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ON

KITUI WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

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KITUI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

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Table of Contents **Page**

1. Acronyms and Glossary of Terms ii
2. Key Entity Information iii
3. The Board of Directors vii
4. Key Management Team xii
5. Chairman's Statement xv
6. Report of the Managing Director xvii
7. Statement of Performance Against Predetermined Objectives for FY 2024-2025 xxi
8. Corporate Governance Statement xxxi
9. Management Discussion and Analysis xxxiv
10. Environmental and Sustainability Reporting xxxvi
11. Report of the Directors xxxviii
12. Statement of Directors' Responsibilities xl
13. Report of the Independent Auditor on the Financial Statements of Kitui Water and Sanitation Company Limited xlii
14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025. 1
15. Statement Of Financial Position As at 30 June 2025 2
16. Statement of Changes in Equity for the Year Ended 30 June 2025 4
17. Statement of Cash Flows for The Year Ended 30 June 2025 5
18. Statement of Comparison of Budget & Actual Amounts for The Year Ended 30 June 2025 7
19. Notes to the Financial Statements 9
20. Appendices 50

1. Acronyms and Glossary of Terms

ICPAK	*Institute of Certified Public Accountants of Kenya*
IFRS	*International Financial Reporting Standards*
IIA	*Institute of Internal Auditors Kenya*
CIMA	*Institute of Certified Management Accountants*
IHRM	*Institute of Human Resource Management*
MD	*Managing Director*
PFM	*Public Financial Management*
PSASB	*Public Sector Accounting Standards Board*
WASREB	*Water Services Regulatory Board*
KITWASCO	*Kitui Water and Sanitation Company Limited*
WSTF	*Water Sector Trust Fund*
WRA	*Water Resource Authority*
WRUA	*Water Resource Users Association*
SPA	*Service Provision Agreement*

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

Kitui Water and Sanitation Company is a company limited by guarantee and was incorporated on 10th April 2006 by the then defunct Kitui Municipal Council. It is currently wholly owned by the County Government of Kitui in line with the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines 2018, section 3.3.1 (5) which provides that "Where companies were limited by guarantee and the main guarantors were the defunct local authorities it is clear that even before those memorandum and articles of association are amended, the county government is a bona fide member taking up the place of the defunct local authorities as a guarantor".

The Company has the core mandate of providing water and sanitation services to Kitui Municipality, its environs and part of Machakos County where the main *(producing 90% of the water supplied by KITWASCO)* water source Masinga dam is located. Other sources are boreholes of Ithookwe, Matinyani, Ilusya, Mbooni, Mutune, Kanyangi and several sub wells. The completion of Umaa Dam and KanguKangu water project will supplement water supply and ease water rationing during dry seasons.

The Company covers a total area of approximately 733Km^2 *(representing 54% serving a population of 232,420)* and serves the following seven (7) sub counties with piped water: Masinga *(Machakos County)* and Kitui West, Kitui Rural, Kitui Central, Kitui South, Kitui East and parts of Mwingi West *(Kitui County)*. Kitui County consumes 66% of the water produced from Masinga Dam while Machakos County consumes 34%.

Principal Activities

The principal activity of the Kitui Water and Sanitation Company is to provide sustainable, safe and adequate water services for domestic, industrial and commercial use in a cost-effective manner and effectively manage the resultant waste water with a committed and motivated human resource.

Vision

An excellent provider of water and sanitation services.

Mission

Spur sustainable competitiveness in water and sanitation services provision through quality, reliable, efficient and innovative technologies progressively diminishing Non-Revenue Water and enabling high

stakeholder satisfaction.

Core Values

Our core values include professionalism, integrity, dedication, innovativeness and customer delight.

KITWASCO Mandate

The mandate of the Company is; -

- To ensure that it possesses and retains all the necessary expertise necessary to fulfil the technical, commercial, financial and administrative functions.
- To provide the services within the KITWASCO's defined Service Area.
- To meet all the required standards, guidelines and provisions of the SPA.
- To obtain all necessary licenses, permits and warranties necessary to carry out its obligations in accordance with statutes in force.
- To maintain the assets in good working order and not to dispose of any assets without the authorization of Tanathi Water Services Board.
- To fulfil the performance targets set in performance contract signed and achieve them within the set timelines
- To come up with proposals for improvement of the assets so as to enhance service delivery.
- To carry out connection and disconnection of services to properties for non-payment for water and sanitation services.
- To take legal action for breach of obligations by customers and others causing damage or adversely affecting the services.
- To ensure that appropriate measures for the protection of the environment are adhered to in line with appropriate legislations.
- To maintain, exercise all statutory powers within the area, in relation to works, assets, pipe work and appurtenances of the water supply and sanitation systems.

Directors

The Directors who served the Kitui Water and Sanitation Company Limited during the year/period were as follows:

1.	John Muthui	Chairman	Appointed November 2023
2.	Annah Mwende Vundi	Member	Appointed November 2023
3.	James Mutunga Munuve	Member	Appointed November 2023
4.	Danaris Mbula Mwanzia	Member	Appointed November 2023
5.	Albanus Kioko Muthama	Member	Appointed November 2023
6.	Nathan Kasamba Vungo	CO Water	Appointed August 2022
7.	Patrick Masila Munuve	CO Economic Planning	Appointed August 2022
8.	Fridaclare Katunge Katusya	Member	Appointed April 2025
9.	Anna Ndunge Kitheka	Member	Appointed April 2025
10.	June Mawia Munyao	Managing Director	Appointed October 2024

Company Secretary

N/A

Registered Office

Kyangwithya- Misewani Rd,

Opposite Governor's office

P.O Box 341-90200 Kitui Kenya

Corporate Headquarters

Kyangwithya- Misewani Rd,

Opposite Governor's office

P.O Box 341-90200 Kitui Kenya

Corporate Contacts

Telephone: (254)701545554, (254)73233330

E-mail:kitwasco@gmail.com

Website: www.kitwasco.co.ke

Corporate Bankers

Kenya Commercial Bank

P.O Box 683-90200

KITUI

Co-operative Bank.

P.O Box 668-90200

KITUI

Kenya Post Office Saving Bank

P.O Box 668-90200

KITUI

M-pesa Pay bill

P.O Box 66827 -00800

NAIROBI

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

3. The Board of Directors

Directors		**Details**
Ref	**Directors**	**Details**
1.	 John Muthui	Born in 1974 Bachelor of Commerce-Finance Option He is an Accountant by profession He has over 20 years' experience with the private sector serving in Faulu Kenya Ltd and Jitegemee Credit He is the chair to the Board
2.	 Annah Mwende Vundi	Born in 1992 Bachelor Degree in Law She is an Advocate of the High Court and has been practising since 2017 She is currently a partner at Vundi & Associates Advocates. Independent Director and chair of the Finance and Corporate Services Committee
3.	 James Mutunga Munuve	Born in 1977 Bachelor of Science Degree-Appropriate Technology He is an Appropriate Technologist by profession He has extensive experience in the NGO's since the year 2000 where he has worked with Solar World EA Ltd, Adventist Development and Relief Agency (ADRA), Catholic Diocese of

		Kitui- Emop programme, Caritas Kitui. He has also served as a member of County Assembly of Kitui-Kanziko ward from March 2013 to August 2022. Independent Director and Chair of the Technical committee
4	 Damaris Mbula Mwanzia	Born in 1973 Bachelor of Arts in Social Work Diploma in Community Development and Project Management She is a Social Worker by Profession She has vast experience in Climate Change Adaptations Interventions, Programme Cycle Management, HIV Prevention, Care and Management having worked for Caritas Kitui, Centre for Health Solutions and currently Kitui Development Centre Independent Director
5.	 Albanus Kioko Muthama	Born in 1964 Bachelor of Science- Computer Science and Mathematics He has worked with Madison Insurance Company for over 9 years at senior positions He has been self employed as a Contractor since 2001 Independent Director and Chair of the Audit Committee

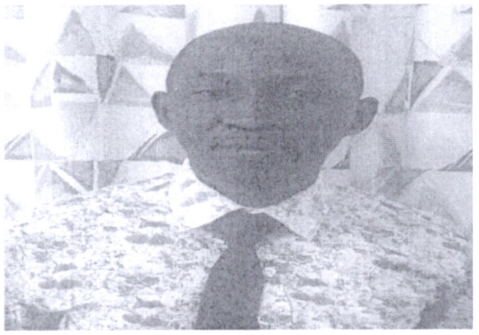
6	 Nathan Kasamba Vungo	Born in 1981 Bachelor of Agribusiness Management; MBA He has extensive experience in Finance and Auditing having served in various capacities at CPF, Safaricom, Kitui Town Administrator and currently Chief Officer Water Department Represents Ministry of Water and Irrigation
7	 Patrick Masila Munuve	Born in 1978 Bcom; MBA-Marketing He has extensive experience in marketing, Research and analysis having served in various capacities at BAT Kenya, LOreal East Africa Limited, Farmer's Choice Limited and currently Chief Officer Economic Planning and Budgeting Represents Chief Officer County Treasury

8	 Fridaclare Katunge Katusya	Born in 1980 Bcom-Finance; MBA-Business Administration She has extensive experience in Finance, Auditing and Corporate Governance having served as Board Member at CIC Insurance Group, Chief Finance Officer Britam Holdings Plc, and Senior Manager Assurance at PricewaterhouseCoopers (PWC) She is an independent director and a member of Finance and Corporate Services committee and Audit committee She is a member of ICPAK, IIA,CIMA and Institute of Directors Kenya
9	 Anna Ndunge Kitheka	Born in 1972 Bachelor of Business Administration-Human Resource She has extensive experience in Human Resource, and Operational Management having served at Plan International Kenya, currently a consultant at Dalquarter Consult Limited She is a member of IHRM

10.	 **CPA June Mawia Munyao**	Born in 1975 Managing Director (Appointed in October 2024) MBA (Strategic Management), Bcom CPA(K) Secretary to the Board

4. Key Management Team

Manager's passport-size photo and name and key profession/academic qualifications	Responsibility
 **CPA June Mawia Munyao**	Managing Director (Appointed in October 2024) MBA (Strategic Management), Bcom CPA(K)
 **Martin Muthoka Wambua**	Operations Manager Diploma in Project Management
 **CPA Clement Muinde Mutiso**	Internal Audit Manager BBA, MBA - Finance, CPA (K), IIA

 **CPA Victor Muimi**	Commercial Manager B. Com (Accounting) and CPA(K)
 **CHRP Urbanus Mutisya**	Human Resource and Administration Manager BA Public Administration HND – HRM
 **Francis Muendo Mutunga**	Head of Supply Chain Management BBA - Purchasing and Supply, KISM

 **CPA John Mwangangi**	Company Accountant Bcom-Finance, CPAK

5. Chairman's Statement



On behalf of the Board of Directors of Kitui Water and Sanitation Company Ltd, I have the pleasure to present the financial results and annual statements for the Year ended 30th June 2025 as follows: -

Review of Operations

The Company operated under turbulent economic conditions. Due to financial constraints brought about by the fluctuating economic trends, the Company employed austerity measures cutting across all her operations. As a result, the Company was able to meet its administrative costs and partly operational expenses which were subsidized by County Government of Kitui to the tune of Kshs 35,087,649. Additionally, the Company received a grant of Kshs 48,666,970 from Water Sector Trust Fund (Kshs 37,465,412) and County Government of Kitui (Kshs11,201,558). During the year, Kshs 44,479,048 were utilized for Ilimukuyu Earth dam projects (Kshs 43,698,195.80), Upper Thua WRUA technical support (Kshs 224,616) and Kabati Public Sanitation Facility (Kshs 556,236).

