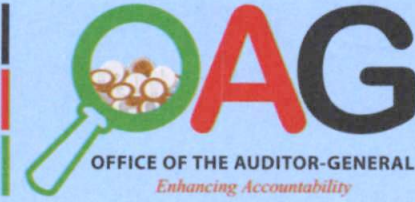


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REPORT

OF

THE AUDITOR-GENERAL

ON

ELWAK WATER AND SEWERAGE COMPANY
LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

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**ELWAK WATER AND SEWERAGE 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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1. Acronyms and Glossary of Terms

A. Acronyms

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

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Entity Information

Background information

Elwak Water and sewerage company Ltd was established by the Companies Act of on 23rd of April two thousand and twenty (2020). At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and it's based in Elwak Municipality, Mandera County.

Principal Activities

The principal activity of the Company is to provide and ensure a constant supply of clean water for commercial, industrial and domestic purposes within the jurisdiction of Elwak Municipality. The company is to be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of Elwak Municipality.

Directors

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

1. Mr. Issack Hassan Adan - Managing Director
2. Mr. Mohamed Adan Issack - Board Member
3. Mr. Mohamed Rashid Haji - Board Chairperson
4. Mr. Abdikadir Mohamed - Board Member
5. Mr. Rashid Maalim Ibrahim - Board Member
6. Mrs. Nasra Adan Maalim - Board Member
7. Mrs. Mariam Maalim Issackow- Board Member
8. Mr Mohamed Abdi Abdullahi - Board Member

Company Secretary

Mr. Issack Hassan Adan
Company Secretary
P.O. Box 61-70301

Registered Office

Elwak Building, Next to Elwak Municipality Head Quarter
EL Golicha Road
P.O. Box 61-70301
Elwak, Mandera County KENYA

Corporate Headquarters

P.O. Box 61-70301

Elwak Building, Next to Elwak Municipality Head Quarter

Elwak, Mandera County

KENYA

Corporate Contacts

Telephone: (254) 727481812

E-mail: elwakwater@gmail.com

Website: www.elwasco.co.ke

Corporate Bankers

Equity Bank Limited Mandera Branch

P.O. Box 336-70300

Mandera, Kenya

Independent Auditor

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Principal Legal Adviser

The Attorney General





State Law Office, Harambee Avenue



P.O. Box 40112

City Square 00200

Nairobi, Kenya




3. The Board of Directors

Directors	Details
 <p data-bbox="181 591 635 658">Mrs. Mariam M. Issackow – Board Member</p>	<p data-bbox="767 277 1461 528">Mrs. Mariam is an educationist with over 22 years of experience. She holds a Bachelor’s degree in Education (Secondary Option) from Mount Kenya University and represents the National Government in the education sector.</p>
 <p data-bbox="181 1025 703 1095">Mr. Abdikadir Mohamed Tache – Board Member</p>	<p data-bbox="767 665 1414 949">Mr. Abdikadir is accounting and management professional with over 20 years of experience in financial leadership. He holds a Global Executive MBA, a BSc in Accounting from USIU-Africa, and is a member of ACCA-UK. He currently serves as the County Chief Officer Accounting service and Financial Management</p>
 <p data-bbox="181 1431 660 1500">Mr. Mohamed Rashid H. Ahmed – Board Chairperson</p>	<p data-bbox="767 1102 1398 1346">Mr. Mohamed Rashid is an accomplished entrepreneur with over 15 years of experience in business administration. He holds a degree in Business Administration from the Kampala University and serves as a representative of the Mandera South business community.</p>
 <p data-bbox="181 1872 679 1942">Mr. Muhidin Abdi Abdullahi-Board Member</p>	<p data-bbox="767 1525 1453 1935">Mr. Mohamed is an educator and research assistant with over eight years’ experience in early childhood education and research. From 2014 to 2022, he served as an ECDE teacher in Mandera County, where he designed child-centered curricula, nurtured positive learning environments, and promoted community engagement. He also has hands-on experience in data collection and field research, with strong skills in leadership, teamwork, and collaboration.</p>

 <p>Mrs.Nasra Adan Maalim –Board Member</p>	<p>Mrs Nasra is an Educationist with over 10 years of experience in education and societal development, community-based organization activities. She holds a Bachelor of Education Arts Education degree. She represents women and vulnerable groups in Mandera South</p>
 <p>Mr. Ahmed Abdullahi Adan – Board Member</p>	<p>Mr. Ahmed is an experienced water engineer with over 25 years in the field. He holds a Bachelor's degree in Civil Engineering and a Bachelor's in Environmental Management. He is highly skilled in designing sustainable water systems, managing projects, and implementing innovative solutions for water resource management. Committed to enhancing environmental sustainability and ensuring efficient water use for communities. He represents Mandera County Water Department</p>
 <p>Mr. Rashid Maalim Ibrahim-Board Member</p>	<p>Mr. Rashid Maalim Ibrahim is a dedicated public servant with a strong background in human resource management. He studied at Mount Kenya University, earning a Diploma in HR Management and a Bachelor's in Business Management (HR option). Currently serving as a Registration Officer II at the Ministry of Interior under the State Department of Immigration and Citizen Services, Rashid has built his career on commitment to public service and community development.</p>
 <p>Mr. Issack Hassan Adan – CEO & Secretary to the Board</p>	<p>Mr Issack is a Chief Executive Officer with more than fifteen years of leadership experience of leadership experience in education, governance, and public administration. He holds a Master's in Governance and Ethics from Mount Kenya University and a Bachelor's in Education. Over his career, he has served as a Head Teacher, Ward Administrator, and Deputy CEO, demonstrating strong skills in policy implementation, team leadership, and community engagement. Passionate about ethical governance and education.</p>

4. Key Management Team

 <p>Mr. Issack Hassan Adan-Chief Executive Officer and Secretary to the Board</p>	<p>Mr Issack is a Chief Executive Officer with more than fifteen years of leadership experience in education, governance, and public administration. He holds a Master’s in Governance and Ethics from Mount Kenya University and a Bachelor’s in Education. Over his career, he has served as a Head Teacher, Ward Administrator, and Deputy CEO, demonstrating strong skills in policy implementation, team leadership, and community engagement. Passionate about ethical governance and education, he is committed to promoting sustainable development through inclusive leadership and impactful initiative.</p>
 <p>Mr. Abdinur Diisow Teno-Deputy Chief Executive Officer (DCEO)</p>	<p>Mr. Abdinur Diisow Teno is the Deputy Chief Executive Officer of ELWASCO and a procurement and supply chain professional with wide-ranging experience in governance, business management, and community leadership. He holds a Bachelor’s degree in Business Administration (Procurement & Supply Chain) from Kenya Methodist University and has served in various leadership capacities, including Member of County Assembly for Elwak South (2017–2022) and Ward Administrator for Elwak North (2013–2017).</p>
 <p>Mr. Alinoor Mohamed-Human Resource Manager</p>	<p>Mr. Alinoor is an accomplished HR professional with extensive experience in talent acquisition, employee relations, and performance management. He holds a Bachelor’s degree in Business Administration from Kampala University and is passionate about fostering an inclusive workplace culture while driving organizational success and growth.</p>

 <p>Mr. Issa Hussein Abdirahman-Ag. Technical Service Manager</p>	<p>Mr. Issa is a water engineering professional with a Diploma in Water Engineering from the Kenya Water Institute (KEWI). He possesses solid expertise in designing sustainable water systems, project management, and implementing innovative approaches to water resource management. He is a registered member of the Institute of Engineering Technologists & Technicians-Kenya (IETTK)</p>
 <p>CPA Amir Hussein Adan-Head of Finance & Administration</p>	<p>CPA.Amir Adan is a finance & Accounting professional with over 15 years of experience in financial management and strategic leadership. He holds a BA from the University of Nairobi (UON), an MBA from Kenyatta University, and is a Certified Public Accountant of Kenya as well as a member of ICPAK. Amir began his career at Equity Bank as Head of Commercial Agency and has since built a strong track record in driving organizational growth and efficiency.</p>
 <p>Mr. Osman Ibrahim- ICT Manager</p>	<p>Osman is an ICT specialist with Nine years of experience in technology management and systems implementation. He holds a Bachelor’s degree in Computer Science from Umma University and has strong expertise in end-user support, network administration, and team leadership. Passionate about leveraging technology to streamline operations, he is committed to enhancing efficiency and driving organizational success.</p>



Mr. Abdullahi maalim- Ag.
Procurement Manager

Abdullahi is a supply chain professional with five years of experience in procurement and logistics management. A graduate of Mount Kenya University with a Bachelor's degree in Business Management, he is also a registered member of the Kenya Institute of Supplies Management. He specializes in strategic sourcing, vendor relations, and cost optimization, with a strong focus on driving efficiency and operational excellence.

