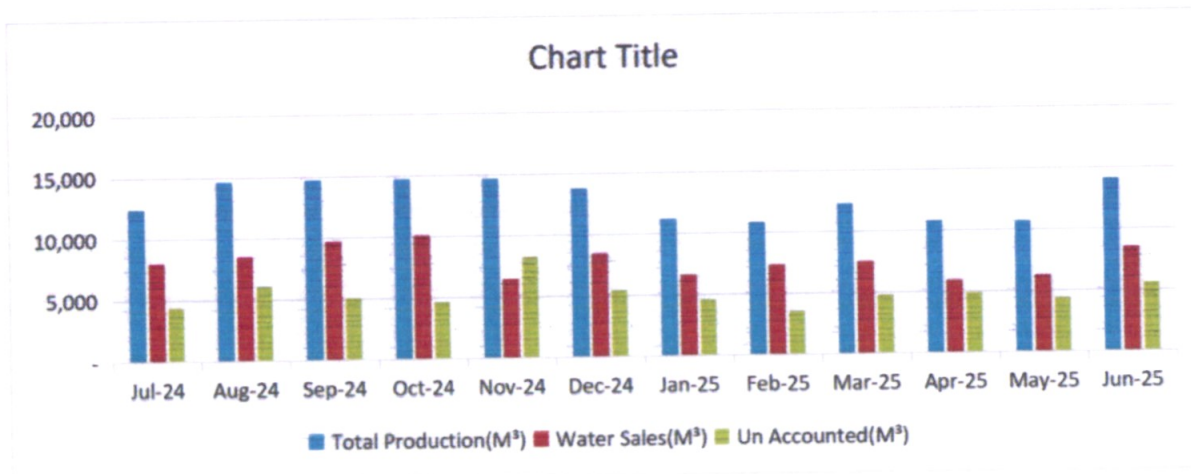
During the year 2025 the utility managed to produce 154,623M<sup>3</sup> of water and billed 93,133M<sup>3</sup> of water resulting to Non-Revenue water (NRW) of 61,490M<sup>3</sup> equivalents to 40%. This is illustrated by the table and chart below;

Month	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25
Production(M <sup>3</sup> )	12,397	14,609	14,728	14,720	14,639	13,791	11,173	10,834	12,245	10,748	10,671	14,068
Billing(M <sup>3</sup> )	8,022	8,508	9,665	10,072	6,415	8,416	6,598	7,297	7,501	5,883	6,236	8,520
NRW(M <sup>3</sup> )	4,375	6,101	5,063	4,648	8,224	5,375	4,575	3,537	4,744	4,865	4,435	5,548

Summary

Total Production(M <sup>3</sup> )	154,623
Total Billing(M <sup>3</sup> )	93,133
Total NRW(M <sup>3</sup> )	61,490

A Graph for Production versus Billing (Water Sales) and Non-Revenue (UN Accounted for Water)



**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

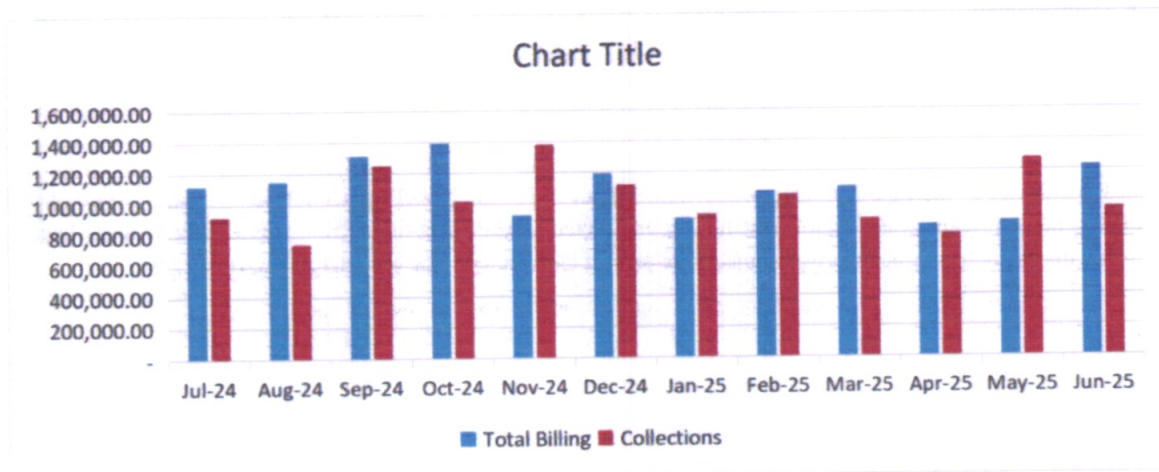
**Billing versus Collections**

Month	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25
Billing(kshs)	1,119,030	1,148,805	1,311,665	1,390,245	927,129	1,190,190	899,211	1,069,215	1,096,245	850,000	874,420	1,226,720
Collection(kshs)	922,983	740,935	1,248,683	1,013,879	1,380,954	1,118,418	926,044	1,051,697	888,740	794,160	1,273,088	956,945

**Summary**

Total Billing(Kshs)	13,102,875
Total Collections(kshs)	12,316,526

**A Graph of Billing (Kshs) versus Collections (Kshs)**



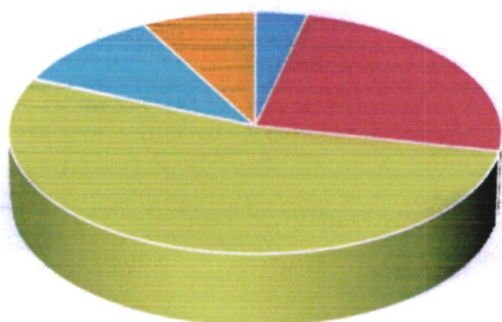
Collections Efficiency-94%

**Cost Summary Comparison for FY 2024/2025 and FY 2023/2024**

Cost Item	Amount 2024/2025	Amount 2023/2024
Cost of sales	618,985	2,006,008
Staff Costs	4,260,121	5,138,417
General and Operation expenses	9,198,575	7,561,278
Board expenses	20,000	160,182
Maintenance Expenses	1,844,315	899,772
Depreciation Expenses	1,367,725	1,473,360