To guide the company's operations, a strategic plan for the period 2024-2029 has been developed and implemented whose Key Result Areas (KRA's) are

a. Regulatory Compliance and Corporate Governance
b. Non-Revenue Water Management
c. Financial Sustainability
d. Operational efficiency and Customer Service
e. Water and Sewerage Infrastructure Development and Maintenance
f. Institutional Capability Strengthening
g. Strengthening climate change actions and strategies

Conclusion

On behalf of the Board of Directors, I hereby extend my deepest appreciation to the County Government of Kitui, our esteemed Stakeholders, Management and the Staff for the continued support and significant contribution towards driving the growth of the company. I wish to assure the stakeholders that the Board of Directors has implemented appropriate strategies as outlined in the strategic plan to boost and sustain improved performance geared towards self-sustainability.

We anticipate better performance in the coming years.



John Muthui

Chairman

6. Report of the Managing Director



1.0 INTRODUCTION

Kitui Water and Sanitation Company is a company limited by shares and was incorporated on 10th April 2006 by the then defunct Kitui Municipal Council. It is currently wholly owned by the County Government of Kitui in line with the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines 2018, section 3.3.1 (5). The Company has the core mandate of providing water and sanitation services to Kitui Municipality, its environs and part of Machakos County where the main water source Masinga dam *(producing 90% of the water supplied by KITWASCO)* is located.

The Company's services cover a total area of approximately 733Km^2 *(serving a total population of 232,420 which represents 54% of the total population within the service area)* and serves the following seven (7) sub counties with piped water: Masinga *(Machakos County)* and Kitui West, Kitui Rural, Kitui Central, Kitui South, Kitui East and parts of Mwingi West *(Kitui County).* I am delighted to present my report on the performance of the company for the financial year 2024-2025.

2.0 PERFORMANCE REPORT

2.1 Water Production

During the year the company produced 2,519,743 cubic meters of water being an average production of 6,885 cubic meters daily against design capacity of 18, 000 Cubic meters daily. With the current production the company continues to ration its customers. It's my hope that the production will improve with the rehabilitation of Masinga – Kitui Water pipeline under the Last Mile Connectivity Programme funding by African Development bank through Tanathi and Athi water works Development Agencies. The County Government of Kitui has also made a promise to support in the procurement of more effective pumps to enhance on the production.

2.2 Sewerage coverage

The sewer demand in Kitui town is very high and sewerage system is only 5% operational particularly in the pro-poor areas of Kitui town. The contractor who was to undertaking the Last Mile Connectivity Programme funded by African Development Bank has since been terminated. This programme was targeting 2,500 households and 40km distribution lines in Kitui town. We expect to connect more customers in the coming years which will improve revenues in the near future once the last mile connectivity sewer project is completed

2.3 Financial performance

The Company implemented a revised tariff effective July 2024 subsidized for the first two years. During the year, the Company received an amount totalling to Kshs 35,087,649.00 as subsidy from County Government of Kitui. Additionally, the Company received a grant of Kshs 48,666,970 from Water Sector Trust Fund (Kshs 37,465,412) and County Government of Kitui (Kshs11,201,558). During the year, Kshs 44,479,048 were utilized for Ilimukuyu Earth dam projects (Kshs 43,698,195.80), Upper Thua WRUA technical support (Kshs 224,616) and Kabati Public Sanitation Facility (Kshs 556,236).

The company sales turnover was Kshs 372,758,142 against Kshs. 279,881,288.00 reported in the previous year which is a 33% increase. The total expenses incurred in the year were Kshs. 392,393,675 compared to Kshs. 312,677,312.00 reported in the previous year.

The company made a deficit of Kshs. 19,635,533.00 during the year which is an improvement compared to a deficit of Kshs. 32,796,024 in the previous year.

Energy costs continue to be a threat to sustainability and took Kshs 112,286,577.25 which is approximately 30% of total revenues of Kshs 372,758,142

*2.4 **Non-Revenue Water Reduction***

The NRW moving average stood at 46% in the 2024/2025 financial year. While recognizing that the management of NRW requires serious investment, several measures have been put in place to help in reducing NRW.

Among the measures undertaken is the establishment of a robust Non-Revenue Water management team dubbed "Linda maji" with enhanced budgets for implementation of NRW reduction programs.

The use of technology including the use of mobile metre reading and GIS mapping have not been left behind. The creation of District Management Areas (DMAS) to enhance accountability within KITWASCO service area is currently underway. The management will continue to invest in emerging technologies, enhance capacity building through training and bench marking with a view to alleviate the effects of high levels of NRW.

3.0 CHALLENGES

a) High level of Non-Revenue Water (NRW) currently at a moving average of 46% in the 2024/2025 FY. This far below the WASREB benchmark of 25%.
b) High costs of water production`most specifically electricity bills for the main production plant at Masinga Dam approximated at Kshs. 12.5 Million per month.
c) Inadequate water supply resulting to serious water rationing which is evidenced by the current served area only at 54% and the hours of supply at fourteen per day;
d) Overdependence on Masinga Dam the main source *(producing 90% of the supplied volume)* of water. A break down at Masinga adversely affects water supply within the Company's service area.
e) Underutilized sewer system resulting to poor sewerage services within Kitui County headquarters and its environs due to the non-completion of the last mile connectivity project.
f) Non efficient pumps at Masinga Production plant which is the main source of water for the Company. As a result, the treatment plant is underutilized with a current daily production of 11,000M^3 while the treatment works capacity is 18,000M^3 per day.
g) Dilapidated raw water floating intake at Masinga Production plant.
h) Old dilapidated pipeline and infrastructure that is prone to burst and leakages leading to water losses
i) Declining capacity of water resources; climate change and destruction of wetlands continue to be a major challenge.

Conclusion

On behalf of the entire Management, I extend my sincere appreciation to all staff, customers, development partners, County Government of Kitui and other stakeholders for their support. It is my hope that the same enabling environment shall continue to prevail as we soldier on towards self-sustainability.



June Mawia Munyao
Managing Director

7. Statement of Performance Against Predetermined Objectives for FY 2024-2025

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

To guide the company's operations, a strategic plan for the period 2024-2029 has been developed and implemented whose Key Result Areas (KRA) are;

a. Regulatory Compliance and Corporate Governance
b. Non-Revenue Water Management
c. Financial Sustainability
d. Operational efficiency and Customer Service
e. Water and Sewerage Infrastructure Development and Maintenance
f. Institutional Capability Strengthening
g. Strengthening climate change actions and strategies

KITWASCO achieved its performance targets set for the FY 2024/2025 period for its seven strategic pillars, as indicated in the diagram below:

KRA/Pillar	Objective	Key Performance Indicator	Activity	Achievements
1. Regulatory Compliance and Corporate Governance	Ensure Effective Board and Management practices	No. of board members inducted	Undertake induction of new board members and managers	Not yet done for the two directors recruited during the financial year
		No. of benchmarking activities	Undertake benchmarking activities	None has been undertaken
		Approved and launched strategic plan	Develop and launch the strategic plan	Strategic plan developed, approved and launched for implementation
		No. of performance management tools in place	Review and implement performance management system	Performance Contracting in place
		Updated CR12	Update registration status of the company	CR12 updated
		Operational board charter	Review and implement Board Charter	Board charter review

Key Activities	Objective	Key Performance Indicator	Activities	Achievements
				ongoing – in draft form
		% compliance	Constitute the Board as per stipulated WASREB regulatory guidelines	Done 100% compliant
		Performance review system in place	Develop and implement Board performance evaluation system	System developed. Implementation underway
		Level of compliance with work plan	Develop annual work plans for the board	Done. 100% complaint
		Risk Management Policy	Develop a Risk Management Policy	Review of Risk policy
		Monitoring report	Monitor the implementation of risk management policy	Risk register developed towards developing risk policy
		Adopted MAAA by shareholders	Review the Memorandum and Articles of Association (MAAA)	Done
	Improved stakeholders' relations through partnerships and collaborations	No. of MOUs implemented	Harness opportunities with stakeholders through the partnerships and collaborations	1 No MOU developed
2. Non-Revenue Water (NRW) Management	Reduce NRW from 49% to 37%	% reduction in bursts and leaks	Procure and install pressure regulation valves	Procured 1No portable meter testing bench
		NRW tools and equipment in place	Procure specialized tools and equipment for managing NRW	1no Portable meter testing bench procured
		% increase in Number of leaks and bursts reported	Procure and operationalize Toll Free Line for reporting of bursts and leaks	Timely reporting of bursts and response time reduced
		GIS map in place	Procure and utilize GIS mapping tools, equipment and software	Done
		No. of staff trained	Recruit and Train staff on the use of GIS equipment	Done