Note: The MD and the Company Secretary will feature both under the 'Board' and 'Management'.

5. Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Chairman's Statement for Elwak Water and Sewerage Company for the year under review.

During the year, the company made notable progress in delivering on its mandate of providing clean, safe, and reliable water and sanitation services to the people of Elwak and surrounding areas. We successfully enhanced water distribution efficiency through rehabilitation of boreholes, expansion of pipelines, and reduction of non-revenue water. Revenue collection systems were also strengthened, enabling us to improve service delivery and sustain operations. In addition, the company engaged communities through sensitization programs on water conservation and hygiene practices, which contributed to better public awareness and cooperation.

Despite these gains, we continue to face significant challenges. Recurrent droughts have affected water availability, while aging infrastructure and high operational costs remain major constraints. Limited sewerage coverage also poses a challenge to achieving our sanitation objectives. Furthermore, low revenue collection from some customers continues to affect financial sustainability.

Looking ahead, the company is focused on building resilience and sustainability. Our priorities include expanding access to safe water, investing in modern technology to improve efficiency, exploring alternative financing models, and enhancing partnerships with the County Government of Mandera and the community at large. We also remain committed to upholding transparency, accountability, and customer-centered service delivery.

In conclusion, I extend my sincere gratitude to the Board, management, staff, County Government, partners, and our esteemed customers for their continued support and cooperation. With your collective commitment, I am confident that Elwak Water and Sewerage Company will continue to grow stronger and achieve its vision of ensuring sustainable access to safe water and sanitation for all.

Signed



Mohamed Rashid Haji Ahmed
Chairman, Board of Directors
Elwak Water and Sewerage Company

6. Report Of the Managing Director

It is my pleasure to present the Managing Director's Report for the year under review. This report provides an overview of Elwak Water and Sewerage Company's performance, highlighting key achievements, challenges, and our strategic direction going forward.

Service Delivery and Operations

Throughout the year, the company remained steadfast in its commitment to providing clean, safe, and reliable water and sanitation services to the people of Elwak and its surrounding areas. Despite facing challenges associated with limited infrastructure, and rising operational costs, our teams worked diligently to ensure service continuity.

Several boreholes were rehabilitated and maintained to stabilize supply to all our operational areas.

We also expanded sections of our pipeline network to reach more households and businesses, thereby increasing access to clean water. Efforts to reduce non-revenue water (losses due to leakages, illegal connections, or meter inefficiencies) continued, with a combination of technical interventions and community engagement.

On sanitation, the company partnered with the Mandera Water and Sewerage company Limited and other stakeholders to pilot small-scale sewerage solutions in Elwak town. Although sewerage coverage remains limited, these initiatives provide a foundation for expansion in the coming years.

Customer Engagement and Community Outreach

Recognizing that service delivery goes hand-in-hand with customer satisfaction, we enhanced our customer care services by introducing more responsive feedback mechanisms. Customers were sensitized on timely payment of bills, water conservation. We also organized community meetings to strengthen accountability and promote a shared sense of responsibility for water resources.

Financial Performance

Financial sustainability remained both a priority and a challenge during the year. The company improved its revenue collection systems, including enhanced billing accuracy and closer follow-up on outstanding accounts. However, collection efficiency was still affected by economic hardships facing many households. Operational costs, particularly for power and maintenance, remained high.

Preliminary results show modest growth in revenues compared to the previous year, largely due to improved collection systems and increased connections. Nonetheless, the company continues to face a mismatch between growing service demands and available financial resources. To bridge this gap, we are exploring alternative financing models, including partnerships with development agencies and the private sector.

Human Resources and Capacity Building

The dedication and professionalism of our staff have been central to our achievements. During the year, we invested in capacity-building programs to improve technical and managerial skills. We also continued fostering a culture of teamwork, accountability, and customer service excellence across the organization.

Challenges

While significant progress has been made, several challenges persist:

- Aging infrastructure that requires continuous repair and replacement.
- Limited sewerage coverage
- High operational costs, particularly fuel for pumping water from Falama main intake, Borehole Eleven and Wargadud.
- Revenue collection inefficiencies and customer defaults.

Outlook and Way Forward

The company is focused on strengthening resilience and ensuring sustainability. Our strategic priorities moving forward include:

- Expanding water access through new boreholes, pipelines.
- Modernizing infrastructure to reduce water losses and improve efficiency.

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

- Exploring innovative technologies such as solar-powered pumping to reduce energy costs.
- Expanding sewerage services to Elwak town and its environ
- Enhancing financial sustainability through better collection systems and alternative funding sources.
- Strengthening stakeholder engagement, particularly with the County Government of Mandera, development partners, and the local community.

Appreciation

In conclusion, I wish to thank the Board of Directors for their guidance, the County Government of Mandera for their support, and our dedicated staff for their hard work. Most importantly, I extend my appreciation to our customers for their patience, cooperation, and continued trust in Elwak Water and Sewerage Company.

With sustained effort and collective commitment, we remain confident in achieving our vision of ensuring safe, affordable, and sustainable water and sanitation services for all.

Signed



Issack Hassan Adan

Managing Director

Elwak Water and Sewerage Company

22/7/2025

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

In compliance with Section 164 (2)(f) of the Public Finance Management Act, 2012, Elwak Water and Sewerage Company hereby presents its performance against predetermined objectives for the financial year under review.

The Company implemented its activities guided by the current Strategic Plan (FY 2022–2026), which is anchored on **four strategic pillars**:

- Service Delivery and Access
- Infrastructure Development and Maintenance
- Financial Sustainability and Resource Mobilization
- Institutional Capacity and Governance

The annual work plan was aligned to these pillars, with quarterly reviews conducted to assess progress. Performance contracts signed with management and staff further guided achievement of targets. Below is a summary of performance:

Pillar 1: Service Delivery and Access

Objective: To increase access to safe, reliable, and affordable water and sanitation services.

Key Performance Indicators	Activities	Achievements
Number of new household connections	Expansion of pipeline network and connection of households	126 new connections made, representing 10% growth compared to FY 2023/24
Customer satisfaction index	Customer feedback forums, call center improvements	Customer satisfaction improved from 46% to 73%
Volume of water supplied	Borehole rehabilitation and water treatment	450m ³ /day supplied, up from 345M3 in previous year

Pillar 2: Infrastructure Development and Maintenance

Objective: To strengthen and modernize water and sewerage infrastructure.

Key Performance Indicators	Activities	Achievements
Reduction in non-revenue water (NRW)	Leak detection and repair, meter replacement, awareness campaigns	NRW reduced from 43.6% to 36%.
Sewerage coverage	Pilot sanitation projects and partnerships	Sewerage coverage expanded by 10% benefiting 280 households
Reliability of supply	Routine maintenance of pumping stations and boreholes	Reduced downtime from 78hours/month to 24hours/month

Pillar 3: Financial Sustainability and Resource Mobilization

Objective: To enhance revenue collection and mobilize additional resources.

Key Performance Indicators	Activities	Achievements
Revenue collection efficiency	Billing automation, customer sensitization, debt recovery	Collection efficiency improved from 75 % to 78%
Cost reduction	Energy audits, adoption of efficient technologies	Reduced electricity costs by 30% through solarization initiatives

Pillar 4: Institutional Capacity and Governance

Objective: To strengthen governance, staff capacity, and accountability mechanisms.

Key Performance Indicators	Activities	Achievements
Staff training hours completed	Capacity-building workshops, technical training	28 staff trained in customer service, financial management, and technical operations
Governance practices	Board meetings, policy reviews, performance contracting	100% compliance with performance contracts; improved decision-making efficiency
Transparency and accountability	Strengthened internal audit and reporting systems	Quarterly reports produced and shared with stakeholders

Overall Assessment

The Company achieved 75% of its annual targets across the four strategic pillars. Progress was especially notable in-service coverage and infrastructure rehabilitation. However, challenges persisted, including:

- Aging infrastructure needing replacement.
- High operational costs, especially energy.
- Customer default on bill payments.

