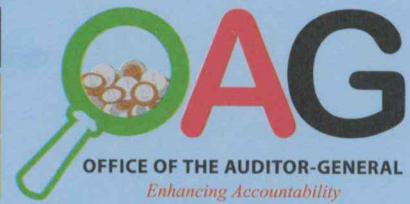


REPUBLIC OF KENYA



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



**MURANG'A WATER & SANITATION
COMPANY LIMITED**

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025**

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

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

Murang'a Water And Sanitation Company Limited
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1. Acronyms and Glossary of Terms

MUWASCO	Murang'a Water And Sanitation Company
FBIL	Fort Beverage Industries Ltd
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
TWWDA	Tana Water Works Development Agency
AWWDA	Athi Water Works Development Agency
WSTF	Water Sector Trust Fund
AGM	Annual General Meeting
IAS	International Accounting Standards
VAT	Value Added Tax
NRW	Non Revenue Water
T/W	Treatment works
CLSG	Conditional Liquidity Support Grant
OSHE	Occupational Safety, Health and Environment
PPP	Public Private Partnership
PPE	Property, Plant and Equipment
RPP	Rural Poor Program
ERP	Enterprise Resource Program
CBA	Collective Bargaining Agreement
FY	Financial Year
ENG	Engineer
RT.REV	Right Reverend
DR	Doctor
PROF	Professor
CPA	Certified Public Accountant
HRM	Human Resource Management

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2. Key Entity Information

Incorporation

The company is a limited company by guarantee established under the Companies Act Cap 486 (Revised 2015) and operating under license by Water Services Regulatory Board (WASREB). The company transitioned to be wholly owned by the County Government of Murang'a on 1st July 2023.

Principal Activity

The principal activity of the company is to provide water and sanitation services within Murang'a town and its environs.

Vision:

To become a sustainable world-class water and sanitation services provider.

Mission:

To provide quality water and sanitation services in a reliable, efficient and sustainable manner.

Core values:

1. Customer focus
2. Integrity-ethical conduct
3. Teamwork and cohesion among staff
4. Networking and collaboration with external interested parties
5. Professionalism and commitment to duty
6. Equity
7. Transparency and accountability

Directors

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

Name	Designation	Date Of Appointment
RT.REV.DR. T. Gichere	Chairman	Appointed on August 2023
Eng. D. Ng'ang'a	Managing Director	Appointed on August 2023
Susan W. Karina	Member	Appointed on August 2023
Eston G. Kaiyego	Member	Appointed on August 2023
Rosaline N. Kamina	Member	Appointed on August 2023
Robert W. Macharia	Member	Appointed on August 2023
Lucy N. Mugure	Member	Appointed on August 2023
Joyce K. Wachira	Member	Appointed on August 2023
M. Magochi	Member	Appointed on August 2023
PROF. J. Kiarie	Member	Appointed on August 2023
Charles Njenga	Company secretary	Appointed on August 2023

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Corporate Secretary

Mr. Charles Njenga
P.O BOX 52-10200
MURANG'A

Registered Office/Corporate Headquarters

Muwasco Building, Murang'a
Kangema Road
P. O. Box 1050 - 10200
MURANG'A.

Corporate Contacts

Telephone-0712292544
E-Mail-managingdirector@muwasco.co.ke
Website-www.muwasco.co.ke

Corporate Bankers

1. Equity Bank Ltd.
P. O. BOX 1060 - 10200,
Murang'a Branch
2. Cooperative Bank Of Kenya
P. O. BOX 954 - 10200,
Murang'a Branch
3. Family Bank
P. O. BOX 1130 - 10200,
Murang'a Branch

Independent Auditors

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

Principal Legal Advisers

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

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3. The Board Of Directors

 RT.REV.DR.Timothy I. Gichere	RT. REV. DR. Timothy Irungu Gichere is the current Diocesan Bishop – ACK Diocese of Mt. Kenya Central. He has been a clergy within the Diocese for 28 years and 6 years as a Bishop. He is director of Uzima publishing house (ACK Owned) and current chairman Murang'a Water Sanitation Company (MUWASCO). He holds a honorary doctorate degree in Divinity from ACCIU (US), he has a masters in Pastoral Studies AIU formerly Negst (Kenya), a postgraduate diploma in Pastoral work (AIU), a diploma in youth leadership (Mindolo Zambia) and a diploma in theology from St. Paul's University.
 ENG. Daniel Ng'ang'a	ENG. Daniel Ng'ang'a is the Chairman emeritus of The Water Service Providers Association of Kenya (WASPA), Chairman Molo Technical and Vocational College and the Managing Director of Murang'a Water and Sanitation Company Limited. He has more than Fifteen (15) years experience in the Design, Development and Management of water and sanitation utilities in major towns in Kenya. He holds a Bachelor of Science degree in Civil Engineering from JKUAT, Registered by EBK and an active corporate member of IEK, A Masters of Business Administration (MBA), A Masters of Public Policy and Administration (MPPA) and a Post Graduate Diploma in Community Development from ABMA (UK).
 Susan P. Karina	She was born in 1981. She was appointed on 18 th October 2019. She has vast experience in community development and the founder and current director of an NGO called Friends For The Abused People International (FOTAPI). She has also worked in various capacities with: NACADA, ECK, Uwezo Kenya, Joyful Women, Probation office and been a member of school boards. She holds a bachelors degree in social work and administration and has numerous certificates in community development related courses from various institutions. She is an independent member and a member of technical committee.
 Eston Gathima	He was born in 1972. He was appointed on 18 th October 2019. He has many years of experience in representing the physically challenged persons and pro-poor in various capacities. He has served in the capacities of treasurer, secretary and chairman in various groups of the physically challenged. He has attained certificates in food production, evangelism & discipleship and computer packages. He is an independent member and a member of finance and administration committee of the board. He also represents the interests of pro poor in the board.

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 <p>Rosaline N. Kamina</p>	<p>She was born in 1962. She was appointed to the board on 4th March 2022 and represents women organizations. She holds a Master's degree in Education from Kenyatta University, Diploma in Special Education and Diploma in Strengthening Policy Dialogue among other numerous certificates in various fields. She has vast experience in teaching in Special needs Education and community and women empowerment programs. She is currently a Senior Executive Officer at KNUT Headquarters and has previously held various positions in the Kenya National Union of Teachers (KNUT). She is an independent member and a member of Audit and Risk Management committee of MUWASCO Board.</p>
 <p>Robert K.W. Macharia</p>	<p>CS Robert Macharia is a businessman in the hospitality and sports industry. He is the Founder and President of Murang'a Seal Sports Academy. He is an advocate of the High Court of Kenya of more than 22 years standing, a Certified Public Secretary and an Accredited Corporate Governance Auditor. He is a member in good standing of the Law Society of Kenya (LSK) and Institute of Certified Public Secretaries of Kenya (ICPS). CS Robert Macharia holds of Bachelor of Laws (LLB) degree from the University of Nairobi. He represents the business community in the Board of Murang'a Water and Sanitation Company Ltd. He is a member of technical committee.</p>
 <p>Lucy N. Mugure</p>	<p>Lucy Njoki Mugure is a seasoned professional with over a decade of distinguished leadership experience. Currently serving as a Board of Director at Murang'a Water and Sanitation Company Limited, she brings a wealth of knowledge and expertise, holding a Master's degree in Organizational Development and a Bachelor's degree in Business Administration. Her career is defined by a strong commitment to effective governance and strategic planning, which consistently fosters the success and growth of organizations, with a particular focus on water-related initiatives. She is a member of audit committee.</p>
 <p>Joyce K. Wachira</p>	<p>Joyce K. Wachira is a registered community health nurse and a member of national nurses association of Kenya. She holds a diploma in community health nursing and has over ten year working experience in medical field. She is a national trainer on community case management with over ten year experience in that field, she is also an astute business woman running various businesses in various towns. She is a member of finance committee.</p>
 <p>Mary Magochi</p>	<p>She is the CECM in charge of Water, irrigation and environment and natural resources, Muranga County Government. She holds a Bachelor of Science degree in Biosystems Engineering from the University of Nairobi and registered by both EBK and IEK. She has extensive experience in consulting and business development. She is a member of technical committee.</p>

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 PROF. J. Kiarie	<p>He is the CEC Finance, IT and Economic Planning Murang'a County Government. Fellow of the Institute Certified Secretaries (ICS), and the immediate former dean of the University of Nairobi's School of Law, where he is a professor of corporate law. He is a certified governance auditor, who has published widely in the area of corporate governance and corporate law and has served on the boards of the Transport Licensing Appeals Board and National Council for Law Reporting. Previously, he has worked as the Vice Chancellor of Riara University. He has served as a consultant on corporate governance for a variety of local and international organizations. He has served as the Chairman of the Murang'a County Initiative (MCI) Steering Committee Towards the realization of goals and development objectives. He is a member of finance committee.</p>
 Charles Njenga	<p>Charles Njenga is the company's secretary. An advocate of the High Court of Kenya and also a practicing Company Secretary duly registered by the Institute of Public Secretaries'. Holds a Bachelors of Laws degree from the University of Nairobi and a Masters of Laws from ISDE University, Madrid, Spain. He is the legal advisor to the Governor, Murang'a County and also a company secretary to various companies including Prime Fuels Ltd and Inter consumer Products Ltd. He is the chairman of the FKF, IDAC committee and also the Chairman of the Egerton University Staff Pension Fund. He is a compliance and governance specialist and has also excelled in the area of litigation and alternative dispute resolution mechanisms within the judicial system.</p>

4. Key Management Team

The Company's senior management team is as follows:

1.		ENG. Daniel Ng'ang'a Bsc Civil Engineering, EMBA, Dip. Community Development,Master of Public Policy and Administration.(MPPA)	Managing Director
2.		CPA .J. Maina CPA(K), B.Com, Master of Public Policy And Administation(MPPA)	Commercial Manager
3.		ENG.P.Karenju Bsc Civil Engineering	Technical Manager
4.		CPA. P. Njeru B.Com CPA(K)	Head of Internal Audit
5.		J. Mbuthia BMC, Diploma In Journalism & Media Studies	Head of Corporate Affairs
6.		P. Mwangi Diploma In Environmental Technology,Certificate In M&E	Head of Human Resources & Administration
7		L. Maina B.Sc. (HRM),Diploma Business Management(HRM)	Head of Monitoring And Evaluation

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5. CHAIRMAN'S STATEMENT

Introduction

I am thrilled to release our annual report and financial statements for the year ended 30th June 2025. Over the year, the company continued to make improvement in key performance areas which has led to increased stakeholders' value and safeguarded the residents of Murang'a town and its' environs have access to safe and reliable water services.