KRA/Pillar	Objective	Key Performance Indicator	Activities	Achievements
		Plan in place	Develop a NRW reduction plan	Done
		No of trainings conducted	Strengthen and train leak detection and response team	2 trainings done
		No. of staff dedicated to NRW unit	Adequately staff the NRW Management unit	3no staff
		No. of staff trained on NRW	Train NRW Management unit staff	3no staff
		% of DMAs established	Map out the distribution network within the service area and establish District Metering Areas (DMAs). Reconcile big volumes with production volumes then undertake a trend analysis	2no DMAs established
		No. of zonal meters in place	Procure and install zonal meters	1No procured
		No. of customer identification survey report	Undertake door to door customer identification survey to verify customer connections	1 No. of customer identification survey undertaken
		% of sensitization exercises done to customers and general public	Sensitization of customers and the general public to report leaks, bursts and illegal connections	6 customer engagement forums conducted where sensitization was done
		No. of production meters in place	Procure and install digital production meters	2no digital meters installed at Masinga
		Software in place	Upgrade meter reading software	Upgrades done on real time meter reading
		% actual meter reading every month	Develop meter reading plan – cycle and routes	Done
		Operational meter testing bench in place	Operationalize meter testing bench	Not done

KRA/Pillar	Objective	Key Performance Indicators	Activities	Achievements
		No. of Portable meter testing benches in place	Procure a portable meter testing bench	1no Portable meter testing bench procured
		No. of recommended quality meters installed	Procure 6000 recommended class of consumer meters including digital meter for bulk consumers	Procured 2 No digital meters at Masinga Treatment works Procured 960 consumer meters
		No. of meters, tested, serviced and calibrated	Undertake Meter testing, servicing and calibration	Calibrated 960 consumer meters, 20 zonal meters
		% of illegal connections eliminate	Tracking of illegal connection	64 illegal connections tracked
		% of illegal connections disconnected	Disconnect illegal water connections	64 illegal connections disconnected, 35 re-connected
		Whistle blower policy in-place	% of illegal connections disconnected	Policy not developed
3. Financial Sustainability	a. Increase Operations and Maintenance (O&M) Cost coverage from 60% to 120%	No. of dormant connections activated	Reactivate 4,438 dormant accounts	480 activated
		No. of new connections	Install new water connections	Installed 621 connections
		No. of new sewer connections	Install new sewer connections	Not done
		No. of sewer connections regularized	Regularize illegal sewer connections	20 sewer connections regularized
		No of draw points installed	Installation of a strategic water bowser draw points	Done at Syongila
		Gazetted Tariff	Review water and sewer tariffs	Tariff gazetted on
		Percentage of production sites solarized	Hybridanize Masinga production plant and solarize other production sites	Masinga hybridization not done.

KRA/Pillar	Objective	Performance Indicator	Activities	Achievement
				2No boreholes solarized.
		Cost Management Policy	Develop and review cost management policy	Policy not yet developed
		% of adherence to policy	Implement the cost management policy	Not done
		No of new innovations	Rewarding cost cutting innovations in operations	Not done
		Policy in place	Develop and implement a resource mobilization policy	Policy not yet developed
		No. of Proposals developed	Develop project funding proposals	1no done – PIAP
	b. Reduce accounts receivable (debtors) from 56% to 30%	% of customers billed	Accurate billing and timely dispatch of bills	100%
		% Customers followed up	Follow up visits and drives to customers	7No customer engagement forums done
		% of Customer Relationship Officers trained	Train Customer Relationship Officers	Done
		Debt management, metering and disconnection policies in place	Develop and implement debt management Policy, metering and disconnection policy	Policy yet to be developed. Existing guidelines in use.
		% of Kiosks installed with Water Dispensing Machines	Installation of Water Dispensing Machines in water kiosks	Not yet done
	c. Strengthen financial management systems	ERP System	Optimize the Enterprise Resource Planning (ERP) System through integration	Integration not yet done
		% of staff trained	Train the staff on procurement and financial management	Training done
		% Implementation	Implement Enterprise Resource Planning (ERP) System	ERP yet to be procured
		% of compliance	Effective procurement planning and strict implementation/adherence to the procurement plan	Adherence at 100%

KRA/Pillar	Objective	Key Performance Indicator	Activities	Achievements
		Store constructed	Construct a central store for safe custody of stocks	Store not yet constructed
4. Operational Efficiency and Customer Service	a. Improve water distribution efficiency	% of the distribution network mapped	Map out water distribution network	Distribution area mapped
		Manual in place	Develop an operations and maintenance manual	Done
		No. of quarterly reports	Monitor implementation of the operations and maintenance manual	Done
		Procure 17 motor bikes to improve mobility	No. of motorbikes procured	Not done
		No. of motor vehicles procured	Procure 2 motor vehicles (pickups) to improve mobility	No MV procured yet
		Rationing program in place	Develop and continuously review Water Rationing Program	Developed and reviews done continuously
		Implementation report	Implement Water Rationing Program	Implemented
	b. Maintain water quality at 100%	No. of the schedules	Develop annual monitoring program and sampling schedules	Developed
		No. of monthly reports	Implement the annual monitoring program and sampling schedules	Implemented
	c. Adoption and Integration of Technology in all Business Processes	No. of Processes re-engineered	Undertake business process re-engineering (BPR)	Majisoft re-engineered to give a push message
		Efficient processes	Identify processes to be automated	NRW computation process identified for automation
		Efficient processes	Upgrade the current systems to include the identified processes	Upgrade underway
	d. Increase customer satisfaction levels to at least 80%	Service charter in place	Review the service charter to align with the new strategic thinking	Service charter reviewed
		Enhanced customer service	Develop a monitoring tool for the implementation of the	Quarterly audit reviews

KRA/Pillar	Objective	Key Performance Indicator	Activities	Achievement
			customer service delivery charter	done. Monitoring of implementation of recommendations done
		Efficient and effective customer care desk	Equip customer care desk/function	Equipped with Computers, phones and furniture
		Number of trainings conducted	Train staff on Customer Relationship Management (CRM) System	Internal training undertaken
		Survey report	Conduct annual customer satisfaction survey	Customer survey done
		Improved communication	Develop and operationalize the customer Communication Policy (CP)	Policy not yet developed
		Attendance reports	Conduct Customer engagement forums	6 forums done
5. Water and Sewerage Infrastructure Development and Maintenance	a. Increased water supply coverage from 68% to 75%	Additional new floating intake in place	Development of an additional floating intake by the National Government	Not done
		% of Additional production volume from Athi-Mutomo Project	Operationalize Athi-Mutomo water project	Project test pumping underway
		Additional production of $2000m^3$	Development of Umaa Dam by the National Government	Development underway through the National Government
		No. of additional water sources developed	Development of additional water sources by the County Government, TAWWDA and National Government e.g. Dams, sump wells and boreholes	Not yet done though need discussed with the National Government
		Replaced pumps in place	Replace low productivity high-cost pumps with high production energy saving pumps at Masinga production plant	Pumps not yet replaced
		KMs rehabilitated	Procure and replace the dilapidated pipeline sections	8.8KM rehabilitated

KRA/Pillar	Objective	Key Performance Indicator	Activities	Achievements
		KMs extended	Procure and extend pipelines	1KM extended
	b. Increase sewer coverage from 5% to 30%	No. of sewer connections	Lobby TAWWDA to complete the last mile sewer connectivity	Project still stalled
		Mapping report	Map out areas with lateral sewer lines without water service lines	Done
		Mapping report	Map out areas in need of sanitation facilities	Done
		No. of ablution blocks	Construct ablution blocks.	Constructed at Kabati Market
		Land Title Deed/allocation documents	Lobby County Government of Kitui for allocation of land for DTF construction	Not yet done
6. Institutional Capability Strengthening	a. Ensure optimal staff productivity	Approved fit for purpose organization Structure in place	Review the organizational structure	Organizational structure reviewed
		Approved career progression guidelines	Develop Career progression guidelines	Process underway
		Staff rationalization and placement report	Carry out staff rationalization and placement	Not done
		Approved scheme of service	Review the scheme of service	Scheme not yet reviewed
		Reviewed and approved policy manuals reports	Review/Develop the existing institutional policy and procedures manuals	Some polices not reviewed or developed
		Dissemination reports	Dissemination and sensitization on the policies and procedures	Dissemination not done for those not yet developed
		Performance management framework	Develop a performance management/productivity framework	Performance management system in place
		Staff sensitization report	Sensitize staff on performance management and appraisal system	Done and PCs signed with staff
		Staff appraisal report	Undertake Mid and annual performance appraisal	Mid reviews done

KRA/Pillar	Objective	Key Performance Indicator	Activities	Achievements
		Performance improvement report	Undertake performance improvement initiatives	Done
		Organizational culture assessment report	Carry out an Organizational Culture Assessment	Not yet done
		Report on organization culture change initiatives	Implement the organizational culture change initiatives	Not yet done
	b. Enhance employee satisfaction level to at least 80%	Needs assessment report	Carry out baseline survey/capability needs assessment	Done per individual departments staff
		Approved training program	Develop a capability building and training program	Training calendar developed
		%ge of staff trained	Undertake employee training	Training done in some areas identified
		No. of exchange programmes	Organize skills transfer exchange programmes	Done especially in NRW skills development
		Employee Satisfaction Survey Report	Carry out an Employee Satisfaction Survey	Not yet done
		% of employees with safety gear	Provide employees with working safety gears (PPEs)	Partially done
		% compliance with OSHA	Implement the provisions of the OSHA	Ongoing
		% compliance with WIBA	Implement Work Injury Benefits Act requirements	Done
		Approved Staff medical cover	Provide in-house medical cover for staff	Medical cover procured
		Employee welfare Programmes report	Implement employee welfare Programmes	In place
		% of furnished Offices	Provide office infrastructure (furniture, equipment, etc.)	Done and ongoing
		% completion of office construction	Construct additional KITWASCO owned offices	Not done

KRA/Pillar	Objective	Key Performance indicator	Activities	Achievements
		% of renovated staff quarters	Renovate staff quarters at Masinga and Katheka	Not done
	c. Improve on KITWASCO's image and visibility	Approved branding strategy	Develop a Brand Strategy	Not done
		100% branding	Undertake branding of assets and employees	Done for water tanks and offices
		Launch of Upgraded Website	Upgraded company website	Upgrade done internally
7. Strengthened Environmental and Social Resilience and Adaptation Strategies	a. Prevention of pollution within water catchment and production sites	Number of sensitization forums conducted	Sensitize the community on the harmful effects of the use of fertilizers, pestsides, open defication and Promote the use of organo-chemicals on agricultural activities and organic farming	Not done
	b. Protection of water catchment areas	Number of community engagement forums and CSR activities	Community engagement and capacity building with CSR activities like giving out seedlings and Sensitize community on water conservation and harvesting	Not done
	c. Enhance Sustainability and Safety of Water Sources	Number of forums held	Sensitizing the community on the need for water recycling and abstraction of optimal quantities	Not done
		Number of environmental audit report	Environmental Audited report developed	Done
		Number of policy in place	Development of environmental quality policy	Not done
	Social Adaptation and Conservation	Number of sensitization forums held	Sensitize the community on the use of water friendly taps and sewerage systems (Bio-digester and sensor taps)	Not done

8. Corporate Governance Statement

This Corporate Governance Statement sets out KITWASCO's governance structures, practices and disclosures for the reporting year. It has been prepared following the provided WASREB corporate governance statement guidance and public-sector best practice.