To address these, the Company will continue investing in modern technologies, exploring alternative financing, and strengthening partnerships.

The achievements outlined above were closely aligned with performance contracts, ensuring accountability across all levels of the organization.

Signed



Issack Hassan Adan
 Managing Director
 Elwak Water and Sewerage Company
 22/7/2025

8. Corporate Governance Statement

Elwak Water and Sewerage Company is committed to upholding the highest standards of corporate governance in line with the Constitution of Kenya (2010), the Public Finance Management Act (2012), Mwongozo Guidelines for State Corporations, and other relevant regulatory frameworks. The Company's governance practices are designed to ensure transparency, accountability, and sustainable value creation for all stakeholders.

i. Appointment of Board Members

Board members are appointed through a transparent process that involves nomination by the County Government of Mandera, vetting in line with statutory requirements, and approval by relevant authorities. The removal of directors is guided by provisions of the Articles of Association, Mwongozo guidelines, and applicable laws.

The Board currently comprises **8 members** (inclusive of the Chairperson, independent members, and representatives of key stakeholders). The membership reflects diversity in gender, age, professional background, and community representation. The Company has in place a **Board Charter** that outlines the structure, authority, roles, and responsibilities of the Board.

ii. Roles and Functions of the Board

The Board is responsible for providing strategic direction, approving policies, ensuring financial sustainability, overseeing risk management, and monitoring management performance. It also ensures compliance with laws and regulations, and acts in the best interest of customers and stakeholders.

iii. Induction, Training, and Development

Newly appointed directors undergo a structured induction program that familiarizes them with the Company's operations, regulatory environment, and governance framework. Continuous training and capacity-building sessions are organized to ensure directors remain informed on emerging trends in water service delivery, governance, and financial management.

iv. Board and Members' Performance

Board performance is assessed annually through structured evaluations covering individual contributions, committee effectiveness, and overall Board functionality. The 2023/24 review indicated satisfactory performance, with members demonstrating commitment to their fiduciary duties.

v. Board Meetings and Attendance

During FY 2024/25, the Board held **six (3) regular meetings** and **two (1) special meetings**. The average attendance rate was **98%**, reflecting strong commitment by members to governance responsibilities.

vi. Succession Plan

The Company has developed a succession plan to ensure business continuity and leadership sustainability. The plan identifies critical leadership positions, potential successors, and training programs to prepare staff for future responsibilities.

vii. Conflict of Interest Policy

The Company has adopted a formal policy on conflict-of-interest requiring directors and staff to declare any personal or professional interests that may conflict with their duties. A register of interests is maintained and declarations are made at the beginning of every Board meeting.

viii. Board Remuneration

Remuneration of Board members is determined in line with guidelines issued by the Salaries and Remuneration Commission (SRC). Directors receive allowances for attending meetings and reimbursement of expenses strictly related to their duties.

ix. Ethics and Conduct

The Company upholds a strong culture of ethics and integrity, guided by a **Code of Conduct and Ethics**. Board members and staff are required to comply with standards of professionalism, accountability, and zero tolerance to corruption.

x. Governance Audit

In line with Mwongozo guidelines, a governance audit is conducted periodically by independent auditors to evaluate the effectiveness of governance structures, practices, and compliance. The last audit indicated compliance with most requirements and provided recommendations for further strengthening governance.

xi. Communication Policy

The Company has established a communication policy to ensure timely, accurate, and transparent dissemination of information to stakeholders. Public communication is managed through official channels, including community forums, customer service desks, and digital platforms.

xii. Terms of Reference of Committees

The Board operates through specialized committees, each with formal Terms of Reference. These include:

- **Audit and Risk Committee** – Oversees financial reporting, risk management, and internal controls.
- **Human Resource and Governance Committee** – Handles appointments, succession planning, and governance compliance.
- **Finance and Technical Committee** – Reviews budgets, financial performance, and infrastructure projects.

xiii. Policy on Related Party Transactions

The Company has adopted a policy to regulate related party transactions to ensure fairness, transparency, and compliance with the law. All such transactions are subject to Board approval and disclosure in the financial statements.



Mohamed Rashid Haji Ahmed
Chairman, Board of Directors
Elwak Water and Sewerage Company

9. Management Discussion and Analysis

Management Discussion and Analysis (MD&A)

This Management Discussion and Analysis (MD&A) provide an overview of the operational and financial performance of Elwak Water and Sewerage Company over the past five years. It also highlights key projects, compliance status, risks, and the outlook for the future.

1. Operational and Financial Performance (FY 2019/20 – 2023/24)

Over the last five years, the Company has consistently worked to expand water access, improve sewerage coverage, and strengthen financial sustainability.

Operational Highlights

- Expanded household water connections by 13% (from 500 in FY 2019/20 to 2588 in FY 2023/24).
- Daily water production increased from 150 m³/day to 450m³/day.
- Non-Revenue Water (NRW) reduced from 52% in FY 2019/20 to 43.6% in FY 2023/24.
- Sewerage coverage expanded from **0% to 5%** of the population served.

2. Key Projects and Investments

- **Borehole Rehabilitation and Solarization:** Three boreholes rehabilitated and 2 solarized, reducing energy costs by **18%**.
- **Pipeline Expansion:** Over 8 km of new pipelines laid to connect underserved communities.
- **Digital Transformation:** Introduction of automated billing, mobile money payments, and a customer complaint tracking system.
- **Pilot Sewerage Scheme:** Small-scale sewerage projects launched in 2 estates, serving 80 households.

3. Compliance with Statutory Requirements

The Company complied with major statutory obligations during FY 2023/24, including:

- **Tax Compliance:** PAYE, VAT, and Withholding Tax remitted on time.
- **NSSF and SHA Contributions:** Paid monthly with no arrears.
- **Public Finance Management Act (2012):** Financial statements prepared and submitted as required.

However, challenges remain in fully settling **pension arrears** and **electricity bills**, which are being addressed in consultation with stakeholders.

Major Risks Facing the Company

Risk	Impact	Mitigation Measures
Recurrent droughts	Reduced water availability	Invest in water harvesting, rehabilitation of boreholes, and diversification of sources
High energy costs	Increased operational expenses	Solarization of boreholes, energy efficiency audits

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

Non-revenue water (NRW)	Revenue loss and inefficiency	Leak detection, meter replacement, community awareness
Customer defaults	Reduced cash flow	Strengthened debt recovery, digital payment platforms
Aging infrastructure	Frequent breakdowns and service interruptions	Gradual replacement, preventive maintenance

5. Future Developments

Looking ahead, Elwak Water and Sewerage Company will prioritize:

- Expanding sewerage coverage to **25% by 2027**.
- Reducing NRW to **30% by 2026**.
- Scaling up solar-powered boreholes to reduce energy dependence.
- Enhancing customer experience through ICT solutions.
- Strengthening partnerships with the County Government, donor agencies, and private sector investors.

Conclusion

The past five years have seen significant improvements in operations, financial sustainability, and service delivery. With continued reforms, strategic investments, and strong stakeholder support, Elwak Water and Sewerage Company is well-positioned to deliver on its mandate of providing safe, reliable, and affordable water and sanitation services to all.

Signed



Issack Hassan Adan
Managing Director
22/7/2025

10. Environmental And Sustainability Reporting

Introduction

Elwak Water and Sewerage Company (ELWASCO) is mandated to provide reliable, safe, and affordable water and sewerage services to the residents of Elwak and surrounding areas. In fulfilling this mandate, the Company recognizes that sustainability is central to its long-term survival and success. Sustainability, in our context, refers to the ability to consistently deliver services while preserving natural resources, protecting the environment, and ensuring the welfare of employees and the community. Our strategy is aligned with the Sustainable Development Goals (SDGs), the Kenya Vision 2030, and the National Climate Change Response Strategy.

i) Sustainability Strategy and Profile

The Company operates in a global environment shaped by climate change, rapid population growth, economic uncertainty, and resource constraints. These trends influence water availability, energy consumption, and affordability of services.