Operating Environment

The whole year we faced challenging environment due to rise in cost of living which stifled economic growth in the country that affected all sectors of the economy and generally capital investment was lower than expected.

Despite this difficult operating environment, the demand for our services continued to rise since water is key in all socio-economic activities. We have continued to listen to the views of all our stakeholders and endeavor to develop, run and work in an environmentally sustainable and socially responsible manner. This includes a continued focus on operational efficiency, resources conservation efforts and responding to the needs of our customers as well as carrying out Corporate Social Responsibility programs.

Expansion Programmes

Our crucial point has been on ensuring that we deliver the highest quality of service to our customers and provide them with reliable and sufficient water and sewerage services.

In this regard we have initiated programmes to both increase the water supply and also expand our infrastructure to reach the un-served residents in our area of jurisdiction.

Our efforts were recognized by the national regulator and the Murang'a county government and our area of jurisdiction has been recommended to extend to cover the whole of the new Murang'a Municipality which includes Maragua town and Kambiti ward.

Additionally, during the year, our continued relationship with our development partners ensured that we procured investment of **ksh. 26million**.

Performance

I am elated to report another year of continued progress for our company in which our operational performance showed improved growth. Despite the obvious negative effects of the harsh economic environment, our revenues from operating activities in the year rose to **ksh.323.9million** from **ksh.301.1million** reported in the year 2024.

The increased sales and prudent management of the available resources enabled us to deliver an investment of **ksh.19million** in fixed assets from internally generated funds.

Upcoming Plans

Our future success depends on our capability to figure out the future by anticipating and responding to change. The company has embraced new technology and has acquired new meter reading, billing and reporting systems which are part of an elaborate Enterprise Resource Program (ERP).

Looking ahead, the board will continue to support investment in new projects to ensure the continued growth of the company and progress towards achieving the company's main objective, that of delivering greater value to its stakeholders for socio-economic development.

With favorable operating environment, the great support that we are enjoying with the current leadership of the County Government of Murang'a, our stakeholders and financial partners, we expect to expand our water supply network to all the residents of Murang'a Municipality.

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This expansion programme will require an estimated investment of over **ksh.5billion** which calls for massive resource mobilization efforts.

Compliment

Finally, I would wish to extend my earnest gratitude to my fellow Board of Directors, County Government of Murang'a, Both Tana and Athi Water Works Development Agencies, the Ministry of Water, Sanitation and Irrigation and all our stakeholders for their support. I also thank the management and employees of MUWASCO for their dedication and hard work over the financial year.

To all of you I am forever grateful.



Dr. T. Gichere
Chairman, Board of Directors

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6. Report of the Managing Director

Preface

It is yet another year that I am delighted to report annual performance of the company for the period ended 30th June 2025. Generally, the year was a challenging one due to the skyrocketing of cost of living which has affected the country's economy as a whole. The continued increase of fuel and other factors of production have affected the company's performance.

One of our main strategic goals is to source for funding through financial partners to renew our old infrastructure in order to reduce the Non revenue water to acceptable levels of below 20%. In our proposal, we expect to renew infrastructure in Murang'a and Maragua Central Business Districts as well as Mukuyu. The demand for water in our area of jurisdiction has increased and we are also seeking various ways to increase our daily production capacity to meet the current water demand as well as that of our expanded area of jurisdiction.

The company's performance as per Impact report issue No. 17 of 2025 released by WASREB on 25th June 2025 ranked us number four (4) overall for the year 2023/2024 top utility countrywide and number one (1) in Athi region. The rank was based out of 95 companies countywide. This is an indicator of the potential we have even to perform better. Our customers have continued to enjoy quality services and this is evident from feedback we are receiving from them and we target to improve on this even higher.

Company performance

Below is a summary of the company performance during the year compared to the previous two years: -

No.	ITEM	2022 /2023	2023 /2024	2024 /2025
1	Total Billings (Kshs in Millions)	290	301	324
2	Operating Exp (Kshs in Millions)	310	312	346
3	Capital Exp (Kshs in Millions)	39	21	45
4	Number of active water Connections	17,018	18,739	19,739
5	Number of active sewerage Connections	6,394	6,480	6,626

The performance of the company has continued to improve and during the financial year 2024-2025, we were able to increase the active water connections by 1,000 connections.

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Projects

With internally generated funds and the support of partners such as the County Government of Murang'a, Athi Water Works Development Agency, Water Sector Fund and other partners, the following projects were completed during the year: -

No.	Project	Source of Fund	Amount
1	Water Extensions	Internal	10.0 Million
2	Motor cycle	CLSG 2-WSTF	2.0 Million
3	Office furniture's, Equipments and Computers	Internal	3.7 Million
4	Customer & bulk meters	CLSG 2-WSTF	13.5 Millions
5	Maragua office extension,maragua toilet	Internal	1.5 Millions
6	Sewerage extensions	Murang' university	5.3 Million
7	Water Meters	AWWDA	1.6 Millions

Challenges

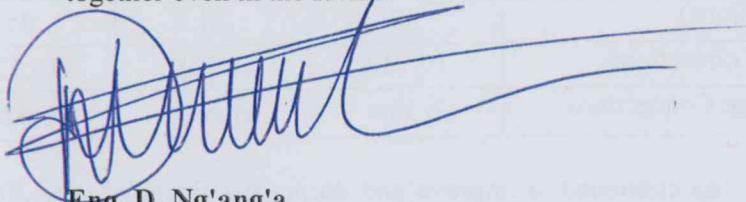
During the year we were not able to complete our new cost recovery tariffs as the same had not been gazetted by WASREB due to the pending issue of boundaries by the water services providers in the County.

Appreciation

I take this opportunity to thank our Board of Directors for their guidance in policy formulation and strategic directions towards achieving our vision. This goes along with the management's efforts and entire staff members of MUWASCO who have executed the strategies to enabling us attain what we have achieved in the year 2024/2025. It's my belief that we will achieve much more through the stakeholders' commitment and dedication. I am confident that we have all what it takes to utilize the significant opportunities we have as well as mitigate the risks that lie before us.

Finally, my gratitude goes to Murang'a County Government, MUWASCO stakeholders, WASREB, AWWDA, W.S.T.F, Ministry of Water, Sanitation & Irrigation, our development partners and other institutions who supported us financially or otherwise.

For those others who have given us support of any kind be it moral or in kind, feel appreciated. Were it not for your support, we would not have achieved much and we look forward in working together even in the future.



Eng. D. Ng'ang'a
Managing Director

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

Muranga Water and Sanitation Company has strategic pillars and objectives within its strategic plan for the financial year 2020/2021 to 2024/2025. These strategic pillars are as follows:

1. Enhance financial health and institutional sustainability
2. Adoption of technology and innovation
3. Human capital development and support
4. Customer and stakeholder relations management
5. Standardization of processes and operations to meet global standards
6. Infrastructure development and work environment development and improvement.

Muranga Water and Sanitation Company develops its annual work plans based on the above six pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company has achieved its performance targets set for the financial year 2024/2025 period for its strategic pillars, as indicated in the table below.

PILLAR 1 Enhance financial health and institutional sustainability	Strategy	Strategic plan target	Extent of implementation
Strategy 1	Reduce NRW	Reduce to 23 %	Increased to 36% due to a new area of jurisdiction(Maragua)
Strategy 2	Train staff on NRW	3 trainings per year	3 trainings held in the year (100%)
Strategy 3	Enhance resource mobilization	2 donations per year	4 donations ie from AWWDA, Muranga county, WSTF
Strategy 4	Adhere to budgetary lines	As stipulated in the annual budgets	82% adhered to
Strategy 5	Enhance resource conservation through ERP	Functional ERP installed	Partially installed (80%)
Strategy 6	Cost optimization	As stipulated in the annual budgets	Some costs optimised
Strategy 7	Prepare, implement and review annual work plan	Reviewed annual work plan in place	Annual work plan developed and reviewed
Strategy 8	Prepare and implement resource mobilization strategies and policies	Strategies and policies in place	Strategies and work plans in progress
Strategy 9	Review service tariffs to sustainable levels	Cost recovery tariffs	Reviewed but not gazetted
Strategy 10	Improve revenues through additional revenue streams	New revenue streams	No additional revenue streams

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	Strategy	Strategic plan target	Extent of implementation
PILLAR 2: Adoption of technology and innovation			
Strategy 1	Digitization of customer care by procuring querying Application	Functional querying App	Software in place but App pending. -70% done
Strategy 2	Automate key operations including FBIL, treatment works	Functional automated operations	45 % done
Strategy 3	Implement an organization wide ERP system	Functional ERP system	50 % done
Strategy 4	Diversification of product and service portfolio	2 new products	No new product or service
Strategy 5	Automate disconnection and reconnection	Functional automated disconnection and reconnection	70 % done
Strategy 6	Integration of management systems and software	IMS in place	45 % done