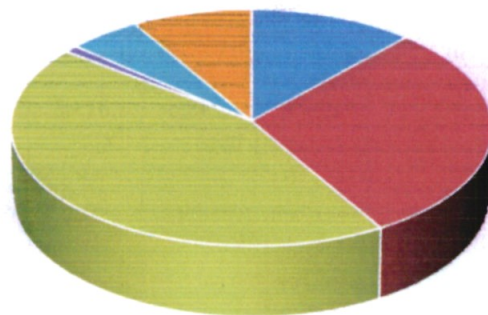
**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

Cost chart 2025



- Cost of Sales
- Staff Costs
- General and Operation expenses
- Board expenses
- Maintenance Expenses
- Depreciation Expenses

Cost chart 2024



- Cost of Sales
- Staff Costs
- General and Operation expenses
- Board expenses
- Maintenance Expenses
- Depreciation Expenses

The company further expects to increase its water production in kangundo which will translate to increased revenue once an ongoing project being funded by the water sector trust fund is completed. The Project titled "Kangundo water project" began in 12<sup>th</sup> April 2022 when the financing agreement was signed. The project is expected to be completed in October 2025.

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**10. ENVIROMENTAL AND SUSTAINABILITY REPORTING**

Matungulu Kangundo water and Sewerage Company limited (Makawasco) exists to transform lives through the provision of quality, affordable, reliable, portable and sustainable water and sanitation services to the residents of Matungulu and Kangundo sub counties. This is the purpose; the driving force behind everything we do. That is what guides us to deliver on our mandate. The following is a brief of our achievements in delivering our pillars;

**i. Sustainability strategy and profile**

MAKAWASCO is committed on providing quality, affordable, reliable, portable and sustainable water and sanitation services to our customers within our jurisdiction. This will be achieved through extension of services, sinking of more boreholes, harvesting of rain water and Construction of dams and weirs. This will be achieved by collaboration with the National government, County Government of Machakos and donor partners to extend our services to the underserved and also increase our water and sanitation coverage.

**ii. Environmental Performance**

The management believes that the operations of the company has a minimal impact on the environment; however we acknowledge that there are inevitable environmental impacts associated with the daily operations. Our aim is to ensure we minimize any harmful effects on the environment as we continue with our operations. This will be attained by partnering with established environmental organizations such as NEMA to guide on developing environmental standards to be used by the company.

**iii. Employee Welfare**

Employee hiring is done competitively as all positions are advertised and employment is on merit. The 1/3 gender rule is always put into consideration. Employee hiring also takes in stakeholder engagement and this helps to improve the company's relationship with the stakeholders. Job placement is done on the skills possessed by employees.

**iv. Market Place Practices**

**a) Responsible competition practice**

The company has put in place to measures to discourage malpractices both within and outside the organization. In an effort to discourage corruption and other malpractices the company does not accept cash payments and bill payments are done directly to the bank. Further to this the company does not engage in political activities though it recognizes leaders elected by the people as part of the stakeholders of the entity.

**b) Responsible supply chain and supplier relations**

The entity treats its suppliers with impartiality and ensures it has maintained its supply chain. Suppliers are engaged on competitive bids or quotations and are paid at the right time.

**c) Responsible Marketing and advertisement**

The company ensures that there is advertisement for its products and services either locally or through the media. This is enhanced through public participation exercise.

**d) Product Stewardship**

The constitution of Kenya under article 43 1(d) provides for a right to clean, safe water in adequate quantities. The company in compliance with the constitution and customer needs has undertaken to provide clean, safe and affordable water to its residents within its jurisdiction and in places where it has not covered its operations; it has allowed community based organizations to assist in serving those residents.

**v. Corporate social responsibility/Community Engagements**

The company did not participate in corporate social activities for the year ended 30<sup>th</sup> June 2025.

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**11. REPORT OF THE DIRECTORS**

The Directors submit their report 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 the provision of water and sewerage services

**Results**

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

**Dividends**

In line with the company's articles and Memorandum of association, the company does not pay dividends to the shareholders.

**Directors**

The members of the Board of Directors who served during the year are shown on page iv-v. In accordance with regulation 59 of the entity's Articles of Association; one director who is the longest serving is required to retire by rotation, however, all the directors are serving their final term in office.

**Auditors**

The Auditor General is responsible for the statutory audit of the entity in accordance with article 229 of the Kenyan Constitution and public audit act 2015

Name..... Margaret Muli

Signature..... 

Date..... 25/11/25

Managing Director/Board Secretary

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**12. STATEMENT OF DIRECTORS RESPONSIBILITIES FOR YEAR ENDED JUNE 30, 2025**

Section 164 of the public finance management Act, 2012 and the Kenya Company's Act 2015; 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 and the operating results of the entity that year. 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 for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, whether due to error or fraud;
- iv. Safeguarding the assets of the entity
- v. Selecting and applying appropriate accounting policies; and
- 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 judgments and estimates, in conformity with international Financial Reporting standards (IFRS), and in the manner required by the PFM Act and the company's 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 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 entity's financial statements were approved by the Board on 25<sup>th</sup>.....2025 and signed on its behalf.

Signature:

Name: Samuel Katumo Muneene

Chairperson of the Board

Signature: 

Name: Margaret Muli

Managing Director

# REPUBLIC OF KENYA



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

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

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Matungulu Kangundo Water and Sewerage Company Limited set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other

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

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

## **Basis for Qualified Opinion**

### **1.0 Variances Between Ledgers/Schedules and the Financial Statements**

Review of the amounts and balances as reported in the financial statements and the ledgers revealed unexplained variances in the following components:

<b>No.</b>	<b>Component</b>	<b>Note</b>	<b>Financial Statements (Kshs)</b>	<b>Ledger/ Schedule (Kshs.)</b>	<b>Variance (Kshs.)</b>
1.	General and Operation Expense	10	9,198,575	9,187,057	11,519
2	Trade and other Payables	20(b)	16,261,686	16,121,566	140,120

In the circumstances, the accuracy and completeness of Kshs.9,198,575 for general and operating expenses and the balance of Kshs.16,261,686 for trade and other payables could not be confirmed.