1. Appointment of Board Members

Directors are appointed in accordance with governing instruments, WASREB corporate governance guidelines, the Company's Articles and applicable laws. Appointments observe competitive, merit-based processes, integrity vetting, and requirements on diversity, regional balance and inclusion. Shareholder nomination processes are documented and formalized through appointment letters and induction programs.

2. Process for Appointment and Removal of Directors

Board vacancies are advertised or filled per shareholder nomination provisions. Shortlisting is conducted by an independent panel appointed by the Principal County Government of Kitui, with recommendations issued to the shareholder for appointment. Removal follows due process per the Articles, Mwongozo and law, including written notice, fair hearing and recording of reasons.

3. Size, Diversity and Demographics of the Board

As at the reporting date, the Board comprised nine (9) directors as listed on page v of the annual financial statements. The Managing Director is the Secretary to the Board. The Board strives for diversity of gender, skills, age, professional background and regional representation, consistent with National Policy on inclusion and Article 232 of the Constitution.

4. Board Charter

The Board operates under an approved Board Charter that defines roles, responsibilities and reserved matters; delegation to committees and management; and the separation between oversight and execution. The Charter is reviewed at least every two years or upon significant regulatory change.

5. Roles and Functions of the Board

These include the following;

- Provide strategic direction; approve the corporate/strategic plan and annual budgets.
- Oversee enterprise risk management, internal controls, compliance and integrity systems.
- Appoint, appraise and, where necessary, remove the Managing Director; oversee senior management appointments.
- Ensure integrity of financial and non-financial reporting; approve audited financial statements and the annual report.

- Promote ethical conduct, sustainability and stakeholder engagement; ensure quality of service delivery.
- Ensure compliance with applicable laws and regulations (PFM framework, Water sector laws, PSASB reporting guidelines).

6. Induction, Training and Development

All newly appointed directors undergo a formal induction covering KITWASCO's mandate, strategy, material risks, key policies and sector regulations. The Board maintains an annual training plan informed by skills matrices, committee needs and regulatory updates (e.g., WASREB, PSASB, PFM Act, IFRS, PPADA). During the year, the directors did not attend scheduled trainings due to cash flow constraints.

7. Board and Members' Performance

An annual evaluation of the Board, Committees, the Chairperson and individual directors was conducted by is scheduled in Quarter two (Q2) of the current financial year (FY2025-2026). The assessment will cover effectiveness, strategy oversight, risk, control, compliance, and stakeholder engagement. Resulting Key Improvement Actions (KIAs) will be tracked via the Board work plan.

8. Board Meetings and Attendance

The table below summarises meetings held and attendance for the year:

S. N	Director	Meetings Held	Committee Meetings	Special Meetings	Total Meetings	Atten ded	Attenda nce (%)	Remarks
1.	John Muthui	4	-	2	6	6	100%	-
2.	Annah Vundi	4	10	2	16	16	100%	-
3.	James Munuve	4	10	2	16	16	100%	-
4.	Damaris Mwanzia	4	6	2	12	12	100%	-
5.	Albanus Muthama	4	6	2	12	12	100%	-
6.	Nathan Vungo	4	5	2	16	11	69%	-
7.	Patrick Munuve	4	10	2	16	16	100%	-
8.	Fridaclare Katusya	1	2	-	3	3	100%	Appointed, April 2025
9.	Anna Kitheka	1	2	-	3	3	100%	Appointed, April 2025

9. Succession Plan

The Board maintains a succession plan that identifies critical positions, potential successors and development actions. Emergency and planned succession are addressed for the Board Chair, Committee Chairs, the Managing Director and heads of department.

10. Policy to Manage Conflict of Interest

Directors annually declare interests and update declarations prior to agenda deliberations. A Conflicts Register is maintained both in the committee and full Board meetings. Conflicted directors are required to recuse themselves from discussions/decisions as recorded in the minutes. Training on ethics and integrity is conducted annually.

11. Board Remuneration

Remuneration of directors is set in line with guidelines issued by the Salaries and Remuneration Commission (SRC) and approved by the shareholder(s). Disclosure of fees, allowances and benefits is provided in the Annual Financial Statements. No director participates in decisions determining their own remuneration.

12. Ethics and Conduct

The Company enforces a Code of Conduct and Business Ethics aligned to public-sector standards, including provisions on anti-corruption, whistleblowing, confidentiality and equal opportunity. All directors sign a Code of Conduct upon appointment. Wealth declarations are filed every two (2) years and staff sensitized on anti-corruption measures.

13. Governance Audit

In accordance with the Mwongozo Code, an annual Governance Audit is supposed to be conducted by a qualified practitioner. The audit should cover leadership and strategy, transparency, compliance, board operations, risk and internal control. The Company has planned the governance audit in the quarter three (Q3) of the current financial year (FY 2025-2026). A corrective action plan with timelines will be adopted and implemented.

14. Communication Policy

KITWASCO follows a stakeholder communication policy to ensure timely, accurate and accessible information through Board/committee reports, the annual report, website, notices and stakeholder forums. Media engagements are coordinated through the Managing Director's office.

15. Terms of Reference of Committees

The Board has constituted the following committees with approved Terms of Reference (ToR):

- **Audit Committee:** Oversees financial reporting, internal controls, risk management, internal audit, external audit liaison, integrity and compliance.

- **Technical Committee:** Oversees service delivery, NRW reduction, asset management, projects and environmental/social safeguards.
- **Finance & Corporate Services Committee:** Oversees budgeting and performance monitoring, procurement oversight, ICT, HR and administrative policies.

16. Policy on Related Party Transactions

Related party transactions (RPTs) are conducted on an arm's-length basis, in the ordinary course of business, and in the best interest of KITWASCO. All material RPTs require prior approval by the Board through the relevant committee, full disclosure, and exclusion of conflicted directors from decision making. RPTs are disclosed in the financial statements in accordance with applicable public-sector reporting requirements.

9. Management Discussion and Analysis

During the year under review the company operational performance remained fairly moderate with an increase in revenues amid tough economic times. In general, the resiliency of our operations was evident throughout the financial year. The Company own source revenue increased to 293,191,445 from Kshs 138,928,718 in the previous year.

The company received financial support from the County Government of Kitui through payment of electricity bills for Masinga treatment works to a tune of Kshs 35,087,649.00 Additionally, the Company received a grant of Kshs 48,666,970 from Water Sector Trust Fund (Kshs 37,465,412) and County Government of Kitui (Kshs11,201,558). During the year, Kshs 44,479,048 were utilized for Ilimukuyu Earth dam projects (Kshs 43,698,195.80), Upper Thua WRUA technical support (Kshs 224,616) and Kabati Public Sanitation Facility (Kshs 556,236).

The Water Sector Trust Fund through the EU-Climate Proof fed Infrastructure Program for arid areas in partnership with the County Government of Kitui was financing the Ilimukuyu water project. As at the time of the programme closure, the project was at 70% completion. The County Government of Kitui is committed to ensure that the project is completed so as to actualize the desired objectives.

The Last Mile Connectivity Project (sewer and water pipeline reticulation) funded by The World bank through Tanathi Water Works Development Agency (TAWWDA) stalled following the termination of the contractor. TAWWDA is in the process of engaging another contractor to complete the works. Once complete, there will be increased sewer and water coverage.

Under compliance to statutory obligations, the Company has managed to clear a substantial amount of its taxes and other payroll deductions. Payment plans have been made to settle other obligations.

Our major risk includes;

- ✓ High cost of energy for pumping water from Masinga Dam to Kitui town and its environments. Our monthly electricity bill on average is Ksh12, 000,000. Following the tariff review, less subsidy is being received for support to pay electricity bill with the Company paying 80% from its own source revenues.
- ✓ High Non –revenue water (water loss). We have managed to reduce Non-Revenue Water to 46% in 2024/2025 financial year. We acknowledge the importance of reducing NRW.

As such avenues have been identified and mitigating measures budgeted for in the coming financial year with NRW management identified as a Key Result Area (KRA) in the strategic plan.

- ✓ Overreliance on Masinga dam which accounts 90% of water produced. The completion of Umaa dam and Ilimukuyu water project will reduce the overreliance on Masinga dam.
- ✓ Old and dilapidated infrastructure particularly at Masinga Water Intake.
- ✓ Lack of energy efficient duty and standby pumps at Masinga Treatment Plant to support business continuity in case of pump breakdowns.

10. Environmental and Sustainability Reporting

KITWASCO exists to transform lives. This is our purpose, the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the Citizen first, delivering water and sewer services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

i) Sustainability strategy and profile

Kitui water and Sanitation Company has managed to ensure that the people of Kitui are getting water seven days per week with minimal water rationing. With the support of the County Governor Hon. Julius Malombe, we have managed to extend our water supply system to a large population. We have also been handed over many boreholes powered by solar from County Government of Kitui.

ii) Environmental performance

We are in the process of developing our Environmental policy but this does not mean we are not doing anything. We have ensured that all our wastes are well managed and disposed in the best way possible. With some of the best sewer pods in the country, we have ensured all the waste from connected customer is well disposed.

iii) Employee welfare

he company organizes for benchmarking trips in other water service providers to learn and acquaint with the best practices. A performance management tool for appraising all the staff on annual basis is in place and the best employees are awarded. The company is in the process of procuring the service of consultant to formulate our policy on health and safety at workplace.

iv) Market place practices

a) Responsible competition practice.