	Strategy	Strategic plan target	Extent of implementation
PILLAR 3: Human capital development and support			
Strategy 1	Conduct baseline strategic skills and competence audit	Audit reports	95 % done
Strategy 2	Develop long term human capital plans	Documented human capital plans	90 % done
Strategy 3	Undertake job evaluation, job analysis and design	Job evaluation, analysis and design reports	95 % done
Strategy 4	Conduct continuous and structured training needs assessment	Assessment reports	Assessment partially done 50%
Strategy 5	Conduct trainings and development initiatives	1 training per year	Trainings done 80 %
Strategy 6	Undertake training impact assessments	Training assessment report	60 % done
Strategy 7	Enhance employee relations	No negative employee relations cases	No negative employee relations cases
Strategy 8	Review and implement HR policy manual	Documented reviewed HR policy manual	Reviewed- 100% done
Strategy 9	Enhance employee welfare	1 program per year	Welfare association and

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	programmes		medical cover in place
Strategy 10	Standardize HR operations to global standards	Standardize according to global HRM standards	In progress
Strategy 11	Create departmental assistant positions	Reviewed organogram	Done - 90% done
Strategy 12	Undertake team building activities	1 teambuilding per year	Done during the year.

PILLAR 4: Customer and stakeholder relations management	Strategy	Strategic plan target	Extent of implementation
Strategy 1:	Lobby for review of restrictive water legislations	Reviewed legislations in place	WASPA active member
Strategy 2:	Lobby for merger of WSPs in Murang'a	Merged water companies	Not done
Strategy 3	Prepare policy guidelines on IPs/stakeholders relation management	Policy developed and implemented	In progress
Strategy 4	Increase water and sewerage connections	Increase by 14 %	Increased by 10%
Strategy 5	Reach out the unserved areas	1 unserved area per year	Increased connections at Kabuta, Kambirwa, Ngaru
Strategy 6	Conduct customer awareness clinics	1 clinic per year	Several clinics held including visiting churches.
PILLAR 5: Standardization of key management systems and processes to world class standards	Strategy	Strategic plan target	Extent of implementation
Strategy 1:	Attain ISO 9001 QMS compliance certification	ISO certificate	In progress-75% attained
Strategy 2:	Construct micro biological lab at Karie t/w	Operational lab	Not in place-looking for funding
Strategy 3	Standardize water and microbiological laboratory	Standardized against international testing standards	Not done looking for funding
Strategy 4	Improve infrastructure for operations	Improvement on equipments,,transport and ict	In progress
Strategy 5	Establish an integrated institutional risks & opportunities management system	Policy in place and implemented	In progress
Strategy 6	Compliance with local regulatory & statutory requirements	No non compliance cases	No non compliance case
Strategy 7	Standardization against occupational safety, OSH & food and safety.	Implement OSHE systems	In progress-60% attained.

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PILLAR 6:Infrastructure development, work environment development and improvement	Strategy	Strategic plan target	Extent of implementation
Strategy 1:	Increase raw water intake	Increased volume	Increased from 261,671 to 268,420
Strategy 2	Improve fleet and transport infrastructure	New motorbikes/vehicles	None procured
Strategy 3	Improvement of office facilities	Improved offices	Customer care and revenue offices improved
Strategy 4	Purchase of survey equipments	Survey equipment available and in use	In progress-60% attained
Strategy 5	Procure effective customer billing system	System in use	Procured-100%
Strategy 6	Procure stores management software	Software in place	Procurement of ERP is in progress
Strategy 7	Separate stores from procurement	Separated stores from procurement	In progress

8. Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage business affairs of the company towards enhancing prosperity and corporate accounting with the ultimate objective of realizing stakeholders' long-term value.

The company conducts its operations in accordance with the principles of good corporate governance as provided in the Water Services Regulatory Board (WASREB) guidelines and Water Act 2016 provisions. WASREB conducts governance audit to ensure good corporate governance.

Board of Directors

The composition of the Board is compliant with good corporate governance practices and WASREB regulations. The roles of the Chairman and the Managing Director are segregated. The Managing Director is in charge of the day-to-day running of the business of the company. A non-executive director acts as the chair of the Board. The current Board is composed of Managing Director and ten other directors drawn from various stakeholders. The Board is therefore composed of committed individuals with diverse and complementary skills to ensure that there is sufficient wealth of experience at Board level.

Board meetings

Board meetings are held every quarter and in exceptional circumstances as dictated by demand and exigencies of company operations. The following are the number of Board meetings held:

TYPE OF MEETING	NO.
Full Board Meeting	4
Finance and Admin Committee Meeting	4
Audit Committee Meeting	4
Technical committee Meeting	4
Total	16

Board committees

The Board has approved the delegation of certain authorities to the Board sub committees where applicable, and to the management.

The Board has three committees, which are guided by clear terms of reference. The committees are instrumental in monitoring the company operations, systems and internal controls. The committees are as follows:

Audit and risk management committee

The members of this committee are all non-executive directors. All the members meet minimum financial literacy standards. The committee meets at least four times in a year and the internal auditor serves as the secretary of the committee.

The committee is responsible for ensuring that the Company's internal controls are adequate and that the assets at the disposal of the company are safeguarded. It ensures that proper policies and internal control procedures are in place and also helps to ensure that the set policies and procedures are adhered to and advises on improvements and introduction of new control procedures.

Corporate Governance Statement(Continued)

Finance and administration committee

The committee comprises of three non executive directors. The committee is chaired by a non-executive director and meets four times a year.

The role of the committee is to monitor and review the operational and financial performance of the company against key performance indicators, identifying shortcomings and ensuring corrective measures and actions are taken. The committee also reviews the company's investment plans in capital expenditure and recommends to the board for approval. The committee has also the responsibility of ensuring that the systems of financial controls are effectively administered.

This committee as well has the responsibility of ensuring the company has the right staff, at the right place and doing the right thing. More so, the committee will ensure that staff welfare is guaranteed.

Their terms of reference includes but not confined to human resource planning, employee welfare, recruitment, training, performance appraisal, discipline, health and safety and HIV/AIDS.

Technical committee

The committee comprises of three non executive directors. The committee is chaired by a non-executive director and meets four times a year.

This committee oversees planning, coordination and execution of development and rehabilitation projects to ensure expansion of reticulation system and to improve efficiency in water production and distribution including sewerage network

Directors' Remuneration

The remuneration of non-executive directors consists of sitting and transport allowances in connection with Board and committee meetings.

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Attendance of board meetings

DATE	MEETING	DR. TIMOTHY GICHERE	LUCY NJOKI	ROBERT MACHARIA	JOYCE WACHIRA	ESTON GATHIMA	SUSAN PERIS KARINA	ROSALINE KAMINA	CHARLES NJENGA	CEC WATER	CEC FINANCE	TOWN MANAGER
7/8/2024	FINANCE AND ADMIN COMMITTEE				✓	✓					✓	
7/8/2024	AUDIT COMMITTEE		✓									✓
7/8/2024	TECHNICAL COMMITTEE			✓			✓			✓		
19/08/24	FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
15/10/24	FINANCE AND ADMIN COMMITTEE				✓	✓					✓	
15/10/24	AUDIT COMMITTEE		✓					✓				✓
15/10/24	TECHNICAL COMMITTEE			✓			✓			✓		
25/10/24	FULL BOARD	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
23/01/25	FINANCE AND ADMIN COMMITTEE				✓	✓					✓	
23/01/25	AUDIT COMMITTEE		✓					✓				✓
23/01/25	TECHNICAL COMMITTEE			✓			✓			✓		
3/2/2025	FULL BOARD	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6/5/2025	FINANCE AND ADMIN COMMITTEE				✓	✓					✓	
6/5/2025	AUDIT COMMITTEE		✓					✓				
6/5/2025	TECHNICAL COMMITTEE			✓			✓			✓		
13/05/25	FULL BOARD	✓	✓		✓	✓	✓	✓		✓	✓	

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

Corporate Governance Statement (Continued)

Process of appointment and removal of directors

A third of directors retire on rotation every year. Election of directors starts with advertisement in the media, their applications are considered by stakeholder's selection committee and this committee does a recommendation to the stakeholders. The recommendations are taken to the Annual General Meeting. The stakeholders at the AGM are at liberty to agree with the recommendations, amend or to disagree with the recommendations.

Induction and training

After every Annual General Meeting, the directors undergo an induction and training.

Ethics and conduct of directors

To show commitment of proper utilization and management of public resources and proper running of corporation's affairs, Murang'a Water and Sanitation Company has developed a code of ethics to be signed by all board members. The code of ethics provides guidance and direction in the manner in which members of the board of directors are expected to conduct themselves when handling matters relating to the company. This code is guided by the company's board charter.

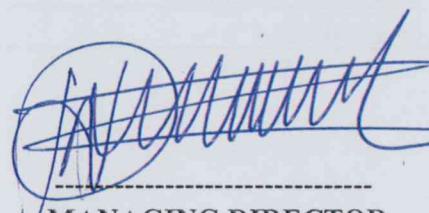
Going concern

The directors confirm that the company has adequate resources to continue in business for the foreseeable future and therefore the continued use of the going concern as a basis when preparing financial statements.

