

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY  
PAPERS LAID

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MAJORITY LEADER

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THE-TABLE:

INDITU MWALE HSC

THE AUDITOR-GENERAL

ON

GARISSA RURAL WATER AND SANITATION  
COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2025



23 SEP 2025



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**GARISSA RURAL WATER AND SEWERAGE COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

**GARISSA RURAL WATER and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**1. Acronyms and Glossary of Terms**

**A. Acronyms**

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

**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 Garissa Rural Water and Sewerage Company Ltd was established by the Companies Act (CAP 486) of Parliament on 16th August 2023. At the County level, the Company is represented by the County Executive Member responsible for water and sanitation, who, together with the board of directors, is responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and operates in Garissa County.

**Principal Activities**

The principal activity/mission of Garissa Rural Water and Sewerage Company is to improve the quality of life through the provision of potable water services in an environmentally and commercially sustainable manner to the satisfaction of our stakeholders, while managing sewerage services across Garissa County.

**Directors**

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

<b>Name</b>	<b>Position</b>	<b>Date Appointed</b>
1. Mr. Gabow Abdi Hassan	Chairman	13/11/2024
2. Mrs Nadhifo Ali Issack	Vice Chair	13/11/2024
3. Mr. Ali Guhad Hussein	Member	13/11/2024
4. Mrs. Binto Mohammed Salat	Member	13/11/2024
5. Mrs. Habiba Mohammed Daud	Member	13/11/2024
6. Mohamed Ibrahim Sugow	Member	13/11/2024
7. Abdilatif Sheikh Mohamed	Member	13/11/2024

**Company Secretary**

Mr. Collins Kipchirchir Masai  
P.O. Box 563-70100  
Garissa

**Corporate Headquarters**

Along Lamu Road, opposite Garissa Law Courts  
P.O. Box 563-70100  
Garissa

**Corporate Contacts**

Telephone: 0105263395  
E-mail: [info@garuwasco.co.ke](mailto:info@garuwasco.co.ke)  
Website: [www.garuwasco.co.ke](http://www.garuwasco.co.ke)

**Corporate Bankers**

National Bank

Garissa Branch

P.O. Box 457-70100

Garissa, 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

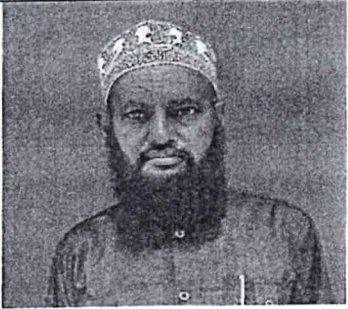


P.O. Box 40112

City Square 00200

Nairobi, Kenya

**GARISSA RURAL WATER and Sewerage Company Ltd**  
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**3. The Board of Directors**

Directors	Details
 <p>Chairman. Mr. Gabow Abdi Hassan</p>	<p>D.O.B: 1/1/1964</p> <p>Diploma in Islamic and Sharia studies</p> <p>Professional journey as an Adult Teacher in Liboi Town in 1985 before transitioning into public service, where he was elected Councillor for Damajale Ward, Liboi Division (1988–1992) and later served as Councillor for Alango Arba Ward and Vice Chair of the Garissa County Council (1997–2002).</p>
 <p>Vice Chair: Mrs Nadhifo Ali Issack</p>	<p>D.O.B: 1/1/1984</p> <p>Diploma in Community Health</p> <p>Built her career around healthcare service delivery and community development. She began my professional journey with the Kenya Redress, where she served as a Community Health Officer and Food Monitor, contributing to health promotion and humanitarian support</p>
 <p>Mr. Ali Guhad Hussein</p>	<p>D.O.B: 1/1/1976</p> <p>Diploma in Human Resource</p> <p>He dedicated his career to community organization, resource management, and peacebuilding, with a strong focus on water use and rangeland management. Over the years, He has served in several leadership roles, including Secretary of the Benane Water User Associations (2016–2018) and later as the Chairperson of the Benane Rangeland Management Committee (2021–2023),</p>

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Mrs. Bintu Mohammed Salat




*D.O.B: 10/8/1981*  
*Diploma in Business Management and a Certificate in Pharmaceutical Technology*  
 Has over 20 years of experience in community service, institutional leadership, and development work. She began her career with the Kenya Red Cross (KRC) as a Field Monitor and has since taken on various leadership and advisory roles, including serving as a Trainer of Trainers under ARLMP II (2003–2005), Chairperson of the Board of Management at Moi Boarding Primary School, Masalani (2021–2022), Board Member of the Primary Healthcare Technical Working Group for Ijara Sub-County Level 4 Hospital (2020–2023), and Advisory Committee Member for GIRL-H (2023–2024)






Mrs. Habiba Mohammed Daud

*D.O.B: 3/3/1993*  
*Diploma in Business Administration*  
 From 2017 to 2022, she served as a Board Committee Member of the CDF in Balambala Constituency. worked with the Independent Electoral and Boundaries Commission (IEBC) as a Clerk

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 <p>Mohammed Ibrahim Sugow</p>	<p><i>D.O.B:</i></p> <p>He holds a Master’s degree in Business Administration (Strategic Management) and a Bachelor’s degree in Sociology and Armed Conflict Studies.</p> <p>He has served in key roles including Monitoring &amp; Evaluation Specialist at World Vision, Project Officer for Markets and Cash Programming and Data Analyst at CARE Kenya, and Senior Operations Officer at Chase Bank</p> <p>Currently, he serve as the Chief Officer – Water Services</p>
 <p>Abdilatif Sheikh Mohammed</p>	<p><i>D.O.B:</i></p> <p>He holds a Bachelor’s degree in Business Management, which has provided him with a strong foundation in organizational leadership, financial management, and strategic decision-making.</p> <p>Currently, he serves as the Chief Officer – Finance</p>
 <p>Kulmiye Siyat Rashid  <i>Managing Director</i></p>	<p><i>D.O.B:</i> 26/06/1994  Bsc Energy and Environmental Engineering</p>

