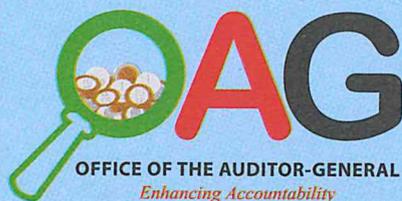


REPUBLIC OF KENYA



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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

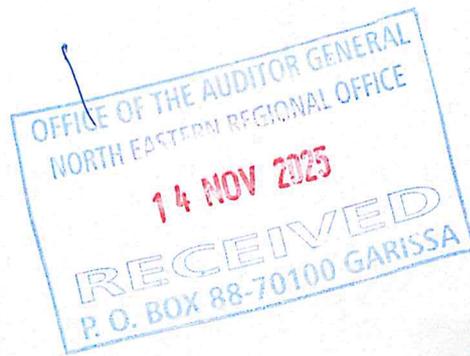
OF

THE AUDITOR-GENERAL

ON

**MANDERA WATER AND SEWERAGE
COMPANY LIMITED**

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



MANDERA WATER AND SEWERAGE COMPANY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

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

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1. Acronyms and Glossary of Terms

A. Acronyms

CEO	<i>Chief Executive Officer</i>
DG	<i>Director General</i>
IAS	<i>International Accounting Standards</i>
IASB	<i>International Accounting Standards Board</i>
IFRS	<i>International Financial Reporting Standards</i>
ICS	<i>Institute of Certified Secretaries</i>
MD	<i>Managing Director</i>
NT	<i>National Treasury</i>
PFMA	<i>Public Finance Management Act.</i>
WASREB	<i>Water Services Regulatory Board</i>
WSP	<i>Water Service Provider</i>

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

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2. Key Entity Information

Background information

Mandera Water and Sewerage Company limited (Mandwasco) was established by the companies Act on 11th day of April two thousand and seven (2007). Mandwasco is represented by Board of Directors and the Chief Executive Officer who are responsible for the general policy and strategic direction of the entity. Mandwasco is domiciled in Kenya and is based in Mandera Municipality.

Principal Activities

The principal activity of the Company is to provide water and Sewerage services for commercial, industrial and domestic purposes within the jurisdiction of Mandera Municipality and its environs

Directors

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

S/NO	Names	Designation	Date Of Appointment
1	Mr. Bare Ali Adan	Chairman	September 12, 2023
2	Ms Rahma Kassim Yarrow	Member	December 18, 2024
3	Mr Mohamed Ali Shurie	Member	September 12, 2023
4	Mrs. Saadia Mohamed Kullow	Member	September 12, 2023
5	Mr. Abdikadir M. Tache	Member	September 12, 2023
6	Mr. Ahmed Abdullahi Adan	Member	September 12, 2023
7	Mr. Kassim H. Abdinoor	Secretary	September 12, 2023

Mandera Water Company and Sewerage Ltd
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Corporate Headquarters

MANDWASCO House, New County Head Quarter

P.O. Box 341 -70300

Mandera, KENYA

Corporate Contacts

Telephone: :(254) 0207859573

E-mail: mandawasco@gmail.com

Website: www.manderawater.go.ke

Corporate Bankers

National Bank

Mandera Branch

Equity Bank

Mandera Branch

Independent Auditor

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General

State Law Office, Harambee Avenue

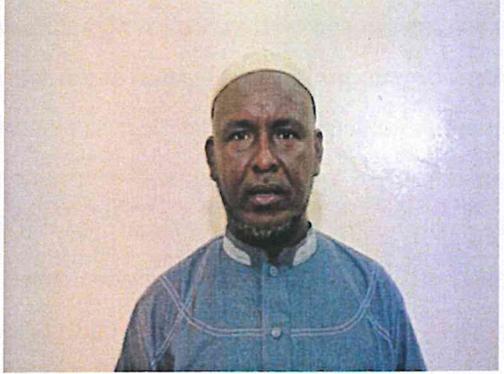
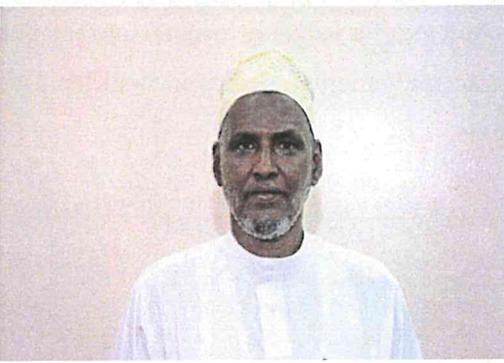
P.O. Box 40112

City Square 00200

Nairobi, Kenya

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

3. The Board of Directors

Directors	Details
 <p>Mr. Bare Ali Adan- BOD Chairman</p>	<p>Appointed in September 2023, Mr. Bare Ali is an experienced educationist with over 20 years in the field. Holding a Bachelor's degree in Education (Secondary Option) from Busoga University, Uganda, obtained in 2009, he has developed a strong foundation in teaching and educational leadership. Throughout his career, he has demonstrated expertise in secondary education, bringing a wealth of knowledge and experience to the role. His long-standing dedication to the public sector highlights his commitment to enhancing and improving public services over the past two decades.</p>
 <p>Ms Rahma Kassim Yerrow - Member</p>	<p>Appointed to the Board in December 2024, Ms Rahma Kassim Yerrow brings over 20 years of experience as a dedicated educationist, she holds a Bachelor's degree in Education at Kampala University, graduated in the year 2011. She brings wealth of knowledge to the company especially in area of management.</p>
 <p>Mr Mohamed Ali Shurie- Member</p>	<p>Appointed in September 2023, Mr Mohamed Ali is a seasoned public health worker with over 20 years of experience in the field. He holds a Post Graduate Diploma in Health Promotion from the University of Brighton, Europe (2004), as well as a Diploma in Public Health Education (1987) and a Registered Nurse Diploma (1979), both from KMTC-Nairobi. [His/Her] extensive qualifications reflect a deep commitment to promoting health education and improving community health outcomes.</p>

**Mandera Water Company and Sewerage Ltd
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Directors	Details
 <p>Mrs. Saadia Mohamed Kullow- Member</p>	<p>Mrs. Saadia Mohamed Kullow, appointed as a member in September 2023, is an experienced civil servant with a decade of service. She holds a degree in Office Administration from Mount Kenya University, obtained in 2018. Her academic background, combined with 10 years of practical experience, equips her with strong administrative and organizational skills, which she has applied effectively in her civil service career. Mrs. Kullow's expertise in office administration and public service makes her a valuable asset, contributing to the efficient functioning of government operations and the delivery of public services.</p>
 <p>Mr. Abdikadir M Tache- Member</p>	<p>Mr. Abdikadir Tache, appointed in September 2023, is a seasoned accountant and risk analyst with 20 years of professional experience. He holds a Global Executive Master of Business Administration (GeMBA) from USIU-Africa (2016) and a Bachelor of Science in International Business Administration with a focus on Accounting, also from USIU-Africa (2008). In addition to his academic qualifications, Mr. Tache is a member of ACCA-UK and the Institute of Economic Affairs, Kenya, showcasing his commitment to professional excellence. His extensive experience in accounting and risk analysis, combined with his advanced education, enables him to offer valuable insights into financial management and risk mitigation strategies in both local and international contexts.</p>

**Mandera Water Company and Sewerage Ltd
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Directors	Details
 <p data-bbox="162 878 577 967">Eng. Ahmed Abdullahi Adan- Member</p>	<p data-bbox="694 309 1433 1061">Eng. Ahmed Abdullahi Adan, appointed as a member in September 2023, is a highly experienced professional with 20 years of expertise in the water services sector. He holds dual Bachelor's degrees in Civil Engineering and Environmental Management, equipping him with a comprehensive understanding of infrastructure development and sustainable environmental practices. As the Chief Officer of Water Services, Eng. Adan has played a critical role in managing and improving water systems, ensuring access to clean and reliable water services. His extensive background in both engineering and environmental management makes him a key contributor to addressing water resource challenges and promoting sustainable development.</p>

4. Key Management Team

Managers	Details
 <p>Kassim Haji Abdinoor- Chief Executive Officer</p>	<p>Mr. Kassim Haji Abdinoor, appointed as Chief Executive Officer in June 2023, is a highly experienced public health expert with 24 years of professional experience. He holds a Master’s degree in Research and Public Policy, a Bachelor of Science in Community Health Science, and a Higher National Diploma in Health Promotion. With a robust background in health policy, community health, and public health promotion, Mr. Abdinoor has spent over two decades dedicated to improving health outcomes and advancing public health initiatives. His expertise in research, policy development, and health promotion equips him to lead strategic efforts in enhancing community well-being and addressing critical Community challenges.</p>
 <p>Mr. Abdirashid Ali Abdi – Ag. Deputy CEO</p>	<p>Mr Abdirashid Ali Abdi serves as the acting Deputy CEO. His role is to deputise the chief executive officer in running and managing the operations of the Company. Abdirashid Ali holds a Master’s of Business Administration with a focus on Finance, a Bachelor’s degree in Business Administration with a specialization in accounting and finance and he is also a Certified Public Accountant.</p>

