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OF

THE AUDITOR-GENERAL

ON

LODWAR WATER AND SANITATION
COMPANY LIMITED

FOR THE YEAR ENDED

30 JUNE, 2025

PAPERS LAID	
DATE	19/2/2026
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LODWAR WATER AND SANITATION COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

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

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Lodwar Water and Sanitation Company Ltd
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1. Acronyms and Glossary of Terms

A. Acronyms

CEO	Chief Executive Officer
DG	Director General
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ICS	Institute of Certified Secretaries
MD	Managing Director
NT	National Treasury
PFMA	Public Finance Management Act.
WASREB	Water Services Regulatory Board
LOWASCO	Lodwar Water and Sanitation Company Ltd.

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 Lodwar Water and Sanitation Company Ltd was established by the Company Act of Parliament on 9th February 2007. At County level, the Company is represented by the County Executive Member responsible for water services, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has no branches.

Principal Activities

The principal activity of Lodwar water and sanitation company Limited is to provide water and sanitation services to residents of Lodwar Municipality.

Vision

To achieve excellence in the provision of quality water and sanitation services with the aim to be the leading water service provider in the rift valley.

Mission

To provide adequate, portable, affordable and sustainable water and sanitation services to residents in Lodwar and its environs through continuous improvement and extension.

Core values

- i. External respect with a focus on customers.
- ii. External and internal integrity, honesty, transparency, accountability and partnership through networking.
- iii. Internal teamwork, innovation and commitment.

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Directors

The Turkana County water services providers' caretaker Committee who served the entity during the year were as follows:

NO	NAME	DESIGNATION	APPOINTMENT	EXITED
1	Patrick Losike Services	CECM Water Chairperson	Appointed on 22nd April ,2023	Exited on 14,June,2025
	Wiljustus Elim Lopeyok	Chairperson	Appointed on 14,June,2025	
2	Simon Etom, Services	Chief Officer Water Member	Appointed on 15th June,2023	Exited on 20th,May 2025
	Mark Achila- Services	Chief Officer Water Member	Appointed on 20th,May 2025	
3	James Ilikwel, Deputy Governor Office	Chief Officer Member	Appointed on 15th June,2023	
4	Peter Lomurkai, Preventive and Promotive (Health)	Chief Officer Member	Appointed on 15th June,2023	
5	Ruth Emanikor, County Attorney	Member	Appointed on 15th June,2023	
5	Cathra Abdi, Municipality and Urban Planning Member	Chief Officer Member	Appointed on 15th June,2023	
6	Joseph Loboche, Business Community Member	Representing Member	Appointed on 15th June,2023	
7	Esther Lokitoe LOWASCO Secretary	Managing Director Member	Appointed on 17th July,2023	15 th January,2025
	Benedict Ekeru LOWASCO & Secretary to the Board.	Managing Director Member	15 th January,2025	
8	County Director former Human resources Member	Responsible Member	Appointed on 15th June,2023	

Registered Office

Lodwar Handcraft Building
P.O. BOX 144-30500
Lodwar Kenya.

Corporate Headquarters

Ministry of Water Services Headquarters
P.O. BOX 144-30500
Lodwar Kenya

Corporate Contacts

Telephone: (254) 748127707
E-mail: mdlowasco@gmail.com

Corporate Bankers

Kenya Commercial Bank,
Lodwar Branch.
P.O. BOX 150-30500
Post Bank- Lodwar branch

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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

**Lodwar Water and Sanitation Company Ltd
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3. Turkana County Water Services Providers Caretaker Committee

	Details
 <p>HON. WILJUSTUS ELIM LOPEYOK CECM- Ministry of Water Services</p>	<p>Hon. Wiljustus is a distinguished career teacher. He has vast experience of over ten years in teaching and leadership having served in various capacities including high school Principal and Director administration.</p> <p>He holds a bachelor's degree in In Agriculture Education and Extension from Egerton University, and Diploma in agricultural education and Extension. He is an Executive Director.</p>
 <p>MR. CYRUS JAMES ILIKWEL Accounting Officer-Office of the Deputy Governor.</p>	<p>Mr. Cyrus has over 14 years of work experience serving in various capacities in the public sector including senior management, policy and decision-making positions.</p> <p>He holds a Master degree in Business Administration; Accounting option, Bachelor degree in commerce accounting option coupled with CPA part II certification from KASNEB. He is an executive director.</p>
 <p>Benedict Ekeru Ag. Managing Director</p>	<p>He was born on Mr Benedict is a holder Diploma in Water engineering water option and a Diploma in Land Survey and Mapping. He has vast experience in both public and public sector for more than 10 years.</p>

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 <p>MR. ENG .Mark Achila Accounting Officer-Water Services</p>	<p>CO Eng. Mark holds a Master of science degree in Mechanical engineering, bachelor of industrial technology and a Diploma in mechanical engineering (plant option).</p> <p>He has over 13 years of extensive working experience in the field of Engineering coupled with managerial responsibilities</p>
 <p>MS. CATHRA ABDI Accounting Officer-Municipalities and Urban Areas Management</p>	<p>CO Cathra holds a Master of business administration in health, leadership and management, master of science in public health, Bachelor of Science degree in public health and a Diploma in clinical medicine and surgery.</p>
 <p>MR. PETER LOMORUKAI Accounting Officer-Preventive and Promotive Services</p>	<p>Mr. Peter has over 10 years of work experience with approximately 5 years holding senior management positions that are tasked with vital senior management decision and policy making functions.</p> <p>He holds a Master of science in Field Epidemiology, Bachelor of science degree in Medical Laboratory science and a Diploma in Laboratory technician and Technology.</p>
 <p>Ruth Emanikor Office of the County Attorney</p>	<p>Ms. Ruth has over 18 years of work experience in the legal profession working for both the Government and private sector/NGOs.</p> <p>She holds a bachelor of Law degree from Moi university, Post graduate diploma from KSL and a certificate in strategic negotiation skills from KIA</p>

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Mr Joseph Loboche

Mr Joseph holds a Diploma in Water Engineering. He is a retired career civil servant with over 20-year experience. He was one of the Pioneer Managing Director for LOWASCO.

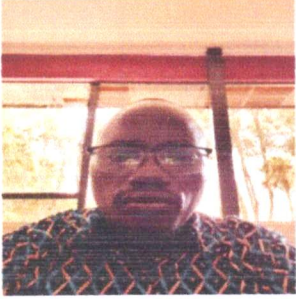
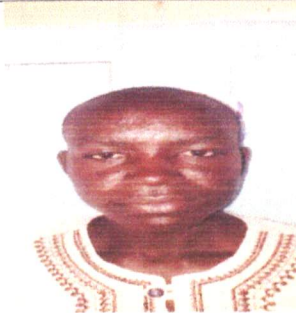




Mr Chris Locheria
Director Administration

Mr Chris holds a Master in Business Management (Human resource Management option), Bachelor of Business Management (Human resource Management option). He has over 10years working in the public sector.