### **2.0 Unsupported Property, Plant and Equipment**

The statement of financial position and as disclosed in Note 14 to the financial statements reflect property, plant and equipment balance of Kshs.19,665,378 which includes land and motor bike valued at Kshs.2,350,000 and Kshs.23,632 respectively. However, ownership documents were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.2,373,632 could not be confirmed.

### **3.0 Long Outstanding Receivables**

The statement of financial position and as disclosed in Note 16(a) to the financial statements reflect trade and other receivables balance of Kshs.9,534,443. Review of ageing analysis revealed that the balance includes receivables totalling Kshs.7,634,240 which have been outstanding for a period of more than ninety (90) days. However,

Management did not provide measures put in place to recover the outstanding debts. Further, the Company did not have a Debt Management Policy.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.7,634,240 could not be confirmed.

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

### **Emphasis of Matter**

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

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.23,004,059 and Kshs.13,304,155 respectively, resulting to underfunding of Kshs.9,699,904 or approximately 42% of the budget.

The underfunding affected the implementation of the planned activities and programs and may impact negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

#### **Key Audit Matters**

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

#### **Other Information**

The Management is responsible for the Other Information set out on pages iii to xix which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit

or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Revenue Water**

The statement of profit or loss and other comprehensive income and as disclosed in Note 5 to the financial statements reflect operating revenue from water sales of Kshs.13,102,875. Review of records provided for audit revealed that the Company produced a total of 154,623 cubic meters (M3) of water. However, only 93,133 cubic meters were billed to customers. The balance of 61,490 cubic meters, which is approximately 40% of the total water produced represents Non-Revenue Water (NRW) which is above the 25% limit prescribed by Water Services Regulatory Board Guidelines, 2018.

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

#### **2. Delayed Board Appointment and Composition of the Board**

Review of records revealed that the previous Board of Directors' term elapsed in September, 2024 and the positions have since remained vacant more than one year later as at the time of audit on 13 November, 2025. Although Management explained that effort has been put to appoint the Board of Directors, the County Government of Machakos is yet to complete the process. As a result, there was lack of formulation of new Company policies, procedures and execution of the functions of the Board since September, 2024, contrary to Section 79(1) of the Water Act, 2016 which stipulates that a water services provider shall have a Board of Directors.

In the circumstances, Management was in breach of law and the Company did not benefit from the oversight role and strategic direction from the Board.

### **3. Delayed Project Implementation**

The statement of financial position reflects property, plant and equipment balance of Kshs.19,665,378 which as disclosed in Note 14 to the financial statements includes Kshs.5,769,997 in respect to work in progress . The Company signed a contract for pipe laying, construction of two (2) water kiosks, refurbishment of masonry tank and rehabilitation of pump house in Kangundo and Syanthe area at a contract sum of Kshs.11,195,650 on 2 November, 2022. The company incurred an expenditure of Kshs.5,769,997 for certified works as at 30 June, 2025 with an initial contract period of one year from the date of signing the contract. The contract period was severally extended with the last extension being from 7 May, 2025 to 6 November, 2025. However, review of the records revealed that despite the several contract period extensions, the project was still on going and the contractor was on site. Management attributed the delay in project implementation to delayed funds disbursement, approval of variations, KENHA approval and NEMA license which impacted on the scheduled completion timelines.

In the circumstances, the delayed funding and prolonged timelines pose the risk of cost escalation and potential deviations from the original project scope.

### **4. Unauthorized Borrowing of Customers' Deposits**

The statement of financial position and as disclosed in Note 20(a) to the financial statements reflect customers' deposits balance of Kshs.5,142,920 while the deposit bank account reflects a balance of Kshs.200,605 resulting to a variance of Kshs.4,942,315. Although, Management explained that the difference of Kshs.4,942,315 was utilized for operations, the approval of the Board was not provided for audit review. In addition, the amount had not been refunded to the deposits account as at 30 June, 2025. This is contrary to Section 149(1) of the Public Finance Management Act, 2012 which stipulates that an Accounting Officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

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

### **5. Non-Remittance of Statutory Deductions**

The statement of financial position and as disclosed in Note 20(b) to the financial statements reflect trade and other payables balance of Kshs.16,261,686. Review of the creditors' ledgers and schedules revealed that the balance includes Kshs.3,434,983 and Kshs.985,507 in respect to WASREB (Regulatory Levy) and Water Resources Management Authority fees respectively. However, the Company had not remitted the dues to the respective Institutions. This is contrary to Regulation 22(2)(a) of the Public Finance Management (County Governments) Regulations, 2015, which require Accounting Officers to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation.

The significant outstanding balances pose a risk of incurring nugatory expenditure through interest and penalties that could arise from failure to settle the amounts owed to the respective Institutions.

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

## **6. Non-Compliance with Ethnic Composition Thresholds**

As previously reported, review of staff records revealed that the Company had a total of twelve (12) employees who are all from the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public Institution shall have more than one-third of its staff establishment from the same ethnic community”.

In the circumstances, Management was in breach of 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:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. The information given in the Directors' report on pages ix to x is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 1 and 12 have been properly prepared in accordance with the Companies Act, 2015.