SIGNED:



CHAIRMAN



MANAGING DIRECTOR

9. Management Discussion And Analysis

SECTION A

The entity's operational and financial performance

No.	ITEM	2023/2024	2024/2025
1	Total Billings (Kshs in Millions)	301	324
2	Operating Exp (Kshs in Millions)	312.2	346
3	Capital Exp (Kshs in Millions)	21	45
4	Number of Active Water Connections	18,739	19,739
5	Number of Active Sewerage connections	6,480	6,626
6	Non-revenue Water	36%	36%

SECTION B

Entity's compliance with statutory requirements

Murang'a water and sanitation company complies with various statutory requirements and the 12th AGM was held on Friday the 25th October 2024.

SECTION C

Key projects and investment decisions the entity is planning/implementing

Muranga Water and Sanitation Company is a company limited by guarantee hence it cannot be able to finance its projects through equity. The projects are financed either from internally generated funds, Grants from County Government, Water Works Development Agencies, Constituency Development Funds, Development partners and commercial financing through performance/result based financing. The Company has a role to play if it's going to achieve Sustainable Development goals agreed by the world leaders in year 2015 for a more prosperous, equitable, and sustainable world. Specifically the company strives to meet goal number six of clean water and sanitation.

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

Management Discussion And Analysis (Continued)

PROPOSED PROJECTS

No	Project	Financed by	Sustainability	Approximated cost
1	St Mary's sewer extension project	Murang'a County Government	-The project will increase sewer connections hence increased revenues.	81,000,000
2	Mashambani sewer extension project	Murang'a County Government	-The project will increase sewer connections hence increased revenues.	101,000,000
3	Kiawambeu II water project	Development partner	The project will increase the production capacity per day hence more supply to the increasing population and demand.	3,700,000,000
4	Kayahwe-Maragua Ridge water project	AWWDA proposal	The project will increase supply to unserved areas.	194,882,732
5	Mukungae-Kiharu water project	Aid on delivery applied	The project will increase supply to unserved areas.	299,000,000
6	Murang'a CBD Mukuyu and Mumbi overhaul	AWWDA proposal	The project will increase supply to unserved areas.	250,250,129
7	Lower Murang'a extensions	Aid on delivery applied	The project will increase supply to unserved areas.	167,835,125
8	New Murang'a Municipality B/Water	Development partner	The project will increase supply to unserved areas.	2,069,634,659
9	New Murang'a Municipality sewerage	Development partner	The project will increase sewer connections hence increased revenues.	1,667,652,183

SECTION D

MAJOR RISKS FACING THE ENTITY

Operation risks

The Company inherited old dilapidated infrastructure, and this has contributed to high Non Revenue Water. Over the years, the company has invested in various projects to improve the infrastructure. The funds required to overhaul the whole network is beyond the company's affordability and various proposals have been made to mobilize funds through Public Private Partnership (PPP)

Market Risks

The company has no outstanding loan hence the market risk is assessed to be low.

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

Credit Risks

The company supplies water on credit and gives the consumers a period of 14 days to clear their bills. Not all consumers are able to clear their bills within the credit period given and this gives rise to credit risk. At the end of the year, the trade debtors amounted to Ksh 118,907,387 and the highest percentage was owed by the Government institutions and the default risk is assessed as low. The company provides a general provision of 10% allowance for credit risk against the outstanding debts.

Liquidity Risk

The company has various obligation and liabilities as outlined in note 25 and 26 of the accounts. The company manages liquidity risks by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

SECTION E

Material arrears in statutory/financial obligations

The company has accumulated administrative fees owed to Tana Water Works Development Agency amounting to Kshs 49,458,717. Other trade creditors amounted to Ksh. 131,151,174

SECTION F

The entity's financial probity and serious governance issues

The Company has no any financial improbity and it observes the guidelines issued by Water Services Regulatory Board on corporate governance and has complied with the guidelines with no any case of conflict of interest among the Board or Member of the Board and top management.

10. Environmental And Sustainability Reporting

Murang'a Water and Sanitation Company Ltd (MUWASCO) continues committing to upholding ethical standards while executing her mandate and contributing towards the improved economic and social development of the life of society at large. MUWASCO is inherently mandated to be socially responsible, to act and operate as a good corporate citizen. The Governing Board recognizes and performs its obligations inline with the National Government, the County Government of Murang'a- its major stakeholder, as well as other stakeholders, and the community in which it operates. Upholding our corporate reputation has been our subtle guide towards delivering our strategy, delivering adequate clean water and sanitation services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

MUWASCO has continued to operate within set regulatory framework while executing her mandate. Through strategic planning and time-to-time reviews, we have continued to identify and address risks and opportunities; an exercise that has gradually improved our performance nationally. Our Strategic plan that runs from 2025-2030 has been guided by our mission which is to provide water and sanitation services efficiently and sustainably envisioning to becoming a world-class water and sanitation service provider that exceeds customers' expectations now and in the future.

To achieve our mission, MUWASCO will be guided by our core values of:

- a) Customer focus
- b) Integrity – ethical conduct
- c) Teamwork and cohesion among staff
- d) Networking and collaboration with external stakeholders
- e) Commitment to duty and professionalism
- f) Equity
- g) Transparency and accountability

ii) Environmental performance

Over the years, our environmental conservation programs have remained core towards achieving 10% forest cover, as President William Ruto directed. Indeed, we partnered with the Ministry of Water and Sanitation, Tana Water Works Development Agency, Athi Water Works Development Agency and the Water Companies Sports and Cultural Organization in planting over 500,000 indigenous and fruit trees at Kangure forest in Gaturi ward during the WASCO games hosted by Murang'a Water . Early in the year, we partnered with the Ministry of Education where we engaged primary and secondary schools in our initiative, Muwasco Mazingira Bora program where we planted over 80,000 trees in schools. We are working closely with the school heads in order to ensure that the seedlings are nurtured to growth. This program we believe will prepare young environmentalists who will ensure we secure a climate-friendly tomorrow. We are currently nurturing a nursery bed for fruit and indigenous trees with a capacity of about 1 million seedlings at our Karii Sewerage treatment plant. We also partnered with our stakeholders in marking the World Menstrual Hygiene Day at Maragua where we created awareness on menstrual hygiene and donated assorted items to pupils and schools to enhance the quality of hygiene of the pupils in our area of operation.

**Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2025**

iii) Employee welfare

The company has a human resource policy and manual, which guides hiring, processes. The company also has a collective bargaining agreement which has welfare terms.

To improve skills, the company sets a budget for training every year and pays the training fees for the training that arises. The departmental heads and section heads appraise the staff quarterly and the appraisals are used to reward the staff.

iv) Market place practices-

a) Responsible competition practice.

The organization ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

b) Responsible Supply chain and supplier relations

Developing a strong relationship with suppliers helps ensure that suppliers of essential supplies and contracts are fair and that business conducted together is mutually beneficial. We have supplier strategy, supply chain policy and code of conduct that set out the standards we expect from suppliers' business ethics, human rights and environmental management. The company always obtains value for money spent on procurement by ensuring that only those items needed are bought; that these items are of good quality and stored appropriately to preserve their quality.

c) Responsible marketing and advertisement

Our commitment to regulations, directives and laws on marketing and advertisement practices has been harnessed to the letter. Indeed, we continue placing advertisements and marketing information on the government-accredited newspaper "MY GOV" as directed in a memo from the Department of Civil Service in 2017. All information forwarded for such purposes is usually thoroughly screened to meet the required standard.

d) Product stewardship

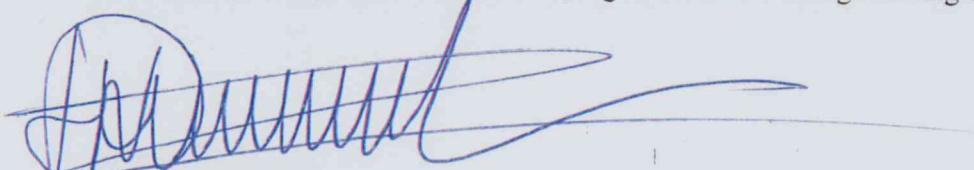
We have continually updated our consumer rights and interests by getting and analysing consumer feedback received through various forums and channels of engagement. As a best practice, we must carry out a customer satisfaction survey annually to assess our performance and identify gaps and interests. We are privy to laws on water rights, the Bill of Rights, the Consumer Protection Act and other laws guiding consumer protection and engagement.

Corporate Social Responsibility / Community Engagements

Our pro-poor connection programme has continued changing lives and livelihoods. This year, we have connected over 400 needy connections through our rural poor program (RPP). Indeed we joined a 25 Kilometres Charity walk organised by the Anglican Churches of Kenya, Mt Kenya Central Diocese.

In the current financial year, we have offered full sponsorship of high school education to six needy students in our supply area who had excelled academically. These students are schooling at Kirogo Boys High School, Mumbi Girls High School, Njiriis High School and Chinga Boys High School. We continue monitoring their performance to enhance their resolute vision towards their academic and intellectual excellence.

We endeavour to continue to strengthen our corporate governance structure to enhance management, transparency and monitoring. Furthermore, we will strive to increase our corporate value through compliance with all laws, regulations and rules governing our corporate activities



ENG. D.NG'ANG'A
MANAGING DIRECTOR

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

11. Report of the Directors

The Board of Directors has the pleasure in submitting their annual Report and Financial Statements for the period ended 30th June 2025.

Principal activity

The company's main activity is the provision of wholesome clean water and sanitation services to the residents of Murang'a town and its environs.

Results

The results of activities for the year show a Deficit of Kshs 7,557,304 as set out on page one of the accounts.

Dividends

The company has not declared dividends for the year ended 30th June 2025. This is in line with section 131(3) of Water Act 2016.