Lodwar Water and Sanitation Company Ltd
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4. Key Management Team

Management	Details
 <p>Benedict Ekeru Ag. Managing Director</p>	<p>Mr. Benedict is a holder Diploma in Water engineering water option and a Diploma in Land Survey and Mapping. He has vast experience in both public and public sector for more than 10 years.</p>
 <p>Mr Boniface Onyango Production Officer</p>	<p>Mr. Boniface has a Diploma in electromechanical engineering power option. He is the head of production.</p>
 <p>Mr. Aaron kokako Human resources and Admin</p>	<p>Mr. Aaron is a Member of HRMPEB HS2700 and IHRM REG NO. 011869 He possesses a Higher diploma in HRM Diploma in HRM. Human resource and administration</p>
 <p>Thomas Igule Finance Officer</p>	<p>Mr. Thomas has a Degree in business and economics(Accounting option),Diploma in accountancy(Accounting option),CPA part II section 3, Higher diploma in HRM, Diploma in banking and finance, Certificate in business management. He has more than 5years experience in financial management.</p>

Lodwar Water and Sanitation Company Ltd
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4. Chairman's Statement

I am pleased to report release our annual report and financial statement for the year ended 30th June, 2025.Over the years, the company has continued to make improvements to make sure residence of Lodwar access safe and reliable Services.

I also wish to express my appreciation to His Excellency the Governor for appointing me and my Team as Caretaker committee to manage the affairs of the Water Utility which has been experiencing Governance issues since 2014 when the term of the last Board of Directors expired. The shareholders of the company made a resolution to transfer all the shares to the County Government of Turkana that formed Turkana County Urban Water Services limited to improve service delivery thus operations of the company ended in November 2024.An application has been made to the register of companies to wind up LOWASCO as a non-going Concern due to the appointment of a substantive board for the New water company in line with County Water act 2019.

Gratitude goes to LOWASCO Staff for their dedication ,support and cooperation which enabled the activities of the Company to be performed successfully including the preparation of the Financial Report for the year ending 30th June 2025 in spite of several challenges.

Lastly I wish to thank Development Partners especially USAID STAWI,Catholic Relief Services and Practical for their partnership and support which has improved Water and Sanitation services to the Residents of Lodwar Municipality.

His Excellency constituted the interim board the Governor following recommendations by the Senate Committee on County Public Investments and Special Funds. The board commenced its work on 15th June 2023 and has been involved in the Utility's affairs at the tail end of the report period. The Auditor General 's report for the Financial statements for the Utility for the previous year's specifically for 2018-2019,2019-2020 and 2020-2021 have been in bad light(i.e. disclaimer or Adverse).The Interim board in its first sitting decided to recruit an acting M.D and seconded some staff to assist in the operations of the Company.

During the year under review, the Company performed fairly well despite the fact that there were several challenges which included frequent breakdown of boreholes , High electricity bills and Financial constraints among others.

Name: WILJUSTUS ELIM LOPEYOK

Date.....

9/12/2025

Chairperson of the Committee

x



Lodwar Water and Sanitation Company Ltd
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5. Report of the Managing Director

The Company has maintained a stable potable water supply throughout the year. In year under review and in the best interest of corporate governance in the water sector as provided by Water act 2016. It has undergone a major transfer vested in its shareholding to the County Government of Turkana hence suffers a natural death. The books of the company are prepared as a non-going concern as this year marks the ends of LOWASCO operations.

The department of water service engaged a consultant to value the assets of the company to enable us make an informed decision on the transfer of assets to Turkana County Urban Water and Sewerage services plc. Some liabilities of the company have been settled by TUWASCO i.e Salaries, electricity etc.

Borehole 9 has been a major supplier of water in the larger kanamkemer ward serving more than 70% of its population. Climate change that has elicited a rise in water levels has continued to threaten the borehole to the extent of losing 4 Boreholes within one financial year. Moreover, The following challenges are facing the company

- i. High operation and maintenance cost due to old and dilapidated Water and infrastructure
- ii. Inadequate tools and equipment's to do major repairs
- iii. Lack of office space, furniture and Computers
- iv. High Non-Revenue Water currently at 56%
- v. Inadequate water supply during dry seasons as water tables goes down
- vi. High electricity bills
- vii. Inadequate spare parts due to financial constraints
- viii. Lack of testing kits and Faulty Dozers for Water Quality Monitoring
- ix. Defective meters hence leading to estimated readings hence low Revenue collection


Name: 
Date: 9 DEC 2025
MANAGING DIRECTOR
LOWASCO

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6. Statement of Performance against Predetermined Objectives for FY 2025.

The company has no strategic plan in the year under review and is planning to develop in the new water company.

7. Corporate Governance Statement

LOWASCO is committed to the values and principles of good corporate governance. Good corporate governance requires that the board of directors must govern the corporation with integrity and enterprise in a manner, which entrenches and enhances the mandate it has under section 71 of the Water Act 2016.

The directors and management of LOWASCO regard corporate governance as pivotal to the successes of the corporation and are unreservedly committed to ensuring that good corporate governance is practised so that LOWASCO remains a sustainable and viable vehicle in the provision of water and sanitation services to residents of Lodwar Municipality.

Caretaker Committee

The Committee was appointed by H.E Governor Jeremiah Lomurukai on interim basis as from 15th June,2023 through Gazette Notice no 8256(2023) to take over fully and with immediate effect the operations of LOWASCO.

The role and functions were not limited to

- (a) To take over fully and with immediate effect, the operations of LOWASCO as a Government entity to the exclusion of any private interests and shareholding whatsoever.
- (b) To appoint acting Managing Director and the technical staff including internal auditor and the accountants.
- (c) To oversee the technical operations of the company and to report progress to County Executive Committee chaired by the Governor.
- (d) To liaise with the Office of the County Attorney on the legal processes and procedures for winding up the company and to report progress to the County Executive Committee.
- (e) To undertake physical assets and liabilities verifications, prepare assets and liabilities inventory, carry out valuation of the company assets and liabilities.
- (f) To supervise the process of identification and transfer of assets and liabilities from the Rift Valley Board (RVWB) or its successor and LOWASCO to the new water service providers established by the County Government with full ownership and interests vested in the County Government.
- (g) To ensure staff of LOWASCO are properly vetted and to recommend suitable staff, for transfer to the new water service providers established by the county government. The Board shall take into account academic qualifications, experience and performance appraisal results during vetting.
- (h) To provide strategic planning and policy directions to the Company.
- (i) To ensure proper financial management and accountability of the company.

Lodwar Water and Sanitation Company Ltd
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- (j) To ensure proper records including financial and audit reports are done
- (k) Ensure compliance with the provisions of the law including the Companies Act, the Water Act, 2016, the Turkana County Water Act, 2019 and regulations.
- (l) To ensure the company complies with corporate governance standards and guidelines issued by regulatory authorities.
- (m) To establish important committees or sub-committees as such as Audit and risk committee, technical committee, Service committee and any other prescribed by WASREB guidelines for Urban Water Supplies.
- (n) To identify and prepare a list of liabilities after thorough scrutiny and make recommendations on how to settle such liabilities.
- (o) To enter into agreement(s) with any of such creditors for purposes of settling outstanding liabilities, where there is sufficient justification to do so.
- (p) To put in place measures to pursue LOWASCO debtors for purposes of raising revenues for its operations and settlement of debts.
- (q) To carry out any other activities, which may be geared improvement of service delivery, recovery of debts?
- (r) To perform any other functions, responsibilities and obligations that may be assigned by the county executive committee.