**4. Key Management Team**

Managers	Details
 <p><b>Kulmiye Siyat Rashid</b>  <b>Managing Director (M.D).</b></p>	<p>D.O.B: 26/06/1994                      Bsc Energy and Environmental Engineering</p>
 <p><b>Ahmed Sheikh</b>  <b>Technical Services Manager.</b></p>	<p>D.O.B: 1/1/1969                      Diploma in Water</p>
 <p><b>Musa Hassan Mursal</b>  <b>Finance Manager.</b></p>	<p>D.O.B: 1/1/1992                      Bsc in Business Management</p>

## **5. Chairman's Statement**

It is my honour and privilege to present the last financial year's summary report on behalf of the Board of Directors of Garissa Rural Water and Sewerage Company (GARUWASCO). The past year has been one of great starts, progress, transition, and strategic reorientation, as we aim to deliver on our core mandate — provision of reliable, safe, and affordable water and sewerage services to the residents of Garissa.

### **Key Activities and Milestones**

Among the most significant developments this year was the successful rollout of key infrastructure projects and mapping out of our areas of operations. These projects were aimed at laying the ground work for water production and distribution capacity in response to the needs of the residents in rural areas within Garissa County.

Our community outreach programs remained a strong pillar of our activities. Through public barazas, media engagements, and partnership forums, we enhanced awareness on water conservation, hygiene practices, and customer responsibilities.

### **Successes Consolidated**

This year saw a notable milestone in the establishment of the water company. We had our board members vetted and gazetted. We also received funding to help us set up the necessary infrastructure that will go a long way in ensuring the success and survival of GARUWASCO.

### **Challenges Faced**

Despite these gains, GARUWASCO faces financial constraints, especially the fact that we are a new company that is still build our infrastructure and are fully reliant on donors. This has affected our ability to invest in critical capital projects. Additionally, climate change effects — including droughts and flooding — continue to stress water availability and system resilience.

### **Outlook and Way Forward**

Looking ahead, the Board is committed to steering GARUWASCO toward a more sustainable, customer-focused, and technology-driven future. We intend to adopt an ERP system and expand our renewable energy to reduce operational costs. Building our water infrastructure systems to start generating revenue from water sales is our biggest goal.

We are also working closely with the County Government and development partners to mobilise additional funding for large-scale infrastructure development. Capacity building for staff, public-private partnerships, and stakeholder collaboration will form the backbone of our next strategic plan.

In conclusion, I extend my heartfelt appreciation to the entire Board, management, staff, partners, and the people of Garissa for their continued support and trust. Together, we shall continue to build a water-secure future for our county.

**6. Report of the Managing Director**

It is my honor to present this statement on behalf of Garissa Rural Water and Sewerage Company LTD, a public rural water company that was formally registered on 16 August 2023. Our establishment marks a significant step towards addressing water scarcity challenges in rural communities and enhancing resilience in line with national and regional development priorities.

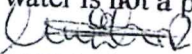
In the reporting period, the company received KShs. 33,000,000 in funding support from the World Bank, dedicated to the implementation of the Horn of Africa Ground Reticulation Project. This flagship initiative is designed to expand access to safe and reliable water resources, with a particular focus on harnessing groundwater potential for sustainable rural development.

Since inception, we have prudently managed the funds received, deploying KShs. 12,737,280 towards general operational expenses to establish and strengthen our institutional framework, and KShs. 10,166,030 towards test pumping of boreholes. These activities have laid the foundation for the successful rollout of project interventions, while also ensuring accountability and efficiency in resource utilization.

As a young organization, we are committed to building strong systems, fostering stakeholder partnerships, and maintaining the highest standards of transparency and service delivery. The support of the World Bank has been invaluable in positioning the company to achieve its mandate and to play a pivotal role in improving water security for rural communities across the Horn of Africa region.

Looking ahead, we remain focused on accelerating project implementation, strengthening community engagement, and ensuring that our interventions bring tangible and lasting benefits to the people we serve.

On behalf of the Board and Management, I wish to sincerely thank the World Bank, our partners, and the communities for their trust and collaboration. Together, we are building a future where access to safe water is not a privilege, but a guarantee for every household.

  
Rashid Kulmiye Siyat

**Managing Director**

**GARUWASCO**

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**7. Statement Of Performance Against Predetermined Objectives for FY 2024/25**

The company has five strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 24-25. These strategic pillars/ themes/ issues are as follows:

- Pillar 1:** Institutional Development
- Pillar 2:** Financial stewardship
- Pillar 3:** Water Infrastructure Development
- Pillar 4:** Community Impact
- Pillar 5:** Sustainability & Partnerships

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Institutional Development	Establish and operationalize the company	<ul style="list-style-type: none"> <li>• Registration and legal compliance</li> <li>• Functional governance structures</li> <li>• Operational capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Company registration (16 August 2023)</li> <li>• Establishment of board and management</li> <li>• Recruitment of core staff</li> </ul>	<ul style="list-style-type: none"> <li>• Company successfully registered and operationalized</li> <li>• Governance framework established</li> <li>• Initial operational systems put in place (Achieved)</li> </ul>