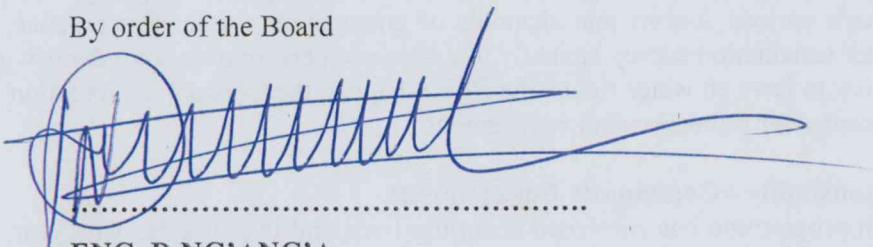
Directors

The board members who held office during the year were as indicated on pages v to vii of the accounts.

Auditors

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By order of the Board



ENG. D.NG'ANG'A

Secretary to the Board

12/08/2025

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

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

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

Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

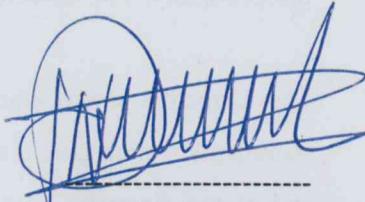
Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2025

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

Approval of the financial statements

The company's financial statements were approved by the Board on 12th August 2025 and signed on its behalf by:

SIGNED: 
RT. REV. DR. T. GICHERE
CHAIRMAN


ENG. D. NG'ANG'A
MANAGING DIRECTOR

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Murang'a Water and Sanitation Company Limited set out on pages 1 to 29, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.180,609,891 as disclosed in Note 25 of the financial statements. The balance includes Kshs.69,818,132 in respect of accrued bills which further includes levies totaling to Kshs.49,458,717 owed to Tana Water Services Board for over five (5) years dating back to February 2017. The balance also includes Kshs.14,871,941 owed to Water Services Regulatory Board for up to five years. In addition, an amount totaling Kshs.24,675,530 owed to other suppliers has been outstanding for over 90 days.

In the circumstances, the accuracy and ability to clear these long outstanding accrued bills of Kshs.69,818,132 could not be confirmed.

2. Under-Statement of Tax Payables

The statement of financial position and as disclosed in Note 26 to the financial statements reflects tax payable of Kshs.2,338,901 owed to Kenya Revenue Authority (KRA). However, the outcome of a tax audit carried out by Kenya revenue Authority on 5 August, 2025 revealed that the Company owes Kshs.7,169,500 resulting into undeclared taxes amounting Kshs.4,830,599. In the circumstances the accuracy and completeness of the tax payable balance of Kshs.2,338,901 could not be confirmed.

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

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

Other Matter

Prior Year Unresolved Issues

In the previous year's audit report three (3) issues were raised under Basis for Qualified opinion, one (1) paragraph under Emphasis of Matter and four (4) paragraphs under Report on Lawfulness and Effectiveness in Use of Public Resources. However, the matters remain unresolved since management has not submitted a report on how it has addressed the recommendations and findings of the previous year's audit report.

Other Information

The Management is responsible for the Other Information set out on page iii to xxviii 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 the 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. Operating Using Outdated Water Tariffs

The financial statements reflects Kshs.309,387,109 in respect of operating revenue as disclosed in Note 6. Included in this amount is Kshs.224,481,516 relating to sales through billing to customers. The tariffs rates in use came into effect on 23 May, 2014 vide Gazette Notice No. 3462 and which were to be applicable for the period 2014/2015 and 2015/2016 and have since expired.

In the circumstances, the Company's use of old and outdated tariffs denies it necessary returns to meets its operational costs over the years.

2. Non-Revenue Water

The financial statements reflects Kshs.309,387,109 in respect of operating revenue as disclosed in Note 6. Included in this amount is water sales of Kshs.224,481,516. During the financial year the Company produced 4,291,218m³ of water out of which only 3,014,217m³ was billed to customers. The balance of 1,277,001m³ which represent approximately 29.8% of the total volume of water was produced as Non-Revenue Water (NRW) with projected fiscal value of Kshs.95,103,677. The Non-Revenue Water of 29.4% is over and above the allowable loss of 25% provided by schedule E of water service regulatory board (WASREB) guidelines.

In the circumstances, the Company exceeded the allowable NRW loss of 25% by 4.4% or approximately Kshs.14,061,748 worth of water which if not addressed will negatively impact profitability and its long-term sustainability.

3. Non-Compliance with the One Third of Basic Salary Rule

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs.175,624,438 relating to staff costs. An analysis of the June 2025 payroll revealed that forty-eight (48) employees earned a net salary of less than a third (1/3) of the basic salary. This is contrary to Section 19 (3) of the Employment Act, 2007 which provides that the total amount of deduction of the wages of an employee shall not exceed two thirds of such wages.

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

4. Non-Compliance with the Law on Ethnic Diversity

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs.175,624,438 relating to staff costs. The review of the staff records revealed that out of the one hundred and seventy-nine (179) members of staff, one hundred and seventy (170) or approximately 95% were from the same ethnic community. Similarly, all the eleven (11) Board members were from the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which requires public entities to ensure that their establishments seek to represent the diversity of the people of Kenya and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

5. Non-Compliance with Fiscal Responsibility Principle

The statement of profit or loss and other comprehensive income reflects Kshs.175,624,438 in respect to staff costs as disclosed in Note 11 to the financial statements. This amount account for 51% of the total Company's revenue for the year of Kshs.338,551,290 or 16%. The rates are higher than the thirty-five percent (35%) maximum threshold under Regulation 25 (1)(b) of the Public Finance Management (County Government) Regulations 2015 which provides that the compensation of employees including benefits and allowance shall not exceed 35 percent of the revenue raised.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Lack of Annual Governance Audit and Performance Evaluation

Review of board activities at the Company revealed no evidence that the Board undertook an annual governance audit during the year under review as required by the regulatory governance principles to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others.

Further, the Board did not conduct self-evaluation of its performance on an annual basis as required by the Water Services Regulatory Board Guidelines which provides that the board of directors shall carry out annual performance evaluation and file a report with the shareholders at the general meeting.

In the circumstances, it was not possible to confirm the level of adherence to applicable laws, rules, regulations, and policies of the Company.

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, I report, based on my audit, that: 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; the information given in the Directors' report on pages xviii is consistent with the financial statements.

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

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International 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-general-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 October, 2025

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

**14. Statement of Profit or Loss & Other Comprehensive Income For The Year
 Ended 30 June 2025**

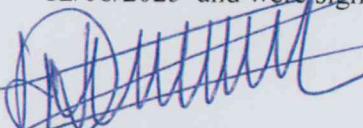
REVENUE	NOTES	2024/2025	2023/2024
		Kshs	Kshs
Operating Revenue	6	309,387,109	294,944,305
Grants Income	7	14,692,885	11,091,542
Other income	8	14,454,656	6,189,081
Inherited debtors	9	-	15,598,439
Other gains and losses	10	16,640	-
Total Revenue		338,551,290	327,823,367
EXPENSES			
Staff costs	11	175,624,438	161,344,810
Administration expenses	12	64,372,900	62,124,608
Production and maintenance expenses	13	65,816,949	52,891,824
General And Operating Expenses	14	8,215,162	5,948,836
Depreciation and amortization	15 and 16	27,117,087	24,819,932
Board expenses	17	4,962,058	5,088,115
Total expenses		346,108,594	312,218,125
Profit/Loss Before Taxation		(7,557,304)	15,605,242
Income Tax Expense/(Credit)		-	-
PROFIT/(LOSS) AFTER TAXATION		(7,557,304)	15,605,242

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

15. Statement of Financial Position As At 30 June 2025

ASSETS	NOTES	2024/2025	
		Kshs	2023/2024
Non Current Assets			
Property, plant and equipment	15	336,843,811	318,746,165
Intangible assets	16	342,694	428,368
Investment in subsidiary	18	40,748,030	40,748,030
Total Non-Current Asset		377,934,535	359,922,563
Current Assets			
Trade and other Receivables	19	135,670,657	148,399,434
Bank and cash balances	20	12,733,658	13,216,752
Inventories	21	14,861,644	12,179,786
Total Current Assets		163,265,959	173,795,972
TOTAL ASSETS		541,200,494	533,718,535
EQUITY AND LIABILITIES			
Capital And Reserves			
Capital reserves	22	33,275,181	33,275,181
Revenue reserves	23	180,957,222	188,514,526
Total Capital and Reserves		214,232,403	221,789,707
Non-Current Liabilities			
Deferred income	24	134,880,967	136,663,225
Total Non-Current Liabilities		134,880,967	136,663,225
Current Liabilities			
Deferred income	24	9,138,332	6,813,057
Trade and other payables	25	180,609,891	166,113,645
Tax payable	26	2,338,901	2,338,901
Total Current Liabilities		192,087,124	175,265,603
TOTAL EQUITY AND LIABILITIES		541,200,494	533,718,535

The financial statements on pages 1-29 were approved by the Board of Directors on 12/08/2025 and were signed on its behalf by:


**ENG.D. NG'ANG'A
MANAGING DIRECTOR**


**C.P.A JOSEPH MAINA
COMMERCIAL MANAGER
ICPAK M/NO.8581**


**RT.REV.DR.T.GICHERE
CHAIRMAN**

**Murang'a Water And Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2025**

16. Statement of Changes In Equity For The Year Ended 30 June 2025

	NOTES	CAPITAL RESERVES (Kshs)	REVENUE RESERVES (Kshs)	TOTALS (Kshs)
Balance at 1 st July 2023		33,275,181	172,909,284	206,184,465
Surplus for the year	23	-	15,605,242	15,605,242
Balance at 30 th June 2024		33,275,181	188,514,526	221,789,707
Balance at 1 st July 2024				
Surplus for the year	23	-	(7,557,304)	(7,557,304)
Balance at 30 th June 2025		33,275,181	180,957,222	214,232,403