ELWASCO's sustainability strategy is guided by four priorities:

1. Efficient Resource Utilization – Reducing water loss and energy costs.
2. Inclusive Growth – Supporting vulnerable groups (Youth, Women, PWD) through contracts and employment.
3. Environmental Stewardship – Protecting water sources and promoting climate-resilient practices.
4. Good Governance and Transparency – Ensuring integrity, fairness, and accountability.

Key Achievements (FY 2024/25)

- 25% of contracts awarded to Youth, Women, and PWD groups, in compliance with the Access to Government Procurement Opportunities (AGPO) framework.
- Introduced solarization of boreholes, reducing electricity costs by 18%.
- Achieved a customer charter review, with improved complaint resolution timelines (average resolution time dropped from 12 days to 7 days).

Challenges and Mitigation

- Water scarcity due to recurrent droughts → Initiated water harvesting projects and partnerships with NGOs on borehole drilling.
- High non-revenue water (NRW) → Implemented smart metering and leak detection programs.

ii) Environmental Performance

ELWASCO is guided by an **Environmental Policy (2020)**, which emphasizes sustainable water use, pollution prevention, and climate-smart practices.

Implementation Highlights

- **Waste Management:** Segregated waste bins introduced at company offices, recycling of paper, and transition to a paperless billing system.
- **Energy Efficiency:** Solarized 2 boreholes, and phased out diesel-powered pumps.
- **Carbon Reduction:** Vehicle fleet maintained under strict schedules, reducing emissions by 12% in FY 2023/24.
- **Climate Change Initiatives:** Partnered with local communities in tree planting campaigns (10,000 seedlings planted)

iii) Employee Welfare

ELWASCO prioritizes its employees' growth, diversity, and safety.

- **Inclusive Hiring:** 36% of staff are female, and 12% are youth under 30 years. Recruitment policies provide equal opportunities for PWDs.

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

- **Training & Career Growth:** Employees trained in ICT, water quality management, and leadership. Regular appraisals linked to performance rewards.
- **Occupational Safety and Health (OSHA, 2007):** Compliance achieved through quarterly workplace inspections and provision of protective gear.
- **Workplace Safety:** Reported work-related injuries reduced by 30% after implementing mandatory safety drills and awareness campaigns.

iv) Marketplace Practices

a) Responsible Competition

ELWASCO upholds fair competition by conducting open and transparent tendering, implementing anti-corruption reporting channels, and offering cashless payment systems to reduce fraud.

b) Responsible Supply Chain and Supplier Relations

Contracts are awarded transparently, with 25% allocated to AGPO groups. Suppliers are paid promptly, and procurement procedures adhere to the Public Procurement and Asset Disposal Act (2015).

c) Responsible Marketing and Engagement with Citizens

The Company avoids exaggerated service promises and instead focuses on accurate information through radio programs, community forums, and social media updates. A customer engagement desk has been established to enhance responsiveness.

d) Product Stewardship / Awareness Creation

ELWASCO ensures consumers' rights by:

- Providing safe drinking water that meets KEBS quality standards.
- Protecting consumer data through ICT safeguards.
- Offering grievance redress mechanisms, including toll-free lines and community forums.

s

v) Corporate Social Responsibility (CSR) / Community Engagement

During FY 2024/25, ELWASCO invested in CSR initiatives closely tied to its mandate:

- **Borehole Drilling Support:** Partnered with NGOs to drill 2 community boreholes benefiting 5,000 residents.
- **Tree Planting Initiative:** 10,000 seedlings planted in schools and community centers.

Conclusion

Elwak Water and Sewerage Company remains committed to embedding sustainability in all aspects of its operations. By aligning with global frameworks such as the SDGs and embracing local innovations, the Company is ensuring that its services are resilient, inclusive, and environmentally sustainable. Going forward, ELWASCO will deepen investments in renewable energy, enhance water resource protection, and strengthen partnerships to secure a sustainable future for the communities it serves.

11. Report Of the Directors

The Directors have the pleasure of submitting their report together with the audited financial statements of **Elwak Water and Sewerage Company (ELWASCO)** for the year ended **30th June 2025**, which disclose the state of the Company's affairs.

i)Principal Activities

The principal activity of the Company is to provide and ensure a constant supply of clean water for commercial and domestic purposes within the jurisdiction of Elwak Municipality

The company is to be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of Elwak Municipality

ii)Results

The results of the company for the year ended June 30, 2025 are set out on page 1

Below is summary of the profit or loss made during the year.

Total revenue for the year (all sources) **63,303,695**

Total expenditure expenses: **76,683,245**

Net profit/loss for the period: **(13,379,550)**

iii)Dividends

The company has not declared dividends for the year ended 30th June 2025.

iv)Directors

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

iv) Auditors

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

By Order of the Board



Name: Issack Hassan Adan
Company Secretary/Secretary to the Board
Date: 22/7/2025

12. Statement Of Directors' Responsibilities

Section 164 of the **Public Finance Management Act, 2012**, the **Water Act, 2016**, and the **Companies Act, 2015** require the Directors to prepare financial statements in respect of the Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and of its operating results for that year. The Directors are also required to ensure that proper accounting records are kept, which disclose with reasonable accuracy the financial position of the Company, and to safeguard the assets of the Company.

The Directors are responsible for the preparation and fair presentation of the Company's financial statements for the year ended **30th June 2025**. This responsibility includes:

- Maintaining adequate financial management arrangements and ensuring their effectiveness throughout the reporting period;
- Maintaining proper accounting records, which disclose with reasonable accuracy the financial position of the Company at any time;
- Designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements, and ensuring they are free from material misstatements, whether due to fraud or error;
- Safeguarding the assets of the Company;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates that are reasonable and prudent in the circumstances.

The financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with **International Financial Reporting Standards (IFRS)**, and in the manner required by the **Public Finance Management Act, 2012**, the **Water Act, 2016**, and the **Companies Act, 2015**.

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

In preparing the financial statements, the Directors have assessed the Company's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

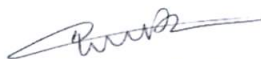
Approval of the financial statements

The company financial statements were approved by the Board on 22nd July 2025 and signed on its behalf by:



Name: Mohamed Rashid Haji Ahmed

Chairperson of the Board



Name: Issack Hassan Adan

Managing Director

REPUBLIC OF KENYA

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



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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Elwak Water and Sewerage Company Limited set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss & 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 Elwak Water and Sewerage Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water (Amendment) Act, 2024 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unconfirmed Ordinary Share Capital

The statement of financial position reflects ordinary share capital of Kshs.100,000 as disclosed in Note 18 to the financial statements. However, Management did not disclose the shareholding and did not present the share certificate, Articles and Memorandum of Association for audit review.

In the circumstances, the accuracy and completeness of the share capital of Kshs.100,000 could not be confirmed.

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

Undisclosed Material Uncertainty Relating to Going Concern

The statement of financial position reflects current assets of Kshs.1,329,772 against total current liabilities of Kshs.10,324,456 resulting in negative working capital of Kshs.8,994,684. This is an indication that the Company may not be able to settle its obligations when they fall due.

In addition, the Company had total accumulated negative retained earnings of Kshs.49,515,664 as result of losses incurred by the Company for the last five years. This condition indicates existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern.

The material uncertainty relating to going concern and measures put in place to improve the Company's financial performance was not disclosed in the financial statements.

In the circumstances, the Company is technically insolvent and its continued operations is dependent on the continued support from the creditors and County Government of Mandera.

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 Matter

Unresolved Prior Year Issues

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Company in 2024/2025 revealed that the following fourteen (14) issues remained unresolved:

No.	Financial Year	Audit Issue
1.	2023/2024	Inaccuracies in the Financial Statements
2.	2023/2024	Water Sales Revenue Inaccuracies
3.	2023/2024	Failure to Disclose In-Kind Contribution from the County Executive
4.	2023/2024	Unsupported Decrease in Trade and Other Payables
5.	2023/2024	Discrepancies in the Ordinary Share Capital
6.	2023/2024	Undisclosed Material Uncertainty Relating to Going Concern
7.	2023/2024	Inadequate Disclosure of Performance Against Predetermined Objectives
8.	2023/2024	Noncompliance with Water Service Regulatory Board Guidelines on Employee Cost
9.	2023/2024	Provision of Water Services Without a License
10.	2023/2024	Non-Revenue Water
11.	2023/2024	Engagement of Casuals for a Prolonged Period
12.	2023/2024	Lack of Internal Audit Function and Internal Audit Committee
13.	2023/2024	Uncertainty in Ongoing Concern of the Company Due to Negative Working Capital
14.	2023/2024	Unconfirmed Shareholdings.