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Pillar Financial stewardship	2: Ensure prudent utilization of donor funding	<ul style="list-style-type: none"> <li>○ % of funds accounted for</li> <li>○ Timely financial reporting</li> <li>○ Audit compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Allocation of funds to approved budget lines</li> <li>• Financial monitoring and reporting</li> </ul>	<ul style="list-style-type: none"> <li>• KShs. 33,000,000 received from World Bank, KShs. 12,737,280 spent on general expenses, KShs. 10,166,030 spent on test pumping</li> <li>• Expenditure aligned with project priorities (Achieved)</li> </ul>
Pillar 3: Water Infrastructure Development	Assess and develop sustainable groundwater sources	<ul style="list-style-type: none"> <li>• Number of boreholes tested</li> <li>• Reliability of groundwater yield data</li> <li>• Number of project sites prepared for reticulation</li> </ul>	<ul style="list-style-type: none"> <li>• Conducting test pumping of boreholes</li> <li>• Technical assessment of</li> </ul>	<ul style="list-style-type: none"> <li>• Test pumping successfully</li> </ul>

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			groundwater potential	<p>conducted</p> <ul style="list-style-type: none"> <li>Data collected to inform future water reticulation systems (Achieved)</li> </ul>
Pillar 4: Community Impact	Enhance access to safe and reliable water	<ul style="list-style-type: none"> <li>Households targeted for future water access</li> <li>Stakeholder/community engagement sessions</li> </ul>	<ul style="list-style-type: none"> <li>Engagement with communities within project areas</li> <li>Awareness on groundwater reticulation project</li> </ul>	<ul style="list-style-type: none"> <li>Awareness created among stakeholders</li> <li>Foundation laid for improved rural water access</li> <li>Direct household water supply not yet achieved (Partially</li> </ul>

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				Achieved)
Pillar Sustainability & Partnerships	5: Strengthen collaboration with stakeholders	<ul style="list-style-type: none"> <li>• Number of active partnerships</li> <li>• Donor confidence maintained</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement with World Bank and other stakeholders</li> <li>• Reporting and accountability meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Continued partnership with World Bank</li> <li>• Stakeholder confidence strengthened</li> <li>• Local partnerships still under development (Partially Achieved)</li> </ul>

## **8. Corporate Governance Statement**

GARISSA RURAL WATER and Sewerage Company is committed to upholding the highest standards of corporate governance to ensure transparency, accountability, integrity, and sound management practices in the delivery of quality water and sanitation services. This statement outlines the governance structure and practices as implemented during the reporting year.

### **1. Appointment and Removal of Board Members**

The Company's Board of Directors are appointed in line with the Water Act 2016 and the State Corporations Act Cap 446. The selection process is merit-based and guided by the principles of inclusivity, integrity, and professional competence. Board members are drawn from diverse backgrounds, including finance, engineering, water resource management, legal, and governance sectors.

Appointments are made through a competitive stakeholder participation procedure such that no individual or group of individuals or interests can dominate its decision-making.

Removal of directors follows provisions in the Company's Memorandum and Articles of Association, based on misconduct, non-performance, or breach of governance principles.

As of the reporting period, the Board comprised 5 members: 3 women and 2 men, with representation across age groups, professional disciplines, and ethnic diversity. The company has a Board Charter that outlines roles, responsibilities, and ethical conduct expected from the members.

### **2. Roles and Functions of the Board**

The primary role of the Board is to provide strategic direction and oversight of the company's operations. It ensures the company remains compliant with legal frameworks and meets its performance targets. Key functions include:

- Approval of policies and strategic plans
- Monitoring financial and operational performance
- Oversight of risk management and internal controls
- Appointment and evaluation of senior management
- Ensuring sustainability and corporate social responsibility

### **3. Induction, Training, and Development**

The Company provides a comprehensive induction program for all new Board members, covering the company's mandate, operations, governance framework, and legal obligations. During the year, continuous development sessions were conducted on topics such as public procurement, risk management, ESG (Environmental, Social, and Governance) standards, and corporate governance best practices.

#### **4. Board and Members' Performance**

The performance of the Board and its members is assessed annually through a structured self-evaluation process. The evaluation assesses individual contributions, adherence to the Board Charter, participation in meetings, and strategic input. Results of the 2024/2025 assessment showed improved performance and active engagement by all members.

#### **5. Board Meetings and Attendance**

The Board held 6 scheduled meetings and 3 special meetings during the reporting year. All members recorded attendance above 90%, indicating a strong commitment to their responsibilities. The Company Secretary maintains accurate attendance records, which are reviewed annually as part of performance evaluations.

#### **6. Succession Planning**

The Company has developed a Succession Planning Policy to ensure continuity of leadership and institutional knowledge. The policy covers both Board and senior management positions. The Human Resources Committee monitors the implementation of this plan, ensuring a pipeline of capable successors is maintained.

#### **7. Conflict of Interest Policy**

A formal Conflict of Interest Policy is in place and requires all Board members and senior staff to declare any potential conflicts at the start of each financial year or as they arise. A register of declarations is maintained, and affected individuals are recused from any related decision-making processes.

#### **8. Board Remuneration**

Board remuneration is governed by guidelines issued by the Salaries and Remuneration Commission (SRC). Members are paid a sitting allowance per meeting and receive travel reimbursement for official duties. There are no performance bonuses or share-based compensation. The remuneration policy ensures equity, transparency, and alignment with public sector norms.

#### **9. Ethics and Conduct**

The Board has adopted a Code of Ethics and Conduct, which outlines standards of honesty, integrity, accountability, and respect for the law. All members and staff are required to sign the Code annually. Ethical training is provided periodically to reinforce adherence and prevent misconduct.

#### **10. Governance Audit**

In compliance with the Code of Governance for State Corporations, a Governance Audit was conducted in the year under review by an independent certified auditor. The audit assessed governance structures, policies, risk management, and compliance. The audit confirmed significant alignment with recommended practices, and areas of improvement have been addressed in the current governance action plan.

### **11. Communication Policy**

GARUWASCO maintains an open and responsive **Communication Policy** to ensure engagement with stakeholders, including the public, regulators, and employees. Communication channels include press releases, community meetings, social media, and the corporate website. The policy promotes transparency and enhances public trust.