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

17. Statement Of Cashflow For The Year Ended 30 June 2025

		2024/2025	2023/2024
		(Kshs)	(Kshs)
Cash Flows from operating activities	Notes		
Receipts			
Operating Receipts		310,922,490	288,030,993
Other Income		14,587,793	6,118,230
Customer deposits		8,043,160	8,135,950
Grant income		17,229,292	10,545,400
Other gains		21,000	-
Total receipts		350,803,735	312,830,573
Payments			
Staffs costs		173,188,091	155,922,011
Administration expenses		63,458,662	56,664,877
Production and maintenance expenses		59,498,568	49,831,107
General and operating expenses		7,698,655	6,880,538
Board expenses		4,962,058	4,981,585
Refund of customer deposits		2,049,835	2,215,807
Total payments		310,855,869	276,495,925
Net cash from operating activities		39,947,866	36,334,648
Cash flows from investing activities			
Purchase of property,plant and equipment(PPE)		(40,112,739)	(25,219,137)
Purchase of Intangible asset		-	-
Transfer to subsidiary company		(318,221)	-
Net cash flows from investing activities		(40,430,960)	(25,219,137)
Cash flows from Financing Activities			
Repayment of borrowings		-	-
Net Cash flows from financing activities		-	-
Increase/decrease in cash and cash equivalent		(483,094)	11,115,511
Cash and cash equivalents at the beginning of year		13,216,752	2,101,241
Cash and Cash equivalents at end of year	20	12,733,658	13,216,752

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

18. Statement of Comparison of Budget And Actual Amounts For The Period Ended 30 June 2025

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUAL	PERFORMANCE DIFFERENCE	% OF UTILIZATION	EXPLANATION OF VARIANCE
REVENUE							
Operating Revenue	330,535,202	(32,500,000)	298,035,202	284,390,775	13,644,427	95	
Other income	30,000,000	5,000,000	35,000,000	39,450,990	(4,450,990)	113	Increased water bowser demand
Total Revenue	360,535,202	(27,500,000)	333,035,202	323,841,765	9,193,437	97	
EXPENDITURE							
Staff cost	164,864,065	700,000	165,564,065	175,624,438	(10,060,373)	106	
Administration expenses	-67,453,240	(900,000)	66,553,240	64,648,324	1,904,916	97	
Production and maintenance expenses	64,682,400	1,300,000	65,982,400	65,816,949	165,451	100	
General And Operating Expenses	10,267,720	(1,500,000)	8,767,720	8,215,162	552,558	94	
Board expenses	6,152,928	-	6,152,928	4,962,058	1,190,870	81	Fewer board meetings
Total expenditure	313,420,353	(400,000)	313,020,353	319,266,931	(6,246,579)	102	
Profit							
Capital expenditure	94,216,435	(13,000,000)	81,216,435	39,478,510	41,737,925	49	Delay in commencing CLSG 2 project
Reconciliation:							
Loss as per statement of comparison budget & actual	4,574,834						
Items not in the budget:							
Depreciation	(27,117,087)						
Provision for bad debt	275,424						
Amortisation	10,319,465						
Revenue grants	4,373,420						
Other gains	16,640						
Profit as per the statement of profit or loss	(7,557,304)						

Explanation of variances is on +/- 10%. During the year there was a review of budget due to reallocation

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

19. Notes to the Financial Statements

1. General Information

Murang'a Water and Sanitation Company Limited is established by and derives its authority and accountability from the Company's Act. It is a limited company by guarantee and licensed by Tana water services board through service provision agreement signed on 2nd May 2006 and revised on 4th May 2012. The principal activity of the company is to provide water and sanitation services within Murang'a town and its environs.

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 entity'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 Note 4d,4f,4o

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

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

3. Application Of New And Revised International Financial Reporting Standards

(i) New and amended standards and interpretations in issue effective in the year ended 30th June 2025

Of the following new standards and amendments none has an effect on the financial statements.

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025

Notes to the financial statements(continued)

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

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

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements(continued)

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

The directors do not plan to apply any of the below 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.

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

(iii) Early adoption

The company did not early adopt any new or amended standards in financial year 2024-2025

4. Summary of Accounting Policies

a. Revenue Recognition

The company adopts the accrual basis of accounting for revenue. Revenue is recognized when it is earned. Revenue grants comprise of:

- (i) Salaries of the seconded staff paid by Murang'a County Government
- (ii) Amortization of capital grants is from Murang'a county government, Ministry of water & sanitation, Water sector Trust Fund and Athi Water Works Development Agency

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

(iii) Billings represents the amount earned from the billings of water, sewer and meter replacement fees. Other billings include miscellaneous billings like water theft penalties, search fee, relocation of meter charges.

Other incomes include water and sewer connection fees, unmetered water sales and surcharges.

b. In-kind contributions

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

c. Property ,Plant and Equipment

Property plant and equipment are stated at historical cost less accumulated depreciation.

d. Depreciation and Impairment of property,pland and equipment

Freehold land and capital work in progress are not depreciated. Depreciation is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Per Annum	RATE %
-Buildings	2.5
-Motor Vehicles	25
-Computers and Photocopiers	30
-Pipes	2.5
-Equipments and Tools	12.5

Depreciation is provided for the full year irrespective of the month of purchase but no depreciation charged to works in progress and in the year of disposal.

e. Intangible assets

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

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

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

f. Amortization and impairment of intangible assets

Amortization is provided for the full year irrespective of the month of purchase but no amortization charged in the year of disposal. Amortization is provided for the intangible assets like computer softwares. The amortization rate is 20% on reducing balance.

g. Reserves

Reserves of the company comprise revenue reserves which represents the excess of the income over recurrent expenditure.

Capital reserves represent net assets capitalized at the formation of the company and represent the book values of those assets.

The Water Act 2016 and the Company's Articles of Association prohibit distribution of reserves to members and reserves are supposed to be ploughed back to the system in accordance with the Water Act.

G.O.K capital grants relates to grants from Tana and Athi Water Works Development Agencies. The grants are treated as deferred income. Amortization on these grants is calculated on reducing balance basis on cost over the life of the asset.

h. Retirement benefit obligations

The company and employees contribute to Local Authority Provident Fund (LAPF) a statutory pension scheme, CPF financial services & Barclays Securities services which is a National water conservation & pipeline corporation staff Superannuation Scheme. The company also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are by the requirements of local statute and are currently limited to Ksh.1,080 per employee per month. The company's contributions to the above schemes are charged to profit or loss in the year to which they relate. Gratuity is provided for at 31% of basic salary.

i. Taxation

The company services(Water & sewer) are exempt, while meter rent is charged VAT at a rate of 16% and the company pays income tax at the rate of 30%.

j. Related party transactions

The company is headed by the Board of directors and corporate management team. Gratuity expense on corporate management team is based on 31% of the basic salaries. At the end of financial year the related party transactions were as per note 27.

k. Inventory

The company recognizes inventory at the lower of cost and net realizable value using first in first out method of inventory valuation.

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

i. Cash and Cash Equivalent

Cash and cash equivalents include cash on hand and cash at bank. Bank account balances include amount held at Equity bank, Family Bank, Cooperative Bank and Mpesa at the end of financial year.

m. Trade and other Payables

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

n. Financial risk management

The board of directors is the primary risk supervisor, exercising its role through various board approved committees. The company's internal audit section plays a vital role within governance processes by keeping the Board and senior management aware of risk and control issues and assessing the effectiveness of risk management. Reporting to the Audit and risk management committee of the Board, the section objectively and independently evaluates the existing risk and control framework and analyses department's processes and associated controls.

o. Provision for doubtful debts

At the end of the financial year the trade debtors amounted to Ksh.119,337,388 and the highest percentage was owed by the Government institutions and the default risk is assessed as low. The company provides allowance for doubtful debts against all outstanding water and sewerage, meter rent and other billings debts. A general provision of 10% on all these outstanding debts is provided.

m. Liquidity risk management

The company has various obligations and liabilities as outlined in note 25 and 26 of the accounts. The company manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flow.

	Less than 1 month	Between 1-2 months	Between 2-3 months	Over 3 months	Total
At 30 June 2025 Current liabilities(Kshs)	18,005,698	32,698,569	39,986,788	92,257,737	182,948,792
At 30 June 2024 Current liabilities(Kshs)	17,556,156	31,005,869	36,789,254	83,101,267	168,452,546

n. Market risk

The company had no interest bearing financial obligation as at the end of financial year.

o. Comparative figures

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

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

r. Reporting currency

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

s. 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 30th June 2025.

t. Budget information

The budget for financial year 2024-2025 was approved by the board of directors on 25th April 2024. A review of the budget was approved by the board on 22nd January 2025. Both the financial statements and the budget are prepared on accrual basis. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget is presented in the statement of comparison of budget and actual amounts.

u. Incorporation

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

v. Ultimate and holding entity

The entity is a Semi-Autonomous Government Agency under the Ministry of Water, Sanitation and Irrigation. Its ultimate parent is Murang'a County Government. The entity has a wholly owned subsidiary, Fort Beverage Industries Limited.

w. Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for credit risk. These are assessed for impairment on a continuing basis. The provision for bad debt is at 10% of all trade receivables debt

x. Borrowings

Interest bearing loans are initially recorded at fair value being received, net of issue costs associated with the borrowing. Loan principal and interest accruing during the construction of a project is capitalised as part of the cost of the project. Interest accruing after completion of the project is recognized as finance cost.

z. Shareholding

Murang'a Water and Sanitation Company Ltd was incorporated under Companies Act Cap 486 and it's a company limited by guarantee and hence the company has no share capital. The company has a wholly owned subsidiary, Fort Beverage Industries Ltd (FBIL). Fort beverage Industries Ltd made a surplus of Ksh. 10,398 for the year ended 30th June 2025.