Other Information

The Management is responsible for the Other Information set out on page iii to xxiv which comprise of Key Entity Information and Management, the Board of Directors, Key

Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Director's 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 and 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. Use of Unapproved Water Tariffs

Review of water sales records revealed that billing of customers was at a flat rate of Kshs.120 per cubic meter of water for households. However, the rate was applied without obtaining approval from the Water Services Regulatory Board (WASREB), as required under Section 72(1)(b) of the Water Act, 2016, which states that the powers and functions of the Water Services Regulatory Board include evaluation and recommendation of water and sewerage tariffs to the County water services providers and approve the imposition of such tariffs in line with consumer protection standards.

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

2. Provision of Water Services Without a License

Review of the Company's records revealed that Elwak Water and Sewerage Company operated without a license from the Water Services Regulatory Board (WASREB) contrary to Section 85(1) of Water Act, 2016, which states that a person shall not provide water services except under a licence issued by the Regulatory Board.

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

3. Irregular Engagement of Casual Employees

The statement of profit and loss and other comprehensive income for the year reflects staff costs of Kshs.40,539,005. The amount includes Kshs.16,740,874 in respect of casual workers' wages. Review of records from human resources department revealed that payments were for casual employees who were engaged for periods beyond three (3) months continuously during the financial year. This was contrary to Section 37(1)(a) and (b) of Employment Act, 2007 which provides that where a casual employee performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three (3) months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and section 35(1)(c) shall apply to that contract of service.

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

4. High Levels of Non-Revenue Water

The statement of profit and loss and other comprehensive income reflect operating revenue of Kshs.6,690,237 for the year under review. Review of revenue records revealed that the Company produced 113,436 cubic meters (M³) of water, out of which only 72,223 M³ was billed to customers. The balance of 41,213 M³ or 36% of the total water volume produced with an estimated sale price of Kshs.4,945,560 at the rate of Kshs.120 per M³ represented Non-Revenue Water (NRW) which was 11% over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines.

The high level of Non-Revenue Water represents loss on public resources and may negatively affect sustainability of the operations of the Company.

5. Anomalies in the Presentation of Financial Statements

Review of the financial statements presented for audit revealed errors and anomalies in the presentation as indicated below:

- i. The referencing of notes in the statement of profit and loss and other comprehensive income contains was not matching the actual notes in the financial statements.
- ii. The statement of financial position refers to components such as trade receivables, cash and bank balances as non-current assets and trade and other payables as non-current liabilities

In the circumstances, the financial statements are not fully compliant with the Annual Reporting Template as provided for by the Public Sector Accounting Standards Board.

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

Failure to Achieve Recommended Economic Efficiency Performance Targets

Review of the Company operations for the year revealed staff costs of Kshs.17,868,885 and operating and maintenance costs of Kshs.45,597,003. The staff costs translate to 39% over operating and maintenance costs which is higher than the industry sector performance bench mark limit of 30% by 9% thus earning the category of poor in economic efficiency as provided under Section 3.6 of WASREB Impact Report Number 15 on performance analysis and ranking.

In the circumstances, the Company was operating below the recommended Economic Efficiency Performance Targets.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

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

- ii. The information given in the Directors' Report on page xxi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 24 has been properly prepared in accordance with the Companies Act, 2015.

Basis for conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 November, 2025

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

	Note	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
		Kshs	Kshs
Revenue			
Operating Revenue	6	6,690,237	3,336,240
Grants Income	7	79,283,578	41,345,000
Total Revenue		85,973,815	44,681,240
Expenses			
Staff Costs	8	40,539,005	20,192,700
General and Operations expenses	9	31,268,863	36,710,464
Board Expenses	10	989,526	700,000
Maintenance Expenses	11	14,328,140	4,933,000
Depreciation and Amortization expenses	12	12,227,831	10,703,484
Total Expenses		99,353,365	73,239,648
Profit/(Loss) Before Taxation		<u>(13,379,550)</u>	<u>(28,558,408)</u>
Income Tax Expense/(Credit)			
Profit/(Loss) After Taxation		<u>(13,379,550)</u>	<u>(28,558,408)</u>
Total Comprehensive Income for The Year		<u>(13,379,550)</u>	<u>(28,558,408)</u>

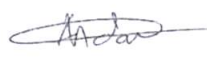
Elwak Water and Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025
14. Statement Of Financial Position As at 30 June 2025

	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	13	115,497,293	97,938,583
Total non-current assets		<u>115,497,293</u>	<u>97,938,583</u>
Current assets			
Trade and receivable	14	1,023,850	2,308,000
Bank and cash balances	15	305,922	294,637
Total current assets		<u>1,329,772</u>	<u>2,602,637</u>
Total Assets		116,827,065	100,541,220
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	16	100,000	100,000
Capital Grant		155,918,273	126,131,731
Retained earnings		(49,515,664)	(36,136,114)
Capital and Reserves		<u>106,502,609</u>	<u>90,095,617</u>
Current liabilities			
Trade and other payables	17	10,324,456	10,445,603
Total current Liabilities		<u>10,324,456</u>	<u>10,445,603</u>
-			-
TOTAL EQUITY AND LIABILITIES		<u>116,827,065</u>	<u>100,541,220</u>

The financial statements were approved by the Board on 22nd July 2025 and signed on its behalf by:



Name: Issack Hassan Adan
Managing Director
Elwak Water



Name: CPA Amir Hussein
Head of Finance
ICPAK M/No:33788



Name: Mohamed Rashid Haji
Chairman of the Board
Elwak Water

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

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2023		100,000	-	-	(7,577,706)	-	126,524,960	119,047,254
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	(30,276,823)	-
Profit for the year		-	-	-	(28,558,408)	-	-	(28,558,40)
Capital/Development grants received during the year		-	-	-	-	-	29,883,603	29,883,603
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2024		100,000	-	-	(36,136,114)	-	126,131,731	120,372,449
As at July 1, 2024		100,000	-	-	(36,136,114)	-	126,131,731	120,372,449
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-

Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	<u>(13,379,550)</u>	-	-	(13,379,550)
Capital/Development grants received during the year		-	-	-	-	-	29,786,542	29,786,542
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2025		100,000	-	-	(49,515,664)	-	155,918,273	106,402,609

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

	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
UPC VAT contribution- Operations account		817,890	-
Operating Revenue		7,074,387	3,336,240
Non-Operating Revenue		0	0
Grants		86,400,000	70,033,599
Total Receipts		94,292,277	73,369,839
Payments			
Staff Costs		16,424,371	20,192,700
General And Operation Expenses		30,656,071	36,710,464
Board Expenses		989,526	700,000
Maintenance Expenses		14,328,140	4,933,000
Total Payments		62,398,108	(62,536,164)
Net Cash From/ (Used In) Operating Activities		31,894,169	10,833,675
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(31,882,883)	(21,746,835)
Proceeds From Disposal Of PPE		0	0
Net Cash From/ (Used In) Investing Activities		(31,882,883)	(21,746,835)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital			-
Proceeds From Borrowings			-
Repayment Of Borrowings			-
Dividends Paid			-
Net Cash From/(Used In) Financing Activities			-
Increase/(Decrease) In Cash and Cash Equivalents		11,285	(10,913,160)
Cash And Cash Equivalents at Beginning of Year		294,637	11,290,646
Prior Year adjustments (Balance Error)		0	(82,849)
Cash And Cash Equivalents at End of the Year		305,922	294,637