### **12. Terms of Reference of Committees**

The Board operates through three key committees with formal Terms of Reference:

- **Audit and Risk Committee:** Oversees internal controls, financial reporting, and audit matters.
- **Human Resource and Governance Committee:** Handles appointments, performance management, and HR policy.
- **Finance and Technical Committee:** Reviews budgets, procurement, and infrastructure development.

Each committee meets at least quarterly and reports its deliberations to the full Board.

### **13. Policy on Related Party Transactions**

GARUWASCO has instituted a Related Party Transactions Policy to manage transactions with parties that could influence or be influenced by the company. Such transactions are subject to Board approval, are disclosed in the financial statements, and are carried out on an arm's length basis to prevent abuse and ensure fairness.

### **Conclusion**

The Board of GARISSA RURAL WATER and Sewerage Company remains committed to enhancing governance practices to achieve operational excellence, regulatory compliance, and stakeholder satisfaction. The company will continue strengthening its governance framework in line with evolving industry standards and public sector reforms.

## **9. Management Discussion and Analysis**

The financial year under review marked the foundational period for Garissa Rural Water and Sewerage Company Ltd, having been formally registered on 16 August 2023 as a public rural water company. The company's mandate is to enhance rural water security, improve community livelihoods, and contribute to sustainable socio-economic development through the provision of safe and reliable water services.

### **Financial Performance**

During the period, the company received KShs. 33,000,000 in funding support from the World Bank under the Horn of Africa Ground Reticulation Project. This was the company's primary source of financing, directed towards both operationalization and project-related activities.

The expenditures for the year were as follows:

KShs. 12,737,280 on general operational expenses, which covered the establishment of governance structures, staffing, and administrative functions.

KShs. 10,166,030 on test pumping of boreholes, a critical exercise in assessing groundwater potential and guiding the design of water reticulation systems.

The prudent utilization of funds has ensured that resources were aligned with strategic objectives while laying a strong foundation for long-term project sustainability.

### **Operational Performance**

Key milestones achieved during the period include:

Successful registration and operationalization of the company.

Establishment of governance and management structures to support effective oversight and accountability.

Execution of test pumping activities that provided vital hydrogeological data to inform water infrastructure development.

Engagement with stakeholders and communities within project areas to create awareness and build ownership of the project.

## **Challenges**

As a newly registered institution, the company faced several challenges, including:

Limited institutional capacity in its formative stage, requiring significant investment in systems and human resources.

Delays in direct community-level impact, since test pumping and preparatory works precede actual water supply.

Dependency on donor financing, which underscores the need to diversify funding sources in the medium to long term.

## **Outlook and Way Forward**

Looking ahead, the company's focus will be on scaling up the implementation of the Horn of Africa Ground Reticulation Project to ensure that communities begin to realize tangible benefits in terms of access to safe water. Priority areas for the coming period include:

Expanding groundwater development and reticulation infrastructure.

Strengthening institutional systems for efficiency, accountability, and service delivery.

Enhancing stakeholder partnerships at local, national, and regional levels.

Developing sustainable revenue streams to reduce over-reliance on donor funding.

The management remains committed to transparency, accountability, and effective service delivery. With the continued support of the World Bank, stakeholders, and communities, Garissa Rural Water and Sewerage Company Ltd is well positioned to deliver on its mandate and contribute significantly to water security in the Horn of Africa region.

Rashid Kulmiye  
**Managing Director**  
**GARUWASCO**

## **10. Environmental And Sustainability Reporting**

As part of our mandate, Garissa Rural Water and Sewerage Company Ltd is committed to ensuring that all activities under the Horn of Africa Ground Reticulation Project are undertaken in an environmentally responsible and socially sustainable manner. Registered on 16 August 2023, the company recognizes the importance of safeguarding natural resources while delivering safe, reliable, and affordable water services to rural communities.

### **Environmental Stewardship**

During the reporting period, the company undertook test pumping of boreholes at a cost of KShs. 10,166,030, to assess groundwater potential. These activities were conducted in strict compliance with environmental and hydrogeological standards, with the following key considerations:

- Environmental Impact Assessments (EIAs) were undertaken prior to drilling and test pumping.
- Proper groundwater abstraction controls were applied to avoid over-extraction and to preserve aquifer integrity.
- Wastewater from test pumping was managed to minimize land and water contamination.
- Engagement with local communities to sensitize them on sustainable groundwater usage.

### **Social Sustainability**

Our sustainability approach goes beyond environmental protection to include the long-term social and economic wellbeing of the communities we serve. Key achievements include:

**Community Engagement:** Consultative meetings were held to ensure that local populations are actively involved in project design and implementation.

**Capacity Building:** Communities were sensitized on water conservation practices to promote sustainable usage.

**Equity and Inclusion:** The project design prioritizes vulnerable rural households that historically face challenges accessing safe and reliable water.

### **Governance and Accountability**

To ensure sustainability in governance and financing:

**Transparency:** KShs. 33,000,000 received from the World Bank was fully aligned with approved project activities, with KShs. 12,737,280 used for general operations and KShs. 10,166,030 for test pumping.

**Accountability:** Regular reporting to the World Bank and other stakeholders has enhanced confidence in the company's stewardship of resources.

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**Sustainability Planning:** Initial steps have been taken towards developing long-term revenue models to reduce reliance on external funding.

### **Challenges**

The company acknowledges that environmental and sustainability management is an evolving process. Challenges faced during the period include:

- Limited institutional capacity for environmental monitoring.
- Delayed realization of direct community benefits, as infrastructure development is still in its initial stages.
- Climate variability, which poses a risk to groundwater recharge and sustainability.