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Managers	Details
 <p>Mr. Romlus Ochola Gawala- Ag. Technical Service Manager</p>	<p>Mr. Romlus Ochola, serving as the acting Technical Service Manager, is tasked with ensuring the delivery of adequate and high-quality water to domestic, commercial, and industrial customers. Mr. Romlus is currently pursuing MSC in soil and water engineering at Egerton University. He holds BSC in Agricultural Engineering from the same University. He also holds PGDE mathematics and Physics from Chuka University and PGD in Remote Sensing and GIS from African Regional Centre for Space Science and Technology Education in English affiliated to the United Nations (UN/ARCSSTEE), Obafemi Awolowo University, Nigeria. Romlus a graduate member of Engineers Board of Kenya (EBK) and Institution of Engineers of Kenya (IEK).</p>
 <p>Mr. Adan A. Mohamed – Principal Accountant</p>	<p>As the Principal Accountant, Adan plays a crucial role in maintaining the financial health of the organization. His responsibilities include providing detailed financial reports, interpreting financial data for managerial staff, and recommending actionable strategies to enhance financial performance. Adan holds Bachelors of Business Administration in Accounting and Finance from KeMU. He is also a Certified Public Accountant.</p>
 <p>Mr. Abdiwahab Noor Issack - Human Resource/Administration Manager</p>	<p>Mr. Abdiwahab, serving as the Human Resource/Admin Manager, is responsible for overseeing all human resources operations within the organization. His role encompasses recruiting, selecting, orienting, training, coaching, counselling, and disciplining staff. He holds a Master of Business Administration from Kenyatta University, Bachelors of Arts from University of Nairobi and Diploma in Human Resource management from university of Nairobi. He is a member of the Institute of Human Resource Management.</p>

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

Managers	Details
 <p>Mr. Issack Salad Ibrahim – Head of Supply Chain Management</p>	<p>Mr. Issack Salad serves as the head of Supply Chain Management unit. He is responsible for overseeing the entire procurement function, ensuring the effective acquisition of goods and services necessary for the company’s operations. He also leads supplier relationship management, ensuring strong partnerships, negotiating contracts, and maintaining communication with key suppliers to drive innovation, manage risks, and ensure consistent delivery. Issack holds Bachelor of commerce Supply chain management from Greta University. He is also registered with Kenya Institute of Supplies Management.</p>
 <p>Mr. Abdirahim Abdullahi – Internal Auditor</p>	<p>Mr. Abdirahim is the internal Auditor. He is responsible for developing and executing audit program, reviewing the existence of government properties and assets, review and develop techniques and procedures for system audit, establish risk based audit plan, lead in maintaining strong internal control procedures and supporting initiatives that improves performance. He holds Bachelor of Commerce-Finance, from Technical University of Kenya, graduated in the year 2017. Abdirahim is also a qualified Certified Public Accountant.</p>
 <p>Mr. Hassan Issack Hassan – Head of ICT</p>	<p>Being the head of ICT department, Mr. Hassan leads his team by guiding, Coaching and managing them. His other key roles include protecting the integrity and security of company’s systems and data, ERP system administration, as well as ensuring that all employees have access to the systems they require to carry out their roles effectively. Mr Issack holds Bachelor of Science in Information Technology from KCA university.</p>

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

5. Chairman's Statement

On behalf of the Board of Directors, the Management and the Employees, I am pleased to present the Annual Report and Financial Statements for the financial year ending 30th June 2025.

Throughout the review period, the Board of Directors has diligently overseen the management of MANDWASCO, continuing the implementation of the strategic plan of the company. Despite a promising outlook, the company has faced significant economic challenges due to the prolonged drought and a difficult economic environment that has impeded business performance during the financial year.

However, we have made notable progress in service provision, building on past achievements. Our ongoing efforts to rehabilitate and upgrade the aging water supply infrastructure have included extensive replacements of outdated pipelines and pumping units, enhancing the overall efficiency of our services.

Our commitment to improvement has attracted investment from key donors, including World Bank through the Water Fund. Furthermore, the Water and Sewerage Infrastructure Project, financed by the African Development Bank and now 85% complete, is expected to address challenges related to water supply and sewerage services.

Looking ahead, we are determined to build on the gains made this financial year. With the unwavering commitment of the Board, Management, and staff, we anticipate growth in our customer base, revenue, and technological advancements to further enhance our services.

I would like to extend my heartfelt appreciation to the Board of directors, the CECM for Water, Energy, Environment & Natural Resources, the Chief Officer of Water Services, our management team, staff, customers, suppliers, donors, and all stakeholders for their invaluable support and contributions to the company.


.....
Mr. Bare Ali Adan

CHAIRMAN- MANDAWASCO BOD

6. Report Of the Chief Executive Officer

Introduction

On behalf of the Board of Directors, Management, and Employees, I am pleased to present the annual report and financial statement for MANDWASCO for the financial year ending 30th June 2025. This report provides a comprehensive overview of our performance, achievements, challenges, and future outlook.

Water Production and Supply Improvement

MANDWASCO has made considerable progress in enhancing its water production and supply capabilities over the past year. One of the most significant achievements during this period was the increase in the total number of water connections. We successfully added 121 new water connections. This growth highlights our ongoing commitment to expanding our service reach and improving access to clean water for the residents of Mandera.

Our effort to enhance water production have not been limited to increasing the number of connections only. Rather, we have also focused on boosting the total volume of water produced. This improvement in production capacity is crucial in meeting the rising demand for water in our service areas. Our strategic investments in infrastructure and technology have played a key role in achieving these advancements.

Financial Performance

The financial performance of MANDWASCO for the year ending 30th June 2025 has been a mixed bag of achievements and challenges. Our total sales revenue for the year amounted to Kshs 16,795,000. While this figure represents our revenue for the year, it is important to acknowledge that the growth in sales revenue was slower than expected.

The primary reason for this slower growth is the prolonged drought that has significantly impacted the region and power outage that affected Mandera Municipality. The drought has exacerbated the economic challenges faced by our customers, affecting their ability to make timely payments. As a result, our revenue growth was hampered, and we faced difficulties in collecting outstanding receivables.

Despite these challenges, we received substantial support from the County Government of Mandera. The government provided grant of Kshs. 128,418,000 (One hundred twenty-eight million four hundred eighteen thousand) during the financial year. This grant has been vital in sustaining our operations and supporting our various initiatives.

Our net receivables for the year stand at Kshs.57,306,349 (Fifty-seven million, three hundred and six thousand, three hundred and forty nine shillings). This outstanding amount poses a significant challenge, as the economic situation and the drought have made it difficult to collect these funds. Addressing this issue remains a priority as we work towards improving our financial stability.

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Enhancements in Water Production

To address the increased demand for water and improve our production capabilities, MANDWASCO has invested significantly in upgrading our infrastructure. One of the key initiatives undertaken was the purchase of high-capacity water pumping sets. These new pumping units are essential for increasing our production capacity and ensuring a reliable water supply to our customers.

In addition to acquiring new equipment, we have also focused on maintaining and repairing our existing water pumping sets. Many of these older units were in need of servicing and repairs to ensure their continued functionality. By addressing these maintenance needs, we have been able to enhance the overall efficiency of our water production operations. These investments in infrastructure have played a crucial role in our ability to meet the growing demand for water and improve the reliability of our service. We remain committed to ongoing improvements and upgrades to ensure that we continue to provide high-quality water to our customers.

Environmental Initiatives

MANDWASCO is committed to environmental stewardship and sustainability. Over the past year, we have taken several steps to improve the environmental conditions around our facilities and contribute to the overall well-being of the community. One of our key environmental initiatives has been the implementation of tree planting programs. Trees play a vital role in maintaining ecological balance and enhancing the aesthetic value of our surroundings. By planting more trees, we aim to contribute to environmental conservation and create a healthier living environment for our community.

In addition to tree planting, we have undertaken regular cleaning efforts to maintain a clean and healthy environment around our facilities. This includes removing debris and litter from areas surrounding our operations, ensuring that our facilities are well-maintained and contribute positively to the local environment.

As part of our corporate social responsibility, we have also engaged in bush clearing activities along the roads where our water distribution pipelines are located. This effort helps to improve the environmental conditions in Mandera by reducing the invasive and unwanted vegetation that could potentially obstruct our infrastructure and contribute to overall environmental health.

Challenges and Solutions

The past financial year has presented several challenges for MANDWASCO, particularly related to the prolonged drought and its impact on our financial performance and customer payments. The drought has not only affected water availability but has also worsened the economic situation for many of our customers, leading to difficulties in collecting outstanding receivables.

To address these challenges, we are implementing a range of solutions. First and foremost, we are rehabilitating old lines that were destroyed as a result of urban infrastructure development such as roads and buildings. We are also offering flexible payment options to customers with huge amount of arrears. This approach aims to alleviate the burden on our customers while ensuring that we can recover some of the outstanding water bills.

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We are also actively seeking additional funding and support from various sources, including government agencies (Water Sector Trust Fund), donors (Horn of Africa Ground Water for Resilience), and other development partners. This external support is crucial in helping us sustain our operations and continue investing in necessary infrastructure thereby increasing our Own Source Revenue. The company is investing on the installation of additional master meters and consumer meters in order to reduce Non-Revenue Water.

Furthermore, we are focusing on enhancing our operational efficiency by reducing time spent in operation and maintenance activities. We are also streamlining our storage and procurement processes and optimizing resource allocation to priority areas. We aim to improve our financial stability by cutting down on expenditures as well as better manage the impact of external challenges.

Future Outlook

Looking ahead, MANDWASCO is determined to build on the achievements of the past year and continue advancing its mission of providing reliable and high-quality water services to customers. The Company is committed to expanding its customer base, increasing revenue, and leveraging technological advancements to further enhance our services.