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	B	C=a+b	d	e= c-d	f=d/e %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget carryovers from the previous year*	0	1,112,527	1,112,527	1,112,527	0	100%
Receipts						
Operating Revenue	8,300,000	0	8,300,000	7,074,387	1,225,613	85.2%
Grants	86,400,000	0	86,400,000	86,400,000	0	100%
Total Receipts	94,700,000	0	94,700,000	93,474,387	1,225,613	99%
Payments						
Staff Costs	17,800,000	0	17,800,000	16,424,371	1,375,629	92.33%
Board Expenses	1,000,000	0	1,000,000	989,526	10,474	99%
General and operations Expenses	31,000,000	0	31,000,000	30,656,071	343,929	99.5%
Maintenance	14,500,000	0	14,500,000	14,328,140	171,860	98.8%
Total Recurrent Expenditure	64,300,000	0	64,300,000	62,398,108	1,901,892	97.3%
Capital Expenditure Payments	30,400,000	0	30,400,000	31,882,883	(1,482,883)	104%
Total Payments	94,700,000	0	94,700,000	94,280,991	231,408	99.%
Surplus	0	0	0	493,523	493,523	

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	305,922
Closing Cash and Cash Equivalent as per the statement of Cash flows	305,922

18. Notes to the Financial Statements**1. General Information**

Elwak Water and Sewerage Company Ltd is established by and derives its authority and accountability from water Act and other relevant acts. The Company is wholly owned by the Mandera County Government and is domiciled in Kenya. The Company's principal activity is provision of safe and sufficient water to the residents within Elwak Municipality and its environs. 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

3. 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.
4. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented

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Notes to the financial statements (continued)

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

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

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

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

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

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

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

iii. *Early adoption of standards*

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

Notes to the financial statements (continued)

6. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Notes to the financial statements (continued)**Summary of Accounting Policies****b) In-kind contributions**

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	-	-
Leasehold Land	-	-
Buildings and civil works	10	10%
Water and sewer Infrastructure works	10	10%
Plant and machinery	12.5	8.4%
Motor vehicles, including motorcycles	12	20%

Computers and related equipment	5	40%
Office equipment, furniture and fittings	5	20%

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from de recognition 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). (*Whichever is applicable*).

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

n) Trade and other receivables

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

o) Taxation**i) Current income tax**

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

p) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that

are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

q) Borrowing costs

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

r) Cash and cash equivalents

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

Restricted cash

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

s) Borrowings

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

t) Trade and other payables

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

u) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. XXX per employee per month.

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 2024-202 was approved by the Board of Directors on xxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of xxx on the 20xx-20xx budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are

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

y) Service concession arrangements

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

z) Comparative figures

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

aa) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx.

7. 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 in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Operating Revenue

	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs	Kshs
Water sales	6,690,237	3,336,240
Total	6,690,237	3,336,240

7. Grants Income

	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs	Kshs
Donations from County Governments- Recurrent	56,613,458	41,345,000
Capital Grant from WSTF	0	4,233,599
In Kind contribution	22,670,120	0
Total	79,283,578	45,578,599

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	Insert Current FY KShs
Mandera County Government	56,613,458	0	29,786,542	86,400,000	65,800,000
WSTF	0	0	0	0	4,233,599
In Kind Contribution	22,670,120	0	0	22,670,120	0
Total	79,283,578	0	29,786,542	109,070,120	70,033,599

Notes to the financial statements (continued)

8. Staff Cost

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs	Kshs
Gross Salary and Allowances (In Kind contribution)	22,670,120	0
Casual workers' Wages	16,740,874	17,777,280
Medical insurance schemes-SHA	292,091	1,410,300
Other allowances-NSSF	835,920	1,005,120
Total	40,539,005	20,192,700
The average number of employees during the year		

9. General and Operations Expenses

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs	Kshs
Electricity	613,301	1,620,910
Fuel, oil, lubricants, and gases	16,180,674	13,374,000
Office supplies	719,301	1,265,700
Water and sewerage	7,435,002	5,518,585
Hire of Equipment and vehicles	1,245,000	5,600,000
Domestic Traveling and subsistence	3,316,800	1,047,210
Foreign travel and accommodation	0	385,000
Staff training and development	157,236	866,200
Bank Charges	21,720	30,859
Security services	0	4,272,000
Publicity and advertising	384,828	0
Licensing and levies	75,000	0
Stakeholders' expenses	0	1,200,000
Hospitality expenses	770,001	750,000
Others Operations	350,000	780,000
Total	31,268,863	36,710,464

10. Board Expenses

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	KShs	KShs
Sitting allowances	495,000	700,000
Induction and Training	92,800	0
Travel and accommodation	401,726	0
Total Board Expenses	989,526	700,000

11. Maintenance Expenses

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs	Kshs
Plant and Equipment	3,550,000	2,135,000
Buildings	400,000	0
Grounds	5,346,139	1,800,000
Infrastructure Network	4,610,001	
Motor vehicles	30,000	998,000
Water Meter maintenance costs	392,000	0
Total Maintenance Expenses	14,328,140	4,933,000

12. Depreciation and Amortization Expenses

Description	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs	Kshs
Property, plant, and equipment	12,227,831	10,703,484
Total Depreciation and Amortization	12,227,831	10,703,484

13. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycle s	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Depreciation rate		10%	10%	8.4%	20%	40%	20%		
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2023	-	1,026,000	-	69,093,015	-	1,060,507	7,578,942	0	78,758,464
Additions	0	1,800,000	19,878,603	8,205,000	0	0	0	0	29,883,603
Disposals	0	0	0	0	0	0	0	0	0
Transfers/Adjustments	0	0	0	0	0	0	0	0	0
As at 30th June 2024	-	2,826,000	19,878,603	77,298,015	0	1,060,507	7,578,942	0	108,642,067
Additions	0	0	16,723,538	13,063,004	0	0	0	0	29,786,542
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfer/Adjustments	0	0	0	0	0	0	0	0	0
Revaluation Adjustments	0	0	0	0	0	0	0	0	0
As at 30th June 2025	0	2,826,000	36,602,141	90,361,019	0	1,060,507	7,578,942	0	138,428,609
Depreciation And Impairment									
At 1 July 2023	-	174,000	0	10,716,805	0	1,885,344	4,263,156	0	17,039,305
Depreciation	-	282,600	1,987,860	6,493,033	0	424,203	1,515,788	0	10,703,484
Impairment	-	0	0	0	0	0	0	0	0

Description	Freeh old land	Buildings & civil works	Water & Sewer Infrastruct ure	Plant and machinery	Moto r vehic les, inclu ding, moto r cycle s	Computers & related equipment	Office equipme nt, furniture & fittings	Capi tal work in prog ress	Total
Transfers/ Adjustments	-	0	0	0	0	0	0	0	0

As At 30th June 2024	-	456,600	1,987,860	17,209,838	0	2,309,547	5,778,944	0	27,742,789
Depreciation		254,340	3,461,428	7,044,911	0	254,522	1,212,630	0	12,227,831
Disposals		0	0	0	0	0	0	0	0
Impairment		0	0	0	0	0	0	0	0
Transfer/Adjustment		0	0	0	0	0	0	0	0
As at 30th June 2025	0	710,940	5,449,288	24,254,749	0	2,564,069	6,991,574	0	39,970,620
NBV as at 30th June 2024	0	2,543,400	17,890,743	70,804,982	0	636,304	6,063,154	0	97,938,583
NBV as at 30th June 2025	0	2,289,060	31,152,853	76,823,075	0	381,782	4,850,523	0	115,497,293

Valuation

Land and buildings were not valued. These amounts were adopted.