### **Way Forward**

Looking ahead, the company commits to:

- Expanding groundwater infrastructure while adhering to sustainable abstraction limits.
- Strengthening environmental monitoring and reporting systems.
- Integrating climate-resilient practices in water development.
- Scaling up stakeholder engagement to build a culture of conservation and ownership.
- Pursuing partnerships that promote renewable energy use in water pumping systems to reduce carbon footprint.

**11. Report Of the Directors**

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

**i) Principal activities**

The principal activity/mission of GARISSA RURAL WATER and Sewerage Company is to improve the quality of life through the provision of potable water services in an environmentally and commercially sustainable way to the satisfaction of our stakeholders.

**ii) Results**

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

**iii) Directors**

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

**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 to carry out the audit of the Company for the year/period ended June 30, 2025, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



.....  
**Name: Rashid Kulmiye Siyat**  
**Secretary to the Board**  
**Date:**

# REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



**HEADQUARTERS**  
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P.O Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON GARISSA RURAL WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

- A. Report on the 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 the Lawfulness and Effectiveness in 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 the 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 Garissa Rural Water and Sanitation Company Limited set out on pages 1 to 44 which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other

comprehensive incomes, statement of cash flows, statement of changes in equity 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 Garissa Rural 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 (Amendment) Act, 2024 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies In Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.13,643,603 as disclosed in Note 15 to the financial statements. However, the balance does not include net book values of ICT equipment, furniture and fitting, motor vehicles and boreholes under control of the Company. In addition, the asset register did not include the donated motor vehicle and net book values of assets were not included in the register.

In the circumstance, the accuracy and completeness of property, plant and equipment balance of Kshs.13,643,603 could not be confirmed.

#### **2. Unsupported Depreciation Expense**

The statement of profit or loss and other comprehensive incomes reflects an amount of Kshs.6,320,717 in respect of depreciation and amortization expenses as disclosed in Note 13 to the financial statements. However, the Company did not have an approved depreciation policy as a basis of depreciating the different classes of assets.

In the circumstance, the accuracy of the depreciation expense of Kshs.6,320,717 could not be confirmed.

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

## **Key Audit Matters**

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

## **Other Matter**

### **Under-Funding of the Company**

The approved budget of the County Government of Garissa included an allocation of Kshs.90,000,000 for Garissa Rural Water and Sanitation Company Limited for the year ended 30 June, 2025. However, review of the bank statements, supporting documents and confirmation from Management indicated that the County Executive did not transfer the amount to the Water Company. Further, it was noted that the Company did not disclose this budget allocation in the statement of comparison of budget and actual amounts.

The under-funding of the Company hampers provision of water and sewerage services to the residents of Garissa Rural communities.

## **Other Information**

The Management is responsible for the Other Information set out on page iii to xxii which comprise of Key Entity Information and Management, the Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Report of the Directors. 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 USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for conclusion on Lawfulness and

Effectiveness in 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**

### **Operation Without a License from WASREB**

Information provided by Management revealed that the Company did not have a valid license from the Regulatory Board. This is contrary to Section 85(1) of Water Act, 2016 which states that a person shall not provide water services except under a license issued by the Regulatory Board.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Failure to Collect Revenue**

The Company did not put in place adequate mechanisms to facilitate effective collection of revenue. As a result, significant amounts of collectible revenue were either not billed, not collected, or remained unaccounted for. In addition, the Company did not have approved tariffs from the Water Services Regulatory Board (WASREB). This undermines the Company's ability to meet its financial obligations and may adversely affect service delivery.

In the circumstances, the effectiveness of the revenue collection measures implemented by the Company could not be confirmed.

## **2. Lack of Audit Committee**

The Company did not have an audit committee as required by the Regulation 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that each County Government entity shall establish an audit committee.

Lack of audit committee may lead to reduced oversight of financial reporting which may increase risk of errors, misstatements or even fraud in financial records and reports

## **3. Lack of Disaster Recovery Plan**

The Management did not establish a disaster recovery plan to address potential risks or disruptions, leaving the Company vulnerable to significant operational setbacks in the event of unforeseen incidents. Without a formalized plan, there is no clear strategy to restore critical systems, safeguard essential data or ensure business continuity. This lack of preparedness could result in prolonged downtime, financial losses, and compromised service delivery to the public.

The absence of a disaster recovery plan increases the risk of permanent data loss or infrastructure damage.

## **4. Lack of Risk Management Policy**

During the financial year under review, the Management did not establish a risk management policy to identify, assess and mitigate potential risks. A comprehensive risk management framework would have been critical in safeguarding the company's assets and ensuring long-term sustainability.

In the circumstances, the effectiveness of risk management in the Company 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records and,
- iii. The Company's financial statements are in agreement with the accounting records

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

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

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

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

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

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


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

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

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

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

Nairobi

30 October, 2025

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

	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	-	-
Grants Income	7	33,000,000	-
Other Income	8	19,964,320	-
<b>Total Revenue</b>		<b>52,964,320</b>	<b>-</b>
<b>Expenses</b>			
Staff Costs	9	-	-
General and Operations expenses	10	12,737,280	-
Board Expenses	11	-	-
Maintenance Expenses	12	10,166,750	-
Depreciation and Amortization expenses	13	6,320,717	-
Finance Costs	14	-	-
<b>Total Expenses</b>		<b>29,224,747</b>	<b>-</b>
<b>Profit/(Loss) Before Taxation</b>		<b>23,739,573</b>	<b>0</b>
<b>Income Tax Expense/(Credit)</b>		<b>7,121,872</b>	<b>0</b>
<b>Profit/(Loss) After Taxation</b>		<b>16,617,701</b>	<b>0</b>
Earnings Per Share – Basic and Diluted		-	0
Dividend per share		-	0

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<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		<b>16,617,701</b>	<b>0</b>
Surplus or deficit on revaluation of PPE		-	0
Remeasurement of net defined benefit liability		-	0
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	0
<b>Total Comprehensive Income for The Year</b>		<b>16,617,701</b>	<b>0</b>