### **Basis for Conclusion**

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

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

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

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

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

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

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

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

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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**02 December, 2025**

MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED  
Annual Reports and Financial Statements  
For the year ended June 30, 2025

**14. Statement of Profit or Loss and Other comprehensive income For the Year ended 30 June 2025**

		2024/ 2025	2023/2024
	Note	Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	5	13,102,875	13,507,504
Other Incomes	6	201,280	-
Grants Income-County Government	7	<u>1,003,400</u>	995,600
<b>Total Revenue</b>		<b><u>14,307,555</u></b>	<b><u>14,503,104</u></b>
<b>Expenses</b>			
Cost of Sales	8	618,985	2,006,088
Staff Costs	9	5,263,521	5,138,417
General and Operation Expenses	10	9,198,575	7,561,278
Board Expenses	11	20,000	160,182
Maintenance Expenses	12	1,844,315	899,772
Depreciation Expenses	13	<u>1,367,725</u>	<u>1,473,360</u>
<b>Total expenses</b>		<b><u>18,313,121</u></b>	<b><u>17,239,097</u></b>
<b>Profit before Taxation</b>		<b><u>(4,005,566)</u></b>	<b><u>(2,735,993)</u></b>
Taxation	22	-	-
Profit/Loss after tax for the year		<b><u>(4,005,566)</u></b>	<b><u>(2,735,993)</u></b>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**15. Statement of financial position as at 30 June 2025**

		2024/ 2025	2023/2024
	Note	Kshs	Kshs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	14	<u>19,665,378</u>	<u>20,469,412</u>
<b>Total Non-Current Assets</b>		<b><u>19,665,378</u></b>	<b><u>20,469,412</u></b>
<b>Current assets</b>			
Inventories	15	1,799,260	1,964,120
Trade and other receivables	16(a)	9,534,443	8,511,333
Cash and Bank balances	17	<u>1,224,046</u>	<u>1,780,378</u>
<b>Total Current Assets</b>		<b><u>12,557,749</u></b>	<b><u>12,258,606</u></b>
<b>Total assets</b>		<b><u>32,223,127</u></b>	<b><u>32,728,017</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserve</b>			
Share capital	18	40	40
Capital Reserves		34,368,491	34,368,491
Retained earnings	19	<u>(23,550,010)</u>	<u>(19,544,444)</u>
<b>Capital &amp; Reserves</b>		<b><u>10,818,521</u></b>	<b><u>14,824,087</u></b>
<b>Current liabilities</b>			
Customer Deposits	20(a)	5,142,920	4,954,920
Trade and other payables	20(b)	<u>16,261,686</u>	<u>12,949,010</u>
<b>Total Current Liabilities</b>		<b><u>21,404,606</u></b>	<b><u>17,903,930</u></b>
<b>Total equity and liabilities</b>		<b><u>32,223,127</u></b>	<b><u>32,728,017</u></b>

Managing Director

Name: N. Lagat Muli

Sign: [Signature]

Head of Finance

Name: Anthony Mwenya

Sign: [Signature]  
ICPAK NO. 14005

Chairman of the Board

Name: .....

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**16. Statement of changes in equity For the Year Ended 30 June 2025**

	Share Capital Kshs	Capital reserves Kshs	Retaining earnings Kshs	Total Kshs
Balance as at July 1, 2023	40	34,368,491	(16,568,451)	17,800,080
Prior Year adjustment			(240,000)	(240,000)
Loss for the year	-	-	(2,735,993)	(2,735,993)
<b>Balance as at June 30, 2024</b>	<b><u>40</u></b>	<b><u>34,368,491</u></b>	<b><u>(19,544,444)</u></b>	<b><u>14,824,087</u></b>
Balance as at July 1, 2024	40	34,368,491	(19,544,444)	14,824,087
Profit for the year	-	-	(4,005,566)	(4,005,566)
<b>Balance as at June 30, 2025</b>	<b><u>40</u></b>	<b><u>34,368,491</u></b>	<b><u>(23,550,010)</u></b>	<b><u>10,818,521</u></b>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**17. Statement of cash flows for the year ended 30 June 2025**

	Note	2025-2024	2024-2023
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>Kshs</b>	<b>Kshs</b>
<b>Receipts</b>			
Operating Revenue		13,102,875	13,507,504
Grants Income-County Government(Machakos)		-	995,600
Other Incomes		201,280	-
Customer Deposits		340,500	282,000
<b>Total Receipts</b>		<b>13,644,655</b>	<b>14,785,104</b>
<b>Payments</b>			
Staff Costs		4,260,121	5,138,417
Board Expenses		20,000	160,182
General and Operation Expenses		6,893,874	7,561,278
Maintenance Expenses		1,844,315	899,772
Cost of Sales		618,985	2,006,088
Refund of Customer deposits		-	-
Total Payments		<b>13,637,295</b>	<b>14,469,972</b>
<b>Net Cash from Operating Activities</b>		<b>7,360</b>	<b>315,132</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(563,692)	(219,900)
Net Cash Used in Investing Activities		<b>(563,692)</b>	<b>(219,900)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Net Cash from(used) in financing Activities		-	-
Increase(Decrease) in Cash and Cash Equivalent		(556,332)	99,024
Cash and Cash Equivalent at the beginning of the Year		1,780,378	1,681,354
Cash and Cash Equivalent at the End of the Year		<b>1,224,046</b>	<b>1,780,378</b>

18. Statement of Comparison of Budget and Actual Amounts For the year Ended 30 June 2025

	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance Difference	% of Utilization
	2024/2025	2024/2025	2024/2025	2024/2025	2024/2025	
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Water Sales	20,484,059	-	20,484,059	13,304,155	7,179,904	65
Sale of Annual Tenders	20,000	-	20,000	-	20,000	0
Debt Collections	2,500,000	-	2,500,000	-	2,500,000	0
Grants from County Government	-	-	-	-	-	-
Total Income	23,004,059	-	23,004,059	13,304,155	9,699,904	58
Expenses						
Staff Costs	6,000,422	-	6,000,422	4,260,121	1,740,301	71
General Operations	12,481,454	-	12,481,454	9,198,575	3,282,879	74
expenses						
Maintenance Expenses	2,859,685	-	2,859,685	1,844,315	1,015,370	65
Board Expenses	1,286,960	-	1,286,960	20,000	1,266,960	2
Cost of Sales	-	618,985	618,985	618,985	-	100
Pending Bills	350,000	-	350,000	-	350,000	0
Total Expenditure	22,978,521	618,985	23,597,506	15,941,996	7,655,510	68
Surplus for the Period				(2,637,841)		

**19. Notes to the financial statements**

**1. General information**

Matungulu Kangundo Water and Sewerage Company Ltd is established by and derives its authority and accountability from the water Act of 2016. The Company is wholly owned by the Machakos County Government and is domiciled in Kenya. The Company's principal activity is Provision of water and sanitation Services.