13 (a) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings & civil works	2,543,400	(254,340)	2,115,060
Water and Sewer Infrastructure	36,602,141	(5,449,288)	31,152,853
Plant and machinery	83,867,986	(7,044,911)	76,823,075
Motor vehicles, including motorcycles	0	(0)	0
Computers and related equipment	636,304	(254,522)	381,782
Office equipment, furniture, and fittings	6,063,154	(1,212,631)	4,850,523
	129,712,985	(14,215,692)	115,497,293

14. (a) Trade Receivables

	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs	Kshs
Gross trade receivables	1,023,850	2,308,000
Provision for doubtful receivables	0	-
Net trade receivables	1,023,850	2,308,000
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	1,023,850	2,308,000
Over 120 days	-	-
Total	1,023,850	2,308,000

15. (a) Bank and Cash Balances

	<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
	Kshs	Kshs
Cash at bank	305,922	294,637
Cash in hand	0	0
Mobile money account	0	0
	305,922	294,637

15.(b)Detailed analysis of the cash and cash equivalents

		<i>FY 2024-2025</i>	<i>FY 2023-2024</i>
Financial institution	Account number	Ksh	Ksh
a) Current account			
Equity bank ltd- Revenue a/c	1000280260417	303,381	15,825
Equity bank ltd- Operation a/c	1000280260468	2,388	209
Equity bank ltd-Development a/c	1000280259289	153	278,603
Total		305,922	294,637

16. Ordinary Share Capital

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

19. Revaluation Reserve

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

20. Fair Value Adjustment Reserve

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

21. Retained Earnings

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

22. Trade and Other Payables

	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
Trade payables	10,324,456	10,445,603
Total	10,324,456	10,445,603

Aging Analysis for Trade and other Payables

	FY 2024-2025	% of the total	FY 2023-2024	% of the total
Under one year	5,214,665	50.5%	10,445,603	100%
1-2 years	5,109,791	49.5%	0	0%
2-3 years	0	0%	0	0%
Over 3 years	0	0%	0	0%
Total	10,324,456	100%	10,445,603	100%

23. Notes to The Statement of Cash Flows

	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(13,379,550)	(28,558,408)
Depreciation	12,227,831	10,703,484
Amortization	0	0
(Gain)/loss on disposal of property, plant and equipment	0	0
Operating profit/(loss) before working capital changes	0	0
Working capital changes:		
(Increase)/decrease in inventories	0	0
(Increase)/decrease in trade and other receivables	1,284,150	(2,308,000)
Increase/(decrease) in trade and other payables	(121,146)	9,249,765
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0
Cash generated from/ (used in) operation	11,285	(10,913,159)
Balance at beginning of the year	294,637	11,207,792
(b)		
Balance at end of the year		294,637
Analysis of cash and cash equivalents		
Cash at bank		294,637
Cash in hand		-
Balance at end of the year	<u>305,922</u>	<u>294,637</u>

Notes to the financial statements (continued)

Other Disclosures

24. Related Party Disclosures

County Government of Mandera

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

Other related parties include:

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

25. Financial Risk Management

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

Notes to the financial statements (continued)

(i) Credit risk

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

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

The 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.

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 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.

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

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

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

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

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

a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Foreign currency sensitivity analysis

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

c) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase

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.

26. Incorporation

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

27. Events After the Reporting Period

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

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.

Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect be resolved)
<p>The statement of comparison of budget and actual amounts reflects actual total recurrent expenditure of Kshs.53,269,164 and actual capital expenditure of Kshs.28,705,000 all totaling to actual expenditure of Kshs.81,974,164. However, the statement of comparison of budget and actual amounts reflects total actual expenditure of Kshs.73,369,839, hence resulting in the unreconciled variance of Kshs.8,604,325.</p> <p>In the circumstances, the accuracy of amounts reflected in the statement of comparison of budget and actual amounts could not be confirmed.</p>	<p>the management attributes the anomaly occurred as a result of casting error. However, the anomaly has now been corrected and the revised financial statements have been presented to the Auditor for review</p>	<p>Not resolved</p>	<p>18th September 2025</p>
<p>The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.3,336,240 as disclosed in Note 6 to the financial statements. The revenue was in respect of water sales during the year under review. However, review of revenue records and interviews with Management revealed that the Company had no data on the volume of water supplied to customers during the year under</p>	<p>it is true that 25% of our customers did not have water meters at the time of the audit. However, the management has since taken proactive measures to close this gap by ensuring all customers are equipped with water meters through procurement of meters both master and consumer meters. the meter installation which was ongoing at the time of audit is successfully complete and now operational. The company now maintains accurate</p>	<p>Not resolved</p>	<p>18th September 2025</p>

<p>review. The explanations from the Management were that there were no master meters to record the volume of water released to the pipeline for distribution. Similarly, customers from two (2) consumer regions out of three (3) regions were not metered and thus the volume of water consumed by customers could not be established.</p> <p>In the circumstances, the accuracy and completeness of water operating revenue of Kshs.3,336,240 could not be confirmed.</p>	<p>records of the water volume billed to its customers. Photos of Master Meter, customer meters and evidence showing volume of data billed to customers were availed for review</p>		
<p>The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.44,681,240. However, the amount did not include in-kind contribution by the County Executive of Mandera in respect of salaries for permanent employees paid by the County Executive.</p> <p>Further, the statement of profit or loss and other comprehensive income reflects staff cost of Kshs.20,192,700 in respect of casual workers' wages, medical insurance schemes and other allowances. However, the expenditure did not include salaries for permanent employees paid by the County Executive of Mandera.</p> <p>In the circumstances, accuracy of total revenue of Kshs.44,681,240 and staff cost of Kshs.20,192,700 reflected in the statement of profit or loss and other comprehensive income could not be confirmed.</p>	<p>The salaries for permanent employees are paid by the County Executive, However, we acknowledge that we did not disclose in our financial statements the in-kind contributions provided by the County Executive for our permanent employees..... Going forward, we will ensure that these are properly reflected in our financial reports.</p>	<p>Not resolved</p>	<p>18th September 2025</p>

<p>The statement of financial position reflects a balance of Kshs.10,445,603 in respect of trade and other payables as disclosed in Note 21 to the financial statements. However, Management did not provide a payables ledger to support the movement from Kshs.19,572,518 in the previous financial year to Kshs.10,445,603 in the current financial year.</p> <p>In the circumstance, the accuracy of the trade and other payables balance of Kshs.10,445,603 could not be confirmed</p>	<p>The trade and other payables balance of Kshs.19,572,518 is pending bills from the financial year 2022/23, during the financial year 2023/24 a payment amounting to Kshs. 9,126,915 was made thus reducing payables to Kshs. 10,445,603 as at the end of the FY 2023/24. A payable ledger showing movement from ksh 19,572,518 to ksh 10,445,603 is available for review.</p>	<p>Not resolved</p>	<p>18th September 2025</p>
<p>The statement of financial position reflects a balance of Kshs.100,000 in respect of ordinary share capital as disclosed in Note 17 to the financial statements. Review of the Company's records revealed that ordinary share capital comprised of 100 shares of Kshs.100 translating to share capital of Kshs.10,000 resulting in a variance of Kshs.90,000.</p> <p>In addition, review of the CR12 form and the Company's Memorandum of Association revealed discrepancies in the actual shareholding. The CR12 indicated three (3) individuals holding a total of six hundred (600) shares, with each individual owning two hundred (200) shares translating to share capital of Kshs.60,000 resulting in a variance of Kshs.40,000.</p> <p>Further, the Company's ownership structure as reported, indicated that the ordinary shares were</p>	<p>We acknowledge that there were errors in our share records, as identified by the auditor. Management has taken steps to address the issue by initiating the amendment of the company's CR12. The process is currently ongoing, and, God willing, we expect the updated CR12 to be completed by the end of August 2025. Please find attached a letter of undertaking from the lawyer handling the matter</p>	<p>Not Resolved</p>	<p>18th September 2025</p>

<p>held by individuals. This was contrary to Paragraph 3.3.1(4) of the Water Service Regulatory Board Guidelines, 2018 which requires county government to hold all the shares in trust for the people of the County and the other shareholders who hold the shares in trust and not in their personal capacity are the Office of CECM in charge of Finance, the Office of the CECM in charge of water and the County Secretary who shall hold one share each.</p> <p>In the circumstances, the accuracy and validity of share capital of Kshs.100,000 could not be confirmed.</p>			
<p>The statement of financial position reflects current assets of Kshs.2,602,637 against total current liabilities of Kshs.10,445,603 resulting in negative working capital of Kshs.7,842,966. This indicates existence of material uncertainty on the Company's going concern. The material uncertainty relating to going concern and measures put in place to improve the Company's financial performance were not disclosed in the financial statements.</p> <p>Under the circumstances, the Company is technically insolvent and its continued operations is dependent on the continued support from the creditors and County Government of Mandera.</p>	<p>We acknowledge the concerns raised regarding the negative working capital and the resultant material uncertainty on the Company's going concern. While the current financial position reflects a challenging scenario, the management is taking decisive steps to address these issues:</p> <ul style="list-style-type: none"> • Action Plan for Financial Stability: We are actively engaging with creditors and the County Government of Mandera to secure the necessary support to ensure ongoing operations. • Operational Improvements: Initiatives are underway to optimize costs and enhance revenue generation, which will improve liquidity in the medium term. 	Not Resolved	18 th September 2025
<p>Review of the statement of performance against predetermined objectives revealed significant gaps in compliance with the reporting template.</p>	<p>The management acknowledges the audit finding and agrees that the Statement of Performance was not fully aligned with the required format during the</p>	Not resolved	18 th September 2025

