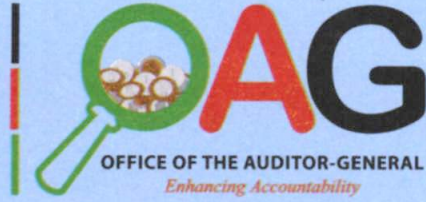


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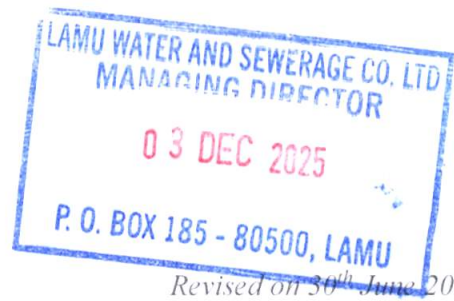
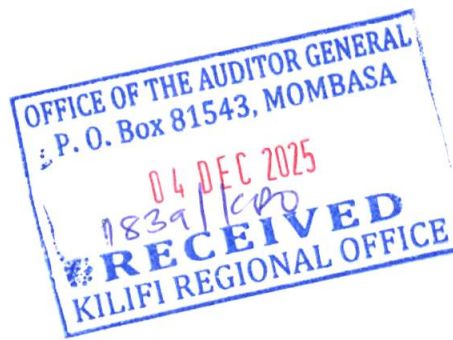
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LAMU WATER AND SEWERAGE  
COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2025

09



*Revised on 30<sup>th</sup> June 2025*



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*LAMU WATER AND SEWERAGE COMPANY LIMITED*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

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

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**Lamu Water and Sewerage Company Ltd**  
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**1. Acronyms and Glossary of Terms**

**A. Acronyms**

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
ICPAK	Institute of Certified Public Accountants of Kenya
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
CBO	Community Based Organization
CWWDA	Coast Water Works Development Agency
LAWASCO	Lamu Water and Sewerage Company Ltd
SPA	Service Provision Agreement
UFW	Unaccounted For Water
WRA	Water Resources Authority
WSBs	Water Services Boards
WSPs	Water Service Providers
WSTF	Water Sector Trust Fund
OSHA	Occupational Safety and Health Act

**B. Definition of Key Terms**

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

**Comparative Year**- Means the prior period.

## **2. Key Entity Information**

### **Background information**

Lamu Water and Sewerage Company Limited (LAWASCO) was established under the Company Act (Cap, 486) on 3<sup>rd</sup> February 2006. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Lamu County, Kenya.

### **Principal Activities**

The principal activity of the Company is the provision of water services.

Our vision is to be a leading water and sewerage service provider in Coast Province and our mission is to provide portable water and improved sewerage services to the residents of Lamu and its environs.

Our core values are -:

- a) Customer orientation
- b) Zero tolerance on corruption,
- c) Meritocracy
- d) Teamwork
- e) Social responsibility
- f) Gender sensitivity.

Our core objectives are -:

- i. To increase water production and develop sewerage services
- ii. To achieve financial sustainability and improved Management Information systems
- iii. To attract, develop and retain competent and motivated staff.
- iv. Develop alternative sources of energy and reduce costs of electricity supply.

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**Directors**

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

No.	Name	Designation/Office	Date of Appointment
1.	CPA Salma Omar Ahmed	Executive Director representing County Government of Lamu	January 2025
2.	Ali Mohamed Omar	Executive Director representing County Government of Lamu	January 2025
3.	Mohamed Kubwa Mohamed	Independent Director and Chairman of the Board	January 2025
4.	Mohamed Athman Bakar	Independent Director and Chair of Finance, HR and Administration Committee of the Board	January 2025
5.	Naima Farouk Sabur	Independent Director and Chair of Internal Audit Committee of the Board	January 2025
6.	Mwambura Baka Munga	Independent Director and Chair of Technical Committee of the Board	January 2025
7.	Husna Ali Swabu	Independent Director and Member of the Board	January 2025

**Company Secretary**

Mr. XXXX

P.O. Box ... Town

**Registered Office**

Lamu Water and Sewerage Company Ltd

Behind Kenya Police Station

P.O. Box 185-80500

Lamu, KENYA

**Lamu Water and Sewerage Company Ltd**  
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**Corporate Headquarters**

Lamu Water and Sewerage Company Ltd  
Behind Kenya Police Station  
P.O. Box 185-80500  
Lamu, KENYA

**Corporate Contacts**

P.O Box 185 Lamu Telephone: +254717895682,  
Email: lamuwater@gmail.com  
County: Lamu, District: Lamu West District,  
Locality: Lamu Street: Along Riadha Mosque Opposite Lamu Police Station,  
Building: Lamu Water and Sewerage Company Limited

**Corporate Bankers**

1. EQUITY BANK LTD  
P.O. Box 75-80503  
Mpeketoni Lamu, Kenya
2. KENYA COMMERCIAL BANK  
P. O. Box 121-80500  
Lamu, Kenya

**Independent Auditor**

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

**Principal Legal Advisers**

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

**Lamu Water and Sewerage Company Ltd**  
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**3. The Board of Directors**

Directors	Details
 <p data-bbox="229 815 603 922"><i>CPA Salma Omar Ahmed</i> <b>Chief Officer Finance</b> <b>Executive Director</b></p>	<p data-bbox="743 403 1423 810">Mrs. Salma Omar Ahmed (born 17.07.1985) is a Certified Public Accountant of Kenya and a member of ICPAK with a Bachelor’s degree in Business Administration in Finance and Accounting from Moi University, a certificate in Senior Management and Strategic Leadership from Kenya School of Government. Prior to her appointment as Chief Officer, she was Ag. Director Accounting Services, Principal Finance Officer for the County Treasury and is Red Cross Lamu Branch Treasurer from year 2015 up to date.</p>
 <p data-bbox="229 1379 641 1487"><i>Ali Mohamed Omar</i> <b>Chief Officer Water &amp; Energy</b> <b>Executive Director</b></p>	<p data-bbox="743 976 1417 1429">Mr. Ali Mohamed Omar Ahmed is a Water Engineer with a Masters in Energy Management from the University of Nairobi, a Post-Graduate Engineers Training in Water and Energy and a Water and Energy Product and Application Course from Davis and Shirliff, Bachelor of technology in Chemical Engineering from Osmania University college of Technology. Prior to his appointment as Chief Officer. He served as a Group Water Treatment Engineer and Consultant at Davis &amp; Shirliff, Head Office Nairobi and Water Technology Engineer at Systel Engineering Ltd, Nairobi.</p>
 <p data-bbox="229 1845 705 1953"><i>Mr. Mohamed Kubwa Mohamed</i> <b>Chairman of the Board</b> <b>Independent Director</b></p>	<p data-bbox="743 1496 1404 1953">Mr. Mohamed Kubwa (born 03.05.1963) holds a Graduate Diploma in Transport and Logistics and a Diploma in Mechanical Engineering and is a Bachelors Student at the Management University of Africa. Prior to his appointment, he served as a Co-opted Director Kenya National Chambers of Commerce and Industry Lamu Branch, Member of Audit Committee County Government of Lamu, Operations and Marketing Manager Tudor Services Ltd, Terminal Operations Co-ordinator Hashi energy Ltd and an Elected Councillor Siyu/Pate ward. Has a working experience</p>





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	spanning 33 years in various supervisory and management positions.
 <p><i>Mr. Mohamed Athman Bakar</i>  <b>Chairman Finance &amp; HR committee Independent Director.</b></p>	<p>Mr. Mohamed Athman (born 01.01.1969) holds a Bachelors degree of Science in Development Studies from Technical University of Mombasa, a Diploma in Community Development and counselling. Prior to his appointment, he served as a Director and Chairman of the Board – LAWASCO in 2013-2018, a project officer for Amu Island water resource users Association (A-I-WRUA) and a project manager for strengthening resilience against extremism (SCORE) project in LEVCO Organization. Has 23 years’ experience in project management.</p>
 <p><i>Madam Naima Farouk Sabur</i>  <b>Chairperson Internal Audit Committee- Independent Director.</b></p>	<p>Madam. Naima Farouk Sabur (born 01.06.1991) is an Education Specialist experienced in Leadership, Administration and community engagement with a Bachelor’s degree in Education (Arts) from Kenyatta University and a Masters in Islamic Studies (Comparative religion). Prior to her appointment to this board, she served in various capacities in Lamu Girls i.e. as the Head of the Guidance and counselling department, Chair of the evaluation committee and the secretary to the School Infrastructure Committee and is presently serving as the Deputy Principal Lamu Girls. Has 8 years’ experience in Teaching and Administration.</p>
 <p><i>Mr. Mwambura Baka Munga</i>  <b>Chairman Technical Committee Independent Director</b></p>	<p>Mr. Mwambura Baka Munga (born 03.03.1970) holds a Bachelor of Arts degree in Anthropology from Moi University and is a continuing Master of Arts in Governance and Ethics student in Mount Kenya University. He is presently an Administrator/ Lecturer at Technical university of Mombasa-Lamu Branch. He brings to the board a wealth of 15 years’ experience in project management, research and consultancy, resource mobilization and networking.</p>

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 <p><i>Madam Husna Ali Swabu</i>  <b>Member of the Board</b>  <b>Independent Director</b></p>	<p>Mrs. Husna Ali Swabu (born 25.02.1975) holds a Diploma in Procurement and material management from Technical University of Mombasa (Lamu Campus), a Diploma in ECDE from Mombasa DICECE Teachers Training College. Prior to her appointment, she served and still is an ECDE Teacher at the County Government and a member of County Education Board –Lamu County. Has participated in community-based projects in various capacities and has been an ECDE teacher with 28 years’ experience.</p>
 <p><i>Eng. Najash Abdul Ahmed Hafidh</i>  <b>Secretary to the Board- MD</b>  <b>Independent Member of the board.</b></p>	<p>Mr. Najash Abdul Ahmed Hafidh (born 01.01.1967) holds a Bachelor’s degree in Civil Engineering. He is presently the Managing Director of LAWASCO. He has previously served as a Building supervisor, Engineering technologist, Head of production unit and Principal Engineering technologist. He is a member of Engineers Registration Board of Kenya (ERBK) and the Institute of Engineers of Kenya (IEK). He brings to the board a wealth of experience in the technical and engineering aspects for the company having worked in this fields for 36years.</p>