Our focus will remain on improving water production, upgrading infrastructure, and addressing any challenges that arise. We will continue to seek innovative sustainable solutions and invest in projects that contribute to the overall improvement of our services and the well-being of our community. We are also committed to maintaining our environmental initiatives and corporate social responsibility efforts.

Acknowledgments

Finally, I would like to extend my heartfelt appreciation to the Board of Directors, the County Executive Committee Member for Water, Energy, Environment & Natural Resources, the Chief Officer of Water Services, our management team, staff, customers, suppliers, donors, and all stakeholders. Your invaluable support and contributions have been instrumental in driving the success and growth of MANDWASCO.

As we move forward, we look forward to continuing our collaboration with all stakeholders to achieve our goals and further enhance the quality of our services. Thank you for your continued support and dedication to MANDWASCO.



.....
Mr. Kassim Haji Abdinoor
CHIEF EXECUTIVE OFFICER

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

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

Mandera Water and Sewerage Company has eight (8) objectives within the current Strategic Plan. These strategic Objectives are highlighted in the diagram below:

Strategic Pillar/Themes/Issues	Objective	Key Performance Indicators	Activities	Achievements
Improve of Water and Sewer Services Coverage	To improve water services coverage from 10 % to 70 % in 2029 and sewerage services coverage from 0% in 2024 to 10% in 2029.	<ul style="list-style-type: none"> • Develop a Water Master Plan for Mandera Town and environs-Project development plans. • Develop a Sewer Master Plan for Mandera Town and environs- Project development plans. • Augment/ rehabilitate/renew existing water supply in the (5 No) schemes. • Complete the construction and commission the <i>Mandera Water Supply Infrastructure Lot 1.</i> • Complete the construction and commission the <i>Mandera Sewerage Infrastructure Lot 2.</i> • Increase in water storage capacity. • Increase number of customers connected to sewerage system from Nil (2024) to 1,120 by 2029. 	<ul style="list-style-type: none"> • Develop Mandera Town Water Master Plan • Develop Mandera Town Sewer Master Plan • Augment and rehabilitate existing water supply schemes. • Construct new service lines to underserved areas. • Construct and commission Mandera Water Supply Infrastructure Lot 1. • Construct and commission Mandera Sewerage Infrastructure Lot 2. • Construction of water storage tanks. • Construct new service lines to underserved areas. • Establish customer connections. 	<p>Mandera Town Water Master Plan Developed. Mandera Town Sewer Master Plan Developed.</p> <p>Improved water production from 2,554 m³ / day to 6,500 m³/day in 2029. Project works to increase daily water production by 16,700m³/ day in 2026 to total combined 20,800 m³/day by 2033. Project works to collect and treat 6,000m³/day of sewage in 2026. Increase existing water storage capacity from 1,905 m³ by additional 18,895m³ through Lot 1 Project to</p>

Sustainable Growth and Financial Stability in Water and Sewerage Services	To be a commercially viable water and sewerage services company	<ul style="list-style-type: none"> • Undertake commercial viability and sustainability studies for the Company • Support implementation of recommended strategies to increase capacity, viability and sustainability of the company. • Increase number of customers from 4,500 (2025), to 6,500 (2029). • Develop and adopt a new Water and sewer tariff • Purchase and install suitable customer water meters progressively as follows: 0 meters (2024); 500 meters (2025); 1,500 meters (2026); 1,800 meters (2027) and 2,000 meters (2028) and 4,800 (2029). • Embrace ICT in billing and revenue management • Improve water revenue collection from average Kshs 700,000 per month in the year 2024 to Kshs 2,500,000 million per month by 2029 • Progressively reduce the number of customers on flat rate to nil by 2029 with installation of meters using innovative methods 	<ul style="list-style-type: none"> • Conduct feasibility studies and financial assessments to evaluate the current business model. • Identify cost-saving measures, revenue enhancement strategies, and potential funding sources. • Collaborate with financial and technical consultants for robust sustainability plans. 	<ul style="list-style-type: none"> • Increased number of customers to 4,500 • Applied for water tariff license • Adopted a new ICT billing and revenue management system
				<p>achieve total storage of 20,800m³ by 2029</p> <p>New service lines to underserved areas.</p> <p>Augmented water supply and distribution systems</p>

**Mandera Water Company and Sewerage Limited
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Operational Excellence for Sustainable Service Delivery	To achieve sound Operations and Maintenance Practices	<ul style="list-style-type: none"> • Increase sewerage income from Nil (2024) to Kshs 1.6 Million in 2029 • Procure 10 No. motor cycles for meter reading & customer care • Develop Operations and Maintenance Manuals for O&M facilities/ Plants in 2025 to 2029. • Operationalize use of O & M schedules for all facilities/plants. • Undertake continuous training of staff in water supply operations and plant maintenance courses. • Outsourcing relevant technical services where necessary, e.g. pump servicing. • Adoption of modern technology in O & M, e.g. solar, biogas, and automation. • Procure 1 No Pick-up vehicle for O & M functions. • Procure 10 No motor cycles (6 No water services, 4 No sewerage services) for O & M activities 	<ul style="list-style-type: none"> • Form a team of engineers and technical experts to draft comprehensive manuals. • Identify staff for KEWI (Kenya Water Institute) courses based on their roles and skill gap • Allocate the vehicle for O&M teams, ensuring the vehicle is properly maintained and utilized. 	<ul style="list-style-type: none"> • Trained staff for KEWI (Kenya Water Institute) courses based on their roles. • Developed standard operating procedure for all departments • operationalised O & M schedules for all water intakes
Expanding Access for Inclusive Water and Sewerage Service	To achieve progressive improvement of water and sewer network to new customers to reach 6000 water customers by 2029	<ul style="list-style-type: none"> • Increase water distribution network by 455 km in 2029 through the Mandera Water Supply Infrastructure Lot1 Project • Facilitate customer service lines by 100 km to serve additional 6,000 customers in Bulla Barwaqo, Bulla Janeva, Border Point 1, Bulla Tawakal, Township, Shafshafey, Neboi, Bula Kamor and Bulla Mpya • Increase sewer network from Nil in 2019 to 64 km in 2027 through the Mandera Sewerage Infrastructure Lot 2 Project 	<ul style="list-style-type: none"> • Monitor the progress of construction, ensuring compliance with project timelines. • Perform detailed design and layout planning of the sewer network. • Ensure all connections comply with regulatory standards for sanitation and sewerage. • Establish a project management framework to streamline planning and design processes. 	<ul style="list-style-type: none"> • Increased water distribution network and sewer network

**Metro Water Company and Sewerage Ltd
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	<p>and 350 sewer connections by 2029</p> <ul style="list-style-type: none"> Facilitate in-house sewer connections to cover 350 customers by 2029. Establish stores management for minimum stocks of pipes, fittings, meters and equipment for water and sewerage services to ensure continuous progress of works. Strengthen planning, design and construction of office to undertake professional work on water and sewer extension works Maintain and harmonize old and new water distribution networks 	<ul style="list-style-type: none"> Schedule regular maintenance and repair activities to ensure network integrity. 	
<p>Innovative Infrastructure Development for Sustainable Water and Sewerage Solutions</p>	<p>To undertake planning, design and development of water and sewerage infrastructure</p> <ul style="list-style-type: none"> Equip Planning and Design section within technical department with necessary technical Acquisition of office support facilities for planning and design section Recruitment of Engineers for planning and design section 	<ul style="list-style-type: none"> Develop the organizational structure of the technical department, outlining the roles and responsibilities of the Planning and Design section. Allocate budget and resources for setting up the Planning and Design section. Identify the necessary office support facilities such as computers, design software (AutoCAD, GIS), printers, plotters, and other tools needed for design work. 	<p>Developed an organizational Chart Redeployed Ass. TSM and allocated resources to improve technical services</p>
<p>Building Capacity and Equity</p>	<p>To strengthen internal processes</p> <ul style="list-style-type: none"> Update Human Resource Management Policy Manual by 2029 Conduct annual performance appraisals for staff 	<ul style="list-style-type: none"> Form a committee to review existing HR policies and identify gaps. 	<p>Human resource policy manual in place</p>

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

<p>Through Efficient Processes and Empowered Workforce</p>	<p>and human resource capacity to enhance equity</p>	<ul style="list-style-type: none"> • Enhance employee and customer satisfaction on continuous basis • Work towards achieving ISO 9001: 2015 Certification • Enhance use of ICT in the company • Procure suitable 1 No Saloon Vehicle 4 Wheel Drive (CEO) and 2 No. Double Cabin Pick-Up (Corporate Team Managers) • Enhance equity, internal processes and compliance 	<ul style="list-style-type: none"> • Draft new policies covering recruitment, training, staff welfare, and performance management. • Conduct consultations with staff and management to gather feedback. 	
<p>Leadership with Integrity for Transparent and Accountable Governance</p>	<p>To promote good corporate governance by the company</p>	<ul style="list-style-type: none"> • To develop an organization structure responsive to the core business of the company by 2029 • To enhance good corporate governance and ethical conduct • To develop Corporate Social Responsibility (CSR) policy and practices 	<ul style="list-style-type: none"> • Develop Corporate Social Responsibility (CSR) policy and practices 	<ul style="list-style-type: none"> • organization structure in place
<p>Stakeholders' engagement and Compliance</p>	<p>To enhance collaborations and synergies with other stakeholders and actors in the sector and industry</p>	<ul style="list-style-type: none"> • Mapping of stakeholders and relevant actors • Stakeholders' engagements and consultations • Communication and information sharing • Strengthen collaborations and partnership with the Northern Water works development agency. Collaborations and strong linkages with Mandera County WASH platform, water service regulatory board, water resource authority and water sector trust fund. 	<ul style="list-style-type: none"> • Develop strategies for resource mobilization • Water Services urgency Collaborations and strong linkages with Mandera County WASH platform and other actors 	<ul style="list-style-type: none"> • Collaboration and strong linkages with Mandera County WASH platform and other actors like WSTF, WRA, WASPA

8. Corporate Governance Statement

MANDWASCO is firmly committed to operating within a robust governance framework and adhering to sound management practices. Our dedication to governance is reflected in our strict compliance with all relevant legal and regulatory provisions. We ensure that our operations align with the requirements set forth in the Water Act 2016, the licensing conditions granted by the Water Services Regulatory Board (WASREB), and the Companies Act CAP 486. These frameworks guide our efforts to maintain transparency, accountability, and integrity in all aspects of our operations.

