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REPORT

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OF

THE AUDITOR-GENERAL

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KATHIANI WATER AND
SANITATION COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025

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KATHIANI WATER AND SANITATION COMPANY LIMITED

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

Kathiani Water and Sanitation 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

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

The Kathiani and Sanitation Company Ltd was established by the State Corporation and Water 2002 (repealed and replaced by Water Act 2016) of Parliament on 29th August, 2014. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has branches/regions in Kathiani.

Principal Activities

The principal activity of the Company is to provide portable water services for the residents of Kathiani and environs.

The vision of the company is “To be a premier Water Services Provider in Kenya” and mission is “To ensure provision of portable, affordable and sustainable water and sanitation services to our customers in collaboration with stakeholders through continuous improvement and expansion of water facilities, quality water and competent personnel”

CORE VALUES

- Integrity and good corporate governance
- Customer satisfaction
- Excellence in performance and service delivery
- Teamwork
- Equity

CORE OBJECTIVES

- To strengthen the institutional capacity of the Company to enable it meet its mandate.
- To increase access and coverage to safe water and sanitation services in the Company’s area of jurisdiction.
- To ensure efficient utility management and economic utilization of available water.
- To enhance the Company’s resource base to ensure operational sustainability.
- To minimize conflicts and disputes among water users.
- To mainstream cross-cutting issues.

Directors

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

- | | | | |
|----|-------------------------|---------------------|---|
| 1. | Stephen Mumo Kaloki | - Chairman | - Appointed on 29 th September, 2021 |
| 2. | Johnbosco Nyamai Malelu | - Managing Director | - Appointed on 14 th August, 2014 |
| 3. | Mary Syombungu Kiilu | - Member | - Appointed on 29 th September, 2021 |
| 4. | Florence Mwikali David | -Member | - Appointed on 29 th September, 2021 |

Kathiani Water and Sanitation Company Ltd

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- | | | | |
|----|----------------------|---------|---|
| 5. | George Kyalo Wambua | -Member | - Appointed on 29 th September, 2021 |
| 6. | Chief officer Water | -Member | - Appointed on 29 th September, 2021 |
| 7. | Chef officer Finance | -Member | -Appointed on 29 th September, 2021 |

Company Secretary

Mr. Mulekyo and Company advocate

P.O. Box 52513-00200 NAIROBI

Registered Office

Kathiani Water and sanitation co. ltd

Next to Deputy County Commissioners' office, Kathiani Sub- County

Kathiani Town.

P.O Box 38-90105

Kathiani.

Corporate Contacts

Telephone: 0712864617- Managing Director

0733424980- Office

E-mail: kathianiwater@gmail.com

Corporate Bankers

1. Co-operative Bank
Machakos Branch
Machakos
2. Equity Bank
Machakos Branch
Machakos

Nairobi, KENYA

Independent Auditor

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Principal Legal Adviser

The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112






City Square 00200

Nairobi, Kenya




Kathiani Water and Sanitation Company Ltd

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

3. The Board of Directors

Directors	Details
 Stephen Mumo Kaloki	Aged 41 year. He is the acting Board chairman and a member of Technical committee. Has a Diploma in Leadership and Management, and regional coordinator of JCC church and a local pastor.
 Mary Syombungu Kiilu	Aged 65 years. She an holder of CPE certificates and has over 30 years experience as business lady. She chairs technical committee . Term expired
 George Kyalo Wambua	Aged 64 years. Retired Secondary school Principal Has Diploma in education with over 20years experience. Chairs Audit and finance committee Term expired
 Johnbosco Nyamai Malelu	Aged 58 years. A civil Servant Has Diploma in Water Technology with over 25years experience in water related maters. Secretary to board of directors He is the managing director of the company
 Florence Mwikali David	Aged 65 years. She is a business lady and Maendeleo ya Wanawake regional chairperson. She has Certificate in Education 'O' Level Member of finance and Audit committee Term expired
	Current chief officer in the department of water,






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

 <p>Chief officer water</p>	<p>Machakos County Government Aged 51 years Has degree in education</p>
 <p>Chief officer Finance</p>	<p>Current chief officer in the department of finance Machakos County Government. Aged 43 years. Has degree in finance management</p>
 <p>Mulekyo and Company Advocates</p>	<p>Member of ICS. Is a registered and practicing lawyer</p>

Kathiani Water and Sanitation Company Ltd

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

4. Key Management Team

Managers	Details
 Johnbosco Nyamai Malelu	He is the Managing Director of the company. Has Diploma in Water Technology
 Pius Musyoka Matingi	Finance Manager of the company. Has CPA I.
 Erick Nthenge Kabita	He is the technical manager of the company. Has diploma in water management
 Jane Nzili Muya	She is the procurement officer / Customer care. Has diploma in procurement management
 Mulekyo and Company Advocates	Member of ICS. He is a lawyer by profession. Is a registered and practicing lawyer

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

5. Chairman's Statement

I am pleased to welcome you all to this year's financial report and give highlights of our company performance and endeavor's. The year 2024/25 was a year whereby the company faced challenges that affected the overall performance negatively and positively in equal measures.

During the year under review, the company had moderate rainfall that resulted to dam having enough water to operate the water supply throughout the year without interruptions and at the same time siltation of Muooni dam reduced the stored water. There were land slides that resulted to damaging parts of the pipelines . Customer bill payments were average. Despite all this challenges, the staffs were commitment to their work.

On behalf of Board of Directors, I wish to congratulate all staff members and board of directors for hard work in the year under review. I do acknowledge our well-wishers and stake holders for their support.

Thank you.



STEPHEN MUMO KALOKI
CHAIRMAN BOARD OF DIRECTORS
KATHIANI WATER & SANITATION CO. LTD

Date:19/11/2025.....