Our operations are guided by the best procedures and policies. Our policies and manuals are frequently reviewed to accommodate the emerging issues. The procurement department is guided by Public Procurement and Asset Disposal Act 2015 and regulations 2020.

b) Responsible Supply chain and supplier relations

We normally ensure that our service providers are paid in time and thus the supply of goods and services are not interrupted.

c) Responsible marketing and advertisement

The company while publicizing its products ensures our marketing and advertising campaigns are conducted using fair language, are morally upright and adhere to other fair advertising and marketing practices.

The entity is in the process of formalizing responsible marketing and advertisement policy.

d) Product stewardship

The Company is committed to provide sustainable, safe and adequate water services to her customers in a cost effective manner and effectively manage the resultant waste water in compliance with the water regulator's set guidelines and standards.

v) Corporate Social Responsibility / Community Engagements

Water is life. We ensure that the charitable organizations in our area of operation occasionally get free water. The company also deliver free water on request to all burial ceremonies in Kitui County.

11. Report of the Directors

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

i) Principal activities

The principal activities of the Company are;

- ✓ To provide and distribute constant supply of water for commercial, industrial and domestic purpose within its area of jurisdiction within Kitui County and its environs.
- ✓ To be responsible for provision and maintenance of water and sewerage services within Kitui County and its environs.

ii) Results

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

iii) Directors

The members of the Board of Directors who served during the year are shown on page vii and viii in accordance with Regulation of the Kitui Water and Sanitation Ltd Articles of Association.

iv) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Company for the year/period ended June 30, 2025, or in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

.....

June Mawia Munyao
Secretary to the Board
Date: 29/08/2025

12. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of KITWASCO financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that KITWASCO's financial statements give a true and fair view of the state of KITWASCO's transactions during the financial year ended June 30, 2025, and of KITWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the KITWASCO, which have been relied upon in the preparation of the KITWASCO 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 KITWASCO 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 29/08 2025 and signed on its behalf by:

Signature.....

John Muthui
Chairperson of the Board

Signature.....

June Mawia Munyao
Managing Director

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REPUBLIC OF KENYA

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NAIROBI

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

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kitui Water and Sanitation Company Limited set out on pages 1 to 52, which comprise of the statement of financial

position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.204,117,402 as disclosed in Note 18 to the financial statements. Included in the balance are receivables totalling Kshs.166,015,837 which have been outstanding for more than one hundred and twenty (120) days. Management did not provide measures put in place to recover the long outstanding receivables.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.166,015,837 could not be confirmed.

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

Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.19,635,533 (Deficit of Kshs.32,796,024 for financial year 2023/2024), indicating a marginal decrease of Kshs13,160,491 during the year under review.

Further, the trade and other payables balance of Kshs.147,062,569 increased by Kshs.1,658,276 from the previous year's balance of Kshs.145,404,293, which may be an indication of the Company's inability to settle its current obligations as and when they fall due. Although Management has in the annual report highlighted that the deficit resulted from disruption of operations due to prolonged power disconnection, breakdown of intake motor, non-efficient pumps, high energy costs, inadequate water supply and non-payment

of full subsidy support by the County Government of Kitui as budgeted for, no measures have been put in place to reverse the trend.

My opinion is not modified in respect of this matter.

Emphasis of Matter

Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 25 to the financial statements reflect trade and other payables balance of Kshs.147,062,569. Included in the balance are payables totalling Kshs.56,559,809 which have been outstanding for more than two (2) years. Although Management attributed the failure to clear the payables to delay by the County Government in paying part of the water subsidies agreed with the Company, no measures have been put in place to clear the payables.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

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

Conclusion

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

Basis for Conclusion

1. Failure to Refund Customers' Deposits

The statement of financial position reflects customers' deposits balance of Kshs.31,450,287 as disclosed in Note 26 to the financial statements. However, the bank statement for the deposits account reflects a balance of Kshs.11,797,524 resulting to a variance of Kshs.19,652,763. As previously reported, the difference of Kshs.19,652,763 represents the amount borrowed by Management to finance various activities including Endau Ilimukuyu water project, security for a bank guarantee and internal borrowings of Kshs.12,054,776, Kshs.3,175,298 and Kshs.5,622,698 respectively. This is contrary to Section 68 (1) and (2) of the Public Finance Management Act, 2012 which stipulates that an Accounting Officer for a National Government entity, shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the Accounting Officer are used in a way that is lawful and authorized, effective, efficient, economical and transparent and in the performance of a function under Sub-Section (1)(d). An Accounting Officer shall ensure that all contracts entered into by the entity are lawful and are complied with. Although, the Board approvals were sought for the borrowings, the amount borrowed totalling Kshs.19,652,763 had not been refunded as at 30 June, 2025.

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

2. Irregular Payment / Delay in Construction of Ilimukuyu Dam and Water Supply Project Phase II

As previously reported, the Company entered into a contract agreement with a firm on 8 December, 2023 for the proposed construction of Ilimukuyu dam and water supply Project Phase II at a contract sum of Kshs.86,165,830. The contract commenced on 19 December, 2023 for a period of six (6) months running to 18 June, 2024. However, the contract was extended for thirty-seven (37) days resulting in a new completion date of 25 July, 2024. Review of supporting documents and progress report revealed that the contractor had been paid the full amount while the project was 70% complete. As at the time of audit in October, 2025, the project had stalled after payment of the full amount.

Although, Management explained that the reasons for the extension was additional works, ground conditions for the foundation works for the dam which were substantially

more adverse than anticipated and the delay in provision of the locations for the water kiosks and latrines, the contractor failed to complete the project within the agreed completion timeline even after the contract extension. No explanation was provided for the delay in project implementation.

In the circumstances, value for money obtained from the investment of Kshs.86,165,830. could not be confirmed.

3. Excessive Non-Revenue Water

Review of the Company's records revealed that water production was 2,519,743 cubic meters (M^3) during the year under review, out of which 1,349,164 M^3 was billed to customers. The balance of 1,170,579 M^3 or approximately 46% of total production represents Non-Revenue Water (NRW). This contravenes the Water Services Regulatory guidelines which require water service providers to ensure that commercial losses in respect of water produced do not exceed 25% of total production.

In the circumstances, Management was in breach of law.

4. Failure to Dispose Unserviceable Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.24,614,040 as disclosed in Note 15 to the financial statements. However, physical verification revealed that eleven (11) grounded motor vehicles and eighteen (18) computers were unserviceable and had not been disposed. This is contrary to Section 164 (1) of the Public Procurement and Assets Disposal Act, 2015 which stipulates that the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the Disposal Committee through the Head of Procurement function.

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

5. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was one hundred and fifteen (115) out of which, one hundred and seven (107) or approximately 93% of the total number were from the dominant ethnic community in the County. This is contrary to the provisions of Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community. Management did not provide measures put in place to bridge the ethnic gap.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Approved Information and Communication Technology (ICT) Security Policy

Review of the Company's information technology systems revealed that the Company did not have an approved ICT Policy for governance and management of its ICT resources. In addition, there is no ICT Steering Committee in place to assist in the development of ICT Policy Framework to enable the Company to realize long-term ICT strategic goals. Lack of an approved ICT Policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Company`s ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risks of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, existence of effective measures to manage ICT could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

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

ii. The information given in the Directors' report on pages xvii to xx is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report on page 42 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) 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.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial

statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 November, 2025

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

	Notes	*2024-2025*	*2023-2024*
		Kshs	**Kshs**
Revenue			
Operating Revenue	6	271,465,257	126,996,968
Grants Income	7	79,566,697	140,952,570
Other Income	8	21,726,188	11,931,750
Total Revenue		**372,758,142**	**279,881,288**
Expenses			
Staff Costs	9	77,768,035	72,992,165
General and Operations expenses	10	283,956,961	216,743,704
Board Expenses	11	4,722,345	5,116,009
Maintenance Expenses	12	23,310,558	16,152,427
Depreciation and Amortization expenses	13	2,635,776	1,604,559
Finance Costs	14	-	68,448
Total Expenses		**392,393,675**	**312,677,312**
Profit/(Loss) Before Taxation		(19,635,533)	(32,796,024)
Income Tax Expense/(Credit)		-	-
Profit/(Loss) After Taxation		**(19,635,533)**	**(32,796,024)**

15. Statement Of Financial Position As at 30 June 2025

	Note	*2024-2025*	*2023-2024*
		Kshs	**Kshs**
Assets			
Non-current assets			
Property, plant and equipment	15	24,614,040	25,591,594
Intangible assets	16	947,893	1,159,712
Total non-current assets		**25,561,933**	**26,751,306**
Current assets			
Inventories	17	2,854,158	3,729,377
Trade and other receivables	18	204,117,402	227,262,517
Bank and cash balances	19	28,332,040	23,990,429
Total current assets		**235,303,600**	**254,982,323**
Total Assets		**260,865,533**	**281,733,629**
Equity and liabilities			
Capital and Reserves			
Capital Fund	20	11,845,658	11,845,658
Retained earnings	23	65,328,535	84,964,068
Total Capital and Reserves		**77,174,193**	**96,809,726**
Non-current liabilities			
Borrowings	24	-	-
Total non-current liabilities		**-**	**-**
Current liabilities			
Trade and other payables	25	147,062,569	145,404,293
Customer deposits	26	31,450,287	30,381,287
Deferred income	27	5,178,484	9,138,324
Total current liabilities		**183,691,340**	**184,923,903**
Total equity and liabilities		**260,865,533**	**281,733,629**

The financial statements were approved by the Board on _____ 2025 and signed on its behalf by:

.....	.....	.....
June Mawia Munyao	***John Mwangangi***	***John Muthui***
Managing Director	**Head of Finance**	**Chairman of the Board**
	ICPAK M/No: 26862	