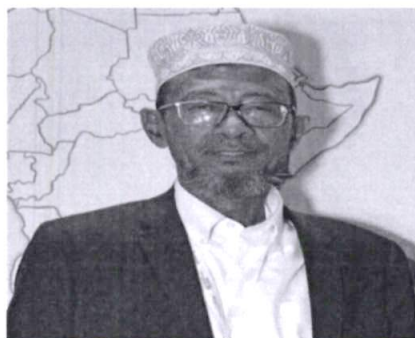
4. Key Management Team

Managers	Details
 <p><b>Eng. Najash Abdul Ahmed Hafidh</b></p>	<p><b>Designation:</b> Managing Director</p> <p><b>Responsibility:</b> To provide strategic leadership and responsibility for the efficient management of affairs of the company and day-to-day operation &amp; administration of the company.</p> <p><b>Qualification:</b> Degree in Civil Engineering,</p>
 <p><b>Mrs. Agnes M. Mulingulu</b></p>	<p><b>Designation:</b> Accountant</p> <p><b>Responsibility:</b> Providing financial reports and interpreting financial information to managerial staff while recommending further courses of action. Advising on accountability activities and provide strategies that the company should take. Maintaining the financial health of the organization.</p> <p><b>Qualification:</b> Degree in Economics and Business Administration, (CPA Intermediate)</p>
 <p><b>Mr. Jacob M. Chidzipha</b></p>	<p><b>Designation:</b> Ag. Technical Manager</p> <p><b>Responsibility:</b> To provide high-quality water to domestic, commercial, and industrial customers. To prepare comprehensive departmental reports, including engineering budgets, technical audit reports, etc.</p> <p><b>Qualification:</b> Diploma in Water Engineering.</p>
 <p><b>Ms. Nana Somo Mohammed</b></p>	<p><b>Designation:</b> Ag. Human Resource &amp; Administration Manager</p> <p><b>Responsibility:</b> To ensure compliance with labour laws and regulations, manage employee records, on-boarding and off-boarding, payroll and benefits assistance, employee relations support, staff training and development support and general administrative support.</p> <p><b>Qualification:</b> Degree in Business Administration</p>

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 <p><b>Mr. Mubashir Omar</b></p>	<p><b>Designation:</b> Procurement Officer</p> <p><b>Responsibility:</b> He is responsible for overseeing and managing the company's overall supply chain and logistics strategy and operations to maximize process efficiency and productivity.</p> <p><b>Qualification:</b> Degree in Supply Chain Management and a Diploma in Business Management.</p>
 <p><b>Mr. Abdulla Zubeir Mohamed</b></p>	<p><b>Designation:</b> Ag. Commercial Manager</p> <p><b>Responsibility:</b> He is responsible for the commercial strategy and the development of an organization.</p> <p><b>Qualification:</b> KCE (O LEVELS)</p>
 <p><b>Mr. Twahir Abdulrehman Issa</b></p>	<p><b>Designation:</b> Technical Assistance</p> <p><b>Responsibility:</b> He is responsible for the commercial strategy and the development of an organization.</p> <p><b>Qualification:</b> Diploma in Water Engineering, T1/T2 Solar Photovoltaic Technology</p>

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



The mandate of the Lamu Water and Sewerage Company (LAWASCO) is to provide quality water and sewerage services to the residents of Lamu and its environs. As the Board of Directors, we bear the ultimate responsibility of ensuring that the Company remains focused on this mandate and operates within the highest standards of good governance, accountability, and efficiency.

It is our responsibility to provide the required leadership in approving policies, strategies, and plans that guide management in delivering sustainable water and sewerage services. We recognize that access to safe and affordable water is a basic right and a driver of social and economic development. For this reason, we continue to direct and support initiatives that safeguard the long-term sustainability of the Company.

It is our undertaking to ensure that LAWASCO is guided by a comprehensive Five-Year Strategic Plan that clearly states the Company's vision, mission, and values, as well as the strategies to be pursued to achieve both statutory and contractual obligations. We further commit to performing our responsibilities diligently and with integrity, in order to support the achievement of agreed performance targets and the expectations of our stakeholders.

These Objectives are what is and will guide our five-year plan to move LAWASCO to the next level.

1. To increase water production and develop sewerage services.
2. To achieve financial sustainability and strengthen management information systems.
3. To attract, develop, and retain competent and motivated staff.
4. To develop alternative sources of energy and reduce the cost of electricity supply.
5. To enhance information and technology systems for effective decision-making

In carrying out our oversight responsibilities, the Board intends to dedicate its efforts towards ensuring that LAWASCO contributes effectively to the realization of the County's development priorities, as well as to the national development goals outlined in Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA).

Our commitment is to ensure that the Company's programs remain inclusive, equitable, and sustainable. With this in mind, the Board will prioritize the following strategic intentions during the financial year:

- a) Rehabilitating and installing pumps in existing wells to ensure reliable water supply.
- b) Extending new distribution pipelines to reach underserved communities and expand the customer base.

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- c) Enhancing staff training and development to strengthen technical and managerial capacity.
- d) Improving revenue collection systems to achieve financial stability and sustainability.
- e) Enhancing customer service by promoting responsiveness, accountability, and transparency.
- f) Strengthening the Company's commercial and accounting functions to improve governance and operational efficiency.

By focusing on these areas, the Board seeks to provide strong oversight and support to management, ensuring that LAWASCO remains on a path of growth and continuous improvement.

The success of LAWASCO depends greatly on the collaborative partnership between the Company and the County Government of Lamu. As a shareholder and key stakeholder, the County Government provides both policy direction and financial support to the Company.

We acknowledge the County Government's commitment to service delivery and call upon it to continue supporting LAWASCO by ensuring that:

- Correspondences and approvals are acknowledged and acted upon promptly.
- Requests made by the Company are processed within the timelines stipulated in the Citizen's Service Delivery Charter.
- The County's development agenda remains aligned with the strategic objectives of LAWASCO.

The Board is confident that with this collaboration, LAWASCO will not only fulfil its statutory obligations but also play a central role in driving social and economic transformation in Lamu County.



MR. MOHAMED KUBWA  
**Chairman, Board of Directors**  
**Lamu Water and Sewerage Company**

## **6. Report of the Managing Director**



The mandate of the Lamu Water and Sewerage Company (LAWASCO) is to provide quality, affordable, and reliable water and sewerage services to the residents of Lamu and its environs. This mandate is not only statutory but also central to the social and economic wellbeing of the communities we serve. Access to safe water and sanitation is a fundamental human right, and as a Company, we remain committed to playing our role in advancing this right while contributing to the broader development agenda of the County and the Nation.

As the Managing Director, I acknowledge the critical responsibility entrusted to me to provide leadership, design suitable strategies, and implement plans that enhance the efficiency and effectiveness of our operations. My commitment is to ensure that LAWASCO continues to expand its coverage, improve service quality, and achieve financial sustainability while upholding the highest standards of corporate governance and accountability.

In the just concluded financial year, we initiated the implementation of our Five-Year Strategic Plan, which clearly articulates the Company's vision, mission, and values. This Strategic Plan is designed to guide the Company in achieving its statutory and contractual objectives, while aligning our activities with the priorities of the County Government of Lamu, Kenya Vision 2030, and the Bottom-Up Economic Transformation Agenda (BETA).

The Strategic Plan emphasizes inclusive growth, sustainability, and innovation. It provides a roadmap for strengthening our internal capacity, improving service delivery, and enhancing customer satisfaction. As Managing Director, I reaffirm my undertaking to implement this plan diligently, ensuring that performance targets are not only met but exceeded.

**Strategic Intentions for the Financial Year**

In keeping with the imperative of inclusivity, efficiency, and accountability, LAWASCO has identified and prioritized the following strategic intentions for the financial year:

1. Rehabilitation and installation of pumps in existing wells – Ensuring uninterrupted water supply is one of our foremost goals. The rehabilitation of existing wells and installation of reliable pumps will significantly improve water access and reduce service disruptions.
2. Extension of new distribution pipelines – To serve more residents and expand our customer base, LAWASCO is committed to extending its distribution network. The laying of new pipelines will not only increase coverage but also enhance equity in service provision.

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3. Staff training and development – A skilled and motivated workforce is the backbone of service delivery. This financial year, LAWASCO will prioritize capacity building for staff through targeted training and professional development programs.

4. Improving revenue collection systems – Financial sustainability remains critical to the long-term success of LAWASCO. To this end, we are streamlining our revenue collection systems by introducing more efficient, transparent, and customer-friendly mechanisms.

5. Enhancing customer service – Customer satisfaction is at the core of our operations. LAWASCO is strengthening its customer service frameworks to ensure timely response to complaints, effective communication, and provision of accurate billing.

6. Strengthening commercial and accounting functions – Accountability and efficiency in financial management are fundamental to the credibility of any utility company.

Alignment with County and National Development Agendas

LAWASCO's strategic intentions are closely aligned with the broader county and national priorities. At the national level, our work contributes directly to the objectives of Kenya Vision 2030, which identifies access to clean water and sanitation as a cornerstone of the social pillar. Furthermore, our focus on inclusivity and economic empowerment resonates strongly with the Bottom-Up Economic Transformation Agenda (BETA).

At the county level, LAWASCO plays a pivotal role in advancing Lamu County's development agenda. Our activities support public health, economic growth, and environmental sustainability, thereby contributing to improved livelihoods for our people.

Governance, Accountability, and Stakeholder Engagement

I remain deeply committed to upholding principles of good governance, accountability, and transparency. Strong governance structures are essential to building stakeholder trust and ensuring efficient service delivery. LAWASCO is working closely with the County Government of Lamu, development partners, and the community to foster partnerships that enhance resource mobilization and technical support.

We are also enhancing our communication with customers and stakeholders to create a culture of transparency and inclusivity. Regular engagement through forums, feedback mechanisms, and customer outreach programs will ensure that stakeholder voices are heard and incorporated into decision-making processes.

Looking ahead, LAWASCO will continue to focus on strengthening its institutional capacity, modernizing infrastructure, and improving financial sustainability. With the support of the Board of Directors, staff, partners, and our customers, I am confident that the Company will overcome challenges and seize opportunities to grow.

Our long-term vision is to transform LAWASCO into a model utility company that delivers reliable, sustainable, and customer-centred services. We will continue to explore innovative technologies, build resilient systems, and prioritize environmental stewardship in all our operations.


Appreciation

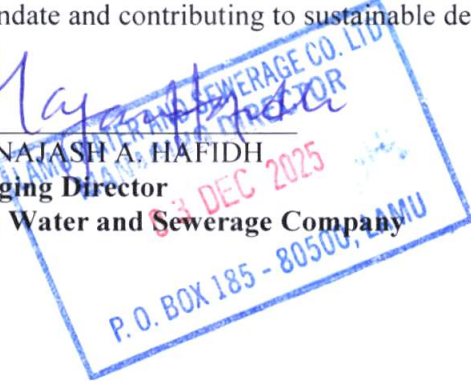
**Lamu Water and Sewerage Company Ltd**  
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I take this opportunity to thank the Board of Directors for their guidance and oversight, the County Government of Lamu for its continued support, our staff for their hard work and dedication, and our customers for their trust and cooperation. It is through these collective efforts that LAWASCO will achieve its mission of providing quality water and sewerage services to the residents of Lamu and beyond.

Together, we will ensure that LAWASCO continues to grow in strength and capacity, delivering on its mandate and contributing to sustainable development in our county and nation.

  
ENG. NAJASH A. HAFIDH  
Managing Director  
Lamu Water and Sewerage Company



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

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

Lamu Water and Sewerage Company limited has 5 strategic issues and objectives within the current Strategic Plan for the FY 2023- FY 2028. These strategic issues are as follows:-

- a) Financial Resources -Inadequate resources to meet operational and development needs.
- b) Power Supply -High power costs and unreliable power hamper operations.
- c) Water Sources -Insufficient supply versus rising demand; need to expand and diversify water sources.
- d) Human Resources -Staffing, training, and workforce alignment with strategic needs.
- e) ICT & Data Systems -Weaknesses in digital systems affecting efficiency and decision-making.