Board Committees

To enhance our corporate governance, the MANDWASCO Board of Directors has established several specialized committees. Each committee plays a crucial role in overseeing various aspects of our operations, ensuring that we adhere to best practices and maintain high standards of performance.

1. Internal Audit Committee

The internal audit committee is tasked with overseeing audit processes, reviewing audit reports from both internal and external auditors, and evaluating the financial reporting standards adopted by the company. The committee is also responsible for overseeing risk and compliance measures proposal and implementation. This committee ensures that MANDWASCO remains compliant with financial regulations and maintains the soundness of its internal control systems.

Members of the Internal Audit Committee are:

- Mr. Mohamed Ali Shuria: Chair of the Audit Committee, responsible for leading discussions on audit findings and ensuring compliance with financial standards.
- Ms. Saadia Mohamed Kullow: A key member contributing to the evaluation of audit reports and internal controls.
- Mr. Ahmed Abdullahi Adan: Provides valuable insights and oversight on audit-related matters.

2. Finance & Strategy Committee

The Finance & Strategy Committee focuses on human resources, technical issues, and the effective utilization of resources. This committee is also responsible for recommending capital investments for board approval, ensuring that these investments meet technical standards and are well-maintained. Additionally, the committee addresses policy matters and strategic initiatives of the board.

Members of the Finance & Strategy Committee:

- Mrs. Saadia Mohamed Kullow: Chair of the Finance & Strategy Committee, overseeing strategic planning and financial recommendations.
- Mr. Mohamed Ali Shuria: Contributes to the committee's work on financial oversight and resource management.
- Mr. Abdikadir Mohamed Tache: Provides expertise in financial strategy and investment recommendations.

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Annual Report and Financial Statements for the year ended June 30, 2025

3. HR, Administration and Technical Committee

The HR/Administration and Technical Committee is responsible for managing human resources and addressing technical issues within the company. This committee also recommends capital investments for board approval, ensuring that all projects meet technical standards and are properly maintained. The committee handles policy matters related to human resources and technical operations.

Members of the HR/Administration and Technical Committee:

- Mr. Bare Ali Adan: Chair of the HR/Administration and Technical Committee, overseeing HR and technical issues.
- Mrs. Saadia Mohamed Kullow: Provides expertise in human resources and administrative matters.
- Mr. Ahmed Abdullahi Adan: Contributes to the committee's work on HR policies and technical oversight.
- Ms. Rahma Kassim Yerrow: Contributes to the committee's work on HR policies.

4. IT Strategy and IT Steering Committee

The IT Strategy and IT steering committee is responsible for ensuring that entity's IT investments provide value by providing high level guidance, Making IT related decisions and allocating resources to keep IT initiatives on track and align with the overall business strategy. The committee handles policy matters related to Information Technology.

Members of the IT strategy and IT steering committees are: -

- Mrs. Rahma Kassim: Chair of the IT strategy and IT Steering committee
- Mr. Barre Ali Adan: Member to the IT strategy and IT steering committee
- Mr. Abdikadir Mohamed Tache: Member to the IT strategy and IT steering committee

MANDWASCO's succession planning for directors is governed by Articles 31 and 32 of the Memorandum & Articles of Association. Upon election, directors are required to sign a code of ethics and undergo induction and corporate governance training. This process ensures that new directors are well-versed in the company's values, governance practices, and their responsibilities.

To further uphold ethical standards, all directors must sign a "Declaration of Interest" book during each meeting. This declaration is a critical component of our governance framework, designed to prevent conflicts of interest and ensure that all board members act in the best interests of the company.

This comprehensive governance structure and commitment to ethical standards underscore MANDWASCO's dedication to maintaining transparency, accountability, and excellence in its operations. The established board committees play a pivotal role in overseeing various aspects of the company's performance, while our succession planning and ethical practices ensure a well-functioning and responsible leadership team.

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

9. Management Discussion and Analysis

Introduction

MANDWASCO is a WSP owned by the County Government of Mandera, but it is operating legally as a private company under the Company's Act and in accordance with the Water Act 2016. MANDWASCO currently produces about 2,554 m³ per day of water which is far below the demand estimated at 9,266 m³ per day. Infrastructure for water abstraction lies mainly in the banks of the river Daa. Water production is further affected by drought which lasts averagely seven months each year. Other sources of water are boreholes, which are inadequate due to low underground fresh water resources.

Operational and Financial Performance Overview

The financial performance of the company over the last five years demonstrates a fluctuating trend, particularly in revenue streams and total expenses. The company's revenue sources are categorized into Operating Revenue and Grants, both of which have had significant variations across the review periods as shown below.

Operational Revenue Overview

Year	Operating Revenue (Kshs)	Grants(Kshs)	Total Revenue (Kshs)
2024-2025	16,795,000	192,932,279	209,727,279
2023-2024	19,102,817	265,418,757	284,521,574
2022-2023	18,689,150	166,400,581	185,089,731
2021-2022	24,290,030	138,102,214	162,392,244
2020-2021	31,510,842	116,363,903	147,874,745
2019-2020	21,024,500	1,572,000	22,596,500

Expense Overview

Expenses have shown fluctuations, reaching Kshs 302.9 million in 2024-2025. This rise is attributed to the scaling of operations and maintenance costs. The figure below illustrates the year-on-year trend in total expenses.

Year	Total Expenses (Kshs)
2024-2025	302,946,481
2023-2024	174,250,330
2022-2023	193,816,624
2021-2022	156,974,317
2020-2021	178,974,884
2019-2020	181,098,782

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

1.3 Comprehensive Income/(Loss)

The company Continued to experience operating loss of Kshs. 93,219,202 in the year ended June 30th, 2025 as indicated in the table below.

Year	Comprehensive Income/(Loss) for the Year (Kshs)
2024-2025	(93,219,202)
2023-2024	(27,400,835)
2022-2023	(17,413,551)
2021-2022	(20,009,010)
2020-2021	(20,430,878)
2019-2020	(46,946,749)

2. Key Projects and Investment Decisions

During the review period, the organization has made significant strides in key projects and investments that have strengthened its position. This includes:-

- Conditional Liquidity Support Grant (CLSG) II
- Rehabilitation of water storage distribution system

3. Statutory Compliance

The company has complied with statutory requirements, including tax obligations, employee benefits, and financial reporting standards. There have been no material arrears or defaults in statutory obligations over the past five years.

- **Tax Compliance:** Filed on time in compliance with the Kenya Revenue Authority's (KRA) requirements.
- **Pension and Social Security:** All employee benefits have been consistently remitted as required by law.

5. Summary

The company has shown resilience despite challenging economic conditions. By strategically focusing on increasing grant income and optimizing operational efficiency, it has improved its financial health and positioned itself for future growth.

Table 1: Summary of Financial Performance (2020-2024)

Year	Operating Revenue (Kshs)	Expenses (Kshs)	Net Income/Loss (Kshs)
2024-2025	209,727,279	302,946,481	(93,219,202)
2023-2024	146,849,495	174,250,330	(27,400,835)
2022-2023	185,089,731	193,816,624	(17,413,551)

Mandera Water Company and Sewerage Ltd
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Year	Operating Revenue (Kshs)	Expenses (Kshs)	Net Income/Loss (Kshs)
2021-2022	162,392,244	156,974,317	(20,009,010)
2020-2021	147,874,745	178,974,884	(20,430,878)
2019-2020	22,596,500	181,098,782	(46,946,749)

Mandera Water Company and Sewerage Ltd
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10. Environmental And Sustainability Reporting

Introduction

Mandera Water & Sewerage Company Ltd is dedicated to transforming lives through its core mission of delivering essential water and sewerage services. This mission underpins every aspect of our operations and guides our strategies, ensuring that we prioritize customer satisfaction, operational excellence, and the continuous improvement of our services. This report outlines our policies and activities that promote sustainability, showcasing our commitment to environmental stewardship, employee welfare, responsible market practices, and overcoming challenges.

Sustainability Strategy and Profile

Mandera Water & Sewerage Company Ltd has made substantial investments aimed at ensuring the long-term sustainability of our operations. Central to our sustainability strategy is the ongoing Water Infrastructure Project, financed by the African Development Bank. This project focuses on last-mile connectivity, which will enhance service delivery by extending our reach and increasing the number of customers we serve. As a result, we anticipate a significant growth in our customer base and revenue stream.

The Water and Sewerage Projects are expected to vastly improve service coverage across our area of jurisdiction. This initiative is complemented by our adoption of new technologies, such as an Enterprise Resource Planning (ERP) system with customer service modules. These advancements are designed to enhance operational efficiency and service quality, aligning with our commitment to providing reliable and effective water services.