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

5. Significant judgments and sources of estimation

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The provision for bad debt is at 10% of all trade receivables debt.provisions for depreciation of assets is estimated using useful life of asset

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

Explanatory Notes To The Accounts

6. Operating Revenue

	2024/2025	2023/2024
	Kshs	Kshs
Water	224,481,516	207,801,250
Sewerage services	48,165,059	48,520,120
Meter replacement fees	11,744,200	10,833,650
Other billings	24,996,334	10,561,285
Re- connection fees	-	17,228,000
Total	309,387,109	294,944,305

7. Grant income

Accounting For Government Grants

The amount of government grants comprises both capital and recurrent expenditure. The grants have been recognized and accounted for as per IAS N0.20.

The following revenue grants have been recognized in the statement of comprehensive income.

	2024/2025	2023/2024
	Kshs	Kshs
Amortization of capital grants	10,319,465	7,593,452
Salaries paid to seconded staffs	2,939,510	3,498,090
Other grants	1,433,910	-
Total	14,692,885	11,091,542

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

Analysis of revenue grants

Name of the entity sending the grant	Particulars	Amount recognized in statement of comprehensive income	Amount deferred under deferred income	Amount recognized in capital fund	Total income	Financial year
WSTF,AWWDA, TWWDA,Muranga county government	Amortization of capital grants(pipes, meters,water network, motor bikes)	10,319,465	-	-	10,319,465	2024-2025
County government of Muranga	Salaries of seconded staff	2,939,510	-	-	2,939,510	2024-2025
Total		13,258,975	-	-	13,258,975	

8. Other Incomes

	2024/2025	2023/2024
	Kshs	Kshs
Water connection fees	5,903,979	5,908,230
Sewer connection fees	132,500	210,000
Surcharges	52,781	70,851
Exhauster income	2,583,000	-
Water bowser income	5,782,396	-
Total	14,454,656	6,189,081

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

9. Inherited debtors

ZONES	2024/2025		2023/2024	
	Kshs		Kshs	
Maragua town	-		2,403,761	
Nginda	-		12,530,488	
Samar	-		664,190	
Total	-		15,598,439	

10. Other gains and losses

	2024/2025		2023/2024	
	Kshs		Kshs	
Gain on sale of fixed assets- No.2 motorbikes				
Sale proceeds	21,000		-	
Accumulated depreciation	575,640		-	
Total realization	596,640		-	
Cost	(580,000)		-	
Gain on disposal	16,640		-	

11. Staff Cost

	2024/2025		2023/2024	
	Kshs		Kshs	
Gross Salary and Allowances	139,616,268		126,228,889	
Salaries (g.o.k grant)	2,939,510		3,498,090	
Leave allowances	4,910,937		4,367,065	
N.S.S.F company contributions	5,235,547		2,873,863	
Pension contribution	5,295,261		5,010,597	
Staff gratuity	4,992,168		4,623,956	
Casual wages	1,245,830		716,840	
Medical insurance scheme	8,877,504		11,666,717	
Housing levy	2,088,713		1,569,412	
Staff welfare	422,700		789,381	
Total	175,624,438		161,344,810	
The average number of employees during the year	176		170	

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

12. Administration Expenses

	2024/2025	2023/2024
	Kshs	Kshs
Training	1,007,940	1,558,410
Advertising, marketing and promotion	977,000	453,906
Motor vehicle expenses	17,449,592	19,360,876
Consultancy/professional fees	2,050,700	1,092,300
Sundry and donation expenses	1,017,638	372,350
Insurances	1,414,888	2,498,845
Membership and subscriptions	536,222	574,850
Courier & postal services	10,268	36,638
Communication and internet expenses	4,698,290	4,267,181
Licences & permits	100,000	-
Catering services	244,081	105,226
Contracted guards services	2,855,860	1,857,197
Wasreb levy	3,025,095	2,854,081
Bank service commission & charges	217,932	197,945
Legal fees	3,000,000	3,030,000
Meeting costs ,conferences & seminars	3,723,561	6,045,067
Travel cost	870,215	1,740,370
Increase/Decrease in credit risk	(275,424)	2,584,259
Subsistence allowances	12,938,543	13,037,107
Audit fees	362,500	362,500
Office rent	150,000	95,500
Sports and games	7,997,999	-
Total	64,372,900	62,124,608

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements (continued)

13. Production and maintenance expenses

	2024/2025	2023/2024
	Kshs	Kshs
Electricity	6,776,036	5,759,262
Operating and maintenance cost	46,913,194	36,383,607
Chemicals	11,240,355	10,038,145
Water abstraction fee-WRA	887,364	710,810
Total	65,816,949	52,891,824

14. General and operational expenses

	2024/2025	2023/2024
	Kshs	Kshs
Staff personal protective equipments	2,603,440	1,695,600
General office supplies	5,508,822	4,143,316
Newspapers, magazines & periodicals	102,900	109,920
Total	8,215,162	5,948,836

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes To The Financial Statements(continued)

15. Property Plant & Equipments

COSTS	1)Buildings (Kshs)	2)pipes &fittings (Kshs)	3)EQUIPMENTS (Kshs)	4)motor vehicles & Cycles (Kshs)	5)computers &computer networking (Kshs)	TOTALS (Kshs)
Cost as at 1 st July 2023	56,512,679	163,151,980	310,777,662	17,371,374	10,655,634	558,469,329
Additions during the year		8,130,140	12,524,171	-	588,529	21,242,840
Total Cost As At 30th JUNE 2024	56,512,679	171,282,120	323,301,833	17,371,374	11,244,163	579,712,169
Cost as at 1 st July 2023	56,512,679	171,282,120	323,301,833	17,371,374	11,244,163	579,712,169
Additions during the year	1,464,586	6,012,002	34,795,067	1,950,000	911,764	45,133,419
Disposal during the year				(580,000)		(580,000)
Total Cost As At 30th JUNE 2025	57,977,265	177,294,122	358,096,900	18,741,374	12,155,927	624,265,588
DEPRECIATION						
As at 1 st July 2023	9,865,866	21,375,210	186,923,971	9,242,143	8,845,974	236,253,164
charge for the year	1,166,170	3,747,673	17,047,233	2,032,308	719,457	24,712,840
Accumulated depreciation As at 1st July 2024	11,032,037	25,122,883	203,971,203	11,274,451	9,565,430	260,966,004
Charge for the year	1,173,631	3,804,281	19,265,712	2,010,641	777,149	27,031,413
Accumulated depreciation of disposed motor cycle				(575,640)		(575,640)
Total Accumulated Depreciation As At 30th June 2025	12,205,668	28,927,164	223,236,915	12,709,452	10,342,579	287,421,777
NET BOOK VALUE:						
As at 30th JUNE 2025	45,771,598	148,366,958	134,859,985	6,031,922	1,813,348	336,843,811
As at 30th JUNE 2024	45,480,642	146,159,237	119,330,630	6,096923	1,678,733	318,746,165

-Class 3 Equipment comprises of meters and meter accessories, office and lab equipments, furniture and fittings ,water pumps, air valves ,sluice valves, filter media, sewer and water networks .

-The company's buildings lies on government land but its yet to be transferred by Tana Water Works Development Agency to County Government Of Muranga. Also other assets and liabilities are yet to be transferred including the new treatment works in Kiawambeu developed through a loan from ADB worth ksh. 533 million.

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes To The Financial Statements(continued)

16. Intangible Assets

COST	Kshs
Cost as at 1 st July 2023	1,064,718
Additions during the year	-
Total cost as at 30th June 2024	1,064,718
Cost as at 1 st July 2024	1,064,718
Additions during the year	-
Total Cost as at 30th June 2025	1,064,718
AMORTISATION	
As at 1 st July 2024	529,258
Charge for the year	107,092
Total accumulated amortization as at 30 th June 2024	636,350
As at 1 st July 2024	636,350
Charge for the year	85,674
Total accumulated amortization as at 30th June 2025	722,024
NET BOOK VALUE	
As at 30 th June 2025	342,694
As at 30 th June 2024	428,368

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes To The Financial Statements(continued)

17. Board Expenses

	2024/2025	2023/2024
	Kshs	Kshs
Sitting allowance	3,182,975	3,341,321
Medical insurance	1,093,428	1,205,864
Board expenses-other	685,655	540,930
Total	4,962,058	5,088,115

18. Investment in subsidiary

	2024/2025	2023/2024
	Kshs	Kshs
Brought forward	40,748,030	40,748,030
Additions	-	-
Carried forward	40,748,030	40,748,030

19. Trade and other Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Trade Receivables	119,337,388	122,091,732
Less provision for doubtful debts	(11,933,739)	(12,209,163)
Total Trade Receivables	107,403,649	109,882,569
Other receivables	27,092,537	37,280,902
Prepayment and deposits	1,174,472	1,235,963
Net Book Value	135,670,658	148,399,434

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements(continued)