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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment 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 Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

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

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

<b>Title</b>	<b>Description</b>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period
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.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> <li>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and</li> <li>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</li> </ul>

*(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....)*

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

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures 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.

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**(iii) Early adoption of Standards**

The entity did not early-adopt any new or amended standards in year under review.

**4. Summary of Significant 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 the National Government** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii. Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv. Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v. Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements
- vi. Other income** is recognized as it accrues.

**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.

**Notes to the Financial Statements (Continued)**

**c) Property, plant and equipment**

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

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

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

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

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of 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 reducing basis. The annual rates in use are:

Plant and Machinery	12.5%
Computers and related Equipment's	30%
Furniture, Fittings and Pipeline	12.5%
Motorbikes	25%
Billing Software	20%
Buildings	2.5%

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

**d) 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.

**e) 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 so that the asset is written down immediately to its estimated recoverable amount.

**f) Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, transportation and handling charges, and is determined on the moving average price method.

**g) Trade and Other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectable 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.

Provision of doubtful debts is at 1% of the outstanding debtors at the end of the year.

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**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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**Notes to the Financial Statements (Continued)**

**h) Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

**i) Cash and Cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Cash at Bank comprise amounts held at Kenya commercial bank at the end of the financial year. For the purposes of the financial statements, cash and cash equivalents also include short term cash imp rests and advances to authorized public officers which were surrendered or accounted for at the end of the financial year.

**j) Trade and other payables**

Trade and other payables are 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.

**k) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025

**l) Comparative Figures**

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

**m) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash impress and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**n) Budget information**

The original budget for FY 2025-2024 was approved by the Board of Directors on 25<sup>th</sup> August 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations on the 2025-2024 budgets following the governing body's 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 financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference,

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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 actual as per the statement of Comprehensive income has been presented under page 1 of these financial statements.

	<b>2024/2025</b>	<b>2023/2024</b>
	Kshs	kshs
<b>4. REVENUE</b>		
Gross water sales	12,953,875	13,349,454
Connection fees	<u>149,000</u>	<u>158,050</u>
	<u>13,102,875</u>	<u>13,507,504</u>
<b>5. OTHER INCOMES</b>		
	Kshs	kshs
Weston Contractors	<u>201,280</u>	<u>-</u>
	<u>201,280</u>	<u>-</u>
<b>6. Grants from County Government</b>		
	Kshs	kshs
Salaries for seconded staff	1,003,400	995,600
Kangundo water project (Vat component)	<u>-</u>	<u>-</u>
	<u>1,003,400</u>	<u>995,600</u>
<b>7. COST OF SALES</b>		
	kshs	kshs
Opening Stock	1,964,120	2,056,070
Purchases	<u>454,125</u>	<u>1,914,138</u>
Cost of Goods Available for Sale	2,418,245	3,970,208
Closing Stock	<u>(1,799,260)</u>	<u>(1,964,120)</u>
	<u>618,985</u>	<u>2,006,008</u>
<b>8. STAFF COSTS</b>		
	Kshs	kshs
Salaries and allowances of permanent employees	3,406,770	3,130,293
Salaries for Seconded staff	1,003,400	995,600
Wages of temporary employees	563,275	860,600
Staff Welfare	100,700	-
Nssf Company	<u>189,376</u>	<u>151,924</u>
	<u>5,263,521</u>	<u>5,138,417</u>
<b>9. General and Operations Expenses</b>		
	Kshs	kshs
Water Agents commission	470,710	497,223
Consultancy Fees	-	60,657
Billing Expenses	144,000	-
Advertisement	40,000	-
Staff uniform	3,850	4,400
Office tea & cleaning	6,244	9,231
Provision for audit	232,000	116,000

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

IT expenses	95,000	6,450
Newspapers & Periodicals	15,300	14,880
Postage, Telephone & Internet	206,200	124,760
Printing & Stationeries	156,998	86,239
Travelling & Accommodation	1,041,821	588,793
Increase in Provision for Doubtful debts	11,519	-
Rent	201,450	217,450
Lease fee	601,427	609,806
Running Expenses	225,600	187,500
Bank charges	40,703	36,618
Electricity & Water	5,655,754	4,432,147
Legal Expenses	-	487,225
Public Participation expenses	-	56,900
Chemicals & Water Testing	50,000	25,000
	<u>9,198,575</u>	<u>7,561,278</u>

	2024/2025 kshs	2023/2024 kshs
<b>10. Board Expenses</b>		
Chairman Honoraria	-	-
Board Sitting allowances	20,000	142,852
Travel and Accommodation	-	15,000
Board Other Expenses	-	2,330
Total Board Expenses	<u>20,000</u>	<u>160,182</u>

	2024/2025 Kshs	2023/2024 kshs
<b>11. Maintenance Expenses</b>		
Repair and Maintenance	1,844,315	899,772
	<u>1,844,315</u>	<u>899,772</u>

	2024/2025 Kshs	2023/2024 kshs
<b>12. Depreciation and Amortization Expenses</b>		
Depreciation on PPE	1,367,725	1,473,360
	<u>1,367,725</u>	<u>1,473,360</u>

**14 PROPERTY, PLANT AND EQUIPMENT(kshs)**

	Land	Buildings (Water kiosk)	Borehole Equipment	Furnitur e, fittings & piping	Motor Bikes	Comput ers & accesso ries	Work in Progress	Total
<b>Depreciation rates</b>		2.5%	12.5%	12.5%	25%	30%		
Cost		kshs	kshs	kshs	Kshs	kshs		kshs
As at July 1, 2024	2,350,000	3,204,448	10,669,848	19,609,194	232,000	563,794	5,769,997	42,179,381
Additions	-	-	493,692	-	-	-	-	563,692