The Committee is guided by the core tenets prescribed in MWONGOZO, the Public Officers Ethics Act, and signed internal codes of conduct guides the Board's decisions. Meeting is conducted twice every week or on need basis.

The Committee is given appropriate information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Committee has delegated authority for conduct of day-to-day business to the Managing Director. The Committee nonetheless retains oversight responsibility for establishing and maintaining the control of financial, operational and compliance issues.

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8. Management Discussion and Analysis

	2024-2025	2023-2024	2022/2023	2021/2022
PARTICULARS	Kshs	Kshs	Kshs	Kshs
Operating Revenue	39,499,351	106,857,705	78,730,581	71,354,164
EXPENSES				
Staff Costs	17,106,550	40,976,089	38,804,968	34,551,806
General and Operations expenses	24,439,656	75,949,347	27,119,457	27,897,988
Board Expenses	-	802,200	173,000	-
Maintenance Expenses	1,258,647	6,822,374	11,810,023	4,865,335
Depreciation and Amortization expenses	5,733,595	1,621,320	495,034	1,896,236
Total Expenses	48,538,448	126,171,331	78,402,482	69,211,365
Profit/Loss Before Tax	(9,039,097)	(19,313,626)	328,099	2,142,799
Corporate tax			98,429.70	
Profit/Loss after Tax	(9,039,097)	(19,313,626)	229,669	2,142,799

In the year under review, revenue and expenses reduced due to shifting of revenue collection and expenditure to the Turkana Urban Water and Sewerage company ltd. LOWASCO was fully operational from July to November, 2024.

9. Environmental And Sustainability Reporting

Lodwar Water and Sanitation Company (LOWASCO) is a corporate entity established in 2007 under the companies Act Cap 486 of the laws of Kenya. The core business of LOWASCO is the efficient and economical provision of water and sanitation services to the residents of Lodwar Municipality and its environs. The company took over the management of Water supply as a service provider from 2007 to date after signing a Service Provider Agreement (SPA) with Rift Valley Water Services Board (license) on 3rd July 2007. The Company has been operating without a board of Directors since 2014 when the term of the board of Directors expired. The company has been operational under the seconded Team leader from the Ministry of Water services with the support of the Company management team in place of the board of Directors.

The main mandate is to provide adequate, portable, affordable and sustainable water and sanitation services to residents in Lodwar and its environs through continuous improvement and extension

i) Sustainability strategy and profile

The company recognize its obligations to act responsibly, ethically and with integrity in its dealings with staff, customers, neighbours and the environment as a whole. We remain firmly committed to courses that positively impact our society and influence sustainability of our business.

ii) Employee welfare

The company is guided by Human resource policies and procedures manual whose tenets include stakeholder's engagement, training of staff and Compliance with labour laws of Kenya.

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

10. Report of the Committee

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

i) Principal activities

The principal activities of the Company are to provide water and sanitation services to residents of Lodwar Municipality

ii) Results

The results of the company for the year ended June 30, 2025 are set out on page 1. Below is summary of the loss made during the year.

	2024-2025
PARTICULARS	Kshs
Operating Revenue	39,499,351
EXPENSES	
Staff Costs	17,106,550
General and Operations expenses	24,439,656
Board Expenses	-
Maintenance Expenses	1,258,647
Depreciation and Amortization expenses	5,733,595
Total Expenses	48,538,448
Profit/Loss Before Tax	(9,039,097)
Corporate tax	
Profit/Loss after Tax	(9,039,097)

iii) Dividends

The company has not declared dividends for the year ended 30th June, 2025 due to the loss reported in the year.

iv) Caretaker Committee


The members of the committee who served during the year are shown in accordance with company's Articles of Association.

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v) Auditors

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


Name: Benjamin Mwangi
Secretary to the Committee
Date: 6.9 DEC 2025
P. O. Box 144
LODWAR

(Note: A blue rectangular stamp is partially visible behind the signature, containing the text: MANAGING DIRECTOR, LODWAR WATER & SANITATION CO.)

11. Statement of Committee Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 Cap 486 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Company;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015 Cap 486

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



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Statement of Committee Responsibilities (Continued)

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a non-going concern. The Company shareholders made a resolution to transfers all their shares to the County Government of Turkana.

Approval of the financial statements

The company financial statements were approved by the Committee on 9/12 2025 and signed on its behalf by:


Name: WILJUSTUS ELOM LOPEYOK
Chairperson of the Committee



Name: 
Managing Director


REPUBLIC OF KENYA



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

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lodwar Water and Sanitation Company Limited set out on pages 1 to 49, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other comprehensive

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

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

Basis for Qualified Opinion

1. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.82,059,921 as disclosed in Note 22 to the financial statements. However, the balance includes other payables totalling Kshs.1,588,957 which were not supported by contract agreements, award letters, purchase orders, inspection and acceptance reports and completion certificates. Further, the balance includes trade and other payables totalling Kshs.72,032,176 which have been outstanding for more than three (3) years. No explanation was given for failure to clear the payables.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.82,059,921 could not be confirmed.

2. Undisclosed Assets Owned by the Company

The statement of financial position reflects property, plant and equipment balance of Kshs.48,831,669 as disclosed in Note 13 to the financial statements. However, review of the assets register revealed assets which include motor vehicles, motor cycles, pipeline extensions, water collection points and building structures of undetermined value which were not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.48,831,669 could not be confirmed.

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

Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.9,039,097. Further, the statement of financial position reflects total current assets of Kshs.45,458,263 against total current liabilities of Kshs.94,938,880 resulting in a negative working capital of Kshs.49,480,617. In addition, the Company is in the process of winding-up and being taken over by Turkana Urban Water and Sewerage Company Limited.

In the circumstances, the Company is technically insolvent and may not be able to meet its current obligation as and when they fall due and its continued operation as a going concern is dependent on the support of the County Government of Turkana and its creditors.

My opinion is not modified in respect of this matter.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.48,000,000 and Kshs.22,335,848 respectively resulting to under funding of Kshs.25,664,152 or approximately 53% of the budget. Similarly, the Company expended Kshs.19,391,916 against actual receipts of Kshs.22,335,848 resulting to under-absorption of Kshs.2,943,933 or approximately 13% of actual receipts.

The under-funding and under-absorption affected the planned activities and may have impacted negatively on service delivery to the Public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Renewal of Expired Water Tariff

During the year under review, the Company carried out water production and billed the customers using expired water tariff gazetted in the year 2007. Since then, the tariff has not been renewed or adjusted. This was contrary to Section 33(2) of the Water Services Regulatory Rules of 2012 which provides that all licenses shall contain the period in which such tariffs may be adjusted at least once in every three (3) years.