Lamu Water and Sewerage Company limited develops its annual work plans based on the above 5 Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The goals, objectives and strategies in place to help us assess performance in the strategic issues highlighted can be summarized as below-:

Goal Area	Objective	Strategies
Water & Sewerage Development	Increase water production and develop sewerage services	Rehabilitate wells, expand infrastructure, reduce NRW, extend pipelines, increase storage, and establish sewerage systems.
Financial Sustainability	Achieve financial sustainability and improve MIS	Improve billing and collection systems, expand metered connections, strengthen accounting, and implement internal controls.

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Human Resource Development	Attract, develop and retain competent and motivated staff	Implement HR policy, train staff, provide incentives, raise awareness on HIV/AIDS and anti-corruption, and improve work environment.
Energy Cost Reduction	Develop alternative energy sources and reduce electricity costs	Improve reliability and lower cost of power; conduct feasibility studies for renewables.
ICT and Decision Support	Develop ICT systems for effective decision making	Improve customer service, develop ICT support services, and establish a resource center.

Lamu Water and Sewerage Company limited partially achieved its performance targets set for the FY 2024/2025 period for its 5 strategic pillars, as indicated in the diagram below:-

<b>Strategic Pillar / Theme / Issue</b>	<b>Objective</b>	<b>Key Performance Indicators (KPIs)</b>	<b>Key Activities</b>	<b>Achievements</b>
<b>1. Financial Resources</b>	Achieve financial sustainability	<ul style="list-style-type: none"> <li>- % Increase in revenue</li> <li>- Reduction in non-revenue water</li> <li>- Improved audit ratings</li> </ul>	<ul style="list-style-type: none"> <li>- Install internal controls</li> <li>- Improve billing &amp; collection systems</li> <li>- Expand metered connections</li> <li>- Implement operating plans</li> </ul>	<p>7.6% increase in revenue.</p> <p>Non- revenue water reduced from 52% to 46%.</p>
<b>2. Water Sources</b>	Increase water production and develop	<ul style="list-style-type: none"> <li>- Litres/day of water produced</li> <li>- % Coverage of sewerage</li> </ul>	<ul style="list-style-type: none"> <li>- Develop &amp; rehabilitate wells</li> <li>- Extend pipeline network</li> </ul>	<p>8 wells rehabilitated</p> <p>Pipeline extended in Mokowe.</p>

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	sewerage systems	- Customer growth rate	- Increase storage - Reduce water losses - Establish sewerage	
<b>3. Power Supply</b>	Develop alternative energy and reduce electricity costs	- % Reduction in power cost - Frequency of power outages	- Improve current power supply - Conduct feasibility study - Implement renewable energy solutions	Solarization of wells in shella ongoing-target is 15 wells.
<b>4. Human Resources</b>	Attract, develop, and retain qualified and motivated staff	- Staff retention rate - No. of trained staff - Employee satisfaction index	- Develop HR policy - Implement training programs - Establish reward systems - Improve work environment - Awareness creation	3 staff taken for diving training.
<b>5. ICT &amp; Information Systems</b>	Develop ICT systems for effective decision-making	- % Digitization of processes - Customer satisfaction index - No. of system reports generated	- Develop ICT infrastructure - Establish resource center - Automate customer services and reporting	

## **8. Corporate Governance Statement**

Lamu Water and Sewerage Company is committed to operating under a clear governance framework and strongly adheres to sound management and control practices committed to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles, and best practices in corporate governance.

Lamu Water and Sewerage Company is committed to ensuring compliance with the provisions of Water Act 2016 among other regulatory and supervisory corporate governance requirements.

Essential to the establishment of a good governance framework are formal governance structures designed to ensure accurate reporting to the Board to facilitate an informed decision-making process, assessment, and improvement of conformances.

The Corporate Governance of Lamu Water and Sewerage Company takes place within a framework, which exists to regulate and/or guide the conduct of Board members, staff, customers, and members of the public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical, and accountable governance and management of the Company. The key instruments within the governance framework are:

- The Kenya Constitution
- The Water Act 2016
- The Public Financial Management Act (2012)
- The Public Procurement and Asset Disposal Act (2015)
- The Lamu Water and Sewerage Company Service Charter
- The Company approved policies and procedures
- WASREB Corporate Governance Standards for the Water Services Sector
- International Financial Reporting Standards (IFRS Accrual)

For the sake of coherence and legitimacy, it was in the best interest of the Company that the most appropriate type of governance instrument regulates its conduct.

The Process of appointment and removal of the board follows the WASREB Corporate Governance Guidelines. Vacant Board positions are advertised and an ad hoc nominating committee formed comprising County and primary/key stakeholders representatives receive asses and vet the applications to ensure compliance to the eligibility criteria. The selection committee submits its report to the shareholders for approval and appointments.

**Lamu Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Corporate Governance Statement (Continued...)**

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A termination clause on poor performance and misconduct is included in the Board appointments providing that the board is not retired due to poor performance.

The maximum period of service is 6 years subject to satisfactory performance and shareholders' approval. A third of the board members shall retire from office by rotation every year from the third year based on who has served the longest except for County Government appointments. The roles of the Board of Directors include among others -:

- Oversight of the management and company performance.
- the continual approval of a 5-year strategic plan that is in tandem with the mission, vision and objectives of the company and the strategies to be implemented to achieve the set objectives
- approval of the annual budget and annual procurement plans,
- receiving and reviewing quarterly reports
- Maintaining licence conditions.

The board is expected to hold a minimum of four and a maximum of six meetings every financial year. In this financial year a new board was inaugurated in January 2025 following the expiration of the previous board in November 2023. The board held 3 full board meetings in February, April and June 2025 respectively.

Sitting allowances and other expenditures of the board and its committees are provided for at 5% of the annual turnover in the **WASREB Corporate Governance Standards**.

Guidance in reference of committees in the board is also provided therein as follows:-

1. The following committees are mandatory and relevant members of the top management team may be ex officio members of the committees. The recommended practice is that a board member should not sit in more than two committees.

a. Audit Committee

b. Technical Services Committee

c. Finance, Human Resource and Administration Committee

The mix of skills in a committee must be commensurate with its purpose and for purposes of efficiency especially in very large and large WSPs, a committee member from the stakeholder group shall only sit in two committees. The chairperson of the board of directors should not be a member of any committee however each committee meeting and report must be shared with him when being sent to the other committee members.

**Lamu Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Corporate Governance Statement (Continued...)**

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**WASREB Corporate Governance Standards** also provides parameters for balance of powers to take care of conflicts of interests and the board's relationships with stake holders and other related parties.

Lamu Water and Sewerage Company Ltd have the pride of serving the community since 2006. We have continued the long-standing tradition of providing the community with high quality and affordable Water.

We are a family of people who care about the staff, customers, the community, and the environment in which we live, work and serve.

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

**9. Management Discussion and Analysis**

Lamu Water and Sewerage Company has improved its water production and supply to the residents of Lamu despite the challenges occasioned by continued power phase failures and vandalism attacks at our water sources. The total number of connections has increased from 5,040 in June 2024 to 5,140 in June 2025, representing a 2.78% increase in connections during the financial year. The total volume of water produced also increased from 480,218 m<sup>3</sup> in June 2024 to 485,243 m<sup>3</sup> in June 2025; this represents an increase of 1.05% during the year under review.

Sales revenue increased from Kshs 19,707,894 in 2024 to 21,649,800 in 2025, a 9.9% increase during the year. This is attributed to increased water production levels in the year due to rehabilitation of eight of the shella wells and improved security at the wells. We further received 10M conditional grant from Lamu county government to clear staff salary arrears and pending bills for suppliers.

Below is a schedule detailing key indicators compared to the previous year.

<b>INDICATOR</b>	<b>EXPECTED &amp; BUDGET</b>	<b>2025</b>	<b>2024</b>	<b>% CHANGE</b>
Total revenue	23,200,000	23,680,490	22,002,707	2.07%
Subsidy from Lamu County Government	34,550,000	32,984,574	25,746,182	5%
Total number of connections		5140	5040	-
The total volume of produced water	572445	485,243	480,218	17.97%
Water Coverage %	80%	80	80%	-
Non-Revenue water	46%	46	53%	10%
Water quality standards	100%	100%	100%	-
Hours of Supply	12	12	10	-
Metering ratio	100%	100%	100%	-
Staff per 1,000 Connections	10	14	14	40%
Collection efficiency	98%	95%	91%	-7%

## **10. Environmental and Sustainability Reporting**

Lamu Water and Sewerage Company Limited exists to transform lives. Supply of water is the driving force behind everything we do. It is what guides us to deliver our strategy, putting the customer/Citizen first by delivering water and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### *i) Sustainability strategy and profile -*

This list describes a range of sustainability goals along with examples of LAWASCO's approaches to address them.

Improve compliance - Establish collaborative partnerships with neighbouring utilities to increase or maintain technical, managerial, or financial capacity or to share information and expertise.

Reduce energy cost - Invest in more energy efficient equipment or explore operational changes that can enhance energy optimization (such as pumping at night when the rate is lower).

Reduce overall infrastructure costs to communities - Partner with other community agencies to coordinate infrastructure projects such as road repairs with lead service line replacement and installation of pipelines.

Extend the projected adequacy of current water supplies - Consumer water conservation programs implemented through water metering, fixing distribution system leaks, or making use of reclaimed water.

Address wet weather impacts - Implement a mix of non-traditional infrastructure alternatives such as green infrastructure solutions with integrated storm water and combined sewer overflow control.

Preserve critical ecological areas in the community -Adopt management programs for septic systems to reduce nutrient loadings to lakes or employ "green" treatment chemicals.

Improve the economic vitality of the existing community -Target water infrastructure projects to support existing community infrastructure and encourage redevelopment.

Enhance community liveability- Incorporate green space or recreational opportunities into projects.

Reduce long-term system operational costs - Use natural energy consuming treatment systems, such as green energy, to reduce the input of energy during treatment.

Improve operational resilience - Understand operational, financial, and potential climate vulnerabilities and incorporate them into alternatives analysis as part of a broader risk management strategy.

Reduce vulnerability to water supply disruption or contamination - Conduct real-time water quality monitoring, install isolation shutoff valves, or provide connections to alternative water supplies.

**Lamu Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Environmental and Sustainability Reporting (Continued...)**

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Ensure a sustainable workforce - Implement steps to ensure a safe workplace, knowledge retention, and incorporating new knowledge through training.

Supply Chains-The Company maintains a list of sustainable friendly vendors and makes it a priority to use only organizations/suppliers that embrace sustainable business practices and all contracts negotiated with this expectation made clear.

Recycling Program-The Company has an in-house program for recyclable products like: fluorescent light-bulbs, electronics, computers and monitors, paper products and supplies.

Chemical Management- Lamu Water and Sewerage Company Limited engages chemical vendors to help train employees on the proper use of green products and disposal of chemicals.