<p>The statement did not indicate key sections such as; Strategic Pillars, Objectives, Key Performance Indicators, Activities and Objectives in a format prescribed by financial reporting templates for water companies.</p> <p>The absence of this critical information indicates that the company did not conform to the requirements outlined in the reporting template, thereby undermining the transparency, accountability and comprehensiveness of the report.</p>	<p>audit. Nonetheless, corrective actions have since been taken, and the previously omitted sections — including Strategic Pillars, Objectives, Key Performance Indicators, and Activities — have now been incorporated as per the financial reporting templates for water service providers</p>		
<p>Review of records revealed that the Company reported personnel expenditure of Kshs.20,192,700 against total operating and maintenance costs of Kshs.36,710,464 for the year ended 30 June, 2024. Employees' costs therefore accounted for 55% of the operating and maintenance costs, which are significantly higher than the expected threshold for commercial viability for medium companies of 40%. This was contrary to requirement of Section 3.9(10) of the Water Services Regulatory Board (WASREB) Guidelines, 2018 which provides that personnel cost as share of operations and maintenance cost for medium companies shall be contained below 40%.</p> <p>In the circumstances, Management was in breach of the Water Services Regulatory Board Guidelines.</p>	<p>We acknowledge the auditor's observation regarding personnel expenditure which has exceeded the WASREB guideline of 40% for medium companies.</p> <p>In response, we are taking the following actions:</p> <ul style="list-style-type: none"> • Immediate Review and Analysis: We are conducting a detailed review of our staffing structure and related costs to understand the factors that led to the higher-than-expected personnel expenditure. • Cost Optimization Measures: We are formulating a plan to realign our staffing costs with the WASREB guidelines by identifying areas for efficiency improvements and potential restructuring. • Strengthened Monitoring: We will enhance our internal controls and establish regular monitoring processes to ensure future personnel costs remain within the acceptable threshold. 	<p>Not Resolved</p>	<p>18th September 2025</p>

<p>Records provided for audit review revealed that the Company operated without a license from the Water Services Regulatory Board (WASREB) contrary to Section 85(1) of Water Act, 2016 which requires that for any company providing water services should obtain a licence from the Water Services Regulatory Board. Management did not provide a satisfactory reason for the failure to obtain a license as required.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>The Company made an application for renewal of its licenses which is under review by WASREB. Application for renewal license and application fees payment receipt are availed for audit review. WASREB will conduct the public participation in August, 2025 for license approval.</p>	<p>Not Resolved</p>	<p>18th September 2025</p>
<p>The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.3,336,240 as disclosed in Note 6 to the financial statements. It was, however, noted that the Company did not have data on the volume of water distributed from the intakes since master meters were not installed. Similarly, most customers are not metered and thus volume of water consumed by customers could not be established. As a result, the Company could not establish the volume of water produced and volume billed to customers and if there were losses in form of Non-Revenue Water.</p> <p>Due to inability to establish level of non-revenue water the operational efficiency of the Company could not be confirmed.</p>	<p>To address commercial losses, we have done the following measures in place and evidenced as attached.</p> <ol style="list-style-type: none"> 1. Master Meters installed: We have successfully installed master meters at all our water intakes. This will enable us to accurately measure the volume of water distributed, providing essential data for managing our resources more effectively. 2. Customer Metering: We have initiated a program to meter all our customers, increasing our metering rate from 65% to 100% now. This will ensure that we can accurately track water consumption and improve our billing accuracy. 	<p>Not Resolved</p>	<p>18th September 2025</p>
<p>The statement of statement of profit or loss and other comprehensive income reflects staff costs</p>	<p>The management has taken note of the implications of this practice. Measures are currently being</p>	<p>Not resolved</p>	

<p>of Kshs.20,192,700 as disclosed under Note 9 to the financial statements which includes expenditure of Kshs.17,777,280 relating to casual workers' wages. Review of casual worker's payrolls revealed that there were seventy-three (73) casuals that were engaged for more than 3 continuous months. This was contrary to Section 37(1)(a) and (b) of the Employment Act, 2007 which provides that where a casual employee works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month or performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.</p> <p>In the circumstances, Management was in breach of the law</p>	<p>implemented to ensure compliance with the Employment Act moving forward. These include transitioning eligible casual workers to term contracts after the three-month period, enhancing workforce planning, and conducting regular reviews of employee status.</p> <p>Management is committed to upholding statutory labor requirements and ensuring that similar issues do not recur in the future.</p>		<p>18th September 2025</p>
<p>Review of the operations of the Company revealed that the Company did not have an internal audit unit and internal audit committee in place contrary to Regulation 155(2)(b) of the Public Finance Management (County Governments) Regulations, 2015 which requires the creation of internal audit unit to promote independence and to ensure broad internal audit coverage and adequate consideration of audit reports.</p> <p>Under the circumstances, Management was in breach of the law</p>	<p>The company currently has an operational internal audit function. Towards the end of the FY under review, an internal auditor was seconded from the County Treasury to the Company. During this period, the officer was primarily focused on orientation and familiarization with our operations. This transition phase was crucial for ensuring effective integration of the internal audit function within our organizational framework and therefore could not undertake internal audit assignment because of the timing.</p>	<p>Not Resolved</p>	<p>18th September 2025</p>

	Further, the company utilizes the existence of the audit, risk and governance committee of the company to discuss the audit issues internally		
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Name: Issack Hassan Adan

Signature:

Managing Director



Date:22/7/2025



Appendix II- Inter-Entity Confirmation Letter

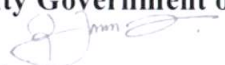
Name of Transferring entity: Mandera County Government Treasury

Name of Beneficiary entity: Elwak Water & Sewerage Company Limited

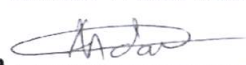
Confirmation of amounts received by Elwak Water and Sewerage Company Ltd as at 30th June 2025					
s Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
1	1/10/2024	5,000,000.00	0	5,000,000	
2	1/10/2024	5,000,000.00	0	5,000,000	
3	24/10/2024	15,000,000.00	0	15,000,000	
4	24/10/2024	2,000,000.00	0	2,000,000	
5	11/11/2024	6,400,000.00	0	6,400,000	
6	28/11/2025	20,000,000.00	0	20,000,000	
7	14/2/2025	15,000,000.00	0	15,000,000	
8	10/5/2025	15,000,000.00	0	15,000,000	
9	4/7/2025	3,000,000.00	0	3,000,000	
Total		86,400,000	0	86,400,000	

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

Head of Accounts Department – County Government of Mandera

Name Hassan Abdow Mohamed Sign  Date 22/7/2025

Head of Accounts Department – Elwak Water and Sewerage Company Limited

Name Amir Hussein Adan Sign  Date...22/7/2025

Appendix III: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
County Treasury	1/10/2024	Recurrent	5,000,000.00	1,217,000	3,783,000	0	0	0	5,000,000
County Treasury	1/10/2024	Recurrent	5,000,000.00	5,000,000	0	0	0	0	5,000,000
County Treasury	24/10/2024	Recurrent	15,000,000.00	3,669,998	11,330,002	0	0	0	15,000,000
County Treasury	24/10/2024	Recurrent	2,000,000.00	2,000,000	0	0	0	0	2,000,000
County Treasury	11/11/2024	Recurrent	6,400,000.00	1,432,216	4,967,784	0	0	0	6,400,000
County Treasury	28/11/2025	Recurrent	20,000,000.00	17,649,997	2,350,003	0	0	0	20,000,000
County Treasury	14/2/2025	Recurrent	15,000,000.00	13,137,247	1,862,753	0	0	0	15,000,000
County Treasury	10/5/2025	Recurrent	15,000,000.00	9,507,000	5,493,000	0	0	0	15,000,000
County Treasury	4/7/2025	Recurrent	3,000,000.00	3,000,000	0	0	0	0	3,000,000
Total			86,400,000	56,613,458	29,786,542	0	0	0	86,400,000