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

						70,000		
As at June 30, 2025	2,350,000	3,204,448	11,163,540	19,609,194	232,000	633,794	<u>5,769,997</u>	42,962,973
<b>Accumulated Depreciation</b>								
As at July 1, 2024	-	340,256	7,868,544	13,092,883	200,491	427,696		21,929,870
Annual depreciation	-	71,605	411,875	814,539	7,877	61,829.4		1,367,725
<b>As at June 30, 2025</b>	<b>-</b>	<b>411,861</b>	<b>8,280,419</b>	<b>13,907,422</b>	<b>208,368</b>	<b>489,525</b>		<b>23,297,595</b>
<b>NBV</b>								
As at June 30, 2024	2,350,000	2,864,192	2,801,304	6,516,311	31,509	136,098	5,769,997	20,469,412
<b>As at June 30, 2025</b>	<b>2,350,000</b>	<b>2,792,587</b>	<b>2,883,122</b>	<b>5,701,772</b>	<b>23,632</b>	<b>144,269</b>	<b>5,769,997</b>	<b>19,665,378</b>

**15. INVENTORIES**

	<b>2024/2025</b>	<b>2023/2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumables	<u>1,799,260</u>	<u>1,964,120</u>
	<b>1,799,260</b>	<b>1,964,120</b>

**16 (a) TRADE AND OTHER RECEIVABLES**

	<b>2024/2025</b>	<b>2023/2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade Receivables (Note 16b)	9,304,679	8,150,050
Prepayments (Rent deposit)	16,000	16,000
Vat Asset	306,811	306,811
Salary advance	-	120,000
Provision for bad and doubtful debts	(93,047)	(81,528)
	<u><b>9,534,443</b></u>	<u><b>8,511,333</b></u>

**16 (b) Trade Receivables**

	<b>2024/2025</b>	<b>2023/2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross Trade receivables	9,304,679	8,150,050
Provision for Doubtful debts	(93,047)	(81,528)
Net trade receivables	<u><b>9,211,632</b></u>	<u><b>8,068,522</b></u>

**Debtors aging analysis**

0-----30 Days	899,959	1,685,945
30-----60 Days	460,945	213,444
60-----90 Days	309,535	537,037
90-----120 Days	1,249,442	1,750,520
Above 120 Days	<u>6,384,798</u>	<u>3,963,104</u>

**Gross trade Receivables**

**9,304,679**                      **8,150,050**

ii) Increase/Decrease in Provision for bad and Doubtful debts                      -                      -

**17 Bank and Cash Balances**

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	2024/2025 Kshs	2023/2024 Kshs
Cash at bank	1,224,046	1,780,378
Cash in hand	-	-
	<b>1,224,046</b>	<b>1,780,378</b>

**Detailed analysis of the cash and cash equivalents**

		2024/2025 Kshs	2023/2024 Kshs
<b>Current account</b>			
Kenya Commercial bank-Matungulu	1107331072	267,618	161,022
Kenya Commercial bank-Matungulu	1107184711	200,606	859,970
Kenya Commercial bank-Matungulu	1297138619	755,823	759,387
<b>Grand total</b>		<b>1,224,046</b>	<b>1,780,378</b>

**Notes to the Financial Statements (Continued)**

	2024/2025	2023/2024
<b>18 ORDINARY SHARE CAPITAL</b>		
<b>Authorized:</b>	kshs	kshs
5000 ordinary shares of kshs 20 par value each	<u>100,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
2 ordinary shares of kshs 20 par value each	<u>40</u>	<u>40</u>
<b>19 RETAINED EARNINGS</b>	<b>2024/2025</b>	<b>2023/2024</b>
	<b>Kshs</b>	<b>kshs</b>
Balance as at July 2024	(19,544,444)	(16,568,451)
Previous year adjustment (Billing Software)	-	(240,000)
Profit for the year	<u>(4,005,566)</u>	<u>(2,735,993)</u>
	<b><u>(23,550,010)</u></b>	<b><u>(19,544,444)</u></b>
<b>20 (a) REFUNDABLE DEPOSITS</b>	<b>2024/2025</b>	<b>2023/2024</b>
	<b>Kshs</b>	<b>kshs</b>
Customer Deposits	5,142,920	4,954,920
<b>20 (b) TRADE AND OTHER PAYABLES</b>	<b>2024/2025</b>	<b>2023/2024</b>
	<b>kshs</b>	<b>kshs</b>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

Trade Payables	15,741,276	12,559,961
Accrued Expenses	<u>520,410</u>	<u>389,049</u>
	<b><u>16,261,686</u></b>	<b><u>12,949,010</u></b>

**Aging Analysis for Trade and other Payables**

Under one year	2024/2025 Kshs	%	xxx	%
Under one year	3,825,724	24%	1,732,079	13%
1-2 years	1,329,030	8%	798,365	6%
2-3 years	1,319,127	8%	1,292,125	10%
Over 3 years	9,787,805	60%	9,126,441	71%
<b>Total</b>	<b>16,261,686</b>		<b>12,949,010</b>	<b>100%</b>

**21 Notes to The Statement of Cash Flows**

**a) Reconciliation of operating Profit(loss) to cash used in operations**

	2024/2025 Kshs	2023/2024 kshs
Operating Profit	(4,005,566)	(2,735,993)
Depreciation	<u>1,367,725</u>	<u>1,473,360</u>
<b>Operating profit before working capital changes</b>	<b>(2,637,841)</b>	<b>1,262,633</b>
Decrease in inventories	164,860	91,150
Increase in trade receivables	(1,023,110)	(82,000)
Increase in trade and other payables	<u>3,312,676</u>	<u>1,246,367</u>
Cash generated from operations	<b><u>7,360</u></b>	<b><u>315,132</u></b>

**b) Analysis of cash and cash equivalents**

	2024/2025 Kshs	2023/2024 kshs
Cash at bank	1,224,046	1,780,378
Cash in hand	-	-
	<b><u>1,224,046</u></b>	<b><u>1,780,378</u></b>

**22 TAXATION**

2024/2025 Kshs	2023/2024 kshs
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**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

Net Surplus (Loss) as per the income statement	(4,005,566)	(2,735,993)
Depreciation	1,367,725	1,473,360
Provision for bad and doubtful debts	<u>93,047</u>	<u>81,528</u>
Wear and Tear allowance	(2,544,794)	(1,181,105)
Taxable income	<u>(1,367,725)</u>	<u>(1,473,360)</u>
	-	-

**23 Notes to the Budget**

**I) Revenue**

The shortfall in the revenue was caused due to low water production occasioned due to regular breakdowns of the company's borehole at Kangundo. The breakdown was brought about by vandalism.