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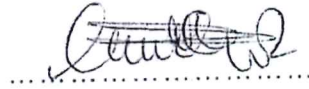
**15. Statement Of Financial Position As at 30 June 2025**

	Note	2024/2025	Insert Comparative FY
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	13,643,603	-
<b>Total non-current assets</b>		<b>13,643,603</b>	<b>-</b>
<b>Current assets</b>			
Trade and receivable	16	-	-
Prepayments	17	-	-
Bank and cash balances	18	13,455,970	-
<b>Total non-current assets</b>		<b>13,455,970</b>	<b>-</b>
<b>Total Assets</b>		<b>27,099,573</b>	<b>-</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	19	-	-
Revaluation reserve	21	-	-
Fair value adjustment reserve	22	-	-
Retained earnings	23	23,739,573	-
<b>Capital and Reserves</b>		<b>23,739,573</b>	<b>-</b>
<b>Non-current liabilities</b>			
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Current liabilities</b>			
Trade and other payables	25	3,360,000	-
<b>Total current Liabilities</b>		<b>3,360,000</b>	<b>-</b>

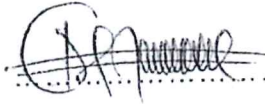
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<b>Total Equity and Liabilities</b>	<b>27,099,573</b>	<b>-</b>
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The financial statements were approved by the Board on 10<sup>th</sup> July 2025 and signed on its behalf by:



**Rashid Kulmiye Siyat**  
Managing Director



**Musa Hassan Mursal**  
Head of Finance



**Gabow Abdi Hassan**  
Chairman of the Board

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**16. 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
<b>As at July 1, 2024</b>		0	0	0	0	0	0	-
New capital issued		0						-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	xxx	-	-	-	-
Profit for the year		-	-	-	23,739,573	-	-	23,739,573
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
<b>As at June 30, 2025</b>		0	0	0	23,739,573	0	0	23,739,573

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

	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		-	0
Grants Income		33,000,000	0
Finance Income		-	0
Other Income		-	0
Customer Deposits		-	0
<b>Total Receipts</b>		<b>33,000,000</b>	<b>0</b>
<b>Payments</b>			
Staff Costs		-	0
General And Operation Expenses		12,737,280	0
Board Expenses		-	0
Maintenance Expenses		6,806,750	0
Finance Costs		-	0
Refund Of Customer Deposits		-	0
<b>Total Payments</b>		<b>19,544,030</b>	<b>0</b>
<b>Net Cash From/ (Used In) Operating Activities</b>	48	<b>13,455,970</b>	<b>0</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		-	-
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets		-	-
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal of Quoted Investments		-	-

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<b>Net Cash From/ (Used In) Investing Activities</b>		-	-
<b>Cash Flows from Financing Activities</b>			
Proceeds From Issues of New Share Capital		-	0
Proceeds From Borrowings		-	0
Repayment Of Borrowings		-	0
Dividends Paid		-	0
<b>Net Cash From/(Used In) Financing Activities</b>		-	0
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>13,455,970</b>	<b>0</b>
<b>Cash And Cash Equivalents At Beginning of Year</b>		-	0
Effects Of Foreign Exchanges Rate Fluctuations		-	0
<b>Cash And Cash Equivalents At End of the Year</b>		<b>13,455,970</b>	<b>0</b>

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

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>REVENUE</b>					
Income from operations	0	0	0	0	0
Other income from operations	0	0	0	0	0
Other income	33,000,000	0	33,000,000	33,000,000	0
<b>Total Income</b>	<b>33,000,000</b>	<b>0</b>	<b>33,000,000</b>	<b>33,000,000</b>	<b>0</b>
<b>EXPENDITURE</b>					
Travel and travel costs (including per-diem, taxi services, Air ticket expenses) for project team members	6,294,100	0	6,294,100	6,043,344	250,756
Service/maintenance of project vehicles and equipment	500,000	0	500,000	500,000	0
Fuel for project vehicles	3,420,900	0	3,420,900	847,700	2,573,200
Office renovation and Improvement	5,000,000	0	5,000,000	0	5,000,000
Conference Services/ public forums/Workshops/Casuals(Field assistants) - to include facilitation for Environmental, Social Safeguards (ESS), NEMA - ESIA, GBV	8,000,000	0	8,000,000	5,630,000	2,370,000

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Stationery, electricity and office consumables	1,630,000	0	1,630,000	490,000	1,140,000
Test pumping & Water Quality analysis of sites selected for rehabilitation	6,000,000	0	6,000,000		40,950
Communication costs (Telephone, airtime and Internet)	1,120,000	0	1,120,000	5,959,050	1,060,000
Advertisement costs	1,000,000	0	1,000,000	60,000	
Bank Charges	35,000	0	35,000	0	1,000,000
				13,936	21,064
<b>Total Expenditure</b>	<b>33,000,000</b>		<b>33,000,000</b>	<b>19,544,030</b>	<b>13,455,970</b>

## **19. Notes To the Financial Statements**

### **1. General Information**

GARISSA RURAL WATER and Sewerage Company Ltd is established by and derives its authority and accountability from Companies Act. The Company is wholly owned by the Garissa County Government and is domiciled in Kenya. The Company's principal activity is supply of water and sewerage services. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

### **2. Statement of Compliance and Basis of Preparation**

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

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 (*include any other applicable legislation*), and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**Notes to the financial statements (continued)**

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

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

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	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 does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. An 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"> <li>i. When a financial liability is settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and</li> <li>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</li> </ul>	1 January 2026

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

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the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....)

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

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. An earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. An 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 the 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**

GARUWASCO did not early-adopt any new or amended standards in the year under review.