Environmental Performance

At Mandera Water & Sewerage Company, we recognize that environmental sustainability is crucial to our success. Our environmental strategy focuses on protecting and sustaining our water catchment areas, which are the source of our water supply. We actively engage in tree planting events, partnering with educational institutions and other organizations to promote environmental stewardship.

Currently, we are in the process of drafting a comprehensive environmental policy that will formalize our commitment to environmental protection. This policy will guide our efforts in maintaining the health of our catchment areas and ensuring that our operations have a minimal impact on the environment.

Employee Welfare

Our commitment to employee welfare is reflected in our well-defined policies and practices. The company adheres to the Human Resource & Administration Regulations, which govern our hiring and separation processes. Recruitment for senior management positions is conducted transparently, with advertisements in at least one daily newspaper to ensure a competitive and fair selection process.

Mandera Water & Sewerage Company strives to promote gender equality in the workplace. Currently, our gender ratio is approximately 17% female to 83% male. We are actively working towards achieving the one-third gender representation rule by encouraging women to apply for new vacancies.

We have implemented an annual appraisal system and introduced a reward and recognition policy this year. High performers in various categories are recognized and rewarded at the end of each calendar year. Training and skills improvement are integral to our human resource policy. We collaborate with associations such as the Water Service Providers Association (WASPA) and the Kenya Water Institute

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(KEWI) to provide ongoing training for our staff. Additionally, periodic training needs assessments are conducted to ensure that our employees have the necessary skills and knowledge.

Our adherence to the Occupational Safety and Health Act 2007 is reflected in our Human Resource & Administration Manual. We are also in the process of developing a standalone policy to further enhance our commitment to workplace safety and health.

Market Place Practices

a) Responsible Competition Practice

In our service provision, Mandera Water & Sewerage Company Ltd faces competition from community self-help and irrigation water projects. Our competitive edge lies in our robust governance structures and our ability to leverage emerging technologies to deliver superior services. We are committed to maintaining fair competition and prioritizing customer choice. In many areas, we operate as the sole service provider, guided by our mission to improve the welfare of the communities we serve.

b) Responsible Supply Chain and Supplier Relations

We uphold transparency and fairness in our supply chain practices. All supplier engagements are conducted through an open tendering process, ensuring adherence to due process. We comply with the Public Procurement and Disposal Act 2015 in managing supplier payments, maintaining integrity in our procurement activities.

c) Product Stewardship

Consumer rights are a priority at Mandera Water & Sewerage Company. We are dedicated to providing safe and clean water and ensuring value for money. Our customer service framework includes a complaints desk at each of our five stations—and our Headquarters Office. We also offer part payment plans, allowing customers to clear their dues in instalments, thereby improving accessibility and customer satisfaction.

Challenges

i. Aging Infrastructure

One of the significant challenges we face is the aging infrastructure, which contributes to water loss and high Non-Revenue Water (NRW) rates. Addressing this issue requires ongoing investment in infrastructure upgrades and maintenance to reduce water wastage and improve system efficiency.

ii. Pipe Damage by Road Contractors

Another challenge is the damage to our water pipes by road contractors engaged by various government agencies. Despite our appeals for compensation, no remedies have been forthcoming. This issue not only disrupts our service delivery but also incurs additional costs for repairs and replacements.

iii. Floods and Drought

Climate change impact have resulted into frequent, unprecedented floods and drought. These natural catastrophes usually adversely affect the operations of the company especially on water supply and distribution.

In summary, Mandera Water & Sewerage Company Ltd is dedicated to transforming lives through a comprehensive approach to sustainability, environmental stewardship, employee welfare, and market practices. We remain committed to overcoming challenges and continuously improving our services to better serve our community and uphold our mission.

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

11. Report Of the Directors

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

i) Principal activities

The principal activities of the company continue to be provision of water and sanitation services to Mandera municipality residents.

ii) Results

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

iii) Dividends

The company has not declared dividends for the year ended June 2025.

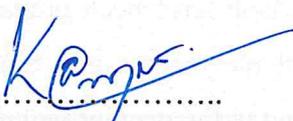
iv) Directors

The members of the Board of Directors who served during the year are shown on page iii to vii. As per the Company's Articles of Association, the Board of Directors retire by rotation and are eligible to offer themselves for re-election for another five (5) period.

v) Auditors

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

By Order of the Board



.....
Kassim Haji Abdinoor

Secretary, BOD

Date: 27/08/2025

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.

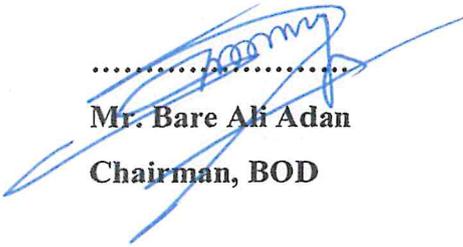
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting 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.

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.

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

Approval of the financial statements

The company financial statements were approved by the Board and signed on its behalf


.....
Mr. Bare Ali Adan
Chairman, BOD


.....
Mr. Kassim Haji Abdinoor
Chief Executive Officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MANDERA WATER AND SEWERAGE 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 Mandera Water and Sewerage Company Limited set out on pages 1 to 35, 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 effects 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 Mandera Water and Sewerage Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water (Amendment) Act, 2024 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Undisclosed Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income reflects loss of Kshs.93,219,202 for the year under review. Further, the Company made successive losses of Kshs.27,400,835, Kshs.17,413,551 and Kshs.20,009,010 in the financial years 2023/2024, 2022/2023 and 2021/2022 respectively, decreasing the revenue reserves by Kshs.132,201,023 to negative Kshs.225,420,225 as at 30 June, 2025. This condition indicates existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as going concern.

In addition, out of the total revenue of Kshs.209,727,279 for the year, the Company generated only Kshs.16,795,000 representing 8% of the total revenue.

Further, the statement of financial position reflects current liabilities balance of Kshs.143,767,744 which exceeds the total current assets of Kshs.129,343,322, resulting in a negative working capital of Kshs.14,424,422. This is an indication that the Company may not be able to settle its obligations when they fall due. The material uncertainty relating to going concern and measures put in place to improve the Company's financial performance was not disclosed in the financial statements.

In the circumstances, the Company is technically insolvent and its continued operations is dependent on the continued support from the creditors and County Government of Mandera.

2. Long Outstanding Trade and Other Receivables

The statement of financial position reflects the trade and receivables balance of Kshs.57,306,349 as disclosed in Note 19 to the financial statements. Review of records supporting aging analysis in Note 19(a) revealed that receivables balance of Kshs.51,539,089 or 90% were outstanding for more than one hundred and twenty (120) days. Management did not make provision for bad and doubtful debts.

In the circumstances, the accuracy and recoverability of trade and receivables balance of Kshs.57,306,349 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparative basis of Kshs.472,322,091 and Kshs.357,176,448 respectively, resulting in a budget under-funding of Kshs.115,145,643 or 24 %. Similarly, the statement reflects final expenditure of Kshs.333,906,656 against actual revenue of Kshs.357,176,448, resulting in under absorption of Kshs.23,269,792 or 7% of the available revenue.

The actual revenue shortfall resulted in the Company operating below its approved budget, potentially affecting its ability to deliver services effectively.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Company in 2024/2025 revealed that numerous matters remained unresolved as detailed in attached **Appendix 1**.

Other Information

The Management is responsible for the Other Information set out on page iii to xxix which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability

Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Excess Wage Bill

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.53,420,862 which represents 59% of the total operating and maintenance cost of Kshs.91,245,777. The percentage is above the maximum recommended threshold of 29% under Section 8.3 of Commercial Viability Guidelines on Clustering of Water Service Providers, 2018 by WASREB.

The excessive percentage of 29% translates to a personnel cost of Kshs.26,461,855 which should have been utilized on operational and maintenance cost resulting in enhanced service delivery and improved water sales revenue.

In the circumstance, the Water Company was in breach of WASREB Commercial Viability Guidelines in respect of personnel cost as percentage of operational and maintenance cost.

2. Failure to Constitute Complete Board of Directors

The Company's Board comprised of six (6) board members including two (2) officials representing the County Government of Mandera. This is contrary to Regulations 10(1) of the the Water Services Regulations, 2021 which requires that each County water services provider shall have a Board of Directors comprising between seven (7) and nine (9) members.

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

3. Inappropriate Shareholding of the Water Company

The Company's certificate of incorporation (CR 12) issued by the Registrar of Companies on 28 May, 2025 indicates that the County Executive Member of Finance, County Executive Member of Water and the County secretary are listed as shareholders with each holding two hundred and fifty (250) shares out of the total one thousand (1,000) shares. This is contrary to the provision of paragraph 3.3.1.4 of the Water Services Regulatory Board Corporate Governance Standards, 2024 which requires that nominee holding shares based on their respective functional mandates in relation to water services, should each to hold one share.

In the circumstances, Management was in breach of the Water Services Regulatory Board Corporate Governance Standards.

4. Use of Unapproved Water Tariffs

According to the records provided for audit, the Company billed its customers based on a flat rate of Kshs.1,000 per customer which was not approved by Water Services Regulatory Board (WASREB). Management did not seek approval from WASREB for the tariffs. This was contrary to Section 72(1)(b) of the Water Act, 2016 which states that the powers and functions of the Water Services Regulatory Board include evaluation and recommendation of water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards.