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

2. Non-Revenue Water

Review of water sales and production records revealed that the Company produced 969,016 cubic meters (m³) of water, out of which 488,341 cubic meters (m³) was billed to customers, while the balance of 480,675 cubic meters (m³) or approximately 50% of the production represent Non-Revenue Water (NRW). This contravened the Water Services Regulatory guidelines which require water service providers to ensure that commercial losses in respect of water produced do not exceed 25% of total production.

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

3. Un-Metered Water at the Production Zones

Review of documents revealed that the total water production volume was 969,016 cubic meters (M³). The data was obtained from the calculations of the pump running hours from 23 yielding boreholes located on the Upper Zone and Lower Zone instead of the bulk meter readings. Further, it was noted that all the installed meters on the 23 yielding

boreholes were not functioning. As a result, it was difficult to establish the actual volume of water produced in cubic metre (M³). This was contrary to Clause 5.2.7 of the Non-Revenue Water Management Standard -Guidelines of Water Services Regulatory Board (WASREB) 2022 which provide that those bulk meters required for measuring all the production are read on monthly basis without failure to accurately calculate monthly total production.

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

4. Non-Remittance of Public Procurement Capacity Building Levy

Review of documents revealed that Management did not deduct and remit the public procurement capacity building levy. This was contrary to Paragraph 3(1) of Legal Notice 206 of the Levy Order, 2023 which provides that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity at the rate of 0.03% of the value of the signed contract, exclusive of applicable taxes.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

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

- ii. The information given in the Directors' report on page xi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 23 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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

Responsibilities of the Management and Board of Directors

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

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

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

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

The Board of Directors 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

18 December, 2025

Lodwar Water and Sanitation Company Ltd

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

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

	Note	2024-2025 Kshs	2023-2024 Kshs
Revenue			
Operating Revenue	6	32,747,362	71,957,628
Grants Income	7	6,751,989	34,900,077
Total Revenue		39,499,351	106,857,705
Expenses			
Staff Costs	8	17,106,550	40,976,089
General and Operations expenses	9	24,439,656	75,949,347
Board Expenses	10	-	802,200
Maintenance Expenses	11	1,258,647	6,822,374
Depreciation and Amortization expenses	12	5,733,595	1,621,320
Total Expenses		48,538,448	126,171,331
Profit/(Loss \Before Taxation		(9,039,097)	(19,313,626)
Income Tax Expense/(Credit)		-	-
Profit/(Loss) After Taxation		(9,039,097)	(19,313,626)
Prior year adjustment			11,372,114
Total Comprehensive Income for The Year		(9,039,097)	(7,941,512)

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


14. Statement of Financial Position as at 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	13	48,831,669	54,508,548
Total non-current assets		48,831,669	54,508,548
Current assets			
Trade and receivable	14	42,504,511	47,370,430
Prepayments	15	9,820	20,220
Bank and cash balances	16	2,943,933	2,637,976
Total current assets		45,458,263	50,028,626
Total Assets		94,289,932	104,537,174
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	17	100,000	100,000
Retained earnings	20	(13,923,141)	(4,884,044)
Capital and Reserves		(13,823,141)	(4,784,044)
Non-current liabilities			
Provisions	21	13,174,193	11,327,793
Total non-current liabilities		13,174,193	11,327,793
Current liabilities			
Trade and other payables	22	82,059,921	82,710,506
Refundable deposits and Prepayments	23	12,878,959	15,282,919
Total current Liabilities		94,938,880	97,993,425
Total Equity and Liabilities		94,289,932	104,537,174

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

The financial statements were approved by the Committee on 9/1/25 2025 and signed on its behalf by:


Name: Peter K. Ombaka
Managing Director



Name: Hopelem Peter
Head of Finance
ICPAK M/No: 22331


Name: Lopeyom Peter Elim
Chairman of the Committee.


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

15. Statement of Changes in Equity for the Year Ended 30 June 2025

	Notes	Ordinary share capital	Retained earnings	Total
As at July 1, 2023		100,000.00	2,372,468	2,472,468
Loss for the year			(19,313,626)	(19,313,626)
Capital/Development grants received during the year			585,000	585,000
Prior year adjustment			11,472,114	11,472,114
As at June 30, 2024		100,000.00	(4,884,044)	(4,784,044)
				-
As at July 1, 2024		100,000.00	(4,884,044)	(4,784,044)
Loss for the year			(9,039,097)	(9,039,097)
At June 30, 2025		100,000.00	(13,923,141)	(13,823,141)

Note:

Prior year adjustment of ash 11,472,114 relates to overstatement of accrued gratuity of ksh 11,372,114 after re-computations and ksh 100,000 due to casting.

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

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	24	19,247,873	50,082,565
Customer Deposits		450,000	1,081,000
Total Receipts		19,697,873	51,163,565
Payments			
Staff Costs		9,336,725	(28,921,355)
General And Operation Expenses		7,125,542	(13,273,091)
Board Expenses			(802,200)
Maintenance Expenses		2,929,650	(5,746,626)
			(36,500)
Total Payments		19,391,916	(48,779,773)
Net Cash From/ (Used In) Operating Activities		305,957	2,383,792
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)			(256,300)
Net Cash From/ (Used In) Investing Activities			(256,300)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		-	-
Net Cash From/(Used In) Financing Activities		-	-
Increase/(Decrease) In Cash and Cash Equivalents		305,957	2,127,491.85
Cash And Cash Equivalents At Beginning of Year		2,637,976	510,484
Effects Of Foreign Exchanges Rate Fluctuations			
Cash And Cash Equivalents At End of the Year		2,943,933	2,637,976

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=a+b	d	e= c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year*	-			2,637,975.85		
Receipts						
Operating Revenue	48,000,000		48,000,000	19,697,873	28,302,128	41%
Total Receipts	48,000,000	-	48,000,000	22,335,848	25,664,152	47%
			-		-	
Payments						
Staff Costs	18,000,000		18,000,000	9,336,725	8,663,275	52%
General and operations Expenses	27,000,000		27,000,000	7,125,542	19,874,459	26%
Maintenance Expenses	1,300,000		1,300,000	2,929,650	(1,629,650)	225%
Depreciation and Amortization expenses	1,700,000		1,700,000		1,700,000	0%
Total Recurrent Expenditure	48,000,000	-	48,000,000	19,391,916	28,608,084	40%
Total Payments	48,000,000	-	48,000,000	2,943,933	28,608,084	
Capital Expenditure Payments	-	-	-	-	-	
Surplus	-	-	-	2,943,933		

Budget notes:

Operating income is under realized due to pull out of some donors who funded WASH programmes i.e. USAID STAWI.

18. Notes to the Financial Statements

1. General Information

Lodwar water and sanitation Company Ltd is established by and derives its authority and accountability from the Company's Act cap 486. The Company is partially owned by Turkana County Government and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to residents of Lodwar Municipality. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. 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.