**Notes to the financial statements (continued)**

**4. Summary of Accounting Policies**

The principal 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 the 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 have 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:

**Notes to the financial statements (continued)**

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Land and Buildings		2%
Furniture and Fittings		12.5%
Equipment and Facilities		12.5%
Motor vehicles		20%
Computers		33%
Pipeline extensions		10%
Boreholes		10%

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 amortisation 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.

**Notes to the financial statements (continued)**

**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 derecognised. ~~(000)~~

**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 the lease term and the 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.

**Notes to the financial statements (continued)**

**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.

**Notes to the financial statements (continued)**

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.

**Notes to the financial statements (continued)**

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.

**Notes to the financial statements (continued)**

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

**Notes to the financial statements (continued)**

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.

**Notes to the financial statements (continued)**

**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, 2011. 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 12% of the employee's salary (6% contributed by the employee and 6% by the employer) 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

**Notes to the financial statements (continued)**

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 ..... 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

**Notes to the financial statements (continued)**

budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of ..... on the 2024-2025 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of 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

**Notes to the financial statements (continued)**

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.

**Notes to the financial statements (continued)**

**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.

*State all judgements, estimates and assumptions made e.g.*

**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

**Notes to the financial statements (continued)**

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.

**Notes to the financial statements (continued)**

- 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. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

**GARISSA RURAL WATER and Sewerage Company Ltd**  
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Notes to the financial statements (continues)

**6. Operating Revenue**

	2024/2025	2023/2024
	Kshs	Kshs
Water sales	-	-
Sewerage Services	-	-
Billing for other services*	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**7. Grant Income**

	2024/2025	2023/2024
	Kshs	Kshs
County Government of Garissa Donations	-	-
World Bank (Horn of Africa Ground Reticulation Project)	33,000,000	-
Refund of Project Money - (HOAG4RP & WSTF)	-	-
<b>Total</b>	<b>33,000,000</b>	<b>-</b>

**8. Other Income**

	2024/2025	2023/2024
	Kshs	Kshs
Assets donations	19,964,320	-
World Bank (Horn of Africa Ground Reticulation Project)	-	-
Refund of Project Money - (HOAG4RP & WSTF)	-	-
<b>Total</b>	<b>19,964,320</b>	<b>-</b>

\*Other incomes refers to donation in-kind on ICT equipment of Kshs.18,659,400 and furniture of Kshs.1,304,920

**9. Staff Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries, Wages & Statutory deductions	-	-
Training and workshop	-	-

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Description	2024/2025	2023/2024
	Kshs	Kshs
<b>Total</b>	-	-

**10. General and Operations Expenses**

Description	2024/2025	2023/2024
	Kshs	Kshs
Stationery & Printing	490,000	-
Bank Charges	13,936	-
Training expenses	5,630,000	-
Travelling & Accommodation	6,043,344	-
Car hire	500,000	-
Staff airtime allowance	60,000	-
<b>Total</b>	<b>12,737,280</b>	-

**11. Board Expenses**

Description	2024/2025	2023/2024
	KShs	KShs
Chairman Honoraria	-	-
Sitting allowances	-	-
<b>Total Board Expenses</b>	-	-

**12. Maintenance Expenses**

Description	2024/2025	2023/2024
	Kshs	Kshs
Operation and Maintenance	9,319,050	
Transport operations and maintenance	847,700	
Maintenance of Plant, Equipment & Structures		
<b>Total Maintenance Expenses</b>	<b>10,166,750</b>	

**13. Depreciation and Amortization Expenses**

Description	2024/2025	2023/2024
-------------	-----------	-----------

**GARISSA RURAL WATER and Sewerage Company Ltd**  
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	Kshs	Kshs
Property, plant, and equipment	6,320,717	-
<b>Total Depreciation and Amortization</b>	<b>6,320,717</b>	<b>-</b>

**14. Finance costs**

	2024/2025	2023/2024
Description	Kshs	Kshs
Finance costs	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Notes to the financial statements (continued)

**15. Property, Plant and Equipment**

<b>Cost or Valuation:</b>	<b>Land and Buildings</b>	<b>Computers</b>	<b>Equipment</b>	<b>Furniture and Fittings</b>	<b>Motor Vehicles and Bikes</b>	<b>Pipeline Extensions</b>	<b>Boreholes</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
At 01/07/2024	-	-	-	-	-	-	-	-
Additions:	-	18,659,400	-	1,304,920	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
<b>Total as at 30/06/2025</b>	-	<b>18,659,400</b>	-	<b>1,304,920</b>	-	-	-	<b>19,964,320</b>
<b>Net Book Value:</b>								
As at 30th June 2025	-	18,659,400	-	1,304,920	-	-	-	19,964,320
Additions	-	-	-	-	-	-	-	-
As at 30th June 2025 Before	-	18,659,400	-	1,304,920	-	-	-	19,964,320

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depreciation								
<b>DEPRECIATION:</b>	2%	33%	12.50%	12.50%	20%	10%	10%	
As at 01/07/2024	-	-	-	-	-	-	-	-
Charge for the Year	-	6,157,602.03	-	163,115.00	-	-	-	6,320,717
<b>Total Depreciation</b>	-	<b>6,157,602.03</b>	-	<b>163,115.00</b>	-	-	-	<b>6,320,717.03</b>
<b>Net Book Value:</b>								
As at 30th June 2024	-	-	-	-	-	-	-	-
As at 30th June 2025	-	<b>12,501,798</b>	-	<b>1,141,805</b>	-	-	-	<b>13,643,603</b>

Notes to the financial statements (continued)

**16. Trade and Other Receivables**

	2024/2025	2023/2024
	Kshs	Kshs
Trade Debtors	-	-
Share receivable	-	-
Imprest	-	-
Prepayment	-	-
<b>Gross trade and other receivables</b>	<b>-</b>	<b>-</b>