6. Report Of the Managing Director

As the company continue to fulfil its mandate by providing water to the residents of Kathiani sub-County we are also focused on fulfilling the County objective of having portable water in every homestead in Machakos county and especially Kathiani Sub County.

The demand for water in Kathiani continues to increase as the population grows. This has resulted to up-coming of small urban areas leading to increased demand for water. As a company, we are putting more efforts in reduction of Non-Revenue Water (NRW) by increasing efficiency mostly on pipe burst repair, response by all staff whether in management and on field operation and the consumers education to reporting of burst or damaged pipes. For the year under review the Non Revenue Water was reduced from 25.1% to 24.02%

In the period under review the company faced challenge in increased rainfall, hence land slides which resulted in destruction of pipe lines and some structures like tanks resulting to replacement /repair. There were also some theft of galvanized iron pipes and valves especially of brass material.

The company has embarked on replacing the galvanized iron pipes with HDPE pipe progressively to reduce on the theft. While it's clear that utilization of available resources is key, it's key to note that, the infrastructure in Kathiani Water & Sanitation Co. Ltd (KAWASCO) were constructed in the year 1984- 1987. The system has outlived its design period which is normally twenty (20) years from works

Kathiani Water and Sanitation Company Ltd

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completion date. This has resulted to high operations and maintenance cost due to periodic burst and at time complete replacement of some lines and replacement of stolen pipes.

This year we have experienced two major boost that affected the overall performance positively. The increased rainfall as explained above and average customer bills payment . This has enabled the company to operate smoothly through out then year

Kathiani Water and Sanitation Company Ltd (KAWASCO) would like to congratulate County Government of Machakos for continuous support by word of encouragement and secondment of some key personnel. We wish also to congratulate our partners, stakeholders, our esteemed consumers (Customers) and board directors /and staff for making this year successful.



JOHNBOSCO MALELU

MANAGING DIRECTOR

Date: 19/11/2025.....

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

8. These strategic pillars/ themes/ issues are as follows:

S/NO	PILLAR	THEME	ISSUES
1	Rehabilitation of water source	Muoni dam rehabilitation	-Removal of silt (desilting) in the reservoir area -Embankment increase by 2m - spillway level increase by 2m
2	Repair and maintenance of existing infrastructure	Maintenance of existing infrastructure	-Maintain treatment works -Maintain pumps and accessories -Maintain pipelines -Maintain storage tanks -Maintain office and buildings and furniture's
3	Argumentation of treatment works	Treatment works improvement.	-Rehabilitate existing treatment works -Acquire land for expansion of

Kathiani Water and Sanitation Company Ltd
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			treatment works -Construct new horizontal full treatment works
4	Pipeline extension	Connection to new consumers	-DN 80 mm diameter to Kauti and surrounding area 3.0km -DN 100 mm to Ngiini area 4km -DN 100mm to Misuuni area 4.5km
5	Argumentation of existing infrastructure	Improvement of existing pipeline	-Change main distribution line from 6" to 10" diameter -Change Lubwa line from 3" to 6" 8km -Change all pipeline from GI to HDPE, PPR to avoid periodic vandalism of metallic pipes to scrap metal dealers.
6	ICT	Upgrading of accounting and billing software	Improve the systems

Kathiani Water and Sanitation Company Ltd develops its annual work plans based on the above 6 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly/annual basis. The company achieved its performance targets set for the FY 2024/2025 period for its 2nd and 6th strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Repair and maintenance of-existing infrastructure	Maintenance of existing infrastructure	-Maintained pipeline, treatment works, office	-Maintain treatment works -Maintain	People of Kathiani were able to get wholesome water during the period of

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

9. Corporate Governance Statement

The role of appointment of board of directors for the period under review was done by his excellency the former Governor of Machakos County Dr. Alfred N. Mutua on 24th September, 2021 for a serving period of three (3) years. The current size of board members is five(5), three men and two women. The appointing authority has the power to remove any board members who breaches the laid down code of conduct.

The succession plan is at the end of every three years, two- third of board members retire and their replacement is made by appointing authority after meeting the laid down appointing procedures.

The company managed to hold four(4) board meeting. In all these meetings all board members were in attendance.

The roles and functions of the board members includes but not limited to policy formulation of the company, direct the management on finance, human resources recruitment, projects to be under taken, resource mobilization, etc.

In the period under review no board training were conducted.

Board members are not allowed to do business with the company.

The board of directors have advised the management team well that resulted to improvement of the company performance.

Board members remunerations are based on the meetings attendance. These include board meetings, committee meeting, visit to project's sites, and meetings called by the County Government (Governor or County Executive Member of Water and Chief Officer, Water). In all these meetings they are entitled to Ksh. 10,000 for members of Board and Ksh. 12,000 for the Board chairman.

To enhance board working, there are two major board committees, ie

1. Technical committee
2. Finance and audit committee.

Technical committee deals with materials for development and checking the accompanying budget while finance and audit committee deals with budget preparations, audit of financial s of the company.

Communication between management and board member is done via the managing director whereby with consultation with board chairman calls for board meeting giving a minimum of 14 days from the date of communication / letter of notification. The same applies for board committee meetings.

Terms of reference for board committees is drawn based each committee functions and is decided in full board committee. The board term expired on 24th September,2024.9

10. Management Discussion and Analysis

In the year under review, the company managed to operate fairly well given the challenges we underwent. We managed to produce 106833 cubic meters of water at a cost of Kshs. 9,429,849. Billed 81172 cubic meters which amounted to Kshs. 9,865,124. The amount of water lost through leaks and commercial losses amounted to cubic 25661 meters or 24.02%. The total collection for the year 2024/2025 was Ksh. 9,175,285 inclusive of meter rent, re-connection fee and sale of fallen trees.