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 Cap 486, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

Notes to the financial statements (continued)

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

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

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

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

Notes to the financial statements (continued)

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

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

iii. Early adoption of standards

LOWASCO did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Rates
Buildings and civil works including pipes	2.5%
Infrastructure works (Meter and Equipment)	12.5%
Motor vehicles, including motorcycles	25%
Computers and related equipment	20.4%
Office equipment, furniture and fittings	12.5%

Notes to the financial statements (continued)

Summary of Accounting Policies

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

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 derecognized.

Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

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

i) Biological Assets

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

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

l) Unquoted investments

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

m) Inventories

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

Notes to the financial statements (continued)

Summary of Accounting Policies

n) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

o) Taxation

i) Current income tax

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

p) Deferred tax

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

Notes to the financial statements (continued)

Summary of Accounting Policies

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Notes to the financial statements (continued)

b) Borrowing costs

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

q) 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.

The company has been operating a customer deposit account at KCB Lodwar. The amount is a liability to the company and usage is restricted unless approved by the board. It is payable to customers at the end of water service provision agreement.

Notes to the financial statements (continued)

r) 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.

s) 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.

t) Retirement benefit obligations

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at the rate provided by government per employee per month.

u) 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.

v) Exchange rate differences

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

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Notes to the financial statements (continued)

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.

w) Budget information

The original budget for FY 2024-2025 was not approved by the Committee. Subsequent revisions or additional appropriations were made to the budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original. 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 budget. A comparison of budget and actual amounts, prepared on a comparable basis to the 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 not been presented under these financial statements due to lack of material variances.

x) Service concession arrangements

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

Notes to the financial statements (continued)

y) Comparative figures

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

z) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company.

Notes to the financial statements (continued)

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 21

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The company made a provision of bad debts at the rate of 20%.

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Notes to the financial statements (continues)

6. Operating Revenue

	2024-2025	2023-2024
Description	Kshs	Kshs
Water sales	32,284,904	70,872,760
New Connections	450,000	1,081,000
Discount Received	12,458	3,868
Total	32,747,362	71,957,628

7. Grants Income

	2024-2025	2023-2024
Description	Kshs	Kshs
Payments made by Turkana County Water Services Fund	-	34,900,077
Payments Made by Turkana County Urban Water and sewerage	6,751,989	-
Total	6,751,989	34,900,077

8. Staff Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Salary and Allowances	14,561,890	34,062,821
Casual workers' Wages	266,260	420,000
Employer's contributions to social security schemes	432,000	957,960
Gratuity provisions	1,846,400	5,535,308
Total	17,106,550	40,976,089
The average number of employees during the year	74	74

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Notes to the financial statements (continues)

9. General and Operations Expenses

	2024-2025	2023-2024
Description	Kshs	Kshs
Electricity	3,663,264	20,187,903
Fuel, oil, lubricants, and gases	4,700	417,957
Office supplies	310,110	1,103,740
Telecommunication	100,600	135,900
Domestic Traveling and subsistence	58,100	497,310
Staff training and development	355,800	
Provision for Audit fees	250,000	250,000
Bank Charges	56,716	202,729
Cleaning Expenses		11,850
Publicity and advertising		118,020
Consultancy fees	79,451	240,000
Hospitality expenses	25,000	34,400
Refund to Customers		36,500
Postage and Courier services	28,350	1,225
Tax expenses		5,887,373
Hire of Motor vehicles and Equipments	7,350	96,000
Provision of bad and doubtfull debts	10,626,128	11,828,363
Payment made by Turkana County Water Services Fund		34,900,077
Payments made on behalf of TUWASCO	115,000	
Transfers to TUWASCO	2,007,099	
Payments made on behalf of LOWASCO	6,751,989	
Total	24,439,656	75,949,347

10. Board Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Travel and accommodation		802,200
Total Board Expenses	-	802,200

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Notes to the financial statements (continues)

11. Maintenance Expenses

	2024-2025	2023-2024
Description	Kshs	Kshs
Infrastructural networks	593,450	4,095,974
Repair and Maintenance of Boreholes	405,920	714,068
Motor vehicles	10,400	1,192,950
ICT (Information Communication Technology)	248,877	819,382
Total Maintenance Expenses	1,258,647	6,822,374

12. Depreciation and Amortization Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment	5,733,595	1,621,320
Total Depreciation and Amortization	5,733,595	1,621,320

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Notes to the financial statements (continues)

13. Property, Plant and Equipment

Description	Water & Sewer Infrastructure	Meters and Equipment	Computers & related Equipmnts	Office equipment , furniture & fittings	TOTAL
Depreciation rate	10%	10%	30%	12.5%	
	Kshs	Kshs	Kshs	Kshs	
As At 1July 2023	16,748,352	-	-	610,601	17,358,953
Additions	38,470,443	585,000	256,300		39,311,743
As at 30 th June 2024	55,218,795	585,000	256,300	610,601	56,670,696
Additions	-	-	-	-	-
As at 30 th June 2025	55,218,795	585,000	256,300	610,601	56,670,696
Depreciation And Impairment					-
Accumulated as At July 1, 2023	1,674,836			430,597	2,105,433
Charge For the Year	5,521,880	58,500	76,890	76,325	5,733,595
As At 30 th 2025	7,196,716	58,500	76,890	506,922	7,839,028
As at 30 th June 2024	53,688,980	511,875	204,014	103,679	54,508,548
As at 30 th June 2025	48,022,080	526,500	179,410	103,679	48,831,669

13 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Water & Sewer Infrastructure	55,218,795.28	14,393,431	40,825,364
Meters and Equipment	585,000.00	117,000	468,000
Computers & related Equipment's	256,300.00	153,780.00	102,520
Office equipment, furniture & fittings	610,601.00	1,013,844.25	(403,243)
TOTAL	56,670,696	15,678,055	40,992,641

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Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Water & Sewer Infrastructure	55,218,795.28	5,521,880
Meters and Equipment	585,000.00	58,500
Computers & related Equipmnts	256,300.00	76,890
Office equipment, furniture & fittings	610,601.00	76,325
Total	56,670,696.28	5,733,595

14. (a)

Trade Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	53,130,638	59,141,813
Provision for doubtful receivables	10,626,128	11,828,363
Net trade receivables	42,504,511	47,313,450
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,080,121	2,784,978
Between 30 and 60 days	2,163,623	1,020,956
Between 61 and 90 days	10,237,698	1,550,345
Over 91 days	47,385,729	53,785,534
Total	60,867,171	59,141,813

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14 b. Reconciliation of Impairment Allowance for Trade Receivables

Description	2024-2025	2023-2024
	KShs	KShs
At the beginning of the year		
Additional provisions during the year	10,626,128	11,828,363
Recovered during the year		-
Written off during the year		
At the end of the year	10,626,128	11,828,363

14.(c) Staff Receivables

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross staff loans and advances	-	56,980
Provision for impairment loss		
Net staff loans	-	56,980
Less: Amounts due within one year		
Amounts due after one year	-	56,980

15. Prepayments

Description	2024-2025	2023-2024
	Kshs	Kshs
Motor vehicles	9,820	20,220
Total	9,820	20,220

16. Bank and Cash Balances

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank KCB	2,781,705	2,315,106
Cash at bank Post Bank	71,931	25,805

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Mobile money account(Mpesa paybill 830540)	90,296	297,065
Total	2,943,933	2,637,976

Detailed analysis of the cash and cash equivalents

		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
a) Current account			
KCB BANK	1107210933	1,427,214	1,483,048.51
KCB BANK	1129622762	449,885	298,392.18
KCB BANK	1106908236	904,606	533,665.00
KCB BANK	1132124352		-
POST BANK	744130011414	71,931	25,805.00
Mobile money account(Mpesa paybill 830540)	830540	90,296	297,065.00
Grand total		2,943,933	2,637,976

17. Ordinary Share Capital

	2024-2025	2023-2024
	Kshs	Kshs
Authorized:	100,000	100,000
100 ordinary shares of Kshs. 1000par value each	100,000	100,000

18. 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.