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

	Notes	Capital Fund	Retained earnings	Total
As at the beginning of the previous year		11,845,658	117,760,091	129,605,749
Profit/(Loss) for the period		-	(32,796,023)	(32,796,023)
As at the end of the previous year		**11,845,658**	**84,964,068**	**96,809,726**
As at the beginning of the current year		11,845,658	84,964,068	96,809,726
Profit/(Loss) for the period		-	(19,635,533)	(19,635,533)
As at the end of the current period (June 2025)		**11,845,658**	**65,328,535**	**77,174,193**

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

	Note	*2024-2025*	*2023-2024*
		Kshs	**Kshs**
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		242,666,415	139,956,218
Grants Income		79,566,697	140,952,570
Other Income		5,233,534	10,534,339
Customer Deposits	26	1,069,000	1,008,000
Total Receipts		**328,535,646**	**292,451,127**
Payments			
Staff Costs		81,531,404	63,791,340
General And Operation Expenses		213,598,274	207,409,843
Board Expenses		4,499,685	4,486,740
Maintenance Expenses		23,118,268	16,152,427
Finance Costs		-	68,448
Refund of Customer Deposits	26	-	13,500
Total Payments		**322,747,631**	**291,922,298**
Net Cash From/ (Used In) Operating Activities	28	**5,788,015**	**528,829**
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	15 & 16	(1,446,403)	(2,990,620)
Net Cash From/ (Used In) Investing Activities		**(1,446,403)**	**(2,990,620)**
Cash Flows from Financing Activities			
Repayment Of Borrowings-KCB	24	-	(1,277,941)
Net Cash From/(Used In) Financing Activities		**-**	**(1,277,941)**
Increase/(Decrease) In Cash and Cash Equivalents		**4,341,612**	**(3,739,732)**
Cash And Cash Equivalents At Beginning Of Year		23,990,429	27,730,161

	Note	*2024-2025*	*2023-2024*
		Kshs	Kshs
Cash And Cash Equivalents At End of the Year	19	28,332,041	23,990,429

18. Statement of Comparison of Budget & Actual Amounts for The Year 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	212,538,345	52,197,855	264,736,200	271,465,257	(6,729,057)	103%
Grants	105,192,810	(25,607,621)	79,585,189	79,566,697	18,492	100%
Other Income	19,871,594	(13,052,595)	6,819,000	21,726,188	(14,907,188)	319%
Total Revenue	**337,602,749**	**13,537,640**	**351,140,389**	**372,758,142**	**(21,617,753)**	106%
Expenses						
Staff Costs	83,909,721	(5,443,376)	78,466,345	77,768,035	698,310	99%
Board Expenses	5,305,632	-	5,305,632	4,722,345	583,287	89%
General and operations Expenses	222,584,957	15,371,016	237,955,973	283,956,961	(46,000,988)	119%
Maintenance	17,922,056	5,950,000	23,872,056	23,310,558	561,498	98%
Finance costs	-	-	-	0.00	-	-
Depreciation and Amortization	2,880,384	-	2,880,384	2,635,776	244,608	92%
Total Recurrent Expenditure	**332,602,749**	**15,877,641**	**348,480,390**	**392,393,675**	**(43,913,285)**	**113%**
Capital Expenditure	**5,000,000**	**(2,340,000)**	**2,660,000**	**1,446,403**	**1,213,597**	**54%**
Profit or Loss	-	-	-	**(19,635,533)**	**(19,635,533)**	-
Total Expenditure	**337,602,749**	**13,537,640**	**351,140,390**	**393,840,078**	**(42,699,688)**	**112%**

Budget notes: Explanation of differences between actual and budgeted amounts (10% difference over/ under)

Description	Final budget	Actual on comparable basis	Performance difference	% of utilization	Explanation
	C=a+b	D	e= c-d	f=d/c %	
Revenue	**Kshs**	**Kshs**	**Kshs**		
Other Income	6,819,000	21,726,188	(14,907,188)	319%	The actual amount of Kshs 21,726,188 includes Kshs 15,206,088 being correction of an overstatement of Kenya Revenue Authority liability.
Expenses					
Board Expenses	5,305,632	4,722,345	583,287	89%	The budget line not fully absorbed. Some budgeted board activities not undertaken due to cash flow constraints.
General and operations Expenses	237,955,973	283,956,961	(46,000,988)	119%	The over expenditure is due to increase in provision for bad and doubtful debts from Kshs 834,251 in FY 2023-2024 to Kshs 56,099,814 in FY 2024-2025.
Capital Expenditure	2,660,000	1,446,403	1,213,597	54%	The budget line not fully absorbed due to cash flow constraints.

19. Notes to the Financial Statements

1. General Information

Kitui Water and Sanitation Company Ltd is established by and derives its authority and accountability from Company Act. The Company is wholly owned by the Kitui County Government and is domiciled in Kenya. The Company's principal activity is to provide and distribute constant supply of water for commercial, industrial and domestic purpose within the jurisdiction of Kitui County and parts of Machakos County.

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.

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.

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.	1 January 2026

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January2027.Earlier application is permitted.

iii. Early adoption of standards

KITWASCO 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 reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	Nil	Nil
Leasehold Land	Nil	Nil
Buildings and civil works	25 years or the unexpired lease period	4%
Plant and machinery	12.5	8%
Motor vehicles, including motorcycles	4	25%

Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	12.5	8%

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 reducing basis over their estimated useful lives at an annual rate of 20%. 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 a reducing 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.

Summary of Accounting Policies

h) Right of Use Asset

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

i) Biological Assets

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

j) Fixed interest investments (bonds)

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

k) Quoted investments

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

Summary of Accounting Policies

l) Unquoted investments

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

m) Inventories

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

n) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page 1 of this report.

o) Taxation

i) Current income tax

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

p) Deferred tax

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

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

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

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

q) Borrowing costs

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

r) Cash and cash equivalents

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

Restricted cash

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

s) Borrowings

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

t) Trade and other payables

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

u) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2010. 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. 15% of the basic salary per employee per month.

v) Provision for staff leave pay

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

w) Exchange rate differences

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

x) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 19th February 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is

prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under page 1 of these financial statements.

y) Service concession arrangements

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

z) Comparative figures

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

aa) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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.

Notes to the financial statements (continued)

6. Operating Revenue

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Water Billing	263,375,100	120,578,856
Sewer Sales	2,488,110	1,282,108
Water Tanker Sales	5,602,047	5,136,005
Total	**271,465,257**	**126,996,969**

7. Grants Income

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Operational Grant from Kitui County Government	35,087,649	98,086,506
Amortized Grant Income	44,479,048	42,119,864
Tanathi Water Works Development Agency	-	746,200
Total	**79,566,697**	**140,952,570**

Name of the Entity sending the grant	**Amount recognized in the Statement of Comprehensive Income KShs**	**Amount deferred under deferred income KShs**	**Amount recognised in capital fund. KShs**	**Total grant income during the year KShs**	**2024-2025 KShs**
Water Sector Trust Fund-WSTF	44,479,048	5,178,484	-	48,666,970	44,479,048
Total	**44,479,048**	**5,178,484**	**-**	**48,666,970**	**44,479,048**

Notes to the financial statements (continued)

8. Other Income

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Exhauster sales	1,542,800	2,204,500
Meter rent	-	4,985,250
New Connection fee	1,002,500	1,500,000
Reconnection fee	2,790,500	2,350,500
Surcharges and penalties	1,184,300	886,500
Miscellaneous income	15,206,088	-
Line testing income	-	5,000
Total	**21,726,188**	**11,931,750**

Notes to the financial statements (continued)

9. Staff Costs

Description	*2024-2025*	*2023-2024*
	Kshs	**Kshs**
Basic pay	40,754,186	39,947,906
House allowance	7,653,000	7,368,000
Leave allowance	3,506,021	3,389,696
Disturbance allowance	285,511	421,746
Commuter allowance	2,811,136	2,768,180
Medical allowance	3,271,035	3,299,872
Gratuity	7,355,843	7,104,877
Nssf Employer contribution	2,473,804	1,734,378
Kitwasco Pension Employer contribution	2,166,195	2,126,300
Nwc pension Employer contribution	387,653	414,643
Housing levy Employer Contribution	874,566	766,088
Top up Allowance	505,707	879,230
Stipend allowance	5,643,260	2,771,249
Entertainment Allowance	80,118	-
Total	**77,768,035**	**72,992,165**
The average number of employees during the year	**104**	**106**

Notes to the financial statements (continued)

10. General and Operations Expenses

	2024-2025	*2023-2024*
Description	**Kshs**	**Kshs**
Abstraction fee-WRA	5,039,486	6,627,327
Fuel and lubricants	11,257,060	11,748,451
Electricity expenses Masinga	104,007,817	102,898,992
Electricity expenses Boreholes	8,278,760	11,158,245
Chemicals	8,290,028	10,153,351
Water purchase	178,000	219,000
WASREB fee	11,097,534	5,072,649
Non-revenue water expenses	2,151,962	423,707
Tariff Review Expense	-	632,766
Strategic plan Review	3,496,656	-
SMS Billing	1,167,500	1,026,852
Water meters	918,159	564,804
Generator fuel, lubricants & service	268,632	700,966
Performance contracting expense	491,038	-
Project expenses	44,479,048	41,283,086
Staff Welfare	2,607,036	1,752,695
Asset Tagging Expenses	-	21,120
Legal expenses	1,406,054	908,559
Office rent	84,000	84,000
Postal expenses	10,560	90,810
Printing and Stationery	920,847	525,156
Transport expenses	-	136,093
Telephone expenses	1,282,219	1,163,097
Membership fee	130,000	130,000
Security expenses	7,601,250	10,213,900
Newspaper expense	8,690	20,880
Insurance expense	559,401	328,744
Electricity Expense –Office	293,121	346,177
Staff training	1,719,093	1,072,764
Office internet	546,794	635,066
Advertisement	368,541	666,296
Staff uniform	282,720	234,000