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		block	pumps and accessories -Maintain pipelines -Maintain storage tanks -Maintain office buildings and furniture's	2024- 2025
improvement of accounting and billing software	Change from manual to system for billing and accounting	Software in place	Purchased the software and now in the process of customizing	Customizing the software with our data both billing and accounting

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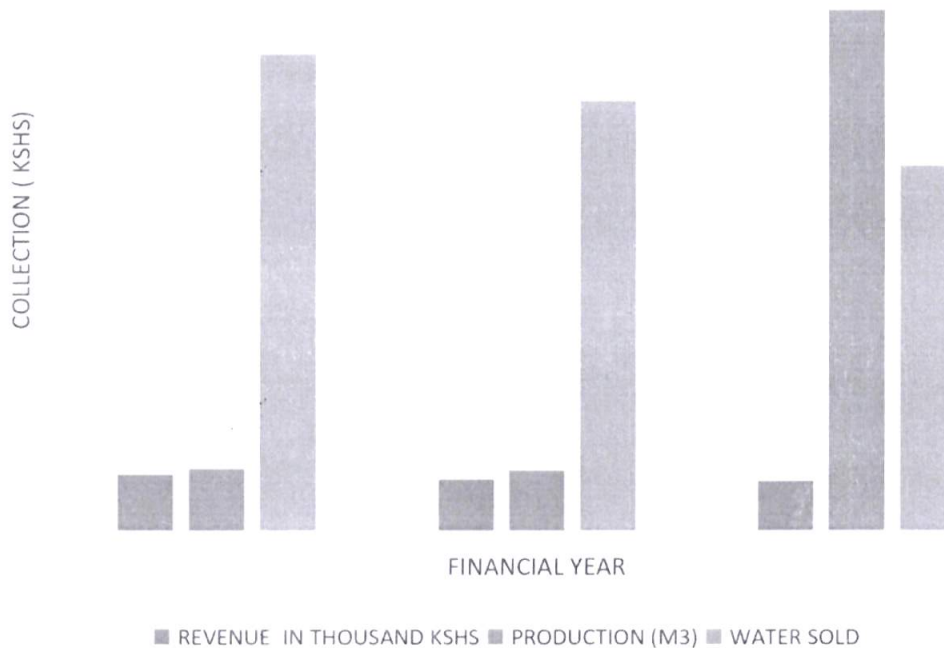
○ In the financial year, 2024 / 2025, the company didn't have special projects. We only concentrated on maintenance of water supply system and operations.

Major risks facing our organization include the following:

- a) Siltation of Muoni dam which is the only source of water for Kathiani water supply. Currently over 90% silted.
- b) Vandalism of pipeline / water meters theft resulting to replacement requirement that are not planned for.
- c) Increased population which demands expansion of the pipeline system, treatment works and storage tanks resulting to water rationing.

We have prepared proposal for funding and send to relevant bodies; County Government, National Government and other donor agencies but to date none of the agencies has responded positively.

The above information is tabulated below for the last three years



11. Environmental And Sustainability Reporting

Kathiani Water and Sanitation Company Limited exists to transform lives. This is our main purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

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i) Sustainability strategy and profile

Kathiani Water and Sanitation Company Limited has over the years preserved the existing forest downstream of our water source and planted more tree. The company in conjunction with the County Government of Machakos and Tupande NGO has provided seedlings to the community for planting during rainy season to improve on the existing forest cover.

Global environmental strategy and also the country's policy is to plant 15 billion of tree by year 2030. We as a company have planned to plant and grow 10 million by the year 2030

The political class has supported the company in its efforts to retain and to conserve environment. Some of the local communities cut the existing trees for fire wood or charcoal burning but we discourage the behaviour by employing and tree surveillance officers to guard the tree. To date we have planted 2400 tree and about 80% of the same have survived.

ii) Environmental performance

Kathiani Water and Sanitation Company Limited has endeavored to conserve environment. The company every season has a program for planting more trees. This is evident from the thick forest cover maintained in our water source area of Muoni dam. The challenges being experience while conserving the environment include cutting down of trees by unknown community people at night, cultivation on the river banks leading to dam siltation and soil erosion on the river banks. The County Government of Machakos has embarked of weir construction across the streams, a process which is improving the amount of water in the streams and check on soil erosion. This has improved the quality of water reaching the dam hence reducing on chemical uptake in the treatment works. Waste water from the treatment works is lead to an open ground where it settles before being introduced to existing river channel.

The company has now automated its operation which will reduced the paperwork in the office hence reducing environmental pollution. it is the company policy that when procuring motor bike and vehicle embassies should be on the electric operated one to reduce carbon emission.

iii) Employee welfare

Kathiani Water and Sanitation Company Limited guiding policy in hiring workers is of fairness to all. Opportunities when they arise are advertised and interviews are called to all who apply

Kathiani Water and Sanitation Company Ltd

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

and are conducted in broad day light. Gender ratio is also taken into consideration whenever opportunities are filled. Through the board of management youth and PWD will be included.

During public sensitization meeting with the local communities are reminded to apply for any opportunity that arises and are adequately consulted and involved. Advertisement are posted in the community notice board (in market centers and in chief's offices.) and also in company website

The company while filling vacant positions emphasize on qualified personnel and give minimum qualification requirements as per the position thereby ensuring standards are maintained

Protective gears / clothing are provided to all staff. Milk is also provided for those officers working in treatment works handling chemicals

iv) Market place practices-

Kathiani Water and Sanitation Company Limited has done the following

a) Responsible competition practice.

Kathiani Water and Sanitation Company Limited has partnered with other water providers whereby we maintain the boundaries as licensed by WASREB. Small water providers only provide water as point source for those with boreholes and water boozers only take water to institutions and individuals as per customer request. Our employees have been sensitized on corruption matters. Cases of bribery to provide services are discouraged and not permitted at all. The management has held public barazas whereby the public is educated not to give bribes and in case such cases arise they should inform management. All water consumption bills have in them managing director number to enable customers to call directly if they notice cases of corruption.