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

5. Provision of Water Services without a License

Review of the Company's statutory compliance and registration documents and discussion with Management revealed that the Company was issued with interim license for two (2) years from 1 September, 2021 to 31 August, 2023 to operate as licensee providing water services under the provision of the water Act, 2016. However, the Company did not renew the service provision agreement and was therefore providing water services without authorization during the year under review. This is contrary to Section 85(1) of Water Act, 2016 which states that a person shall not provide water services except under a licence issued by the Regulatory Board.

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

6. Failure to Settle Trade Payables as a First Charge

The statement of financial position reflects trade and other payables balance of Kshs.143,767,744 as disclosed in Note 25 to the financial statements. Included in the balance are trade payables totalling to Kshs.102,959,964 which were outstanding for over one (1) year. Further, trade payables amounting to Kshs.8,622,929 relates to other payables (accrued salaries) which has remained long outstanding since 2015/2016 financial year. Management did not provide an explanation for the failure to provide debt

service as a first charge on the 2024/2025 budget. This was contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which provide that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.

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

7. Failure to Hold Annual General Meeting

Review of the Board minutes and other accompanying documentation revealed that there was no evidence that the Company held its annual general meeting and submitted the annual returns to the Registrar of Companies since its incorporation on 11 April, 2007. This is contrary to the requirements of Section 310 of the Companies Act, 2015 which provides that every Public Company shall hold a general meeting as its annual general meeting within six (6) months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during the period.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Inability to Account for Non-Revenue Water

During the year under review, the Company's estimated annual water production was 145,556 M³. However, it was noted that only the Suftu and Neboi production sources were equipped with master meters, which were non-functional during the period, while other three production sources in the Shafshafey, Headquarter, and Hajji Kerrow were based on estimates of pump discharge and monthly pumping hours. In addition, data on volume of water consumed could not be determined since all the customers were not metered.

In the circumstances, the effectiveness of control measures put in place to improve efficiency in production and management of Non-Revenue Water could not be confirmed.

2. Lack of Effective Internal Audit Unit

Review of the operations of the Company revealed that there was an internal audit unit in place. However, during the year under review, the internal audit department did not carry out any audit or issue any report to the audit committee for deliberation.

In the circumstances, it was not possible to confirm existence of effective internal controls, risk management and governance structures in the Company.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report, based on my audit, that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' Report on page xxvii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 21 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 November, 2025

Mandera Water and Sewerage Company Ltd.

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.

	Note	2024-2025	2023 - 2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	16,795,000	19,102,817
Grants Income	7	192,932,279	127,746,678
Total Revenue		209,727,279	146,849,495
Expenses			
Staff Costs	8	53,420,862	20,743,515
General and Operations expenses	9	37,689,642	57,671,529
Board Expenses	10	785,600	815,000
Maintenance Expenses	11	53,558,135	66,439,965
Depreciation and Amortization expenses	12	33,203,440	28,580,321
Finance Costs	13	67,974	0
Grants and Subsidies	14	123,678,277	0
Transfer of unutilized Funds	15	542,551	0
Total Expenses		302,946,481	174,250,330
Total Comprehensive Income/loss for The Year		(93,219,202)	(27,400,835)

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

15. Statement Of Financial Position As at 30 June 2025

	Note	2024-2025	2023 - 2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	16	574,762,181	519,607,361
Intangible assets	17	232,937	1,606,764
Total non-current assets		574,995,118	521,214,125
Current assets			
Inventories	18	48,767,181	50,751,389
Trade and receivable	19	57,306,349	66,070,568
Bank and cash balances	20	23,269,792	140,011,086
Total current assets		129,343,322	256,833,043
Total Assets		704,338,440	778,047,168
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	21	100,000	61,982,062
Capital Fund		785,890,921	724,008,859
Retained earnings		(225,420,225)	(132,201,023)
Capital and Reserves		560,570,696	653,789,898
Non-current liabilities			
Total non-current liabilities		0	0
Current liabilities			
Trade and other payables	25	143,767,744	124,257,270
Total current Liabilities		143,767,744	124,257,270
Total Equity and Liabilities		704,338,440	778,047,168

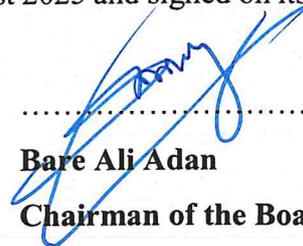
The financial statements were approved by the Board on 22nd August 2025 and signed on its behalf by:



Kassim Haji Abdinoor
 Chief Executive Officer



Adan Abdi Mohamed
 Head of Finance



Bare Ali Adan
 Chairman of the Board

ICPAK M/No: 33378

Mandera Water and Sewerage Company Ltd
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	Ordinary share capital	Retained earnings	Capital/Development Fund	Total
As at July 1, 2023		61,982,062	(104,800,188)	414,664,131	371,846,005
Profit for the year		-	(27,400,835)	-	(27,400,835)
Capital/Development grants received during the year		-	-	309,344,728	309,344,728
As at June 30, 2024		61,982,062	(132,201,023)	724,008,859	653,789,898
As at July 1, 2024 (Current FY)		61,982,062	(132,201,023)	724,008,859	653,789,898
Prior year adjustment		(61,882,062)		61,882,062	
Profit/Loss for the year		-	(93,219,202)	-	(93,219,202)
Capital/Development grants received during the year		-	-		-
At June 30, 2025		100,000	(225,420,225)	785,890,921	560,570,696

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

17. Statement Of Cash Flows for The Year Ended 30 June 2025

	Note	2024-2025	2023 – 2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		9,381,684	8,455,093
Grants Income		165,713,207	265,418,757
Total Receipts		175,094,891	273,873,850
Payments			
Staff Costs		25,961,782	20,743,515
General And Operation Expenses		29,809,247	56,742,197
Board Expenses		620,600	815,000
Maintenance Expenses		50,631,951	66,455,547
Finance Costs		67,974	0
Grants and Subsidies		123,678,277	0
Total Payments		230,769,831	144,756,259
Net Cash From/ (Used In) Operating Activities		(55,674,940)	129,117,591
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(75,375,202)	(196,865,424)
Net Cash From/ (Used In) Investing Activities		(131,050,142)	(196,865,424)
Cash Flows from Financing Activities			
Transfer of Unutilized Funds		(542,551)	18,473,064
Net Cash From/(Used In) Financing Activities		(542,551)	171,672,649
Increase/(Decrease) In Cash and Cash Equivalents		(131,592,693)	103,924,816
Cash And Cash Equivalents At Beginning of Year	20	140,011,086	36,086,270
Prior Year Adjustments		14,851,399	0
Cash And Cash Equivalents At End of the Year	20	23,269,792	140,011,086

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs A	Kshs b	Kshs C=a+b	Kshs D	Kshs e= c-d	f=d/c %
Budget carryovers from the previous year*	0	140,011,086	140,011,086	140,011,086	0	100%
Additional previous year carryovers	0	14,851,399	14,851,399	14,851,399	0	100%
Receipts						
In-Kind contribution	0	27,219,072	27,219,072	27,219,072	0	100%
Operating Revenue	26,000,000	(8,000,000)	18,000,000	9,381,684	8,618,316	52%
Grants	522,240,534	(250,000,000)	272,240,534	165,713,207	106,527,327	60.8%
Total Receipts	548,240,534	(103,137,515)	472,322,091	357,176,448	115,145,643	73%
Payments						
Staff Costs	23,000,000	30,219,072	53,219,072	53,180,854	38,218	99.8%
Board Expenses	2,000,000	(1,000,000)	1,000,000	620,600	379,400	62%
General and operations Expenses	68,180,000	(18,100,000)	50,080,000	29,809,247	20,270,753	59.5%
Maintenance	51,720,000	5,000,000	56,720,000	50,631,951	6,088,049	89%
Finance costs	0	80,000	80,000	67,974	12,026	85%
Transfer of Unutilized Funds	0	0	0	542,551	(542,551)	
Total Recurrent Expenditure	144,900,000	(75,677,909)	161,099,072	134,853,177	26,245,895	84%
Capital Expenditure Payments	403,340,534		311,223,019	199,053,479	112,169,540	64%
Total Payments	548,240,534		472,322,091	333,906,656	138,415,435	70.7%
Surplus/deficit	0		0	23,269,792		
Budget Reconciliation						
Description of Particulars						
Actual Surplus Amounts as per the statement of Budget				Amount in Kshs		
				23,269,792		
Closing Cash and Cash Equivalent as per the statement of Cash flows				23,269,792		

19. Notes To the Financial Statements

1. General Information

Mandera water and Sewerage Company Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Mandera County Government and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to the residents of Mandera municipality. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

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

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

Notes to the financial statements (continued)

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

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

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

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

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

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

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

iii. *Early adoption of standards*

Mandera water and sewerage company did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Notes to the financial statements (continued)
Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	-	0%
Leasehold Land	-	4%
Buildings and civil works	25	4%
Infrastructure works	25	4%
Plant and machinery	12.5	8%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33%
Office equipment, furniture and fittings	12.5	8%

Notes to the financial statements (continued)

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

Notes to the financial statements (continued)

j) Fixed interest investments (bonds)

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

k) Quoted investments

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

Summary of Accounting Policies

l) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

m) Inventories

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

n) Trade and other receivables

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

Notes to the financial statements (continued)

all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

o) Taxation

i) Current income tax

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

p) Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the

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

Notes to the financial statements (continued)

deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

q) Borrowing costs

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

r) Cash and cash equivalents

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

Notes to the financial statements (continued)

Restricted cash

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity.