Audit fees	232,000	232,000
Bank charges	269,124	350,809
Customer outreach and Education	507,479	304,194
Staff travel and subsistence	6,195,073	4,052,929
Debt collection fee	-	129,970
Stakeholder Engagement Expenses	555,000	-
Doubtful debt provision	56,099,814	834,251
AGM expenses	589,023	-
Business permit and licenses	278,742	-
Water quality test expenses	138,700	-
Pro-poor expenses	150,000	-
Total	**283,956,961**	**216,743,706**

11. Board Expenses

Description	***2024-2025***	***2023-2024***
	Kshs	**Kshs**
Directors fees-Board Committee	752,115	655,690
Directors fees-Full board	443,555	539,980
Chairman's Honoraria	840,000	595,000
Directors fees-Special	308,560	231,420
Other directors' expenses	2,378,115	2,086,697
Training board of directors	-	1,007,222
Total Board Expenses	**4,722,345**	**5,116,009**

12. Maintenance Expenses

	2024-2025	**2023-2024**
Description	**Kshs**	**Kshs**
Water system maintenance	7,497,775	6,994,974
Sewer maintenance expenses	431,725	354,250
Motor vehicle & motor cycle running costs	4,025,308	5,015,502
Repairs and maintenance of PPE	9,070,696	1,996,542
Office maintenance	926,844	983,379
Software maintenance expense	1,030,000	620,000
Computer expense	328,210	187,780
Total Maintenance Expenses	**23,310,558**	**16,152,427**

Notes to the financial statements (continued)

13. Depreciation and Amortization Expenses

Description	2024-2025	2023-2024
	Kshs	Kshs
Property, plant, and equipment	2,423,957	1,381,339
Intangible assets	211,819	223,220
Total Depreciation and Amortization	**2,635,776**	**1,604,559**

14. Finance costs

	2024-2025	2023-2024
Description	Kshs	Kshs
Interest expense on loans	-	68,448
Total	**-**	**68,448**

Notes to the financial statements (continued)

15. Property, Plant and Equipment

2024-2025	Motor Cycles	Buildings & civil works	Plant and machinery	Motor vehicles	Computers & related equipment	Office equipment, furniture & fittings	Bicycles	Total
Cost Or Valuation								
At July 1, 2024	5,294,490	14,158,566	7,170,281	9,599,860	5,346,942	2,256,624	38,636	**43,865,399**
Additions	-	-	1,132,403	-	314,000	-	-	1,446,403
Transfers	-	-	-	-	-	-	-	(-)
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2025	**5,294,490**	**14,158,566**	**8,302,684**	**9,599,860**	**5,660,942**	**2,256,624**	**38,636**	**45,311,802**
Depreciation								
At July 1, 2024	3,693,297	726,443	1,602,217	7,634,075	3,668,926	915,886	32,962	**18,273,806**
Charge For the period	357,471	522,363	459,366	438,868	541,771	103,412	704	2,423,957
Impairment Loss	-	-	-	-	-	-	-	
Disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
At June 30, 2025	**4,050,768**	**1,248,806**	**2,061,584**	**8,072,943**	**4,210,697**	**1,019,298**	**33,666**	**20,697,762**
Net Book Value At June 30, 2025	**1,243,722**	**12,909,760**	**6,241,100**	**1,526,917**	**1,450,245**	**1,237,326**	**4,970**	**24,614,040**

Notes To The Financial Statements (Continued)

Property, Plant and Equipment (Continued)

2023-2024	Motor Cycles	Buildings & civil works	Plant and machinery	Motor vehicles	Computers & related equipment	Office equipment, furniture & fittings	Bicycles	Total
Cost Or Valuation								
At July 1, 2023	5,294,490	11,279,786	7,170,281	9,599,860	5,235,102	2,256,624	38,636	**40,874,778**
Additions	-	2,878,780	-	-	111,840	-	-	2,990,620
Transfers	-	-	-	-	-	-	-	(-)
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2024	**5,294,490**	**14,158,566**	**7,170,281**	**9,599,860**	**5,346,942**	**2,256,624**	**38,636**	**43,865,398**
Depreciation								
At July 1, 2023	3,466,349	675,450	1,319,211	7,121,364	3,440,610	837,323	32,159	**16,892,466**
Charge For the Year	226,948	50,993	283,006	512,710	228,316	78,563	803	1,381,339
Impairment Loss	-	-	-	-	-	-	-	
Disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	
At June 30, 2024	**3,693,297**	**726,443**	**1,602,217**	**7,634,075**	**3,668,926**	**915,885**	**32,962**	**18,273,805**
Net Book Value At June 30, 2024	**1,601,193**	**13,432,123**	**5,568,064**	**1,965,785**	**1,678,016**	**1,340,739**	**5,674**	**25,591,594**

Notes To The Financial Statements (Continued)

16. Intangible Assets

	2024-2025	2023-2024
	Kshs	Kshs
Cost		
At July 1	4,202,690	4,202,690
Additions	-	-
Disposals	(-)	(-)
At June 30	**4,202,690**	**4,202,690**
Amortization		
At July 1	**3,042,978**	**2,819,758**
Charge for the period	211,819	223,220
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	**3,254,797**	**3,042,978**
Net book value		
At June 30	**947,893**	**1,159,712**

Notes To The Financial Statements (Continued)

17. Inventories

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Pipes and fittings	2,017,238	3,039,687
Motor vehicle spare parts	30,070	69,558
Stationery and general stores	158,620	91,630
Chemicals	533,408	511,502
Fuel and lubricants	114,822	17,000
Total	**2,854,158**	**3,729,377**

Notes To The Financial Statements (Continued)

18. Trade and Other Receivables

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Trade receivables	200,906,279	182,428,130
Deferred Tax Asset	10,255,221	10,255,221
VAT recoverable	30,469,204	30,469,204
Water Bowser sales	8,402,070	8,402,070
Kenya Commercial Bank Other Receivables	3,175,298	3,175,298
Kitui County Govt other receivables	12,054,776	12,304,545
Postal Corporation of Kenya	2,499,711	3,588,622
Staff Debtors	128,492	50,781
Gross trade and other receivables	**267,891,051**	**250,673,871**
Provision for bad and doubtful receivables	(63,773,650)	(23,411,354)
Net trade and other receivables	**204,117,402**	**227,262,517**

Notes To The Financial Statements (Continued)

18. (a) Trade Receivables

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Gross trade receivables	200,906,279	182,428,130
Provision for bad and doubtful receivables	(24,902,376)	(23,411,354)
Net trade receivables	**176,003,903**	**159,016,776**
The ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	18,572,812	4,929,795
Between 30 and 60 days	7,072,647	1,844,387
Between 61 and 90 days	4,270,845	2,242,029
Between 91 and 120 days	4,974,138	2,807,112
Over 120 days	166,015,837	170,604,807
Total	**200,906,279**	**182,428,130**

18. (b) Staff Receivables

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Gross staff loans and advances	128,492	50,781
Provision for impairment loss	(-)	(-)
Net staff loans	**128,492**	**50,781**

18 (c) VAT recoverable

	2024-2025	*2023-2024*
	Kshs	**Kshs**
At beginning of the year	30,469,204	30,469,204
Provision for impairment loss	(30,469,204)	-
At end of the year	**-**	**30,469,204**

18 (d) Water bowser sales

	2024-2025	*2023-2024 Restated*
	Kshs	**Kshs**
At beginning of the year	8,402,070	8,402,070
Provision for impairment loss	(8,402,070)	-
At end of the year	**-**	**8,402,070**

Notes To The Financial Statements (Continued)

19. Bank and Cash Balances

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Cash at bank	28,332,040	23,989,980
Cash in hand	-	449
	28,332,040	**23,990,429**

Detailed analysis of the cash and cash equivalents

			2024/2025	2023/2024
Financial institution	**Branch**	**Account number**	**Kshs**	**Kshs**
a) **Current account**				
KCB-Customer Deposit	Kitui	1108997538	11,797,524	9,515,939
KCB-Revenue	Kitui	1106008197	50,624	185,759
KCB-Upper Thua Wrua Technical Support	Kitui	1110300336	84,954	309,570
KCB-Drought	Kitui	1205316566	560	560
KCB EXPENDITURE	Kitui	1113757604	374,100	145,113
KCB-Endau Clts	Kitui	1263502881	-	847
KCB-Endau Earth Dam (Ilimukuyu)	Kitui	1261097319	12,249,834	13,472,883
KCB-Kalundu PSF	Kitui	1303370719	-	65
KCB-Mutomo Public San	Kitui	1268477567	-	794
Co-op Bank	Kitui	0114130067900	2,798,904	132,118
Post Bank	Kitui	07441300613	2,651	21,391
KCB-Kabati PSF	Kitui	1313194875	-	22,213
KCB-Conditional Grant	Kitui	1282103876	-	60
KCB-KITWASCO Kalundu & Township Household	Kitui	1319457177	-	(1,711)
Sub- total			**27,359,151**	**23,805,601**
b) Others (Specify)				
cash in hand			-	449
Safaricom M pesa pay bill	Kitui	813235	972,888	184,376

			2024/2025	2023/2024
Financial institution	**Branch**	**Account number**	**Kshs**	**Kshs**
Sub- total			**972,888**	**184,825**
Grand total			**28,332,039**	**23,990,426**

20. Capital Fund

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Authorized:		
Capital Fund	11,845,658	11,845,658
Total	**11,845,658**	**11,845,658**

Notes To The Financial Statements (Continued)

21. Revaluation Reserve

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

22. Fair Value Adjustment Reserve

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

23. Retained Earnings

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

	2024-2025	2023-2024
Opening Retained Earnings	**84,964,067**	**117,760,091**
Surplus/(deficit) for the period	(19,635,533)	(32,796,024)
Net Reserve	**65,328,534**	**84,964,067**

Notes To The Financial Statements (Continued)

24. Borrowings

Description	***2024-2025***	***2023-2024***
	Kshs	**Kshs**
Balance at beginning of the year	-	1,277,971
Loan repayment in the year	-	(1,277,971)
Total	-	-