Service charter is displayed at the entry point to the company whereby customers know how each service is charged and time-flame for the service to be discharged

Kathiani water and sanitation company has paybill and account numbers displayed in the water bill where all the money is supposed to be paid. No cash is collected by company employes. Only receipt of payment are presented to office for issuance of company official receipt.

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b) Responsible Supply chain and supplier relations

Kathiani Water and Sanitation Company Limited every start of the financial year advertises for the services required whereby suppliers of services tender for the provision of goods and services. Tenders are opened, evaluated and awarded. Winning suppliers are notified in writing and whenever services are required they are given without bias. The company pays the suppliers immediately if the money is available but not more than two months after services have been provided.

c) Responsible marketing and advertisement

Kathiani Water and Sanitation Company Limited, after advertising, awarding of tender and preparation of suppliers list, gives services indiscriminately unless the supplier has no capacity to offer the services. All suppliers are considered.

d) Product stewardship

Kathiani Water and Sanitation Company Limited has an existing inspection and acceptance committee which checks the quality and quantity of goods supplied. Whenever a supplied product does not meet the required standard the supplier is informed to make a replacement for such product.

Water samples are also taken for analysis to confirm the water being supplied to consumers is within the Kenya standards for drinking water

v) Corporate Social Responsibility / Community Engagements

Kathiani Water and Sanitation Company Limited has provided the local community with free tree seedlings for planting in their farms. Whenever the company has tree planting season, it invites the community members in planting the trees whereby a common drink(soda) and bite (cake or loaf of bread) is provided as common lunch after work. Case in point was on 17th January, 2025 during tree planting day where we invited the area DCC and members of public. Water is sold at Kshs. 3/= in all company water kiosks

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

12. Report Of the Directors

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

i) Principal activities

The principal activities of the Company are provision of portable water services for the residents of Kathiani sub county.

ii) Results

The results of the company for the year ended June 30, 2025 are set out on page 1-44. Below is summary of the profit or loss made during the year. In the year under review the company made a loss of Kshs 3,654,640

iii) Dividends

The company has not declared dividends for the year ended 30TH June,2025


Directors

The members of the Board of Directors who served during the year are shown on page v. In accordance with Regulation 99 of Table "A" of the company's Articles of Association.

iv) 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



.....
Johnbosco Malelu
MANAGING DIRECTOR

Date: 19/11/2025
.....

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

13. Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 (Water Act 2016) 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 (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of 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) .

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Annual Report and Financial Statements for the year ended June 30, 2025
Statement Of Directors' Responsibilities (Continued)

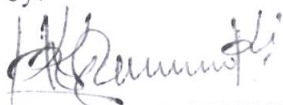
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting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

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern

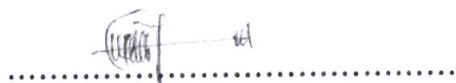
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

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



Stephen Mumo Kaloki
Chairperson of the Board



Johnbosco Nyamai Malelu
Managing Director

REPUBLIC OF KENYA



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

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kathiani Water and Sanitation Company Limited set out on pages 1 to 43, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive

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

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

Basis for Qualified Opinion

1. Unsupported Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 14 to the financial statements reflect property, plant and equipment balance of Kshs.119,507,062. Included in the balance is Kshs.100,000,000 in respect to freehold land whose valuation report was not provided for audit review.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.119,507,062 could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Note 16 to the financial statements reflect trade and other receivables balance of Kshs.7,139,380. Included in the balance are receivables totalling Kshs.4,554,443 which have been outstanding for more than one hundred and twenty (120) days. Although, Management indicated that an agreement had been reached with the debtors to pay in instalments, no payment had been received as at the time of audit in November, 2025.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.4,554,443 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget and actual on comparable basis of Kshs.13,280,000 and Kshs.11,088,882 respectively resulting to underfunding of Kshs.2,191,118 or approximately 16% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 22 to the financial statements reflect trade and other payables balance of Kshs.4,316,908. Review of the aging analysis revealed that payables totalling Kshs.2,312,146 or approximately 54% of total payables have been outstanding for more than three (3) years. Although, Management indicated that the debts were to be written off since the creditor, Tanathi Water could not support the claim, no evidence was provided for audit review.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects budgetary provisions for the subsequent years as they form a first charge.

My opinion is not modified in respect of these matters.

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, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management is responsible for the Other Information set out on pages iii to xix which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities and Statement of Performance Against Predetermined Objectives. 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. Failure to Transfer Shares to County Government

The statement of financial position and as disclosed in Note 18 to the financial statements reflects ordinary share capital of Kshs.100,000. Review of the non-financial information indicates that the Company was formed on 29 August, 2014 as a private Company limited by shares. Upon enactment of the Water Act, 2016, the ownership was to be transferred to the County Government of Machakos. However, 1,000 shares of Kshs.100 each formerly held by two (2) shareholders as trustees for the County Council of Machakos were not formally transferred to the County Government of Machakos. No explanation was provided as to why the shares have not been transferred to the County Government of Machakos. This is contrary to Section 636(1) of the Companies Act, 17 of 2015 which requires financial statements to give a true and fair view, and financial disclosures to comply with International Financial Reporting Standards (IFRS) ensuring accurate representation of share capital and liabilities.

In the circumstances, Management was in breach of law.

2. Use of Outdated Water Tariffs

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue of Kshs.9,865,124 in respect to water sales for the year under review. The water tariff structure in use was approved for use from financial years 2014/2015 to 2016/2017. The tariff was published in the Kenya Gazette Vol. CXVI-No.103 on 29 August, 2014. However, Management is yet to review the tariff structure to align it with the current economic status and maximize on revenue collection. Although Management indicated that the process of review was on-going, no evidence was provided for audit review.

In the circumstances, the Company may be applying rates which impact negatively on revenue collection.