20) Bank and Cash Balances

Financial Institution	Account number	2024/2025	2023/2024
		Kshs	Kshs
a) Current accounts			
Equity bank	0220290765689	347,323	1,387,030
Family bank(revenue collection A/C)	06000015543	157,394	57,041
Cooperative bank	01141573530000	2,220	73,711
Family bank(CLSG 1 A/C)	006000031969	911	911
Family bank(CLSG 2 A/C)	006000037426	5,607,366	10,543,760
Family bank(CLSG 2 ESCROW A/C)	00600037425	4,991,490	281,210
Sub- total		11,106,704	12,343,663
b) Deposit account			
Equity bank	0220192975587	1,288,082	95,311
Sub- total		1,288,082	95,311
Others			
c) M-PESA	Paybill -898600	230,858	631,697
d) Cash at hand		108,014	146,081
Sub- total		338,872	777,778
Grand Total		12,733,658	13,216,752

21. Inventories

	2024/2025	2023/2024
	Kshs	Kshs
Tools and Fittings	4,024,791	3,967,291
Chemicals	2,458,368	937,203
Pipes	1,834,504	1,608,330
Water Meters and Valves	5,445,120	4,685,160
Stationery and cleaning materials	1,098,861	981,802
Total	14,861,644	12,179,786

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements(continued)

22. Capital reserves

	2024/2025	2023/2024
	Kshs	Kshs
Brought forward	33,275,181	33,275,181
Carried Forward	33,275,181	33,275,181

23. Revenue Reserves

	2024/2025	2023/2024
	Kshs	Kshs
Brought forward	188,514,526	172,909,284
Current period	(7,557,304)	15,605,242
Carried Forward	180,957,222	188,514,526

24. Deferred Income

	2024/2025	2023/2024
	Kshs	Kshs
Brought Forward	143,476,282	129,978,934
Amortization on capital grants	(10,319,465)	(7,593,452)
CLSG capital grant	-	21,090,800
Murang'a county grants(meters and pipes)	4,020,000	-
Muranga university sewer line compensation	5,272,482	-
Athi water board grants(meters)	1,570,000	-
Totals	144,019,299	143,476,282
Deferred Income amortizable within one yr	9,138,332	6,813,057
Deferred income amortizable after 1 yr	134,880,967	136,663,225
Total Deferred Income c/f	144,019,299	143,476,282

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements(continued)

25. Trade and Other Payables

	2024/2025	2023/2024
	Kshs	Kshs
Customers Prepayments	4,712,427	4,963,816
Suppliers creditors	38,416,420	33,710,602
Other creditors	9,215,290	8,117,570
Provision for audit fees	2,900,000	2,537,500
Accrued bills	69,818,132	67,155,536
Customer deposits	50,890,541	44,903,168
Gratuity payable	757,016	731,626
Withholding taxes	38,674	131,924
VAT on meter rent	3,861,391	3,861,903
Total	180,609,891	166,113,645

Included in the accrued bills are administration fees to TWWDA. This is not likely to be paid since there are discussions to convert the amount to equity.

26. Tax payable

	2024/2025	2023/2024
	Kshs	Kshs
At beginning of the year	2,338,901	2,338,901
Charge for the year	-	-
Paid	-	-
At the end of the year	2,338,901	2,338,901

27. Related Party Disclosures

The following are the related parties of the company

- (a) Ministry of Water and Sanitation
- (b) County Government of Murang'a
- (c) Tana Water Works Development Agency.
- (d) Key Management
- (e) Board of directors
- (f) Fort beverage Industries Ltd
- (g) Athi Water Works Development Agency.
- (h) Water Sector Trust Fund

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

Notes to the financial statements(continued)

Expenses Incurred On Behalf Of Related Parties

	2024/2025	2023/2024
	Kshs	Kshs
B.O.D expenses	4,962,058	5,088,115
Management salaries and leave allowances	17,593,946	17,105,389
Management gratuity	4,992,168	4,623,956
Total	27,548,172	26,817,460

28. Capital Commitments

	2024/2025	2023/2024
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for (CLSG 2 projects)	-	21,090,800
Less: Amounts included in Work in progress	-	-
Total	-	21,090,800

29. Contingent liability

	2024/2025	2023/2024
	Kshs	Kshs
Court case against the entity-land parcel loc.11/Gikandu/1362	17,404,087	17,404,087

**MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025**

20. Appendices

Appendix 1: Progress on Follow up of auditor recommendation

Reference No.	Observation	Management comments	Status	Timeframe
Basis of Qualification				
1	Long outstanding trade receivables accounts	Over 65% of total outstanding receivable are accounts in respect to the county government accounts. The county government has come up with debt repayment plan to clear the outstanding debts and have committed to settle the debt in instalments. The company has also instituted measures to recover debts from individual customers including having payment plans, making constant demand letters as well as disconnecting the overdue accounts.	Not resolved	FY 2026-2027
2	Failure to disclose inventory-water inventory	All water produced is supplied and we have no surplus water stored in our reservoirs at any given time. Currently the water demand is higher than the supply. The water in distribution lines flow in continuous process and closing the water at any given time will disrupt the supply. It is not practically possible to reliably measure the volume in water distribution line while flow is continuous	Not resolved	FY 2026-2027
3	Long outstanding trade payables	The company has been operating with non cost recovery tariffs which affected the liquidity of the company making it dependent on government subsidies for its operations and supplier credits. Efforts were made to ensure the company has cost recovery tariffs which were approved by WASREB and gazette on 23 rd Mar 2014, however, the tariffs were not implemented immediately due to political interference. The same tariffs have expired and the new one approved by Wasreb is yet to be gazetted hence the challenges of settling the outstanding debts. Its worth noting that the balance of current liabilities the company had	Resolved	FY 2026-2027

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025

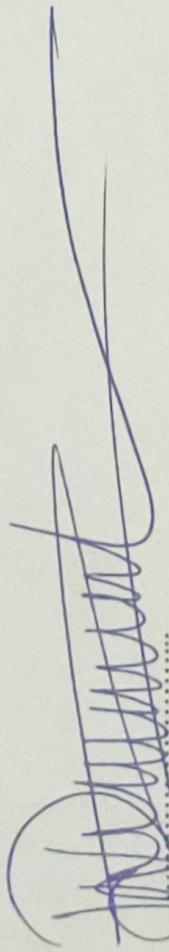
	accrued bills of Ksh 50 million owed to TWSB and since the company had made capital investments on behalf of TWSB valued Ksh. 45 million, the management is pursuing the same to be converted to equity capital.			
Emphasis of matter				
1	Budgetary control and performance	Unlike national government and county government entities, water companies are required to operate as commercially viable entities. The water companies do not receive appropriations from treasury and we are supposed to run their operations through user fees from the customers. Section 14(2) of water services regulations 2021 confirms that a water service provider can have excess of revenues over expenditure at the end of the financial year which shall not be paid to county government but shall be retained by water service provider to be used for the improvement of water services within the area of supply. It's worth noting that the expected tariffs which were basis of the budget have not been approved for them to be implemented.	Not resolved	FY 2026-2027
Report on lawfulness and effectiveness in use of public resources				
1	Non adherence to the law on staff ethnic diversity	The company was started when the National Cohesion and Integration Act was not in operation and the composition of employee was 100 % from the dominant community in Murang'a. However, as management we have endeavored to comply with the National Cohesion and Integration Act of 2008 progressively and currently we have employees in the company who are members of the other communities at 5% and we intend to improve this over time.	Not resolved	In progress
2	Non-adherence to the one third basic salary rule	Review of PAYE rates in the year 2020 and 2021 affected the current earnings of employees. There are those employees who took loans in the year 2020 and the loans were not fully paid up to now and when the PAYE rates were reviewed upwards in the year 2021 their earnings went down to below one third rule. Further introduction of	Not resolved	FY 2026-2027

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2025

	housing levy, enhanced NSSF contribution and SHA has worsened the situation. Currently all loan are approved by the Human Resources office to ensure the third rule is adhered to	Not resolved	FY 2026-2027
3	High wage bill	<p>We comply with WASREB regulations on operational sustainability which is measured with the number of staffs per 1,000 connections. For large and very large water companies the set ratio for staffs per 1,000 connections is between 5-8 staffs and with our company being categorized as large the staff per 1,000 connections. During the year under review the operation and maintenance expenditure were not optimal due to use of non cost recovery tariffs hence the revenues collected could not optimally cater for the budgeted expenditure and this resulted to reduced cashflows hence the scale down of operational expenses. The personnel cost as a share of operation and maintenance measures the economic efficiency as it measures how the personnel costs are proportionate to the overall operation and maintenance costs. It is affected by other factors as human resource guidelines and the collective bargaining agreements.</p>	Not resolved
4	High non-revenue water level	<p>The company NRW had been reduced to 25% until March 2024 when the company operations were extended to new area of Maragua where it has increased to 36%. The increase of NRW has been occasioned by dilapidated old infrastructure in Maragua town and its environs. To bring down the NRW, a complete overhaul of current system will be required. This calls for massive investment which is beyond the company affordability. As management we are putting the following efforts to reduce NRW:</p> <ul style="list-style-type: none"> Sourcing for funds to demarcate DMAs. Developing NRW strategies and policies. Continuous meter testing where there is doubt concerning their accuracy. Benchmarking with peer companies to adopt best practices. 	FY 2026-2027

MURANG'A WATER AND SANITATION COMPANY LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2025

	Partnersing with communities to curb water theft and surveillance of customer homesteads.
	Patrolling for water mains and sub mains and carrying out leak detection
	Establishment of NRW team section and timely burst repair.



.....
 Eng. D. Ng'ang'a
 Managing Director
 19/08/2024

Appendix 2: Inter-Entity Transfers

ENTITY NAME:		MURANG'A WATER AND SANITATION COMPANY	
Type of grant	Description of grant	Amount(K.sh)	FY
1	Transfer from Muranga County Government	Salaries paid to seconded staffs	
	Revenue grant	2,939,510	FY 2024/2025