19. 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.

Notes to the financial statements (continues)

20. 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.

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

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20. Retained Earnings

	Notes	Ordinary share capital	Retained earnings	Total
As at July 1, 2023		100,000.00	2,372,468	2,472,468
Loss for the year			(19,313,626)	(19,313,626)
Capital/Development grants received during the year			585,000	585,000
Prior year adjustment			11,472,114	11,472,114
As at June 30, 2024		100,000.00	(4,884,044)	(4,784,044)
				-
As at July 1, 2024		100,000.00	(4,884,044)	(4,784,044)
Loss for the year			(9,039,097)	(9,039,097)
At June 30, 2025		100,000.00	(13,923,141)	(13,823,141)

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Notes to the financial statements (continues)

21. Provisions

Description	Gratuity provisions	Total
	KShs	KShs
Balance at the beginning of the year	11,327,793	11,327,793
Additional Provisions	1,846,400	1,846,400
Provision utilised		-
Balance at the end of the year	13,174,193	13,174,193

Provisions details

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Portion of Provisions	1,846,400	5,792,485.00
Long-term portion of Provisions	11,327,793	5,535,307.92
Total	13,174,193	11,327,793

22. Trade and Other Payables

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables		
Accrued expenses	36,226,134	44,490,544
Employee payables	44,244,830	48,003,119
Prior year adjustment		(11,372,114)
		36,631,005
Other payables	1,588,957	1,588,957
Total	82,059,921	82,710,506

Prior year adjustment relates to overstatement of gratuity

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Aging Analysis for Trade and other Payables

	2024-2025	% of the total	2023-2024	% of the total
	Kshs		Kshs	
Under 1 Year	3,994,320	5%		
1-2 years	5,783,425	7%	23,660,768.02	29%
2-3 years	250,000	0%	1,535,855.00	2%
Over 3 years	72,032,176	88%	57,513,882.59	70%
Total	82,059,921	100%	82,710,505.61	

Note:

Prior year adjustment of ksh 11,372,114 relates to overstatement of gratuity for previous financial years thus restating the opening balance of ksh 82,710,506

Notes to the financial statements (continues)

23. Refundable deposits and Prepayments.

	2024-2025	2023-2024
	Kshs	Kshs
Customer deposits	11,764,000	11,364,000
Prepayments by customers	1,114,959	3,918,919
Total	12,878,959	15,282,919

Aging Analysis for Refundable Deposits and Prepayments

	2024-2025	% of the total	2023-2024
Under one year	400,000	3%	947,000
1-2 years	1,114,959	9%	256,000
Over 3 years	11,364,000	88%	14,079,919
Total	12,878,959		15,282,919

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24. Notes to The Statement of Cash Flows

	2024-2025	2023-2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(9,039,097)	(19,313,626)
Depreciation	5,733,595	1,621,320
Provisions for Gratuity	1,846,400	5,535,308
Provisions for Audit fees	250,000	250,000
Provisions for bad and Doubtful debts	10,626,128	11,828,362
Accrued expenses	6,077,970	5,887,273
Discount received	(12,458)	
Working capital changes:		22,871,949
(Increase)/decrease in trade and other receivables	4,865,920	6,799,424
(Increase)/decrease in trade and other payables	(650,585)	13,299,663
Cash generated from/ (used in) operation	19,697,872	48,779,673

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Notes to the financial statements (continued)

Other Disclosures

25. Related Party Disclosures

County Government of Turkana

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

Other related parties include:

- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2024-2025
	Kshs
a) Grants from the Government	
Grants from County Government	5,000,000
Total	5,000,000
b) Expenses incurred on behalf of related party	
Payments made by Turkana County Urban Water and Sewerage services	6,751,989
Total	6,751,989

25. 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:

(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:

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	Total amount	Fully performing	Past due but not Impaired	Past due and Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade Receivables	42,504,511			42,504,511
Prepayments	9,820		9,820	
Bank balances	2,943,933	2,943,933		
Total	45,458,263	2,943,933	9,820	42,504,511
At 30 June 2024				
Receivables	47,370,530			47,370,530
Prepayments	20,220		20,220	20,220
Bank balances	2,637,976	2,637,976		2,637,976
Total	50,028,726	2,637,976	20,220	50,028,726

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 customers.

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.

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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 12 month	Between 13-24 months	Over 25 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June current year				
Trade payables	3,994,320	5,783,425	72,282,176	82,059,921
Refundable deposits and Prepayments	400,000	1,114,959	11,364,000	12,878,959
Total	4,394,320	6,898,384	83,646,176	94,938,880
At 30 June previous year				
Trade payables	-	1,706,296	90,751,820.61	92,458,117
Current portion of borrowings				-
Provisions	5,535,308			5,535,308
Deferred income				-
Employee benefit obligation				-
Total	5,535,308	1,706,296	90,751,821	97,993,425

(iii) Market risk

The committee 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) Foreign currency risk

The Company has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

Notes to Financial statements (Continued)

b) 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.

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.

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:

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	2024-2025	2023-2024
Retained earnings	(13,923,141)	(4,884,044)
Capital reserve	100,000	100,000
Total funds	(13,823,141)	(4,784,044)
Total borrowings		
Less: cash and bank balances	2,943,933	2,637,976
Net debt/ (excess cash and cash equivalents)		
Gearing	(16,767,073)	(7,422,020)
%	121%	155%

26. Incorporation

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

27. Events after the Reporting Period

Trade and other payables –employee costs gratuity were recomputed and found to have been overstated by kshs 11,372,114 and prior year adjustment to restate the opening balance made.

The statement in changes in equity opening balance has been restated by ksh 11,472,114 due to overstatement of employee’s accrued gratuity ksh 11,372,114 ksh 100,000 due to casting.

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19. 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.