**II) Administration Costs**

The under absorption of administration costs was caused by low revenues which caused the company suspend some of its projects. ie Billing software

**24 FINANCIAL RISK MANAGEMENT**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks. The company's overall risk management program me focus on unpredictability of changes in business environment and seeks to minimize 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:

**I. Credit Risk**

The entity has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits 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:

	<b>Total Amount(Kshs)</b>	<b>Fully Performing (Kshs)</b>	<b>Past Due(kshs)</b>	<b>Impaired(Kshs)</b>
At 30 June 2025				
Receivables from Exchange Transactions	9,304,679	1,670,439	7,634,240	93,047
Bank Balances	1,224,046	1,224,046	-	-
Total	10,528,725	2,894,485	7,634,240	93,047

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**II. Interest rate risk**

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

Management of interest rate risk

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

**25 INCORPORATION**

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

**26 EVENTS AFTER THE REPORTING PERIOD**

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

**27 RELATED PARTY DISCLOSURES**

**I. County Government of Machakos**

The company is a wholly owned entity by the County Government of Machakos. The representation of the county in the entity has been attained by the County Executive Committee member taking one share and the Chief Officer in charge of water issues taking one share for a value of kshs 20 for per share.

	No. of Shares @	Total Value
CEC MEMBER	1	20.00
CHIEF OFFICER	<u>1</u>	<u>20.00</u>
	<u>2</u>	<u>40.00</u>

**II. Water Resources Authority**

Water Resources Authority (WRA) is in charge of water catchment areas and licenses the company to abstract water. The company is entitled to pay 50 cents for every 1 cubic of water abstracted.

	<b>2024/2025</b>	<b>2023/2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Water Abstraction Balance	<u>985,506</u>	<u>918,195</u>
	<b><u>985,506</u></b>	<b><u>918,195</u></b>

**III. Water Services Regulatory Board(Wasreb)**

The board regulates the company's tariffs and water quality to ensure that they conform high quality standards. The company pays 4% lease fee to the regulator.

	<b>2024/2025</b>	<b>2023/2024</b>
	<b>Kshs</b>	<b>Kshs</b>
License Fee Balance	<u>3,434,983</u>	<u>3,010,868</u>
	<b><u>3,434,983</u></b>	<b><u>3,010,868</u></b>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**20. Appendices**

**Appendix 1: Progress on follow up of auditor recommendations**

Reference No. On the External audit Report	Issue/Observations from Auditor	Management Comments	Status:(Resolved/ Not Resolved)	Timeframe:(Date when Issue will be resolved)
1.0	<p><b>Unconfirmed Plant,Property and Equipment</b>  The Statement of financial position and as disclosed in Note 14 to the financial statements reflect Property, Plant, and Equipment balance of Kshs.20,469,412 which includes land valued at Kshs.2,350,000 and motor bikes valued at Kshs.232,000.  However, title for the land and log books for the motor bikes were not provided for audit review.</p> <p>In addition, the balance includes a Billing System purchased at a cost of Kshs.300,000 in the previous financial year. However, the Company does not have ownership (exclusive or Source Code) rights to the System which was included as an addition</p>	<p><i>The Property, Plant and Equipment shown in the balance sheet as non current assets were handed over to the company from the town council of Kangundo during inception of the company in the year 2008.This properties are held by Tanathi water works development agency and need to be transferred to Machakos County Government who in turn need to transfer them to the company in compliance with section 84(1) of the water Act 2016.</i>  <b>(Appendix 1)</b></p> <p><i>The management has been making follow ups to the county Government of Machakos to ensure that the assets are</i></p>	Not yet Resolved	30 <sup>th</sup> June 2026

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	<p>to Property, Plant, and Equipment resulting in misstatement of the opening balance.</p> <p>In the circumstances, the accuracy, completeness and ownership of the Property, Plant, and Equipment balance of Kshs.20,469,412 could not be confirmed.</p>	<p><i>handed over to the company with the ownership titles once the county government is handed over by Tanathi water works development agency. (Appendix 2)</i></p> <p><i>On the issue of Log books of the motorbikes the management is liasing with the county government of Machakos (Water department) to get support on follow up to get the log books. (Appendix 3)</i></p> <p><i>Further to this, the management has amended the financial statements to correct the billing software recorded as an asset instead of an expense in the opening balances. (Appendix 4)</i></p>		
2.0	<p><b>Inaccuracies in Retained Earnings</b></p> <p>The statement of financial position and as disclosed in Note 19 to the financial statements reflect retained earnings</p>	<p><i>The management has amended the financial statements to correct the error. (Appendix 17)</i></p>	<b>Resolved</b>	

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	<p>balance of Kshs.19,544,444. However, a recast of the amount as reflected in Note 19 revealed a balance of Kshs.20,977,118 resulting in unexplained variance of Kshs.1,432,674.</p> <p>In the circumstances, the accuracy and completeness of retained earnings balance of Kshs.19,544,444 could not be confirmed.</p>			
1.0	<p><b>Non Revenue Water</b>  The statement of profit or loss and other comprehensive income and as disclosed in Note 5 to the financial statements reflect operating revenue from water sales of Kshs.13,507,504. Records provided for audit revealed that the Company produced a total of 135,678 cubic meters (m3) of water. However, only 93,224 cubic meters were billed to customers. The balance of 42,454 cubic meters, which is approximately 31% of the total water produced represents the Non-Revenue</p>	<p><i>In the financial year 2023-2024 the company experienced water losses through vandalism, commercial losses due to dilapidated pipes. The management has gradually been replacing the old system with new pipes using HDPE and PPR Pipes.(Appendix 6) Further to this the management is working closely with the critical infrastructure control unit (CIPU)</i></p>	Not Yet Resolved	30 <sup>th</sup> June 2026