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 effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Land Ownership Documents

As previously reported, the assets register includes a parcel of land measuring fifteen point two (15.2) hectares and reserved for Muoni dam, whose ownership documents were not provided for audit review. Further, the land is not fenced and had been encroached by informal settlers engaged in agricultural activities. The situation raises concerns about the security of the land and its suitability for the intended purpose.

In the circumstances, the existence of effective assets management measures could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages viii to ix is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 27 and 40 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 Management and the Board of Directors

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

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

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

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

The Board of Directors 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

28 November, 2025

Kathiani Water & Sanitation Company Ltd.**Annual Report and Financial Statements for the year ended June 30, 2025****15. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.**

	Note	2024-2025 FY	2023-2024FY*
		Kshs	Kshs
Revenue			
Operating Revenue	6	9,865,124	19,457,631
Grants Income	7	1,603,220	1,584,375
Other Income	8	24,500	34,850
Total Revenue		11,492,844	21,076,856
Expenses			
Staff Costs	9	5,322,369	5,478,015
General and Operations expenses	10	4,407,128	6,067,484
Board Expenses	11	480,000	440,000
Maintenance Expenses	12	2,563,138	5,434,832
Depreciation and Amortization expenses	14	2,374,849	2,710,366
Total Expenses		15,147,484	20,130,697
Profit/(Loss) Before Taxation		(3,654,640)	946,159
Income Tax Expense/(Credit)		(3,654,640)	946,159
Profit/(Loss) After Taxation		(3,654,640)	946,159
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(3,654,640)	946,159
Total Comprehensive Income for The Year		(3,654,640)	946,159


Kathiani Water and Sanitation Company Ltd.


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


16. Statement Of Financial Position As at 30 June 2025

	Note	2024-2025 FY Kshs	2023-2024 FY Kshs
Assets			
Non-current assets			
Property, plant and equipment	14	119,507,062	121,881,911
Total non-current assets		119,507,062	121,881,911
Current assets			
Inventories	15	3,623,476	4,319,678
Trade and other receivable	16	7,139,380	6,347,621
Bank and cash balances	17	2,700	152,977
Total non-current assets		10,765,556	10,820,276
Total Assets		130,272,618	132,702,187
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	18	100,000	100,000
Revaluation reserve	19	0	0
Fair value adjustment reserve	20	0	0
Retained earnings		(10,991,435)	(7,336,795)
Capital Reserves		135,961,645	135,961,645
Total		125,070,210	128,724,850
Current liabilities			
Trade and other payables	22	4,316,908	3,227,437
Refundable deposits and Prepayments	23	885,500	749,900
Total current Liabilities		5,202,408	3,977,337
Total Equity and Liabilities		130,272,618	132,702,187

The financial statements were approved by the Board on 28th August, 2025 and signed on its behalf by:


.....
Johnbosco Nyamai Malelu
Managing Director


.....
Eric Kimuyu
Head of Finance


.....
Stephen Mumo Kaloki
Chairman of the Board

ICPAK M/No: 16495

17. Statement Of Changes in Equity for the Year Ended 30 June 2025

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2023		100,000	0	0	(8,282,954)	0	135,961,645	127,778,691
New capital issued		0						0
Revaluation gain		-	0	-	-	-	-	0
Transfer of excess depreciation on revaluation		-	(0)	-	0	-	-	-
Deferred tax on excess depreciation		-	0	-	-	-	-	0
Fair value adjustment on quoted investments		-	-	0	-	-	-	0
Profit for the year		-	-	-	946,159	-	-	946,159
Capital/Development grants received during the year		-	-	-	-	-	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	0	-	(0)	-
Dividends paid – prior year		-	-	-	-	(0)	(0)	(0)
Interim dividends paid – current year		-	-	-	-	(0)	-	(0)
Proposed final dividends		-	-	-	(0)	0	0	-
As at June 30, 2024		100,000	0	0	(7,336,795)	0	135,961,645	128,724,850
As at July 1, 2025		10,0000	0	0	(7,336,795)	0	135,961,645	128,724,850
Issue of new share capital		0	0	0	0	0	0	0
Revaluation gain		-	0	-	-	-	-	0

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

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Transfer of excess depreciation on revaluation		-	(0)	-	0	-	-	-
Deferred tax on excess depreciation		-	0	-	-	-	-	0
Fair value adjustment on quoted investments		-	-	0	-	-	-	0
Profit for the year		-	-	-	(3,654,640)	-	-	(3,654,640)
Capital/Development grants received during the year		-	-	-	-	-	0	0
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	0	-	(0)	-
Dividends paid – prior year		-	-	-	-	(0)	(0)	(0)
Interim dividends paid – current year		-	-	-	(0)	-	-	(0)
Proposed final dividends		-	-	-	(0)	0	0	-
At June 30, 2025		100,000	0	0	(10,991,435)	0	135,961,645	125,070,210

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

Kathiani Water and Sanitation Company Ltd

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

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

	Note	2024-2025 FY	2023-2024 FY	RESTATED 2023-2024 FY
		Kshs		Kshs
Cash Flows from Operating Activities				
Receipts				
Operating Receipts	6	9,175,285	19,457,631	19,457,631
Grants Income (salary of seconded staff)	7	1,603,220	1,584,375	1,584,375
Finance Income		0	0	0
Other Income	8	24,500	34,850	34,850
Customer Deposits	23	135,600	749,900	97,200
Total Receipts		10,938,605	21,826,756	21,174,056
Payments				
Staff Costs	9	5,322,369	5,478,015	5,478,015
General And Operation Expenses		2,723,375	6,067,484	4,324,415
Board Expenses	11	480,000	440,000	440,000
Maintenance Expenses	12	2,563,138	5,434,832	5,434,832
WASREB Arrears		-	-	1,816,302
WRA Arrears		-	-	218,554
OAG Arrears		-	-	573,000
Court Degree(Kelvus and Irene)		-	-	1,900,000
Kplc		-	-	490,314
June 2023 salary		-	-	270,018
NSSF Arrears		-	-	184,674
Total Payments		11,088,882	17,420,331	21,130,124
Net Cash From/ (Used In) Operating Activities		(150,277)	4,406,425	43,932
Cash And Cash Equivalents At Beginning of Year		152,977	109,045	109,045
Effects Of Foreign Exchanges Rate Fluctuations		0	0	0
Cash And Cash Equivalents At End of the Year		2,700	4,515,470	152,977