Purchase of Only Energy Efficient Products to enhance Sustainable Work Policies-The Company looks for energy-efficient electronic products and use environmentally friendly settings on all LAWASCO stations.

***Environmental performance***

LAWASCO recognizes our key impacts to be in the areas of:

Procurement, Energy use, Raw material use, Waste generation and management and Water use.

We will strive to comply with legal requirements and voluntary commitments, prevent pollution, reduce risk, use resources sustainably, communicate our environmental policy, Train and increase Awareness and Improve Continually.

This Environmental Policy is applicable to Lamu Water and Sewerage Company Limited and will be updated from time to time to reflect the emerging changes in the Company.

***ii) Employee welfare***

- a.** Below are the guidelines and procedure followed during the recruitment and hiring of high caliber staffs:

The Board of Directors shortlists, interviews and recruits a candidate for the position of the Managing Director in accordance with relevant legislations and regulations governing this process. Where a vacancy in other cadres falls open or it is known that it shall occur, the Head of Department liaise with the Human Resources office with a view to filling the existing vacancy. The Human Resources Officer evaluate the vacancy and advice the Managing Director whether the vacancy can be filled from within or externally.

**Lamu Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Environmental and Sustainability Reporting (Continued...)**

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The Board also outsource the shortlisting and interviewing of senior staff to a consultant who submit the names of at least three of the most qualified candidates to the Board which appoint one of them. The Human Resources Office in collaboration with the user department shortlist and interview other levels of staff in consultation with the Board. Applicants being interviewed are required to present their original academic and professional certificates to the interviewing panel. Appointment to permanent and pensionable posts shall be restricted to candidates above 18 years and below 45 years of age. Canvassing through a Director in the Board or Management directly or indirectly for any appointment or promotion in the company shall disqualify the candidate.

**b. On- the-job training**

The Company ensures that on-the-job training of staff is undertaken in order to improve their skills and capabilities. It also encourages staff to advance academically by allowing staffs to apply for study leaves and exam leaves.

**c. Staff Performance and Appraisal Systems**

The supervisors regard appraisal as being a continuous exercise. Whenever an employee displays some weaknesses in his work, the supervisor must discuss with him in order to reinforce the performance. Employees must be advised by their supervisors at all times whether verbally or in writing of any faults or shortcomings, the remedy of which may reasonably be within their power as soon as these become apparent. Heads of Departments and other authorized officers must satisfy themselves that, employees serving under them whose performance is unsatisfactory are promptly informed of the fact and that any adverse report made on them is recorded on their personal files.

**d. Policy and Safety Compliance with OSHA, 2007**

Lamu water and Sewerage Company Limited provides a safe and health place of work. However, it is the duty of every employee to safeguard themselves and others while at work and if any hazard is encountered, to report the same to the Head of Human Resource and Administrative Services. Lamu water and Sewerage Company Limited's premises are a non-smoking zone.

To reduce loss of man-hours due to work related risks and hazards, the following measures are put in place:

- (i) Use of protective equipment and clothes by employees at risk.
- (ii) Provision of First Aid kits, which shall be maintained by the Administration Services Manager.  
If she/he is not available, the head of Human Resource and Administrative Services keeps a duplicate key.

**Lamu Water and Sewerage Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Environmental and Sustainability Reporting (Continued...)**

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- (iii) Maintenance of firefighting equipment in the place of work: In the event of fire or emergency, employees shall be requested to immediately vacate the office using the nearest fire exit. It is advisable not to stop to clear desks or collect personal belongings.
- (iv) Training employees to avoid or counter any risk or hazard.
- (v) Regular maintenance of plant and equipment to minimize risks in the work place.
- (vi) Regular medical check-ups on employees exposed to risk and hazards.
- (vii) An HIV/AIDS policy shall be prepared and approved by the Board. Such policy shall be based on confidentiality on personal information for the infected, non-discrimination on the basis of the disease, voluntary testing, prevention, education and counselling for the employees and assisting the infected to access medication.

**iii) Market place practices-**

Lamu water and Sewerage Company Limited has the following marketing practices

**a) Responsible competition practice.**

Lamu water and Sewerage Company Limited is in the process of establishing anti-corruption committee to curb issues of anti-corruption, adoption to new technology to efficiently curb competition in provision of water and ensure quick response to political involvement in a proper way like using the website

**b) Responsible Supply chain and supplier relations**

Lamu water and Sewerage Company Limited maintains a list of sustainable friendly vendors and makes it a priority to use only organizations/suppliers that embrace sustainable business practices and all contracts negotiated with this expectation made clear.

**c) Responsible marketing and advertisement**

Lamu water and Sewerage Company Limited thrives to attain the best marketing practice so as to attain efficiency and positive feedback from their customers. Protecting Consumer data and privacy, responding meaningfully to consumer Concerns, Commit to Sustainability and Human Rights and transparency are core ethical practices that enhances marketing

**d) Product stewardship**

Lamu water and Sewerage Company Limited has a comprehensive service charter that outlines clearly and direct the customer on the relevant services that can assist in customer satisfaction.

*e) Corporate Social Responsibility / Community Engagement*

Lamu Water and Sewerage Company provides internship and practical skills attachment opportunities for the local Youth Polytechnic to assist in promoting professional and experienced personnel in the community.

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

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**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of Lamu Water and Sewerage Company affairs.

**i) Principal activities**

The principal activities of Lamu Water and Sewerage Company are to provide water services to the residents of Lamu.

**ii) Results**

The results of the Lamu Water and Sewerage Company for the year ended June 30, 2025 are set out on page 1

**iii) Dividends**

No dividends were to be provided to the shareholders.

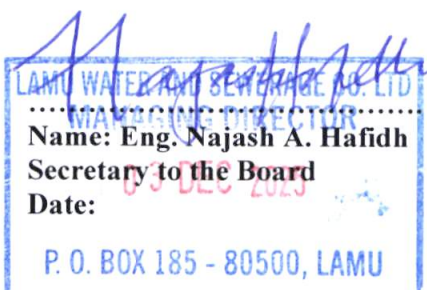
**iv) Directors**

The members of the Board of Directors who served during the year are shown on page vi-vii.

**v) Auditors**

The Auditor-General is responsible for the statutory audit of Lamu Water and Sewerage Company Ltd under Article 229 of the constitution of Kenya section 35 of the Public Audit Act, 2015. Auditors were nominated from the Office of the Auditor General to carry out the audit of the Company for the year ended June 30, 2025, in accordance to section 23 of the Public Audit Act, 2015 that empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



## **12. Statement of Directors' Responsibilities**

Section 164 (1) of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act require the Company Directors to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year in a form that complies with relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

The Directors are also required to submit a copy of the company financial statements to the County Executive Committee member responsible for that corporation who shall approve and forward the statements to the County Executive Committee member for finance.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for 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 Lamu Water and Sewerage Company limited.
- (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 Lamu Water and Sewerage Company limited;
- (v) Selecting and applying appropriate accounting policies, and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Lamu Water And Sewerage Company limited financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors believe that the financial statements give a true and fair view of the state of Lamu Water And Sewerage Company limited transactions during the financial year ended June 30, 2025, and of the company's financial position as at that date.

**Statement of Directors' Responsibilities (Continued...)**

The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the Lamu Water And Sewerage Company limited financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The company financial statements were approved by the Board on 3<sup>RD</sup> DECEMBER, 2025 and signed on its behalf by:



.....

**Name: Mr. Mohamed Kubwa**

**Chairperson of the Board**



.....

**Name: Eng. Najash A. Hafidh**

**Managing Director**

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON LAMU WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

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### PREAMBLE

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

- A. Report on 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 Lamu Water and Sewerage Company Limited set out on pages 1 to 65, 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 Lamu Water and Sewerage Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, Company's Act, 2015 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Inaccuracies in the Financial Statements**

Review of the annual reports and financial statements revealed the following inaccuracies;

- i. The statement of cash flows reflects prior year cash and cash equivalents balance of Kshs.14,040,149. However, re-computation yielded a balance of Kshs.27,345,353, resulting in an unreconciled variance of Kshs.13,305,204. Further, the statement reflects current year's cash and cash equivalents balance of Kshs.8,512,253, which varies with the re-computed balance of Kshs.19,568,045, resulting in an unreconciled variance of Kshs.11,055,792;
- ii. The statement of cash flows reflects net cash from operating activities balance of Kshs.6,502,364 which varies with the negative balance of Kshs.1,142,345 disclosed in the reconciliation of operating profit/loss to cash generated from operations in Note 48 to the financial statements, resulting in an unreconciled variance of Kshs.7,644,709;
- iii. The statement of cashflows reflects general and operation expenses of Kshs.27,563,773 while the corresponding expenditure in the statement of comparison of budget and actual amounts is Kshs.26,946,729, resulting in an unreconciled variance of Kshs.617,044;
- iv. The statement of financial position reflects comparative balance for trade and other payables of Kshs.42,839,890 while Note 43 to the financial statements reflects a balance of Kshs.40,855,231, resulting in an unreconciled variance of Kshs.1,984,659;
- v. The statement of budget and actual amount reflects actual recurrent expenditure of Kshs.55,199,506 while recomputed amount is Kshs.55,551,190, resulting in an unreconciled variance of Kshs.351,684; and,
- vi. The statement of changes in equity reflects a total of Kshs.39,220,846 which varies with the re-computed balance of Kshs.36,822,260, resulting in an unreconciled variance of Kshs.2,398,586.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

## **2. Unsupported Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment balance of Kshs.47,465,444 as disclosed in Note 20 to the financial statements. However, the recomputed figure amounts to Kshs.47,256,169 resulting to an unreconciled variance of Kshs.209,275. Further, Note 20 to the financial statements reflects Kshs.189,099 in respect of accumulated depreciation for computers and related equipment which varies with the re-computed balance of Kshs.2,686,999, resulting in an unreconciled variance of Kshs.2,497,900.

In addition, detailed schedule indicating description of each asset, location of use and value was not provided for audit. The ownership documents for the land parcel on which the Company sits and other facilities including boreholes and treatment plants were also not provided for audit review.

In the circumstances, the accuracy, completeness, valuation and ownership of property, plant and equipment balance of Kshs.47,465,444 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Audit Matters**

In the prior year's audit report, several issues were raised under the Report on the Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness on Internal Controls, Risk Management and Governance respectively. Review of the status during audit of the Company in 2024/2025 revealed that the following eight (8) matters remained unresolved:

<b>No.</b>	<b>Audit Issue</b>
1	Inaccuracies in the Financial Statements
2	Unsupported Operating Revenue
3	Unvalued Property, Plant and Equipment and Delayed Civil Works

No.	Audit Issue
4	budgetary control and performance
5	unresolved prior year audit matters
6	Non-Compliance With the Public Sector Accounting Standards Board (PSASB) Reporting Requirement
7	Non-Revenue Water Management
8	Expired Water Sales Tariff

### Other Information

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

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

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

#### 1. Ineffective Non-Revenue Water Management

The statement of profit or loss and other comprehensive income reflects operating revenue totalling Kshs.23,680,490 and as disclosed in Note 6 to the financial statements, which includes Kshs.21,649,800 in respect to water sales. Review of water production records revealed that the Company produced four hundred and eighty-five thousand two hundred and forty-three (485,243) cubic meters of water during the year under review,

out of which two hundred and sixty-eight thousand three hundred and eighty-four (268,384) cubic meters (or about 55%) were sold to consumers. The variance of two hundred and sixteen thousand eight hundred and fifty-nine (216,859) cubic meters of water (or 45%) which translates to Kshs.17,493,420 represents non-revenue water, which is above the acceptable threshold of 12% set by the Water Service Regulatory Board (WASREB) by 33% or Kshs.12,828,508.