Referen ce No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>1. Errors and Inaccuracies in the Annual Reports and Financial Statements The annual report and financial statements prepared and presented for audit had the following errors and omissions: i. The information on Turkana County Water Caretaker Committee on page vi-viii has not disclosed the dates of birth of the committee members ii.Environmental and Sustainability Reporting on page xvii has not reported on the following key areas; environmental performance, employee welfare and market place practices as required by the reporting template. iii. The statement of financial position reflects retained earnings amount of negative Kshs.16,256,158 which differs from the amount of negative Kshs.16,356,158 reflected in the statement of changes in equity resulting to unexplained variance of Kshs.100,000 . iv.Note 18 to the financial statements reflects retained earnings amount of negative Kshs.19,733,371 which is at variance with the retained earnings of negative Kshs.16,256,158 reflected in the statement of financial position. The resultant variance of Kshs.3, 477,213 has not been explained. In the</p>	<p>(i) The management notes the oversight on the dates of birth of the committee members and commits to include in subsequent financial statements. (ii) The company has a Human Resource Policy that addresses employee welfare issues. The company will progressively formulate the required policies including waste management policy, Environmental Policy, Risk Management Policy, Procurement and Supply Chain Policy. (Refer to Annex 1: Human resource Policy). (iii) The management notes the error in presentation of the financial statements and commits to do a prior year adjustment in the subsequent financial statement to correct the errors. (iv) The variance of Kshs.3,477,213 arose from erroneous posting of Ordinary Share capital of Kshs.100,000, erroneous posting of capital grant of Kshs.585,000 and erroneous posting of loss for the year of Kshs.2,792,213. The management commits to do a prior year adjustment in the subsequent financial statement to correct the error.</p>	Resolved	

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Referen ce 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)
	circumstances, the financial statements as presented do not conform to International Financial Reporting Standards disclosure requirements and prescribed template by the Public Sector Accounting Standards Board.			
2.	2. Unconfirmed Sales Revenue The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.71,957,628 as disclosed in Note 6 to the financial statements. However, the water sale ledger provided shows customer billings amounting to Kshs.117, 338,245 resulting in a variance of Kshs.46, 465,485 that has not been reconciled.	The operating revenue for the year was Kshs.71, 957,628. The sales ledger used to arrive at Kshs.117, 338,245 was erroneous. (Refer to annex 2: Summary of production and billing for the Year 2023/2024).	Resolved	
3.	3. Unsupported Domestic Travel and Subsistence Expenditure. The statement of profit or loss and other comprehensive income reflects general and operations expenses amount of Kshs.75,949,347 which include domestic travel and subsistence amount of Kshs.497,310 as disclosed in Note 9 to the financial statements. However, the expenditure has not been supported by payment vouchers, imprest warrants, an approved work plan, procurement plan, bus tickets, work tickets or boarding passes, hotel bookings and attendance registers.	The expenditure of Kshs.497, 310 was incurred on domestic travel and subsistence. (Refer to Annex 3: payment voucher, imprest warrants, bus tickets, and payment schedule and attendance list).	Resolved	
4.	4. Inaccuracy of Property, Plant and Equipment. The statement of financial position reflects property, plant, and equipment balance of Kshs.54,508,548 as disclosed in Note 13(a) to the financial statements. During the year under	The amount of Kshs.40, 035,048 was erroneously reported as additional assets instead of existing assets. The company has provisioned for valuation of its assets in the budget for next financial year 2025/26. The management commits to conduct annual physical asset verification	Not resolved	30 th June 2026

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Referen ce 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)
	review, the entity acquired additional assets amounting to Kshs.40, 876,348. Included in the additions during the year is water and sewer infrastructure of Kshs.40, 035,048 procured in the previous years but omitted in the financial statements. Page 3 of 11 The assets were erroneously recorded as additions during the year instead of prior year adjustment. In addition, the annual physical asset verification report for the year under review was not provided.	as at 30th June, 2025. (Refer to Annex 4: Budget estimates for FY 2025/2026).		
5.	5. Unconfirmed Cash and Cash Equivalents. Review of the cash books and bank statements provided for verification revealed that the Company withdrew cash amounting to Kshs.6,072,879 for petty cash operations from its expenditure Account held at a commercial bank. However, the Management did not maintain a memorandum cash book for petty cash and imprest management during the year under review.	The company withdrew cash for daily operations. The management maintained a memorandum cash book for petty cash and imprest management. (Refer to annex 5: Extract of Memorandum Cashbook).	Resolved.	
6	6. Unsupported Refundable Deposits and Prepayments. The statement of financial position reflects refundable deposits and prepayments amount of Kshs.15,282,919 as shown in Note 21 to the financial statements. However, the payables have not been supported by detailed schedules showing the names of customers who are owed by the Company and a detailed ageing analysis.	The refundable deposits and prepayments amount of Kshs.15,282,919 comprises of customer deposits of Kshs.11,364,000 and prepayments by customers of Kshs.3,918,919. (Refer to annex 6: Extract of schedule showing the names of customers and ageing analysis).	Resolved.	
7	7. Variance in Trade Payables .The statement of financial position reflects trade and other payables	The trade and other payables amount of Kshs.94,082,620 reported in the statement of financial position comprises	Resolved.	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	amount of Kshs.94,082,620 as disclosed in Note 20 to the financial statements. However, the supporting schedules for trade and other payables shows a total of Kshs.82,133,797 resulting in reconciled variance of Kshs.11,948,823.	of accrued expenses of Kshs.44,490,544, employee payables of Kshs.48,003,118 and other payables of 1,588,957. (Refer to annex 7: List of Accrued expenses, employee payables and other payables amounting to Kshs.94, 082,620).		
	Material Uncertainty Related to Going Concern The statement of financial position reflects total current assets of Kshs.50, 028,626 against total current liabilities of Kshs.109, 365,539. This makes liquidity ratio of 0.46:1 (or negative working capital of Kshs.50,028,626) which is below the recommended liquidity ratio of 2:1. In addition, during the year under review, the capital reserve dropped by Kshs.18,628,626 from Kshs.2,472,468 to negative Kshs.16,156,158. Further, Lodwar Water and Sanitation Company Limited is in the process of being taken over by Turkana County Urban Water and Sewerage Company Limited.	.TUWASCO has taken over LOWASCO. TUWASCO has identified risks that threaten its ability to operate as a going concern. The management is addressing the risks to ensure sustainability of its operations. Some of the measures adopted by the company include: introducing meters for each zone to limit non-revenue water to below 25%; installation of master meters, investing in infrastructure rehabilitation; formulation of the necessary policies and leveraging on partnerships. The company is also investing in continuous staff capacity building and reorganization where appropriate in line with the approved HR policy to enhance productivity.	Resolved.	
REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES				
	1. Non-compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution The statement of profit or loss and other comprehensive income and as disclosed in Note 8 to the financial statements reflects staff costs amount of Kshs.40,976,089. Review of the Company's payroll for the month of June, 2024 revealed that the Company had seventy four (74) staff members, out of which sixty-three (63) or	Majority of the jobs at the company are low-paying, and do not attract applicants from non-dominant ethnic groups. However, technical positions within the company are filled by non-dominant ethnic groups. As the company grows, the management commits to improve compliance to Section 7(1) and (2) of the National Cohesion and integration Act, 2008 going forward. Similarly, most of the jobs at the company do not attract female applicants. However, administrative positions which attract applications by female candidates are	Not Resolved	