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

19. 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	Kshs	Kshs	Kshs	Kshs	
	a	b	C=a+b	d	e= c-d	f=d/e %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year*	-	0	0	0	0	
Receipts						
Operating Revenue	12,000,000	(1,500,000)	10,500,000	8,793,564	1,706,436	83.74 %
Grants (seconded staff salary)	1,560,000	60,000	1,620,000	1,603,220	16,780	98.96 %
Arrears collection	2,500,000	(1,340,000)	1,160,000	692,098	467,902	59.66 %
Total Receipts	16,060,000	(2,780,000)	13,280,000	11,088,882	2,191,118	83.50 %
Payments						
Staff Costs	5,175,000	205,000	5,380,000	5,322,369	57,631	98.93 %
Board Expenses	984,000	(484,000)	500,000	480,000	20,000	96.00 %
General and operations Expenses	5,786,000	(1,186,000)	4,600,000	2,723,375	1,876,625	59.20 %
Maintenance	4,115,000	(1,315,000)	2,800,000	2,563,138	236,862	91.54 %
Finance costs	-	-	-	-	-	-
Total Recurrent Expenditure	16,060,000	(2,780,000)	13,280,000	11,088,882	2,191,118	83.50 %
Total Payments	16,060,000	(2,780,000)	13,280,000	11,088,882	2,191,118	83.50 %
Capital Expenditure Payments	-	-	-	-	-	-
Surplus	-	-	-	-	-	-

Budget notes: Provide explanation of differences between actual and budgeted amounts (10% difference over/ under). Provide an explanation of changes between original and final budget, indicating whether the difference is due to reallocations or other causes.

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A
1	Reason for differences	xx
2	Reason for differences	xx
3	Reason for differences	xx
4	Reason for differences	xx
	Closing Cash and Cash Equivalent as per the statement of Cash flows	xxx

20. Notes To the Financial Statements

1. General Information

Kathiani Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act. The Company is wholly owned by the Machakos County Government and is domiciled in Kenya. The Company's principal activity is provision of clean water for residents of Kathiani. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

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

Kathiani Water and Sanitation 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

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

Kathiani Water and Sanitation 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

Kathiani Water and Sanitation Co. Ltd did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) 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	Nil	0%
Buildings and civil works	25	4%
Infrastructure works	25	4%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.33%
Office equipment, furniture and fittings	8	12.5%

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. ^[OB]

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.

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 all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page xxx of this report.

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 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.

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 operates a defined contribution scheme for all full-time employees from July 1, 2024. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% per employee per month.

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 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 on 21st June, 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded reduced appropriations of Kshs 1,780,000 on the 2024-2025 budget following the governing body's approval. The Company's budget is prepared on a

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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 xxx 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.

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.

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Provision for Bad debts are estimated at 20% of the amount outstanding more than 120 days which is in the company policy.

Notes to the financial statements (continues)

6. Operating Revenue

	2024-2025	2023-2024
	FY	FY
	Kshs	Kshs
Water sales	9,865,124	10,570,655
Sewerage Services	0	0
Arrears collection	0	8,886,976
Billing for other services*	0	0
Total	9,865,124	19,457,631

7. Grants Income

	2024-2025	2023-2024
	FY	FY
	Kshs	Kshs
Operational grants from Government entities	0	0
Recurrent/operational grants from other agencies(Salary of County seconded staff)	1,603,220	1,584,375
Capital grants amortised	0	0
Donations from County Governments	0	0
In Kind contribution/donations from other agencies	0	0
Total	1,603,220	1,584,375

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Notes to the financial statements (continued)

8. Other Income

	2024-2025	2023-2024
	FY	FY
	Kshs	Kshs
Sale of Tender	0	0
0Fine and penalties	0	0
Rental income	0	0
Insurance compensation	0	0
Miscellaneous income (New lines connection)	24,500	34,850
Total	24,500	34,850

9. Staff Costs

Description	2024-2025	2023-2024
	FY	FY
	Kshs	Kshs
Gross Salary and Allowances	3,021,508	2,791,209
Casual workers' Wages	417,700	722,744
Medical insurance schemes	0	0
Salary of County seconded staff	1,603,220	1,584,375
Employer's contributions to social security schemes (NHIF)	175,490	145,986
Employer's contributions to Housing levy	43,451	59,301
Provisions for Leave pay	0	0
Gratuity provisions	0	0
Fringe Benefit tax	0	0
Staff welfare	0	10,000
Staff Incentives	61,000	79,400
Total	5,322,369	5,478,015
The average number of employees during the year	16	15

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10. General and Operations Expenses