In the circumstances, the non-revenue water reduction measures were not effective during the year under review and Management was in breach of WASREB guidelines.

## **2. Expired Water Sales Tariff**

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.23,680,490 as disclosed in Note 6 to the financial statements. However, the water tariff used in billing customers has been in use since 31 July, 2017 and expired on 31 July, 2020. Although Management had commenced the tariff renewal process, the same had not been completed as at the time of audit in October, 2025.

In the circumstances, the expired tariff does not align with the current economic reality and has suppressed sales revenue. Further, Management was in breach of the law and the Company may not recover its operational and maintenance costs.

## **3. Non-Compliance with Public Sector Accounting Standards Board Guidelines**

Review of the annual report and financial statements revealed the following non-compliance issues with the Public Sector Accounting Standards Board (PSASB) financial reporting template;

- i. The Head of Finance's ICPAK Membership Number is not indicated;
- ii. The financial statements contain information indicated as xxxx instead of the actual data, numbers or information. The incomplete information is inconsistent with the reporting template.

In the circumstances, the financial statements do not comply with the PSASB requirements.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance

section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **Inability to Bill all Water Customers**

The Company had a total customer population of five thousand one hundred forty (5,140) as at 30 June, 2025, which includes two thousand three hundred and eight-five (2,385) and two thousand seven hundred and fifty-five (2,755) active and dormant customers respectively. Further, of the active customers, only one thousand nine hundred thirty-one (1,931 or 81%) were billed on a monthly basis. In addition, the billing process was manual as it involved meter readers who had to record physical confirm water consumption, record in data sheets and update the billing system.

In the circumstances, the effectiveness of internal controls, risk management and governance on water billing system could not be confirmed.

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

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

### **Conclusion**

As required by Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion, I confirm that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xxviii to xxx is consistent with the financial statements; and

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

### **Responsibilities of Management and 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

08 December, 2025

**Lamu Water and Sewerage Company Ltd.**

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

**14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 20xx.**

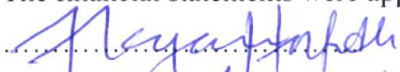

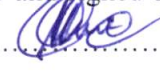
	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	23,680,490	22,002,707
Grants Income	7	36,282,519	45,020,086
Other Income	8	-	0
Finance income	9	-	0
Other gains/(losses)	10	-	0
<b>Total Revenue</b>		<b>59,963,009</b>	<b>67,022,793</b>
<b>Expenses</b>			
Staff Costs	11	27,341,387	27,586,137
General and Operations expenses	12	26,946,729	25,296,757
Board Expenses	13	517,000	225,000
Maintenance Expenses	14	746,074	1,666,886
Depreciation and Amortization expenses	15	7,832,390	18,846,246
Finance Costs	16	-	0
<b>Total Expenses</b>		<b>63,383,580</b>	<b>73,621,026</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(3,420,571)</b>	<b>(6,598,233)</b>
<b>Income Tax Expense/(Credit)</b>	17	-	-
<b>Profit/(Loss) After Taxation</b>		<b>(3,420,571)</b>	<b>(6,598,233)</b>
<b>Total Comprehensive Income for The Year</b>		<b>(3,420,571)</b>	<b>(6,598,233)</b>

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

15. Statement of Financial Position As at 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	20	47,465,444	47,690,817
Intangible assets-Billing system	21	3,500	119,000
<b>Total non-current assets</b>		<b>47,468,944</b>	<b>47,809,817</b>
<b>Current assets</b>			
Inventories	28	0	0
Trade and receivable	29	38,283,189	36,996,559
Bank and cash balances	33	8,512,253	14,040,149
<b>Total non-current assets</b>		<b>46,795,442</b>	<b>51,036,708</b>
<b>Total Assets</b>		<b>94,264,386</b>	<b>98,846,525</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	34	3,000,000	3,000,000
Capital Grant	35	3,677,676	6,975,621
Retained earnings	36	30,144,585	30,267,211
<b>Capital and Reserves</b>		<b>36,822,261</b>	<b>40,242,832</b>
<b>Non-current liabilities</b>			
Long term liability	39	15,763,804	15,763,804
<b>Total non-current liabilities</b>		<b>15,763,804</b>	<b>15,763,804</b>
<b>Current liabilities</b>			
Trade and other payables	43	36,659,612	42,839,890
Refundable deposits and Prepayments	44	5,018,709	-
<b>Total current Liabilities</b>		<b>41,678,320</b>	<b>42,839,890</b>
<b>Total Equity and Liabilities</b>		<b>94,264,386</b>	<b>98,846,525</b>

The financial statements were approved by the Board on 03<sup>RD</sup> Dec. 2025 and signed on its behalf by

Name Ego Nyagash-A. Hyfidi      Name Agnes M.      Name MOHAMED KUBWA  
 Managing Director      Head of Finance      Chairman of the Board  
 ICPAK M/No:.....

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

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

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
<b>As at July 1, 2023 (Previous FY)</b>		<b>3,000,000</b>	-	-	<b>(29,175,903)</b>	-	<b>21,000,000</b>	<b>(5,175,904)</b>
New capital issued		-						-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(6,598,233)	-	-	(6,598,233)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	14,024,379	-	(14,024,379)	-
Prior year Adjustment					52,016,968			
Dividends paid – prior year		-	-	-	-	(-)	-	52,016,968
Interim dividends paid – current year		-	-	-		(-)	-	(-)
Proposed final dividends		-	-	-	(-)	-	-	-
<b>As at June 30, 2024</b>		<b>3,000,000</b>	-	-	<b>30,267,211</b>	<b>xxx</b>	<b>6,975,621</b>	<b>40,242,831</b>

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

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
<b>As at July 1, 2024</b>		<b>3,000,000</b>	-	-	<b>30,267,211</b>	-	<b>6,975,621</b>	<b>40,242,831</b>
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	<b>(3,420,571)</b>	-	-	<b>(1,021,986)</b>
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	3,297,945	-	(3,297,945)	-
Dividends paid – prior year		-	-	-	-	-	(-)	-
Interim dividends paid – current year		-	-	-	(-)	-	-	(-)
Proposed final dividends		-	-	-	(-)	-	-	-
<b>At June 30, 2025</b>		<b>3,000,000</b>	-	-	<b>30,144,585</b>		<b>3,677,676</b>	<b>39,220,846</b>

**Note:**

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.

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

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts	6	23,680,490	22,002,707
Grants Income	7	36,282,519	45,020,086
Finance Income	8	-	-
Other Income	9	-	-
Customer Deposits	43	2,912,931	3,174,011
<b>Total Receipts</b>		<b>62,875,940</b>	<b>70,196,804</b>
<b>Payments</b>			
Staff Costs	11	27,563,773	27,586,137
General And Operation Expenses	12	26,946,729	25,296,757
Board Expenses	13	517,000	225,000
Maintenance Expenses	14	746,074	1,666,886
Finance Costs	16	-	174,495
Performance Guarantee- WASREB	43	600,000	-
<b>Total Payments</b>		<b>56,373,576</b>	<b>54,949,275</b>
<b>Net Cash From/ (Used In) Operating Activities</b>		<b>6,502,364</b>	<b>15,247,529</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)	20	(1,354,199)	(5,686,128)
Capital Grant		3,677,676	6,975,621
Amortized Capital Grant		(3,297,945)	(14,024,379)
Purchase Of Investment Property		(-)	(-)
Purchase Of Quoted Investments		(-)	(-)
Proceeds From Disposal of Quoted Investments		-	-
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(974,468)</b>	<b>(12,734,886)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds From Issues of New Share Capital		-	0
Proceeds From Borrowings		-	0
Repayment Of Borrowings		(-)	0
Dividends Paid		(-)	0
<b>Net Cash From/(Used In) Financing Activities</b>		<b>-</b>	<b>0</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>5,527,896</b>	<b>2,309,224</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>	<b>47</b>	<b>14,040,149</b>	<b>25,036,129</b>
Effects Of Foreign Exchanges Rate Fluctuations		-	-
<b>Cash And Cash Equivalents At End of the Year</b>	<b>47</b>	<b>8,512,253</b>	<b>14,040,149</b>

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Operating Revenue	23,425,855	-	23,425,855	23,680,490	(254,635)	101%
Non-Operating Revenue	-	-	0	-	-	0%
Grants	34,550,450	-	34,550,450	36,282,519	(1,732,069)	105%
Finance Income	-	-	-	-	-	0%
Other gains	-	-	-	-	-	0%
<b>Total Revenue</b>	<b>57,976,305</b>	<b>-</b>	<b>57,976,305</b>	<b>59,963,009</b>	<b>(1,986,704)</b>	<b>103%</b>
Expenses						
Staff Costs	29,514,568	-	29,514,568	27,341,387	2,173,181	93%
Board Expenses	1,040,000	-	1,040,000	517,000	523,000	50%
General and operations Expenses	23,091,037	-	23,091,037	26,946,729	(3,855,692)	117%
Maintenance	4,330,700	-	4,330,700	746,074	3,584,626	17%
Finance costs	-	-	-	-	-	0%
<b>Total Recurrent Expenditure</b>	<b>57,976,305</b>	<b>-</b>	<b>57,976,305</b>	<b>55,199,506</b>	<b>2,776,799</b>	<b>95%</b>
<b>Profit or Loss</b>	<b>-</b>		<b>-</b>	<b>4,763,503</b>	<b>(4,763,503)</b>	<b>0%</b>
<b>Capital Expenditure</b>					<b>-</b>	<b>0%</b>
<b>Total Expenditure</b>	<b>57,976,305</b>	<b>-</b>	<b>57,976,305</b>	<b>59,963,009</b>	<b>(4,763,503)</b>	<b>103%</b>

***Budget notes:***

1. *Operating revenue- increased production translated into increased sales which surpassed the budgeted amount by 1%.*
2. *Grant income utilized exceeded the budgeted amount due to a capital grant of Ksh. 21M received in 2023 that is still being utilized to date.*
3. *Staff costs were utilized at 93% because of two county staff retired and casual staff on payroll were reduced- also the change in tax computations also have resulted in a saving on the budgeted allocations.*
4. *Board budget allowable by WASREB Guidelines is 4% of our annual turnover and this amount was under- absorbed because for the first half of this financial year we had no Board in place thus after their inauguration in January 2025 was this vote eligible for use.*
5. *General and operational expenses had an over absorption of 17% against the budgeted amount due to increased electrical accessories purchases for well rehabilitation and payment of accounts payable.*
6. *Maintenance utilized only 17% of budget due to well rehabilitation that required electrical accessories and was also used to offset accounts payable relating to the same.*
7. *Revenues in excess of expenditure relate to the 21Million Capital grant injected into LAWASO in 2023 and is still being utilised as a roll over project with a balance of over 3Million.*

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

### **1. General Information**

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

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

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

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

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

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

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

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

*i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that 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 IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

*(The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....)*

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

**ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.***

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
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.