25. Trade and Other Payables

	2024-2025	**2023-2024**
	Kshs	**Kshs**
Trade payables	46,372,441	40,764,704
Accrued expenses	1,074,440	1,349,917
Payroll payable	16,868,901	24,321,548
Withholding VAT (2%)	451,559	473,294
Customer Advance Payments	2,794,780	-
Withholding income tax (5%)	-	32,575
Retention Account	6,734,829	2,784,967
Provision for contingencies	8,409,932	8,409,932
Abstraction fee-WARMA	17,234,195	12,194,709
KRA Liability	887,866	16,093,954
4% Regulatory fee-WASREB	36,493,473	29,470,541
Lease fee-Tanathi Water Board	6,756,164	6,756,164
Provision for Audit fee-OAG	2,983,988	2,751,988
Total	**147,062,568**	**145,404,293**

Aging Analysis for Trade and other Payables

	2024-2025	**% of the total**	**2023-2024**	**% of the total**
Under one year	69,055,513	47%	21,142,003	15%
1-2 years	21,447,246	15%	15,153,298	10%
2-3 years	20,600,662	14%	18,902,558	13%
Over 3 years	35,959,147	24%	90,206,434	62%
Total	**147,062,568**		**145,404,293**	

Notes to the financial statements (continued)

25 (a) Kenya Revenue Authority Liability

	2024-2025	2023-2024 Restated
	Kshs	Kshs
Balance at beginning of the year	16,093,954	16,093,954
Adjustment to correct overstated KRA liability	(15,206,088)	-
Balance at year end	**887,866**	**16,093,954**

26. Refundable Deposits and Prepayments

	2024-2025	2023-2024
	Kshs	*Kshs*
Opening balance Customer deposits	30,381,287	29,386,787
Additional deposits in the year	1,069,000	1,008,000
Customer refund in the year	-	(13,500)
Total	**31,450,287**	**30,381,287**

27. Deferred Income

Description	*2024-2025*	*2023-2024*
	Kshs	Kshs
Water Sector Trust Fund		
Kalundu Public Sanitation	-	65
Endau Earth Dam Project	5,093,530	9,153,149
Endau Malalani Clts	-	847
Public Sanitation Facility-Mutomo	-	794
Conditional Liquidity	-	60
Kitwasco-Kabati Psf	-	(324,450)
Kalundu & Township Household Project	-	(1,711)
Upper Thua Wrua Technical Support A/c	84,954	309,570
Total deferred income	**5,178,484**	**9,138,324**

Notes to the financial statements (continued)

28. Notes to The Statement of Cash Flows

	2024-2025	2023-2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(19,635,533)	(32,796,024)
Depreciation	2,423,957	1,381,339
Amortization	211,819	223,220
Operating profit/(loss) before working capital changes	(16,999,757)	(31,191,464)
(Increase)/decrease in inventories	875,219	(433,658)
(Increase)/decrease in trade and other receivables	23,145,115	12,236,556
Increase/(decrease) in trade and other payables	(1,232,562)	19,917,394
Net working capital changes	22,787,772	31,720,293
Cash generated from/(used in) operations	**5,788,015**	**528,829**
(b) Analysis of changes in loans		
Balance at beginning of the year	-	**1,277,941**
Repayment during the year	-	(1,277,941)
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Cash at bank	28,332,040	23,989,980
Cash in hand	-	449
Balance at end of the year	**28,332,040**	**23,990,429**

Notes to the financial statements (continued)

Other Disclosures
29. Related Party Disclosures

County Government of Kitui

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

Transactions with related parties

	2024-2025	**2023-2024**
	Kshs	**Kshs**
a) Grants		
Operational Grant from County Government of Kitui	35,087,649	98,086,506
Amortized Grant Income from Water Trust Fund (WSTF)	44,479,048	42,119,864
Tanathi Water Works Development Agency	-	746,200
Total	**79,566,697**	**140,952,570**
b) WASREB Regulatory fee	11,097,534	5,072,649
c) WRA Abstraction fee	5,039,486	6,627,327
d) Receivable (From County Government of Kitui -Ilimukuyu Dam)	12,054,776	15,682,174

	2024-2025	2023-2024
	Kshs	**Kshs**
e) Key management compensation		
Directors' emoluments	4,722,345	5,116,009
Compensation to the CEO	2,369,208	514,740
Compensation to key management	10,029,588	9,446,712
Total	**17,121,141**	**15,077,461**

Notes to the financial statements (continued)

30. Financial Risk Management

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

(i) Credit risk

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

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

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

	Total amount Kshs	**Fully performing Kshs**	**Past due but not Impaired Kshs**	**Past due and Impaired Kshs**
At 30 June 2025				
Trade Receivables	200,906,279	55,971,624	144,934,655	-
Other Receivables	66,984,772	17,858,277	10,255,221	38,871,274
Total	**267,891,051**	**73,829,901**	**155,189,876**	**38,871,274**
At 30 June 2024				
Trade Receivables	182,428,130	26,353,436	156,075,694	-
Other Receivables	68,245,742	59,843,672	8,402,070	-
Total	**250,673,872**	**86,196,108**	**164,477,764**	**-**

Notes to the financial statements (continued)

Credit Risk (Continued)

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

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
At 30 June current year				
Trade payables	20,694,804	8,281,183	17,396,454	46,372,441
Provision for contingencies			8,409,932	8,409,932
Deferred income			5,178,484	5,178,484
Employee benefit obligation	6,040,822		10,828,079	16,868,901
Total	**26,735,626**	**8,281,183**	**41,812,949**	**76,829,758**
At 30 June previous year (Restated)				
Trade payables	14,983,469	10,533,546	15,247,688	40,764,703
Provision for contingencies			8,409,932	8,409,932
Deferred income			9,138,324	9,138,324
Employee benefit obligation	5,607,131		18,714,417	24,321,548
Total	**20,590,600**	**10,533,546**	**51,510,361**	**82,634,507**

Notes to the financial statements (continued)

(iii) Market risk

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

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

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

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

a) 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 form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June Previous year			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-

Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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.

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.

Financial instruments not measured at fair value

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

Notes to the financial statements (continued)

iv) Capital Risk Management

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

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve		
Retained earnings	65,328,534	84,964,067
Capital reserve	11,845,658	11,845,658
Total funds	**77,174,192**	**96,809,725**
Total borrowings	-	-
Less: cash and bank balances	(28,332,040)	(23,990,429)
Net debt/ (excess cash and cash equivalents)	(28,332,040)	(23,990,429)
Gearing	**-%**	**-%**

31. Incorporation

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

32. Events After the Reporting Period

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Long Outstanding Trade Receivables	The Company has developed and is implementing strategies to collect the outstanding debts	Not Resolved	Continuous exercise
2	Budget Control and Performance	The Company has develop measures to improve liquidity of the company including reduction of NRW and enhanced collection of the outstanding debts	Not Resolved	Continuous exercise
3	Long Outstanding Trade Payables	The Company has taken measures to improve on financial sustainability and ease reliance on County Government for subsidy.	Not Resolved	Continuous exercise
4	Material Uncertainty Relating to Going Concern	The management has implemented a revised tariff. More efforts will be put towards; • Debt collection • Reduction of NRW • Settling of outstanding payables	Not resolved	Continuous
5	Non Compliance With the Approved staff establishment	The management has an approved revised establishment and fit for purpose organizational structure	Resolved	Resolved
6	Non-compliance	The management will endeavour to implement	Not resolved	Continuous

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)
	with Affirmative Action on Gender Equality	affirmative action on gender equality by ensuring gender-balanced recruitments in positions that arise		
7	Delay in Construction of Ilimukuyu Dam and Water Supply Project phase II	The project has been terminated. Management will ensure proper monitoring of projects implementation to ensure timely completion.	Resolved	Resolved
8	Excessive Non-revenue water	Management has embarked on the implementation of NRW measures for Yr2 of the Strategic plan 2024-2029. The objective is to achieve NRW of 41% by end of FY2025-2026.	Not resolved	Achieve 41% NRW by end of June 2026
9	Non Compliance With law on Ethnic composition	The management will ensure compliance with the law on ethnic composition while filling vacant position at the entry level	Not resolved	Continuous
10	High Expenditure on Electricity	The management will; • Lobby the CGoK to solarize remaining boreholes. • Source for funds to replace the old pumps at Masinga Dam • Install and maintain energy monitoring controls at Masinga Dam and other production sites	Not resolved	Continuous

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)
11	Failure to Refund Customer Deposit	The borrowing by the CGoK towards Ilimukuyu phase 2 of Kshs 12,054,776 was refunded on 10th July 2025	Resolved	Resolved
12	Lack of an Approved Information Technology Security Policy	The management has developed a draft ICT policy for presentation to the relevant Board committee and subsequent approval by the full board in the current financial year (FY2025-2026)	Not resolved	30th June, 2026

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

(iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

Name JUNE M. MUMAO

Signature

Managing Director

Date 29/08/2025

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)
KALUNDU PUBLIC SANITATION FACILITY PROJECT	08S/KITUI/KITUI/44	WSTF	12 MONTHS	84%	YES	YES
KABATI PSF	RUP/CPI/III/S/015/049	WSTF	6 MONTHS	100%	YES	YES
KITWASCO KALUNDU HOUSEHOLDS SANITATION	02-P2HS/TAWWDA/KITUI/KITUI/012	WSTF	6 MONTHS	100%	YES	YES
ILIMUKUYU WATER PROJECT	RUP/CPI/I/W/015/005	WSTF	11 MONTHS	87%	YES	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	PSF KALUNDU	6,199,218.90	5,881,850	100%	6,199,218.90	5,881,850	Donor-Water Fund
2	KABATI PSF	5,985,961	5,911,136	100%	5,985,961	5,911,136	Donor-Water Fund
3	KITWASCO KALUNDU HOUSEHOLDS SANITATION	7,263,415	7,196,210	100%	7,263,415	7,196,210	Donor-Water Fund
4	ILIMUKUYU WATER PROJECT	100,105,243	64,170,846	70%	100,105,243	64,170,846	Donor-Water Fund & County Government

Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

onfirmation of amounts received by [Insert name of beneficiary Entity] as at 30th 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 ....John Mwangangi..... **Sign** ..... **Date** ....29/08/2025....

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.)

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					
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Ministry/County department of Water	-	Recurrent	-	-	-	-	-	-	-
Ministry/County Department of water.	-	Development	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
name of Development partner/County department etc.	-	Direct Payment	-	-	-	-	-	-	-
			-	-	-	-	-	-	-
Total			-	-	-	-	-	-	-