	2024-2025	2023-2024
	FY	FY
Description	Kshs	Kshs
Chemicals	850,652	1,407,509
Electricity	2,842	524,421
Fuel, oil, lubricants, and gases	14,700	26,860
Bulk water Costs	0	0
Office supplies (office expenses, office tea, stationary and printing)	1,047,833	867,916
Uniform and protective clothing	0	33,800
Telecommunication	139,800	55,740
Medical supplies	0	5,295
Postage and courier	9,450	19,513
Rent and Rates	0	0
Purchase of Computers/ Printers	0	148,000
Hire of Equipment and vehicles	12,000	20,000
Claims and compensation	0	0
Domestic Traveling and subsistence	530,500	628,850
Foreign travel and accommodation	0	0
Staff training and development	0	0
Bank Charges	52,140	40,640
Security services	0	0
Agency commissions	0	0
Publicity and advertising	0	0
Purchase of furniture	0	16,500
Audit fees	232,000	232,000
Legal fees	0	0
Consultancy fees	90,000	210,000
Licensing and levies(WRA +WASREB)	448,022	474,765
Sports and recreation	0	221,380
Stakeholders' expenses	0	0
Donations/CSR	0	0
Hospitality expenses (Entertainment)	66,300	108,054
Research and Development	0	0
Conservation expenses	0	0
Provision for doubtful debts	910,889	1,026,241
Total	4,407,128	6,067,484

Notes to the financial statements (continued)

11. Board Expenses

Description	2024-2025	2023-2024
	FY	FY
	KShs	KShs
Chairman Honoraria	240,000	240,000
Sitting allowances	240,000	200,000
Medical Insurance	0	0
Induction and Training	0	0
Travel and accommodation	0	0
Other allowances	0	0
Total Board Expenses	480,000	440,000

12. Maintenance Expenses

Description	2024-2025	2023-2024
	FY	FY
	Kshs	Kshs
Plant and Equipment (Pumps & Treatment works)	195,800	177,413
Buildings	53,585	43,915
Infrastructural networks (Operations and Maintenance)	1,904,710	4,938,339
Motor vehicles	6,400	95,965
Software(Computers and Printers)	45,836	10,000
ICT (Information Communication Technology) wifi	56,807	0
Furniture	0	6,300
Water Meter maintenance costs	300,000	162,900
Total Maintenance Expenses	2,563,138	5,434,832

13. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2025, a final dividend in respect of the year ended June 30, 2025 of Kshs. 0 (2025: Kshs. 0) for every ordinary share of par value of KShs. 0 is to be proposed. An interim dividend of Kshs. 0 (2025: Kshs. 0) for every ordinary share of par value of KShs. 0 was declared and paid during the year. This will bring the total dividend for the year to KShs. 0 (2025: KShs. 0).

14. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Plant and machinery & Water Infrastructure	Motor vehicles, including, motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Depreciation rate		4%	12.5%	25%	33.33%	12.5%		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2023	100,000,000	4,544,819	17,102,1012	6,750	120,382	107,858	0	121,881,911
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfers/Adjustments	-	0	-	-	-	0	0	0
Revaluation Adjustments	0	0	0	0	0	-	0	0
As at 30th June 2024	100,000,000	4,544,819	17,102,102	6,750	120,382	107,858	0	121,881,911
Additions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Transfer/Adjustments	0	0	0	0	0	0	0	0
Revaluation Adjustments	0	0	0	0	0	-	0	0
As at 30th June 2025	100,000,000	4,544,819	17,102,102	6,750	120,382	107,858	0	121,881,911
Depreciation And Impairment								
At 1 July 2024	100,000,000	4,544,819	17,102,102	6,750	120,382	107,858	0	121,881,911
Depreciation	0	181,793	2,137,763	1,688	40,123	13,482	0	2,374,849
Impairment		0	0	0	0	-	0	0
Transfers/ Adjustments		0	0	0	0	-	0	0
As At 30th 2025	100,000,000	4,363,026	14,964,339	5,062	80,259	94,376	0	119,507,062
Depreciation		0	0	0	0	0	0	0
Disposals		0	0	0	0	-	0	0
Impairment		0	0	0	0	-		0

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Description	Freehold land	Buildings & civil works	Plant and machinery & Water Infrastructure	Motor vehicles, including motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Transfer/Adjustment		0	0	0	0	-	0	0
As at 30th June 2025	100,000,000	4,363,026	14,964,339	5,062	80,259	94,376	0	119,507,062
As at 30th June 2024	100,000,000	4,544,819	17,102,102	6,750	120,382	107,858	0	121,881,911
As at 30th June 2025	100,000,000	4,363,026	14,964,339	5,062	80,259	94,376	0	119,507,062

There was no capital work in progress during the year.

Valuation

There was no valuation on Land, property, plants equipments by independent valuer. Valuation was based on engineer's estimates .

14 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulat ed Depreciatio n	NBV
	Kshs	Kshs	Kshs
Land	100,000,000	0	100,000,000
Buildings	6,780,000	2,416,974	4,363,026
Plant and machinery& pipelines	54,100,000	39,135,661	14,964,339
Motor vehicles, including motorcycles	89,900	84,838	5,062
Computers and related equipment	96,000	163,744	80,259
Office equipment, furniture, and fittings	95,000	72,124	94,376
	161,160,900	41,873,341	119,507,062

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15. Inventories

	2024-2025	2023-2024
	FY	FY
	Kshs	Kshs
General stores	210,000	270,000
Chemicals & Laboratory items	384,000	446,700
Water fittings and Accessories	1,704,224	2,228,728
Water meters	925,000	965,000
Water pump	335,000	350,000
Water in tanks and pipelines	65,232	59,250
Total	3,623,476	4,319,678

[Provide short appropriate explanations as necessary]

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16. Trade and Other Receivables

	2024-2025	2023-2024FY
	FY	
	KShs	KShs
Trade and other receivables (note (16a))	8,050,269	7,363,358
Deposits and prepayments	0	0
VAT (Value Added Tax) recoverable	0	0
Other receivables (Housing levy)	0	10,504
Gross trade and other receivables	8,050,269	7,373,862
Provision for bad and doubtful receivable	(910,889)	(1,026,241)
Net trade and other receivables	7,139,380	6,347,621
Analysed as:		
Short- Term Trade and Other Receivables	0	0
Long- Term Trade and Other Receivables	0	0