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

**iii. *Early adoption of standards***

Lamu Water and Sewerage Company Limited 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:

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Freehold Land	xx	x%
Leasehold Land	xx	x%
Buildings and civil works	xx	2.5%
Infrastructure works	xx	x%
Plant and machinery	xx	12.5%
Motor vehicles, including motorcycles	xx	25%
Computers and related equipment	xx	33.3%
Office equipment, furniture and fittings	xx	12.5%

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

**e) Intangible assets**

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

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

**f) Amortization and impairment of intangible assets**

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

**g) Investment property**

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

**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) 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). (*Whichever is applicable*).

**j) Quoted investments**

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

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

**Summary of Accounting Policies**

**k) 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).

**l) 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 (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**m) Trade and other receivables**

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

**n) 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.

**o) Deferred tax**

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

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

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

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

**p) 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.

**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 operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. XXX 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 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 20xx-20xx was approved by the Board of Directors on xxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of xxx on the 20xx-20xx budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are

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prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

**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.

**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, 20xx.

## **5. Significant Judgments and Sources of Estimation Uncertainty**

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

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

### **a) Estimates and assumptions**

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

### **b) Useful lives and residual values**

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

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

### **c) Provisions**

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

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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.

*(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)*

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Notes to the financial statements (continues)

**6. Operating Revenue**

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	21,649,800	19,707,894
Sewerage Services	-	-
Meter rent	1,397,690	1,442,313
New connection charges	197,500	205,000
Reconnection fees	349,000	352,000
Cut on request fees	13,000	1,000
Meter test fee	-	500
Replacement of meters	73,500	294,000
<b>Total</b>	<b>23,680,490</b>	<b>22,002,707</b>

*Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.*

**7. Grants Income**

	2024-2025	2023-2024
	Kshs	Kshs
Grants from County Gov't (seconded staff)	7,942,085	8,371,679
In kind Donations (County Govt-electricity)	13,947,489	12,624,028
In kind Donations (Chlorine)	-	-
In kind Donations (LAWASCO staff salary)	1,095,000	-
Conditional Support Liquidity Grant (CSLG)	-	-
Conditional grant	10,000,000	10,000,000
Capital grant amortized/utilized	3,297,945	14,024,379
<b>Total</b>	<b>36,282,519</b>	<b>45,020,086</b>

*(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).*

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*[Provide a detailed analysis of grants received from the Government in the table below:]*

<b>Name of the Entity sending the grant</b>	<b>Amount recognized in the Statement of Comprehensive Income KShs</b>	<b>Amount deferred under deferred income KShs</b>	<b>Amount recognised in capital fund. KShs</b>	<b>Total grant income during the year KShs</b>	<b>2024-2025 KShs</b>
Department	-	-	-	-	-
XX Ministry	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

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Notes to the financial statements (continued)

**8. Other Income**

	2024-2025	2023-2024
	Kshs	Kshs
Sale of Tender	-	-
Fine and penalties	-	-
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (specify)	-	-
<b>Total</b>	-	-

**9. Finance Income**

	2024-2025	2023-2024
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	-
Interest on staff loans	-	-
Dividends	-	-
<b>Total</b>	-	-

*[Provide short appropriate explanations as necessary]*

**10. Other Gains and Losses**

	2024-2025	2023-2024
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	- / (-)	- / (-)
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
<b>Total</b>	-	-

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**11. Staff Costs**

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Salary and Allowances	11,432,652	13,035,792
Casual workers' Wages	4,666,000	4,610,000
Seconded staff salaries from CGL	7,942,085	8,371,679
Top up allowances from Lawasco	-	-
Casual workers' Wages from CGL	1,095,000	-
Medical insurance schemes	-	-
Employer's contributions to social security schemes	-	-
Employer's contributions to pension scheme-CPF	351,684	-
Provisions for Leave pay	-	-
Gratuity provisions	-	-
Fringe Benefit tax	-	-
Staff welfare	-	-
Statutory deductions	1,853,966	1,568,666
Other allowances	-	-
<b>Total</b>	<b>27,341,387</b>	<b>27,586,137</b>
<b>The average number of employees during the year</b>	<b>70</b>	<b>70</b>

*[Provide short appropriate explanations as necessary]*

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**12. General and Operations Expenses**

	<i>2024/2025</i>	<i>2023/2024</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Chemicals	95,000	86,473
Electricity	12,630,260	12,151,292
Fuel, oil, lubricants, and gases	263,475	740,039
Pipes and Fittings	271,430	1,087,562
Office supplies	1,044,869	2,377,101
Uniform and protective clothing	-	-
Telecommunication	1,200,493	714,115
Postage and courier	9,450	-
Water and sewerage	-	-
Insurance	-	4,580
Rent and Rates	8,000	96,000
Hire of Equipment and vehicles	-	-
Claims and compensation	200,000	276,116
Domestic Traveling and subsistence	8,179,800	6,212,260
Staff training and development	390,000	-
Bank Charges	171,474	174,495
Publicity and advertising	70,000	-
Audit fees	116,000	116,000
Legal fees	-	-
Consultancy fees	-	154,750
Licensing fee (WASREB)	26,431	-
Licensing and levies (WASREB)	859,080	846,008
Sports and recreation	22,000	-
Water abstraction fee (to WARMA)	297,368	-
Stakeholders' expenses	-	-
Donations/CSR	-	-
Hospitality expenses	167,720	130,310
Research and Development	-	-
Electrical Accessories	923,900	129,656
Provision for doubtful debts	-	-
<b>Total</b>	<b>26,946,729</b>	<b>25,296,757</b>

Notes to the financial statements (continued)

**13. Board Expenses**

Description	2024-2025	2023-2024
	KShs	KShs
Chairman Honoraria	-	225,000
Sitting allowances	112,000	-
Medical Insurance	-	-
Induction and Training	176,000	-
Travel and accommodation	-	-
Other allowances	229,000	-
<b>Total Board Expenses</b>	<b>517,000</b>	<b>225,000</b>

**14. Maintenance Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Plant and Equipment	-	-
Buildings	9,000	9,690
Infrastructural networks	-	-
Grounds	-	-
Motor vehicles	13,600	15,650
Software	250,000	100,000
ICT (Information Communication Technology)	54,060	33,200
Furniture	15,000	-
Water Meter maintenance costs	65,424	-
Maintenance water supply	338,990	1,508,346
Maintenance of access roads	-	-
<b>Total Maintenance Expenses</b>	<b>746,074</b>	<b>1,666,886</b>

### 15. Depreciation and Amortization Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment	5,158,545	4,210,493
Right of Use Assets	-	-
Capital grant amortized	2,673,845	14,024,379
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total Depreciation and Amortization</b>	<b>7,832,390</b>	<b>18,234,872</b>

### 16. Finance costs

	2024-2025	2023-2024
Description	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*[Provide short appropriate explanations as necessary]*

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**17. Income Tax Expense/(Credit)**

**Current taxation**

	2024-2025	2023-2024
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	-	-

**Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit**

	2024-2025	2023-2024
	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
<b>Total</b>	-	-

*(Provide short appropriate explanations as necessary)*

**18. Earnings Per Share**

**19. Dividend Per Share**

## 20. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Water Meters	Plant and machinery	Motor vehicles, including, motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Depreciation rate</b>		2.5%	12.5%	12.5%	25%	33%		2.5%	
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As At 1 July (2023)</b>		<b>42,845,819</b>	<b>2,160,000</b>	<b>5,756,210</b>	<b>5,771,500</b>	<b>2,497,900</b>	<b>964,900</b>	<b>6,781,734</b>	<b>66,778,063</b>
Additions	-	-	-	691,128	4,645,000	-	-	-	5,336,128
Disposals	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June (2024)</b>	-	<b>42,845,819</b>	<b>2,160,000</b>	<b>6,447,338</b>	<b>10,416,500</b>	<b>2,497,900</b>	<b>964,900</b>	<b>6,781,734</b>	<b>72,114,191</b>
Additions	-	-	230,000	551,173	-	573,026	-	3,485,199	4,839,398
Disposals	(-)	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June (2025)</b>	-	<b>42,845,819</b>	<b>2,390,000</b>	<b>6,998,511</b>	<b>10,416,500</b>	<b>3,070,926</b>	<b>964,900</b>	<b>10,266,933</b>	<b>76,953,589</b>
<b>Depreciation And Impairment</b>									
<b>At 1 July (2023)</b>	-	5,320,605	1,096,250	5,756,210	5,167,375	1,943,807	548,260	-	19,832,507
Depreciation	-	1,071,145	270,000	86,391	2,604,125	554,093	120,613	-	4,706,367
Impairment	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-
<b>As At 30<sup>th</sup> (2024)</b>		<b>6,391,750</b>	<b>1,366,250</b>	<b>5,842,601</b>	<b>7,771,500</b>	<b>2,497,900</b>	<b>668,873</b>	-	<b>24,538,874</b>
Depreciation	-	1,071,145	298,750	874,814	2,604,125	189,099	120,613	-	5,158,545
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-

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Description	Freehold land	Buildings & civil works	Water Meters	Plant and machinery	Motor vehicles, including, motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Transfer/Adjustment	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June (2025)</b>	-	<b>7,462,895</b>	<b>1,665,000</b>	<b>6,717,415</b>	<b>10,375,625</b>	<b>189,099</b>	<b>789,486</b>	-	<b>29,697,419</b>
<b>As at 30<sup>th</sup> June (2024)</b>	-	<b>36,454,069</b>	<b>793,750</b>	<b>604,737</b>	<b>2,645,000</b>	<b>0</b>	<b>296,027</b>	<b>6,781,734</b>	<b>47,575,317</b>
<b>As at 30<sup>th</sup> June (2025)</b>	-	<b>35,382,924</b>	<b>725,000</b>	<b>281,096</b>	<b>40,875</b>	<b>383,927</b>	<b>384,689</b>	<b>10,266,933</b>	<b>47,465,444</b>

Additions in the year relate to 14 motors purchased between December 2024 and June 2025, and 100 meters bought for operations in October

2024 and two laptops for HR and Technical and two desktops for billing bought under the WSTF – SWASAP Projects.

Capital WIP relates to projects payments made in respect to interim payment certificates relating to the Mokowe Household Sanitation project and the Mpeketoni Public Sanitation Facility Project.