s) Borrowings

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

t) Trade and other payables

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

u) Retirement benefit obligations

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

v) Provision for staff leave pay

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

w) Exchange rate differences

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

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from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

x) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 18 of these financial statements.

y) Service concession arrangements

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

z) Comparative figures

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

aa) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

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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

6. Operating Revenue

	2024-2025	2023 - 2024
	Kshs	Kshs
Water sales	16,297,000	18,610,237
Sewerage Services	498,000	492,580
Total	16,795,000	19,102,817

7. Grants Income

	2024-2025	2023 - 2024
	Kshs	Kshs
Operational grants from County Government	128,418,000	265,418,757
Grants from WSTF	37,295,207	
In Kind Contribution from County Government	27,219,072	
Total	192,932,279	265,418,757

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2023-2024 KShs
Mandera County Government	128,418,000	-	128,418,000	283,891,821
Mandera County Government -In kind	27,219,072		27,219,072	
Water Sector Trust Fund	37,295,207	-	37,295,207	153,199,585
Total	192,932,279	-	192,932,279	437,091,406

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8. Staff Costs

Description	2024-2025	2023 - 2024
	Kshs	Kshs
Salaries Paid by County Government	27,219,072	-
Salaries paid to Contractual employees	22,773,782	17,921,417
Employer's contributions to Health Insurance scheme/SHIF	690,718	699,700
Employer's contributions to National Social Security Scheme	2,737,290	2,122,398
Total	53,420,862	20,743,515
The average number of employees during the year	105	

9. General and Operations Expenses

Description	2024-2025	2023 - 2024
	Kshs	Kshs
Chemicals	7,870,000	5,957,500
Electricity	7,715,578	11,827,146
Fuel, oil, lubricants, and gases	2,343,703	7,530,000
Office supplies	2,068,648	3,991,820
Uniform and protective clothing	0	2,997,500
Telecommunication	584,000	0
Postage and courier	0	9,450
Rent and Rates	0	230,000
Hire of Equipment and vehicles	1,050,000	2,598,600
Domestic Traveling and subsistence	4,305,466	10,092,119
Foreign travel and accommodation	0	
Staff training and development	192,224	486,900
Bank Charges	107,217	138,296
Security services	3,421,600	3,579,600
Publicity and advertising	0	230,757
Dues and Subscription	0	281,400
Audit fees	571,281	0
Consultancy fees	0	345,581
Stakeholders' expenses	0	3,197,200
Hospitality expenses	1,430,280	1,380,160
Conservation expenses	3,540,000	0
Provision for doubtful debts	0	0
Other General expenses	2,489,645	2,797,500
Total	37,689,642	57,671,529

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Notes to the financial statements (continued)

10. Board Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Sitting allowances	275,000	223,000
Induction and Training	87,000	0
Travel and accommodation	423,600	592,000
Total Board Expenses	785,600	815,000

11. Maintenance Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Plant and Equipment	7,381,827	9,444,640
Buildings	44,100	415,000
Infrastructural networks	28,861,070	20,923,415
Grounds	13,866,250	28,657,222
Motor vehicles	359,200	1,982,900
Software	216,482	46,788
ICT (Information Communication Technology)	0	100,000
Maintenance of access roads	2,829,206	4,870,000
Total Maintenance Expenses	53,558,135	66,439,965

12. Depreciation and Amortization Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment	31,829,612	27,206,493
Intangible assets	1,373,828	1,373,828
Total Depreciation and Amortization	33,203,440	28,580,321

13. Finance costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Interest expense on salary advance	67,974	0

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14. Grants and Subsidies

	2024-2025	2023-2024
Description	Kshs	Kshs
Project Supervision	8,142,700	0
Capital Grants	106,062,195	0
Operational Expenses	3,593,814	0
Water Quality Analysis Expenses	482,900	0
Maintenance expenses	5,396,668	0
Total	123,678,277	0

Grants and Subsidies entail expenses relating to donor funded projects which were implemented by the company on behalf of the county government. The project sites are outside the company's area of jurisdiction (other sub counties) hence the cost could not be capitalised.

15. Transfer back of Unutilized Funds

DATE	PAYEE	DESCRIPTION	AMOUNT
21/11/24	WSTF	transfer back of Unutilized fund	38,078.00
31/7/24	WSTF	transfer back of Unutilized fund	1,417.50
31/7/24	WSTF	Transfer back of Unutilized fund	6,178.78
1/7/2024	WSTF	transfer back of Unutilized fund	91,850.00
1/7/2024	WSTF	Transfer back of Unutilized fund	62,420.00
1/7/2024	WSTF	Transfer back of Unutilized fund	180,000.00
1/7/2024	WSTF	Transfer back of Unutilized fund	150,340.85
21/11/24	WSTF	Transfer back of Unutilized fund	12,266.35
	Total		542,551.48

16. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motorcycle	Computers & related equipment	Office equipment, furniture & fittings	Total
Depreciation rate		4%	4%	8%	25%	33%	8%	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2023	9,500,000	17,124,828	223,225,294	86,426,528	(734,932)	(5,226,378)	4,929,809	335,245,149
Prior year adjustment	0				734,932	5,226,378	0	5,961,310
Additions	0	17,741,832	123,773,433	53,892,730	6,300,000	0	3,899,400	205,607,395
As at 30 th June (comparative FY) 23/24	9,500,000	33,471,994	333,118,778	129,093,717	6,300,000	0	8,122,872	519,607,361
Additions	0	3,960,000	57,839,520	25,184,912	0	0	0	86,984,432
As at 30 th June 2025	9,500,000	37,431,994	390,958,298	154,278,629	6,300,000	0	8,122,872	606,591,793
Depreciation And Impairment								
At 1 July (comparative FY) 2023/2024	0	29,322,297	27,044,217	39,274,106	765,870	5,226,378	4,061,269	105,694,137
Prior year adjustment	0				(765,870)	(5,226,378)		(5,992,248)
Depreciation charge for comparative year	0	1,394,666	13,879,949	11,225,541	0	0	706,337	27,206,493
As At 30 th June, 2024		30,716,963	40,924,166	50,499,647	0	0	4,767,606	126,908,382
Depreciation charge for the year		1,497,280	15,638,332	12,469,170	1,575,000	0	649,830	31,829,612
As at 30 th June 2025	-	32,214,243	56,562,498	62,968,817	1,575,000		5,417,436	158,737,994
Net Book value as at June 30, 2025	9,500,000	35,934,714	375,319,966	141,809,459	4,725,000	0	7,473,042	574,762,181

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17. Intangible Assets

	<i>2024-2025</i>	<i>2023-2024</i>
	Kshs	Kshs
Cost		
At July 1 2024	6,869,142	6,869,142
At June 30 2025	6,869,142	6,869,142
Amortization		
At July 1 2024	5,262,378	3,888,549
Charge for the year	1,373,828	1,373,828
At June 30 2025	6,636,205	5,262,378
Net book value		
At June 30 2025	232,937	1,606,764

18. Inventories

	<i>2024-2025</i>	<i>2023 - 2024</i>
	Kshs	Kshs
General stores	17,923,892	19,266,500
Chemicals & Laboratory items	7,897,125	5,116,500
Water fittings and Accessories	19,766,641	16,088,559
Water stock in water reservoirs	3,179,523	0
Uniform and protective clothing	0	2,059,850
Fuel, oil and lubricants	0	2,651,500
Motor vehicle spare parts	0	3,765,000
Stationery and general stores	0	1,767,480
Total	48,767,181	50,751,389

19. Trade and Other Receivables

	<i>2024-2025</i>	<i>2023-2024</i>
	KShs	KShs
Trade receivables (note (18a))	57,306,349	66,070,568
Net trade and other receivables	57,306,349	66,070,568

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19. (a) Trade Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	57,306,349	66,070,568
Net trade receivables	57,306,349	66,070,568
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	467,500	0
Between 30 and 60 days	876,200	0
Between 61 and 90 days	1,763,530	0
Between 91 and 120 days	2,660,030	0
Over 120 days	51,539,089	0
Total	57,306,349	0

20. Bank and Cash Balances

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	23,269,792	140,011,086
	23,269,792	140,011,086

Detailed analysis of the cash and cash equivalents

		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
Equity Bank Kenya	1000294576543	1,627.87	912,738
Equity Bank Kenya	1000278529469	360,888.53	26,545
Equity Bank Kenya	1000279120156	0	106,656
National Bank Kenya	7717370816	2,896,928.52	0
National Bank Kenya	7700554595	19,355,875	66,118,685
National Bank Kenya	7716601679	0	56,298,458
Equity Bank Kenya	1000282535001	0	153,483
National Bank Kenya	01040257996503	0	63,115
National Bank Kenya	01040257996500	0	92,545
National Bank Kenya	01040257996501	0	151,056
National Bank Kenya	01040257996502	0	180,695
National Bank Kenya	01050253229200	0	15,907,110
National Bank Kenya	01041261839900	4,472	0
National Bank Kenya	01098253229200	650,000	0
Total		23,269,792	140,011,086

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21. Ordinary Share Capital

	<i>2024-2025</i>	<i>2023 - 2024</i>
	Kshs	Kshs
Authorized:		
1000 ordinary shares of Kshs. 100 par value each	100,000	100,000
Government Investment	0	61,882,062
	100,000	61,982,062

21 (a) Prior Year Adjustments

	<i>2024-2025</i>
	Kshs
Government Investments Transfer from Ordinary Share capital	(61,882,062)
Government Investments Transfer to Capital Fund	61,882,062

22. Revaluation Reserve

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

23. Fair Value Adjustment Reserve

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

24. Retained Earnings

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

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25. Trade and Other Payables

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	143,767,744	124,257,270
Total	143,767,744	124,257,270

Aging Analysis for Trade and other Payables

	2024-2025	% of the total	2023 – 2024	% of the total
Under one year	40,807,780	28.3%	44,338,123.00	35.7%
1-2 years	25,380,144	17.7%	59,163,359.00	47.6%
2-3 years	57,656,715	40.1%	12,132,859.00	9.8%
Over 3 years	19,923,105	13.9%	8,622,929.00	6.9%
Total	143,767,744	100%	124,257,270	100%

Other Disclosures

26. Related Party Disclosures
County Government of Mandera

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

Other related parties include:

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

The county executive of Mandera County Government also supported the Company by seconding members of staff who are on permanent and pensionable terms. The salaries for these staffs are paid by county executive.