**Trade Receivables**

	2024/2025	2023/2024
	Kshs	Kshs
Gross trade receivables	-	-
Provision for doubtful receivables	-	-
<b>Net trade receivables</b>	<b>-</b>	<b>-</b>
<b>As of June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	-
Over 120 days	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**17. Prepayments**

Description	2024/2025	2023/2024
	Kshs	Kshs
Electricity	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**GARISSA RURAL WATER and Sewerage Company Ltd**  
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Notes to the financial statements (continued)

**18. Bank and Cash Balances**

	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	13,455,970	-
Cash in hand	-	-
Mobile money account	-	-
	<b>13,455,970</b>	<b>-</b>

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

		2024/2025	2023/2024
		25	024
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
HOAG4RP Account – Horn of Africa Groundwater for Resilience Project- National Bank	7716384 139	13,455,970	0
<b>Grand total</b>		<b>13,455,970</b>	<b>0</b>

Notes to the financial statements (continued)

**19. Ordinary Share Capital**

	2024/2025	2023/2024
	Kshs	Kshs
<b>Authorized:</b>		
5,000 ordinary shares of Kshs.20 par value each	-	-
<b>Issued and not paid:</b>		
5,000 ordinary shares of Kshs.20 par value each	-	-

**20. Bank Overdraft**

	<b>2025</b>	<b>2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at the beginning of the year	-	-
<b>Balance at the end of the year</b>	-	-

**Notes to the financial statements (continued)**

**21. Revaluation Reserve**

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

**22. Fair Value Adjustment Reserve**

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

**23. Retained Earnings**

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

**24. Retirement Benefit Obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2025	2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**Notes to the financial statements (continued)**

**Retirement benefit Asset/ Liability**

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers. On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

	2025	2024
	Kshs	Kshs
Discount rates	x%	x%
Future salary increases	x%	x%
Future pension increases	x%	x%
Mortality (Pre- retirement)	x%	x%
Mortality (Post- retirement)	x%	x%
Withdrawals	xx	xx
Ill health	xx	xx
Retirement	xx years	xx years

**Recognition of Retirement Benefit Asset/ Liability**

**a) Amounts recognised under other gains/ Losses in the statement of Comprehensive Income**

	2025	2024
Description	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	<b>-</b>	<b>-</b>

**Notes to the financial statements (continued)**

**b) Amounts recognised in the Statement of Financial Position**

	2025	2024
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

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

**25. Trade and Other Payables**

	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	3,360,000	-
Employee payables	-	-
Other payables	-	-
<b>Total</b>	<b>3,360,000</b>	-

**Aging Analysis for Trade and other Payables**

	2024/2025	% of the total	2023/2024	% of the total
Under one year	3,360,000	100%	-	0%
1-2 years	-	0%	-	0%
2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
<b>Total</b>	<b>3,360,000</b>		-	

Notes to the financial statements (continued)

**Other Disclosures**

**26. Related Party Disclosures**

**County Government of Garissa**

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

**Transactions with related parties**

	2025	2024
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
<b>b) Purchases from related parties</b>		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-

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	2025	2024
	Kshs	Kshs
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>		
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	-	-
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	-	-
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	-	-
Compensation to key management	-	-
<b>Total</b>	-	-

**27. Financial Risk Management**

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

**Notes to the financial statements (continued)**

**(i) Credit risk**

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

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due but not Impaired Kshs</b>	<b>Past due and Impaired Kshs</b>
<b>At 30 June 20xx</b>				
Trade Receivables		-	-	-
Other Receivables		-	-	-
Investments		-	-	-
Bank balances	13,455,970	-	-	-
<b>Total</b>		-	-	-
<b>At 30 June 20xx (previous Year)</b>				
Receivables		-	-	-
Other Receivables		-	-	-
Investments		-	-	-
		-	-	-
Bank balances		-	-	-
<b>Total</b>	<b>13,455,970</b>	-	-	-

**Notes to the financial statements (continued)**

***Credit Risk (Continued)***

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

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

**ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June current year</b>				
Trade payables	3,360,000	-		
Current portion of borrowings	-	-		
Provisions	-	-		
Deferred income	-	-		
Employee benefit obligation	-	-		
<b>Total</b>	-	-		
<b>At 30 June previous year</b>				
Trade payables	-	-		

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Current portion of borrowings	-	-		
Provisions	-	-		
Deferred income	-	-		
Employee benefit obligation	-	-		
<b>Total</b>	<b>3,360,000</b>	-		

**(iii) Market risk**

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

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

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

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

**a) Interest rate risk**

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

**i) Management of interest rate risk**

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

**Notes to the financial statements (continued)**

**ii) Sensitivity analysis**

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (20xx – KShs xxx)

**iii) Fair value of financial assets and liabilities**

**a) *Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii)** Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

**Notes to the financial statements (continued)**

<b>At 30 June 20xx Current FY</b>	<b>Level 1 Kshs</b>	<b>Level 2 Kshs</b>	<b>Level 3 Kshs</b>	<b>Total Kshs</b>
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
<b>At 30 June 20xx Previous FY</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year.

***Financial instruments not measured at fair value***

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**Notes to the financial statements (continued)**

**iv) Capital Risk Management**

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

	2025	2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	-	-
Capital reserve	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**28. Incorporation**

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

**29. Events After the Reporting Period**

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

**20. Appendices**

**Appendix 1: progress on follow up of auditor recommendations.**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

**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

Signature

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Managing Director

Date.....

**Appendix II: Projects Implemented by the Company**  
**Projects**

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ Duration	Donor commitment	Separate donor reporting is required as per the donor agreement (Yes/No)	Consolidated in these financial statements
						(Yes/No)

**Status of Project Completion**

	<b>Project</b>	<b>Total Project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
4	HoAG4RP Project						WORLD BANK