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**Valuation**

**20 (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:

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

	<b>Cost or valuation</b>	<b>Normal annual depreciation charge</b>
Plant and machinery	-	-
Motor vehicles, including motorcycles	-	-
Computers and related equipment	-	-
Billing System	-	-
Office equipment, furniture and fittings	-	-
<b>Total</b>	-	-

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

**21. Intangible Assets**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Cost</b>		
<b>At July 1</b>	350,000	350,000
Additions	-	-
Disposals	(-)	(-)
<b>At June 30</b>	350,000	350,000
<b>Amortization</b>		
<b>At July 1</b>	231,000	115,500
Charge for the year	115,500	115,500
Disposals	(-)	(-)
Impairment loss	(-)	(-)
<b>At June 30</b>	346,500	231,000
<b>Net book value</b>	<b>3,500</b>	<b>119,000</b>
<b>At June 30</b>	3,500	119,000

*[The intangible asset relates to an excel customized billing system procured at Ksh. 350,000/= in the financial year 2022/2023.*

**22. Investment Property**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Opening valuation</b>	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
<b>Closing valuation</b>	-	-
<b>Depreciation (if at cost)</b>		
<b>At July 1 20xx</b>	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
<b>At June 30 20xx</b>	-	-
<b>Net book value</b>		
<b>At June 30 20xx</b>	-	-

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**23. Right-of-use assets**

	<i>Buildings</i>	<i>Plant</i>	<i>Equipment</i>	<i>Total</i>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Cost</b>				
As at 1 July 20xx	-	-	-	-
Additions	-	-	-	-
As at 30 June 20xx	-	-	-	-
Additions	-	-	-	-
As at 30 June 20xx	=	=	=	=
<b>Accumulated Depreciation</b>				
As at 1 July 20xx	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 20xx	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 20xx	=	=	=	=
<b>Carrying Amount</b>				
As at 30 June 20xx	=	=	=	=
As at 30 June 20xx	=	=	=	=

**24. Biological Assets**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
<b>Total</b>	-	-

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**25. Fixed Interest Investments (Bonds)**

	2024-2025	2023-2024
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
<b>Total</b>	-	-

*[The movement in investment during the year is as follows:]*

Details	2024-2025	2023-2024
	Kshs	Kshs
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Fair value gain/(loss) – if measured at FVOCI/FVTPL	-	-
Balance at 30 June	-	-

*(state whether these investments are carried at amortized cost or at FVTOCI or at FVTPL). Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.*

**26. Quoted Investments**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Opening valuation</b>	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
<b>Closing valuation</b>	-	-

*[Provide short appropriate explanations as necessary, including make-up of the investments in the table below] Disclose also the amount of dividends received with respect to quoted investments and the valuation methodology).*

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Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No			
				Shs	Current year	Prior year
					Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

**27. Unquoted Investments**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Cost</b>		
<b>At July 1</b>	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	(-)	(-)
<b>At June 30</b>	-	-
<b>Impairment</b>		
<b>At July 1</b>	-	-
Disposals	(-)	(-)
Impairment loss in the year	(-)	(-)
<b>At June 30</b>	-	-
<b>Net book value</b>	-	-

Provide short appropriate explanations as necessary, including make-up under the table below]. Disclose any dividends received with respect to unquoted investments and the valuation methodology. <sup>(b)</sup>

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Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Current year Shs	Prior year Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

**28. Inventories**

	<i>Insert Current FY</i>	<i>Insert Comparative FY</i>
	<b>Kshs</b>	<b>Kshs</b>
General stores	xxx	xxx
Chemicals & Laboratory items	xxx	xxx
Water fittings and Accessories	xxx	xxx
Water meters	xxx	xxx
Uniform and protective clothing	xxx	xxx
Fuel, oil and lubricants	xxx	xxx
Motor vehicle spare parts	xxx	xxx
Goods in transit	xxx	xxx
Stationery and general stores	xxx	xxx
Finished goods	xxx	xxx
Others specify	xxx	xxx
Work in progress	xxx	xxx
Less: Impairment of stocks	(xxx)	(xxx)
<b>Total</b>	<b>xxx</b>	<b>xxx</b>

*[Provide short appropriate explanations as necessary]*

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**28. a) Inventory movement details**

<b>Description</b>	<i>Insert Current FY</i>	<i>Insert Comparative FY</i>
	<b>KShs</b>	<b>KShs</b>
At the beginning of the year	xxx	xxx
Additional provisions during the year	xxx	xxx
Recovered during the year	(xxx)	(xxx)
Written off during the year	(xxx)	(xxx)
Others specify	xxx	xxx
At the end of the year	<b>xxx</b>	<b>xxx</b>

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

**29. Trade and Other Receivables**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>KShs</b>	<b>KShs</b>
Trade receivables (note (29a))	35,283,189	33,996,559
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	-	-
Shareholders receivable	3,000,000	3,000,000
Other receivables	-	-
<b>Gross trade and other receivables</b>	<b>38,283,189</b>	<b>36,996,559</b>
Provision for bad and doubtful receivable	(-)	(-)
<b>Net trade and other receivables</b>	<b>38,283,189</b>	<b>36,996,559</b>

**29. (a) Trade Receivables**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Gross trade receivables	35,283,189	33,996,559
Provision for doubtful receivables	-	-
Net trade receivables	35,283,189	33,996,559
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	1,304,364	1,501,600
Between 30 and 60 days	985,767	2,710,268
Between 61 and 90 days	829,980	1,701,372
Between 91 and 120 days	809,697	2,352,438
Over 120 days	31,353,381	25,730,881
<b>Total</b>	<b>35,283,189</b>	<b>33,996,559</b>

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**29. (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	-	-
Recovered during the year	(-)	(-)
Written off during the year	(-)	(-)
At the end of the year	-	-

**29. (c) Staff Receivables**

	2024-2025	2023-2024
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	(-)	(-)
Net staff loans	-	-
Less: Amounts due within one year	(-)	(-)
Amounts due after one year	-	-

**29. (d) Reconciliation of Impairment Allowance for Staff Receivables**

Description	2024-2025	2023-2024
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	(-)	(-)
Written off during the year	(-)	(-)
At the end of the year	-	-

**30. Tax Recoverable**

	2024-2025	2023-2024
	Kshs	Kshs
<b>At beginning of the year</b>	-	-
Income tax charge for the year (note 17)	-	-
Under/(over) provision in prior year/s (note 17)	-	-
Income tax paid during the year	(-)	(-)
At end of the year	-	-

*[Provide short appropriate explanations as necessary]*

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**31. Short Term Deposits**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Commercial banks</b>		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (specify)	-	-
	-	-

*[Provide short appropriate explanations as necessary]. Example: The average effective interest rate on the short-term deposits as at June 30, 20xx was xx% (20xx: xx %).*

**32. Prepayments**

Description	2024-2025	2023-2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
Total	-	-

**33. Bank and Cash Balances**

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	8,512,253	14,040,149
Cash in hand	-	-
Mobile money account	-	-
	<b>8,512,253</b>	<b>14,040,149</b>

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

		2024-2025	2023-2024
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Kenya Commercial Bank	1104750937	1,204	2,451
Equity Bank Ltd	1590281131865	284,223	153,186
<b>Sub- total</b>		<b>125,640</b>	<b>155,637</b>
<b>b) On – call deposits</b>			
Kenya Commercial Bank-Saving Account	1103890964	2,326,050	6,427,938
Equity Bank Ltd-Collection Account	1590281131825	124,437	46,572
<b>Sub- total</b>		<b>2,610,273</b>	<b>6,474,510</b>
<b>c) Fixed deposits account</b>			
Kenya Commercial Bank	1117737322	1,562,367	2,187,977
Equity Bank Ltd	1590281136233	1,350,564	986,034
<b>Sub- total</b>		<b>2,912,931</b>	<b>3,174,011</b>
<b>Sub- total</b>		<b>5,648,844</b>	<b>9,804,158</b>
<b>d)Equity Bank Limited- Project Accounts</b>			
Mokowe Household Sanitation Project	1590282055183	1,839,631	3,406,812
Lawasco CSLG	1590280486625	10,905	905
Mpeketoni Public Sanitation Facility Project	1590282610157	1,012,873	828,274
Cash in transit		-	-
Cash in hand		-	-
Mobile money account		-	-
<b>Sub- total</b>		<b>2,863,409</b>	<b>4,235,991</b>
<b>Grand total</b>		<b>8,512,253</b>	<b>14,040,149</b>

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

**34. Ordinary Share Capital**

	2024-2025	2023-2024	2022-2023
	Kshs	Kshs	Kshs
<b>Authorized:</b>			
3000 ordinary shares of Kshs.1,000 par value each	3,000,000	3,000,000	3,000,000
<b>Issued and fully paid:</b>			
XXX ordinary shares of Kshs. par value each	-	-	-

*With devolution of water services to the County Governments, consequently the shareholding was transferred from the defunct Lamu Municipality to the County Government of Lamu.*

**35. 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.

**36. 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.

**37. Retained Earnings**

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

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

**38. Deferred Tax Liability**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2024-2025	2023-2024
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(-)	(-)
Provisions for liabilities and charges	(-)	(-)
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2024-2025	2023-2024
	Kshs	Kshs
<b>Balance at beginning of the year</b>	-	-
Credit to revaluation reserve	(-)	(-)
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
<b>Balance at end of the year</b>	-	-

**39. Borrowings**

Description	2024-2025	2023-2024
	KShs	KShs
<b>a) External Borrowings</b>		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	(-)	(-)
<b>Balance at end of the year</b>	-	-
<b>b) Domestic Borrowings</b>		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	(-)	(-)
<b>Balance at end of the year</b>	-	-
<b>C) Total Balance at end of the period c = a+b</b>	-	-

The analyses of both external and domestic borrowings are as follows:

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	2024-2025	2023-2024
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from zzz organization'	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2024-2025	2023-2024
	KShs	KShs
<b>Short term borrowings (current portion)</b>	-	-
<b>Long term borrowings</b>	-	-
Total	-	-

*(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed). [Foreign denominated loans should be restated based on CBK closing mean rates at the end of financial year]*

Description	2024-2025	2023-2024
	KShs	KShs
<b>Long term liability</b>	15,763,804	15,763,804
Total	15,763,804	15,763,804

**NB:** relates to loan from Coast Water Development Agency outstanding administrative fees owing from 2019.

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**40. Lease Liability**

Description	2024-2025	2023-2024
	KShs	KShs
<b>At the start of the year</b>	-	-
Discount interest on lease liability	-	-
Paid during the year	(-)	(-)
<b>At end of the year</b>	-	-

	2024-2025	2023-2024
<b>Maturity analysis</b>	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
	=	=
Less: unearned interest	(-)	(-)
	=	=
Analysed as:		
<b>Non-Current</b>	-	-
<b>Current</b>	-	-

**41. Provisions**

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	-	-	-
Additional Provisions	-	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)	(-)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-

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**Provisions details**

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
<b>Total</b>	-	-

**42. Retirement Benefit Obligations**

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

**Retirement benefit Asset/ Liability**

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

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

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	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Discount rates	-%	-%
Future salary increases	-%	-%
Future pension increases	-%	-%
Mortality (Pre- retirement)	-%	-%
Mortality (Post- retirement)	-%	-%
Withdrawals	-	-
Ill health	-	-
Retirement	- years	- years

**Recognition of Retirement Benefit Asset/ Liability**

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

	<i>2024-2025</i>	<i>2023-2024</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	-	-