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Transactions with related parties

	2024-2025	2023-2024
	Kshs	Kshs
Grants from the Government		
Grants from County Government	128,418,000	283,891,821
Donations in kind	27,219,072	0
Grants from National Government		
Total	155,637,072	283,891,821
Key management compensation		
Board of Directors' allowance	785,600	815,000
Total	785,600	815,000

27. Incorporation

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

28. Events After the Reporting Period

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

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported domestic and subsistence allowance	documents noted as missing by the auditor do not relate to all workshops or trainings attended by the officers. for some of the workshops no certificates were issued to the participants while in other cases no physical attendance register was signed since QR code was used to check in participants on daily basis.	Resolved	18/9/2025
2	Unconfirmed Property Plant and Equipment balance	The motor vehicles and the two motorcycles were given to the Company for operational use; however, their legal ownership remains with the County Executive. As such, the Company can only record these vehicles in its asset register and recognise them under property, plant, and equipment upon formal transfer of ownership. It is important to note that the value of the vehicles have fully depreciated.	Resolved	18/9/2025
3	Unsupported trade and other receivables	The Company maintains an ICT-based revenue management system that records all billing and revenue-related transactions. This system accurately reflected the outstanding receivables balance of Kshs.66,070,568 as at the end of the financial year. The	Resolved	18/9/2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	Unsupported Equity balance	Company has also been issuing demand and disconnection notices to customers with outstanding water bills. The financial statements have been amended to reflect the correct position	Resolved	18/9/2025
5	Uncertainty related to going concern	To enhance the Company's financial sustainability and operational efficiency, Management has put in place various improvement measures, including: <ul style="list-style-type: none"> • Enhancing water production and supply capacity to meet current demand and expand service coverage to new customers; • Accelerating the installation of water meters to reduce non-revenue water (NRW) and improve billing accuracy; • Reviewing and adjusting tariffs in line with regulatory requirements to reflect the true cost of service provision; 	Resolved	18/9/2025
EMPHASIS OF MATTER				
1.	Budgetary Control and performance	The budget deficit noted during the year was primarily due to a shortfall in both sales revenue and grant allocations from the County Executive. The sales revenue was adversely affected by low water supply as a result of persistent drought. The under-expenditure of Kshs.94,269,095 is mainly attributed to delay in	Resolved	18/9/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		procurement process of CLSG II and other donor funded projects which are in progress.		
2	Failure to achieve performance objective	The Company had planned to increase its annual revenue collection to kshs 30,000,000 once the Kenya Towns Sustainable Water Supply and Sanitation Program funded by the AFDB is completed in the year 2023. However, this project has since delayed, impacting our ability to implement the planned improvements in water and sewer services.	Not resolved	30/6/2026
REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
1	Engagement of casual workers for prolonged duration	The company has been engaging staff on contractual basis for a period of Six months which is in line with public service commission framework for short term contract. However, the company is in the process of engaging its staff on long term contract of three years in the near future before they are confirmed into a permanent and pensionable terms.	Resolved	18/9/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	Use of unapproved water tariffs	The use of flat rate is a temporary measure necessitated by the absence of metered connections. The company has made an application for water tariff with WASREB and still awaiting approval. The installation of meters is currently underway.	Not resolved	30/6/2026
3	Operation without valid service provision agreement, Memorandum and articles of Association	The company has made an application for renewal of its license and is under review by WASREB. A copy of the company's Memorandum and Articles of Association has retrieved from the office of registrar of companies and is now available for review	Partially resolved	30/6/2026
4	Payment for undelivered motor vehicle	As per the supplier's terms, full payment was required prior to the transfer of ownership and delivery of the vehicle. Due to budgetary constraints, an initial advance payment of Kshs. 1,965,517 was made to initiate the procurement process, with the balance settled thereafter. Full payment has since been made, the vehicle has been delivered, and the logbook confirming ownership is now in the company's possession.	Resolved	18/9/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				
1	Unsupported Long Outstanding Payables	The outstanding salary expense of kshs 8,622,929 was transferred to County government when it revived the company in the year 2018 following the enactment of the Water Act 2016. Budget underfunding is a continuous challenge which the company is facing. Despite so, the management is doing all it can to address the issue of long outstanding payables. The aging analysis of trade and other payables was provided on page 26 of the amended/final financial report.	Resolved	
2	Lack of debt management and Bad debt policy	The company has developed a draft debt management policy, which outlines procedures for managing outstanding debts, including the handling of bad debts. We have been actively issuing demand notices and enforcing disconnections to address overdue accounts.	Resolved	18/9/2025
3	Weak internal controls on inventory management	The company's inventory are typically procured based on entity's need basis. The implementation of first-in, first-out (FIFO) inventory measures may be less critical in our context given that our inventories are not perishable items. Water in our reservoirs was not included due to the challenges of its valuation.	Partially resolved	30/6/2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	Failure to Account for Non-Revenue Water	The company is implementing a comprehensive metering project under CLSG II project. Procurement and installation of meters NRW issues is in progress. During the months of November and December 2023, billing was not done due to severe disruptions caused by the long rains, which resulted in significant flooding, washing away water pumping infrastructure.	Partially resolved	30/6/2026
5	Failure to maintain an updated Asset Register	The company maintains an asset register which is up to date and reflects the asset description, cost, location, user/department, tag number, serial number among others. With this register, the management assures that the company's assets are secure and traceable.	Resolved	18/9/2025
6	Failure to Hold Annual General meeting	We acknowledge and commit to hold the Annual General Meeting to ensure compliance with statutory requirement.	Not resolved	30/6/2026
7.	Failure to Establish an Audit committee	The company has an audit committee of the board of directors. This committee plays a vital role in discussing reports from the internal audit function, ensuring that governance, risk management, and compliance issues are effectively addressed.	Resolved	18/9/2025
8.	Lack of Information	It is important to note that the company is currently a small water service provider with limited and non-complex IT infrastructure. Despite this, the company has developed and adopted an Information Technology (IT) Policy, which provides guidance on the use, management, and security of IT resources.	Resolved	18/9/2025

**Mandera Water and Sewerage Company Limited
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Technology internal Controls			
9.	Operating without an approved staff Establishment	The company's staff consist of those seconded by county executive and others who were engaged by the company on contractual terms with approval of the board of directors. The company has a well established staff establishment and organization organogram as approved by the board.	Resolved	18/9/2025

Name: Kassim Haji Abdinoor

Signature: .....

Chief executive officer

Date:27/08/2025

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Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Takaba Water Project		WSTF	3 MONTHS	68,985,513	Yes	Yes
2. CLSG 2		WSTF	3 YEARS	132,733,831	Yes	Yes
3. Elwak Falama water project		WSTF	1 YEAR	37,530,654.74	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Takaba Water Project	79,293,692.00	79,293,692.00	100%	79,293,629.00	79,293,629.00	WSTF/MCG
2	CLSG 2	132,733,831	46,762,810	35%	132,733,831	46,762,810	WSTF
3	Elwak Falama water project	51,652,428.00	51,652,428.00	100%	51,652,428.00	51,652,428.00	WSTF/MC

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Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....County Government of Mandera

Name of Beneficiary entity.....Mandera Water and Sewerage Company

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	01/10/2024	40,000,000		40,000,000	
	12/11/2024	28,418,000		28,418,000	
	14/02/2025	20,000,000		20,000,000	
	13/5/2025	30,000,000		30,000,000	
	30/6/2025	10,000,000		10,000,000	
Total					

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name: Hassan Abdow Mohamed Sign:  Date: 22/08/2025

Head of Accounts Department - Beneficiary Entity:

Name: Adan A. Mohamed Sign:  Date: 22/08/2025

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Comprehensive Income	Capital Fund			
County Government of Mandera	01/10/2022 4	Recurrent	40,000,000	40,000,000				40,000,000
County Government of Mandera	12/11/2022 4	Recurrent	28,418,000	28,418,000				28,418,000
County Government of Mandera	14/02/2022 5	Recurrent	20,000,000	20,000,000				20,000,000
County Government of Mandera	13/5/2025	Recurrent	30,000,000	30,000,000				30,000,000
County Government of Mandera	30/6/2025	Recurrent	10,000,000	10,000,000				10,000,000
Water Sector Trust Fund	16/7/2024	Eiwak Falama	12,512,862	12,512,862				12,512,862
Water Sector Trust Fund	1/8/2024	Eiwak Falama	1,787,174	1,787,174				1,787,174
Water Sector Trust Fund	1/8/2024	Takaba Water project	22,995,171	22,995,171				22,995,171
Total			165,713,207	165,713,207				165,713,207