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16 (a) Trade Receivables

	<i>Insert Current FY</i>	<i>Insert Comparative FY</i>
	Kshs	Kshs
Gross trade receivables	8,050,269	7,363,358
Provision for doubtful receivables	(910,889)	(1,026,241)
Net trade receivables	7,139,380	6,337,117
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	729,386	1,211,679
Between 30 and 60 days	1,019,601	725,982
Between 61 and 90 days	158,430	129,041
Between 91 and 120 days	1,588,409	162,454
Over 120 days	4,554,443	5,132,202
Total	8,050,269	7,363,358

The company policy provides 20% of trade receivables more than 120 days as provision for doubtful debts, hence 20% of Kshs. 4,554,443 = Kshs. 910,889 (Provision for doubtful debts)

17. Bank and Cash Balances

	2024-2025	2023-2024FY
	FY	
	Kshs	Kshs
Cash at bank	2,000	137,927
Cash in hand	0	0
Mobile money account	700	15,050
	2,700	152,977

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Detailed analysis of the cash and cash equivalents

		2024-2025 FY	2023-2024FY
Financial institution	Account number	KShs	KShs
a) Current account			
Cooperative bank	01120550512700	4,096	56,447
Equity bank	0600278914480	11,205	81,530
Sub- total		15,301	137,977
b) On – call deposits			
Cooperative banks	01100550512700	(13,301)	(50)
Sub- total		(13,301)	(50)
Mobile money account	672853	700	15,050
Sub- total			15,050
Grand total		2,700	152,977

18. Ordinary Share Capital

	2024-2025 FY	2023-2024FY
	Kshs	Kshs
Authorized:		
1000 ordinary shares of Kshs. 100 par value each	100,000	100,000
Issued and fully paid:		
1000 ordinary shares of Kshs. 100 par value each	100,000	100,000

[Ordinary shares refer to nominal share capital of the company]

19. 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.

20. 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.

21. Retained Earnings

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

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22. Trade and Other Payables

	2024-2025 FY	2023-2024FY
	Kshs	Kshs
Trade and other payables		
Employees payables(June 2025 salary not paid)	285,625	219,615
Electricity	(8342)	(11,089)
TANATHI	2,312,146	2,312,146
WASREB	817,432	422,827
WRA	105,355	51,938
AUDIT FEE	464,000	232,000
Chemicals	340,692	0
Total	4,316,908	3,227,437

Aging Analysis for Trade and other Payables

	2024-2025 FY	% of the total	2023-2024 FY	% of the total
Under one year	1,298,174	30 %	915,291	28.35%
1-2 years	706,588	16.34 %	0	0%
2-3 years	0	0 %	0	0%
Over 3 years	2,312,146	53.56 %	2,312,146	71.65%
Total	4,316,908	100 %	3,227,437	100%

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23. Refundable Deposits and Prepayments

	2024-2025 FY	2023-2024 FY
	Kshs	Kshs
Customer deposits	885,500	749,900
Total	885,500	749,900

Aging Analysis for Refundable Deposits and Prepayments

	2024-2025 FY	% of the total	2023-2024 FY	% of the total
Under one year	135,600	15.31%	97,200	12.96 %
1-2 years	97,200	11.00%	88,400	11.79 %
2-3 years	88,400	9.98%	97,200	12.96 %
Over 3 years	564,300	63.73%	467,100	62.29 %
Total	885,500	100%	749,900	100 %

24. Notes to The Statement of Cash Flows

	2024-2025 FY	2023-2024 FY
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(3,654,640)	946,159
Depreciation	2,374,849	2,710,366
Amortization	0	0
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	(1,279,791)	3,656,525
Working capital changes:		
(Increase)/decrease in inventories	(693,202)	3,452,249
(Increase)/decrease in trade and other receivables	802,263	(4,563,437)
Increase/(decrease) in trade and other payables	1,089,471	(4,654,932)
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0
Cash generated from/ (used in) operation	1,198,532	(5,766,120)

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	2024-2025	2023-2024
	FY	FY
	Kshs	Kshs
Short term deposits	0	0
Cash at bank	2,700	152,977
Cash in hand	(0)	(0)
	<u> </u>	<u> </u>
Balance at end of the year	2,700	152,977

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Notes to the financial statements (continued)

Other Disclosures

25. Related Party Disclosures

County Government of Machakos

The County Government of Machakos is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Machakos 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 Machakos
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WRA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2024-2025	2023-2024
	FY	FY
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	842,825	2,602,020
Total	842,825	2,602,020
b) Grants from the Government		
Grants from County Government (salary of seconded staff)	1,603,220	1,584,375
Total	1,603,220	1,584,375
c) Key management compensation		
Directors' emoluments	480,000	440,000
Compensation to key management	0	85,000
Total	480,000	525,000

26. Incorporation

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

27. Events After the Reporting Period

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

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21. 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	Unsuported property, plant and equipment	Management has written to CECM land for valuation of the property, plants and equipment.	On going	
2	Long standing trade and other receivables	Management has entered into agreement with debtors (customers) on partial payment as they clear current debt. Disconnections to non compliant done.	Not resolved	
3	Unsuported provision for bad debts	Management provided finance policy in support of provision for bad bebt which has since been approved by board.	Resolved	
4	Inaccuracies in the statement of cash flows	The inaccuracy has since been corrected	Resolved	
5	Use of outdated tariff	Tariff not yet aquired	Not resolved	
6	Failure to file annual returns	Now fully filled	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
7	Long standing trade and other payables	Process of writing off the debt for tanathi with the board on going	Not resolved	
8	Lack of land ownership document	Management written to CECM land for issuance of land ownership documents	Not resolved	
9	Lack of internal audit and audit committee	Already seconded with an internal auditor.	Resolved	
10	Lack of risk management policy and disaster recovery plan	Policies already in place.	Resolved	

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

Name **JOHN BASCO N. MALELU**

Signature 

Managing Director

Date..... **19/11/2025**.....