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

	<i>2024-2025</i>	<i>2023-2024</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	(-)	(-)
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

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

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

**43. Trade and Other Payables**

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	7,475,150	12,023,868
Accrued expenses	2,043,000	1,927,000
Employee payables	1,479,677	1,883,456
Other payables	25,661,784	25,020,907
<b>Total</b>	<b>36,659,611</b>	<b>40,855,231</b>

**Aging Analysis for Trade and other Payables**

	2024-2025	% of the total	2023-2024	% of the total
Under one year	3,207,870	9%	2,798,567	6%
1-2 years	2,186,828	6%	9,784,532	24%
2-3 years	5,759,321	16%	7,710,589	19%
Over 3 years	25,505,592	70%	20,561,543	51%
<b>Total</b>	<b>36,659,611</b>	<b>100%</b>	<b>40,855,231</b>	<b>100%</b>

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**44. Refundable Deposits and Prepayments**

	2024-2025	2023-2024
	<i>Kshs</i>	<i>Kshs</i>
Customer deposits	2,912,931	3,174,011
Prepayments by customers	503,156	694,103
Retention/Contract deposits	1,002,622	6,781,734
Performance Guarantee -WASREB	600,000	-
<b>Total</b>	<b>5,018,709</b>	<b>10,649,848</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	2025	% of the total	2024	% of the total
Under one year	xxx	%	xxx	%
1-2 years	xxx	%	xxx	%
2-3 years	xxx	%	xxx	%
Over 3 years	xxx	%	xxx	%
<b>Total</b>	<b>xxx</b>		<b>xxx</b>	

**45. Deferred Income**

Description	2024-2025	2023-2024
	<i>KShs</i>	<i>KShs</i>
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
<b>Total deferred income</b>	<b>-</b>	<b>-</b>

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The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward	-	-	-	-
Additions	-	-	-	-
Transfers to Capital fund	(-)	(-)	(-)	(-)
Transfers to income statement	(-)	(-)	(-)	(-)
Other transfers	(-)	(-)	(-)	(-)
Balance carried forward	-	-	-	-

**46. Dividends Payable**

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analyzed in annual amount below.

	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	(-)	(-)
Balance at end of the year	-	-

**Dividend Payable analysis**

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

*Dividends payable to ordinary shareholders amounts to Kshs.xxx, while dividends payable to preference shareholders amounts to Kshs xxx.*

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**47. Taxation**

	2024-2025	2023-2024
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	(-)	(-)
At end of the year	-	-

*[Provide short appropriate explanations as necessary]*

**48. Notes to The Statement of Cash Flows**

	2024-2025	2023-2024
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(1,021,986)	(4,951,430)
Depreciation	3,111,644	4,210,493
Amortization	2,673,845	14,024,379
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	4,763,503	13,283,442
Working capital changes:		
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(1,286,630)	(11,283,989)
Increase/(decrease) in trade and other payables	(4,619,218)	(2,544,909)
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
<b>Cash generated from/ (used in) operation</b>	<b>(1,142,345)</b>	<b>(545,456)</b>
<b>(b) Analysis of changes in loans</b>		
<b>Balance at beginning of the year</b>	-	-
Receipts during the year	-	-
Repayments during the year	(-)	(-)
Repayments of previous year's accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	(-)

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	2024-2025	2023-2024
	Kshs	Kshs
Accrued interest	-	-
<b>Balance at end of the year</b>	<b>8,512,253</b>	<b>14,040,149.29</b>
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	-	-
Cash at bank	8,512,253	14,040,149.29
Cash in hand	-	(-)
<b>Balance at end of the year</b>	<b>8,512,253</b>	<b>14,040,149.29</b>
<b>(d) Analysis of interest paid</b>		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	(-)	-
Interest paid	-	-
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
20xx dividends paid	-	-
20xx dividends paid	-	-
20xx interim dividends paid	-	-
Balance at end of the year	(-)	-
Dividend paid	-	-

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**Other Disclosures**

**49. Related Party Disclosures**

**County Government of Lamu**

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

Other related parties include:

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

**Transactions with related parties**

	2024-2025	2023-2024
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
<b>Total</b>	-	-
	-	-
<b>b) Purchases from related parties</b>	-	-
	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-

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	2024-2025	2023-2024
	Kshs	Kshs
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	-	-
Grants from County Government	36,282,519	43,953,955
Donations in kind	-	-
<b>Total</b>	<b>36,282,519</b>	<b>43,953,955</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	-	-
<b>d) Key management compensation</b>		
Directors' emoluments	517,000	-
Compensation to key management	976,595	976,596
<b>Total</b>	<b>37,776,114</b>	<b>44,930,551</b>

**50. Capital Commitments**

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2024-2025	2023-2024
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	(-)	(-)
	-	-

*[Provide short appropriate explanations as necessary]*

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**51. Contingent Assets and Liabilities**

**Contingent Assets**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>Contingent assets</b>		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

*(Give details)*

**Contingent Liabilities**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>Contingent liabilities</b>	-	-
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

*In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.*

**52. 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:

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**(i) Credit risk**

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

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due but not Impaired Kshs</b>	<b>Past due and Impaired Kshs</b>
<b>At 30 June 2025</b>				
Trade Receivables	35,283,189	35,283,189	-	-
Other Receivables	3,000,000	-	3,000,000	
Investments	-	-	-	-
Bank balances	8,512,253	8,512,253	-	-
<b>Total</b>	<b>46,795,442</b>	<b>43,795,442</b>	<b>3,000,000</b>	<b>-</b>
<b>At 30 June 2024 (previous Year)</b>				
Receivables	34,139,335	34,139,335	-	-
Other Receivables	3,000,000	-	3,000,000	-
Investments	-	-	-	-
Bank balances	14,040,149.29	14,040,149.29	-	-
<b>Total</b>	<b>51,179,484.29</b>	<b>48,179,484.29</b>	<b>3,000,000</b>	<b>-</b>

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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***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 xxx.

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

**ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June current year</b>				
Trade payables	36,659,612	-	-	36,659,612
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>36,659,612</b>	<b>-</b>	<b>-</b>	<b>36,659,612</b>
<b>At 30 June 2024 previous year</b>				
Trade payables	41,278,830	-	-	41,278,830
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>41,278,830</b>	<b>-</b>	<b>-</b>	<b>41,278,830</b>

**(iii) Market risk (*Tailor as appropriate*)**

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

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

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

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

**a) Foreign currency risk**

The Company has 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.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Company manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**b) Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

**c) 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.

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

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

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

Determination of fair value and fair values hierarchy

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

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

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

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

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

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

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**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:

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	32,734,696	32,331,614
Capital reserve	3,000,000	3,000,000
<b>Total funds</b>	<b>35,734,696</b>	<b>35,331,614</b>
Total borrowings	-	-
Less: cash and bank balances	8,512,253	14,040,149
Net debt/ (excess cash and cash equivalents)	27,222,443	21,291,465
<b>Gearing</b>	<b>76.18%</b>	<b>60.26%</b>

**53. Incorporation**

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

**54. Events After the Reporting Period**

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

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**20. Appendices**

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

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
2023-2024 Audit Report	Inaccuracies in the Financial Statements	Our reporting is purely manual as we lack systems to help in timely and accurate reporting hence prone to errors- will work on automation.	Unresolved	June 2025
2023-2024 Audit Report	Unsupported Operating Revenue	Excel ledgers of customer details were provided to support the operating revenue value	Unresolved	June 2025
2023-2024 Audit Report	Unvalued Property, Plant and Equipment and Delayed Civil Works	Will follow Auditor's advice to revalue our assets. Monitoring on delayed civil works has been beefed up	Unresolved	June 2025
2023-2024 Audit Report	Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements	Will follow Auditor's advice to give explanatory notes for budgetary variances exceeding or under absorption of 10% and above	Unresolved	June 2025
2023-2024 Audit Report	Non-Revenue Water Management	A non- revenue water plan put in place to reduce non- revenue water levels.	Unresolved	June 2025

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
2023-2024 Audit Report	Expired Water Sales Tariff	WASREB has been engaged and the tariff review process is ongoing- almost at the final stages	Unresolved	By June 2025
2023-2024 Audit Report	Failure to Establish an Independent Internal Audit Function and Board	Due to financial constraints the company cannot at present employ an internal Auditor but we have been allowed to use the County internal Audit team for this function and a new board is now in place.	Resolved	June 2025
2022/2023 Audit Report	Lack of risk management policy.	Draft risk management policy in place awaiting the approval of the Board.	Unresolved	By June 2023
2022/2023 Audit Report	Lack of ageing analysis for trade and other payables	Ageing analysis for 2022-2023 trade and other payables provided...	Resolved	August 2023
2022/2023 Audit Report	Lack of records to support long term payables	Management to liaise with Coast Water (CWWDA) for records of the same.	Unresolved	By June 2024
2022/2023 Audit Report	Unblanced Budget	We will work on the issue as recommended by the Auditor.	Resolved	By June 2024
2022/2023 Audit Report	Unsuported Revenue collections	Management to liase with billing system vendor to generate electronic receipts against payments for better tracking of revenues collected.	Unresolved	By June 2024

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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)
2022/2023 Audit Report	Lack of ownership documents for assets	Mokowe has gotten its title but the rest of the parcels of land are pending.	Unresolved	By June 2024
2020/2021 Audit Report	Unexplained variance in Water Services Regulatory Board fees	We will work on the issue as recommended by the Auditor.	Resolved	By June 2023
2020/2021 Audit Report	Unconfirmed cash and bank balances	This was handled partially as customer lists were provided to support balance in the fixed deposit account,	Unresolved	By June 2023
2020/2021 Audit Report	Non- remittance of mandatory fees	Management is making an effort as mandatory fees in the present are being paid but - 2020-2022 balances on the same remain unpaid due to financial constraints.	Unresolved	By June 2023

Name *Eng Nayash A. Hamed*  
 Signature *[Handwritten Signature]*  
 MANAGING DIRECTOR  
 Date *03 DEC 2025*  
 P. O. BOX 185 - 80500, LAMU

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

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

**Status of Projects completion**

*(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)*

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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**Appendix III- Inter-Entity Confirmation Letter**

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 <sup>th</sup> June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

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

**Head of Accounts Department - Disbursing Entity:**  
 Name ..... Sign ..... Date .....

**Head of Accounts Department - Beneficiary Entity:**  
 Name ..... Sign ..... Date.....

**Appendix IV: Reporting of Climate Relevant Expenditures**

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

**Appendix V: Reporting Disaster Management Expenditure**

Date:						
Entity						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

*(Attach forms from each transferring Government entity.)*

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	xxx	Recurrent	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Ministry/County Department of water.	xxx	Development	xxx	xxx	xxx	xxx	xxx	xxx	xxx
USAID	xxx	Donor Fund	xxx	xxx	xxx	xxx	xxx	xxx	xxx
name of Development partner/County department etc.	xxx	Direct Payment	xxx	xxx	xxx	xxx	xxx	xxx	xxx
			xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total</b>			xxx	xxx	xxx	xxx	xxx	xxx	xxx