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	<p>Water (NRW) which is over and above the 25% limit prescribed by Water Services Regulatory Board Guidelines, 2018.</p>	<p><i>officers in charge of infrastructure to control vandalism and water theft. (Appendix 7)</i></p> <p><i>In addition the management has come up with an investment plan during tariff implementation which includes purchase of cold water meters to replace malfunctioning meters, Purchase of Zonal meters and other relevant equipment's such as Leak detectors and pipe locators which will assist to deal with NRW water. (Appendix 8)</i></p> <p><i>Finally, For the year ended June 30 2024 the company supplied free water of 826M<sup>3</sup> to Nzivu family(120M<sup>3</sup>),Mbul a family(72M<sup>3</sup>) and Kyamulendu primary School (634M<sup>3</sup>) since the boreholes have been sunk on their premises and as per the agreement reached with the board of</i></p>		
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**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

		<i>directors. This contributed to the non revenue since it was not billed. (Appendix 9)</i>		
2.0	<b>Failure to Observe Ethnicity and People with Disabilities Rule</b>	<i>Matungulu Kangundo water and Sewerage company is a small entity in terms of revenue and has employed fourteen employees from a staff establishment of forty eight employees. As the entity grows the management shall endeavor to employ personnel from the different communities to fill vacant positions in management as well as in other lower cadre positions. (Appendix 10)</i>	<b>Resolved</b>	
3.0	<b>Lack of Strategic Plan.</b> eview of records and operations revealed that, the Company did not have an approved strategic plan. The strategic plan enables the Company to	<i>The management has developed a strategic plan and the document is at draft level. The management expects to forward the strategic plan to the</i>	<b>Partially Resolved</b>	<b>30<sup>th</sup> June 2026</b>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	<p>properly align its activities and programmes to County Integrated Development Plan.</p> <p>In the absence of a strategic plan, the Company lacks direction guide on what to prioritize, resulting in disorganization, inconsistent performance, poor use of resources and time management.</p>	<p><i>Board of directors for approval once it's complete .(Appendix 11)</i></p>		
4.0	<p><b>LONG OUTSTANDING DEBTS</b></p> <p>The Statement of financial position and as disclosed in Note 20 (b) to the financial statements reflect trade and other payables balance of Kshs.12,949,010, which includes Kshs.11,241,223 (or 87% of total debt), being debts which have been outstanding for more than 90 days.</p>	<p><i>The kshs 12,949,010 represents total debts owing to the company since its incorporation. The company has been facing cash flow challenges due to its low revenue and as a result unable to pay its debts as they fall due. However the management is putting measures in place to increase the company's revenue and improve its collection efficiency which will enable the company to be liquid enough to pay its creditors. To increase the</i></p>	<b>Not Yet Resolved</b>	<b>30<sup>th</sup> June 2027</b>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

		<p><i>company's revenue the management has requested to be handed over high yielding solar powered boreholes from the county Government of Machakos as this will increase water production and enable the company to meet its water demand translating to increased revenue. (Appendix 12)</i></p> <p><i>In order to increase revenue collection efficiency the management has formed a revenue collection team headed by the technical manager to make a follow up of all outstanding receivables. (Appendix 13).</i></p>		
1.0	<p><b>Basis of Conclusion</b></p> <p><b>1. LACK OF INTERNAL AUDIT FUNCTION AND AN AUDIT COMMITTEE</b></p> <p>Review of the Company's records and operations revealed that an</p>	<p><i>The management is liaising with the county Government of Machakos to share its audit function. (Appendix 15)</i></p>	<b>Resolved</b>	

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	<p>there was no independent assurance on the effectiveness of the Company's risk management, governance and internal controls.</p> <p>In the circumstances, internal controls are weak and Management did not get assurance on effectiveness of its operations.</p>			
2.0	<p><b>Basis of Conclusion</b></p> <p><b>2. Lack of a Disaster Recovery Plan</b></p> <p>Review of the IT internal control systems the revealed that the Company did not have an approved disaster recovery plan/ business continuity plan contrary to Section 158 (b) (1) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the role of a disaster recovery plan is to secure the County Government entity ability to meet its obligations to provide basic services or its financial commitments, identify the financial problems and be designed to place the</p>	<p><i>The management has to developed a risk and disaster policy manual awaiting to be approved by the board of directors. (Appendix 16)</i></p>	<b>Partially Resolved</b>	<b>30<sup>th</sup> June 2026</b>

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	<p>entity in a sound and sustainable financial condition as quickly as possible in case of disruption.</p> <p>In the absence of a disaster recovery/business continuity plan, the Company lacks a plan for mitigating against disasters and ensuring that its operations are not disrupted in case of a disaster.</p>			
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Name..... Margaret Muli .....

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

Managing Director

Date..... 25th Nov 2025 .....

**MATUNGULU KANGUNDO WATER AND SEWERAGE COMPANY LIMITED**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**Appendix2: PROJECTS IMPLEMENTED BY THE COMPANY**

<b>Project Title</b>	<b>Project No.</b>	<b>Donor</b>	<b>Project Duration</b>	<b>Donor Commitment</b>	<b>Separate Donor reporting required</b>	<b>Consolidated in Financial Statements</b>
Kangundo water Project	1	WSTF(water sector Trust Fund)	12 Months		Yes	Yes

**Status of Completion**

	<b>Project</b>	<b>Total Project Cost</b>	<b>Total Expended to date</b>	<b>Completion % date</b>	<b>Budget</b>	<b>Actual</b>	<b>Source of Funds</b>
1	Kangundo Water Project	16,071,560	7,688,947	49	16,071,560	-	WSTF

	<b>Project</b>	<b>Total Project Cost</b>	<b>Total Expended to date</b>	<b>Completion % date</b>	<b>Budget</b>	<b>Actual</b>	<b>Source of Funds</b>
1	Kangundo Water Project	16,071,560	7,688,947	49	16,071,560	-	WSTF