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Referen ce 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)
	85% of staff are from the dominant ethnic community leaving eleven (11) employees or 15% from other ethnic communities contrary to Section 7(1) and (2) of the National Cohesion and integration Act, 2008 which requires that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public establishment shall have more than one third of its establishment from the same ethnic community.	largely occupied by women. The company will improve representation of women in future employment.		
	2. Operation as a Water Service Provider without a License Review of the available documents revealed that the Company had no valid license from the Water Service Regulatory Board authorizing it to operate water production services contrary to Section 85(1) of the Water Act, 2016 that states that a person shall not provide water services except under a license issued by the Regulatory Board, upon submission of an application and such supporting documents as the Board may require.	The term of operations for the Board of Directors for the LOWASCO expired in 2014 and was not renewed. The company operated without a board that was to spear head the renewal of the operating permit which had also expired. Turkana County Urban Water Services PLC which took over LOWASCO made an application to the Regulatory Board for an operating license in November 2024. The application is currently at the evaluation stage. (Refer to Annex 8: Status of the Online License Application).	Not resolved.	30 th June,2025
	3. Unpaid Tax Expense The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs.75,949,347 as shown in Note 9 to the financial statements. This includes tax expenses relating to penalties and interest for non-remittance of tax (pay as you earn, value-added tax, and interest on unpaid tax expense) of Kshs.5,887,373 for the tax period between January, 2015 to 30 June,	The unpaid taxes are currently being reviewed by TUWASCO to determine the actual taxes payable. Once reconciliation is finalized with KRA, the company will negotiate and agree on a payment plan.	Not resolved.	30 th June,2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>2024. However, Page 7 of 11 the amount had not been paid by the close of the year under review. Management has not demonstrated how the tax obligation will be settled to avoid further penalties.</p>			
	<p>4. Long Outstanding Payables The statement of financial position reflects trade and other payables amount of Kshs.94,082,620. Examination of trade and other payables ageing analysis revealed pending payments for goods, services and works totaling to Kshs.66,174,961 which have been outstanding for over 60 days contrary to Regulation 150(1) of the Public Procurement and Assets Disposal Regulations, 2020 that states that subject to the availability of funds and after proper certification of the goods, services or works have been done, a procuring entity shall make prompt payments for all performed contracts including enterprises owned by youth, women or persons with disabilities and shall make payment within sixty days from the date of receipt of the invoice.</p>	<p>TUWASCO acknowledges existence of outstanding payables. As at 2nd May 2025, management had paid suppliers, gratuity and electricity bills amounting to Kshs.11,948,823. The management commits to settle the outstanding payables. (Refer to annex 9: List of paid payables as at 2nd May, 2025).</p>	<p>Not resolved.</p>	<p>30th June,2025</p>
	<p>5. Late Remittance of Statutory Deductions Review of the Company's payrolls for the year ended 30 June, 2024 indicated a total amount of Kshs.4,622,330 in respect to remittance of NSSF, NHIF and PAYE deductions. However, review of the payment vouchers and deposit slips provided revealed that a total of Kshs.463,768 for PAYE and Kshs.206,250 for NHIF was remitted after the deadline of ninth</p>	<p>The Company files and remits monthly statutory deduction in time. When the company experiences low revenue collection, remittance of statutory deductions is delayed. This delay is always communicated to the relevant statutory bodies to avoid penalties. (Refer to annex 10: Sample letters to KRA, SHA and NSSF</p>	<p>Not resolved</p>	<p>30th June,2025</p>

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	day of each following month. This was contrary to Employment Act that requires employers to remit deduction from the employees' emoluments to the respective bodies within set timelines.			
REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE				
	1. Lack of Substantive Board of Directors During the year under review, the Company did not have a fully constituted Board. Management of the Company affairs was conducted by an interim board of directors contrary to Section 79(1) of the Water Act, 2016 which requires that a water services provider should have a board of directors and in the case of a company, the members of its board of directors shall be constituted in accordance with the Companies Act, 2015 or any other written law and that the directors be nominated to serve on the board in accordance with the Company's memorandum and articles of association.	The caretaker Board was in place during the period under review to manage the transition from LOWASCO to T UWASCO. The Turkana County Urban Water and Sewerage Company has a substantive Board. (Refer to Annex 11: Board Appointment Letters)	Resolved	
	2. Lack of Risk Management Policy and Disaster Recovery Plan Review of the internal controls of the Company revealed that there was no risk management policy in place and thus the Company did not carry out risk assessment during the period under review contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires each County Government entity to develop risk management strategies and a system of risk management. Further, a disaster recovery plan or	LOWASCO did not have sufficient risk controls including risk management policies and risk mitigation measures. However, Turkana County Urban Water and Sewerage Company PLC has prioritized internal controls by committing to formulate all the requisite policies. So far, the company has engaged a Consultant to draft the Strategic plan and business plan. (Refer to Annex 12: TOR and notification of Award for the Consultant).	Not resolved	30 th June,2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	business continuity plan was not in place to ensure that the Company recovered its operations in the event of a disaster.			
	3. Information Technology Resources Management Review of the Information Technology Internal Controls revealed that the Company did not have an approved ICT Policy, IT security policy, policy on physical access to IT environment and IT continuity and disaster recovery plan in place to guide ICT operations. In the circumstances, the Company will not be able to create an efficient computer-based system for gathering, storing and processing information for management decision making, communicating management aims and directions, define and manage service levels, monitor and evaluate IT performance and manage IT Human resources.	LOWASCO did not have ICT policies in place in the period under review. Turkana County Urban Water and Sewerage Company prioritized these policies and has since engaged a Consultant to draft the Strategic plan and a business plan. Other measures taken by the company include securing ICT server room and safeguarding other ICT equipment such as computers.	Not resolved	30 th June, 2025
	4. Non-Revenue water .The statement of profit or loss and other comprehensive income shows operating revenue of Kshs.71,957,628. Included in this amount is water sales billing of Kshs.70,872,760 that was billed from the water production of approximately 1,105,359 cubic meters as per the production schedules provided. However, the Company had total production of 2,502,000 cubic meters during the year but managed to bill its customers a total of 1,105,359 or (44%) cubic meters of water. This makes non-revenue water of Page 10 of 11 1,396,641 cubic meters			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>representing 56% of produced water Management Response The high non-revenue water of 56% is attributed to old, dilapidated pipes susceptible to frequent bursts causing the water loss. However, the company has replaced the old pipes with latest quality pipes High Density Polyethylene (HDPE) to minimize non-revenue water losses. The company has provisioned a budget in the FY 2025/2026 to purchase smart meters that shall ensure every drop is accounted for. (Refer to Annex 13: Budget estimates and areas that the pipe network has been replaced).contrary to Industry threshold allowable loss (25% of water produced).</p>			

Name B. O. O. O.
 Signature [Signature]
 Managing Director
 Date 07/09/25

