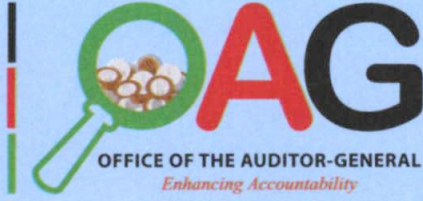
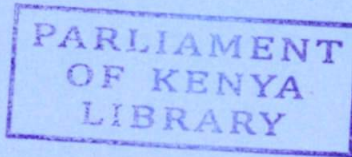


REPUBLIC OF KENYA



REPORT



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OF

THE AUDITOR-GENERAL

ON

ISIOLO WATER AND SEWERAGE COMPANY LIMITED

**FOR THE YEAR ENDED
30 JUNE, 2025**

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Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

JUNE 30, 2025

FOR THE FINANCIAL YEAR ENDED

ANNUAL REPORT AND FINANCIAL STATEMENTS

ISIOLO WATER & SEWERAGE COMPANY LTD

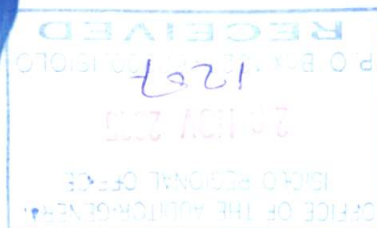


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1. Acronyms and Glossary of Terms

A. Acronyms

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

B. Definition of key terms

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

Comparative year – Means the prior year

2. Key Entity Information

Background information

The company was incorporated in Kenya under cap.486 laws of Kenya. The company has a valid signed operation license with the Water Services Regulatory Board as a water service provider

Principal Activities

The principal activity of the Company is the provision of water and sewerage services within Isiolo Town and its environs.

Vision: To be the leading company in provision of water and sanitation services in Kenya.

Mission: To improve quality of life by providing safe, reliable, adequate and affordable water and sanitation services through commercially and environmentally sustainable approaches to the satisfaction of our customers and other stakeholders

Directors

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

No	Name	Position	Date of Appointment
1	Mr. Wachu Abdi	Chairman	13/8/2019
2	Ms. Asili Sode	Director	13/8/2019
3	Mr Wilson Lemillion	Director	13/8/2019
4	Mr. Abdullahi Sora	Managing Director	15/8/2019
5	CPA Godana Dida	Director	12/6/2023
6	CPA HabibaGalgalo	Director	12/6/2023

Company Secretary

Mr. Kingori Muriithi
Muriithi Kingori & Associates
P. O Box 1494-10400
Nanyuki, Kenya

Registered Office

Airport Road
P.O. Box 491-60300
ISIOLO, KENYA

Corporate Headquarters

P.O. Box 491-60300
Near County Water Department
Airport Road
Isiolo, KENYA

Corporate Contacts

Telephone: (254) 064-52283

E-mail: isiolowater@yahoo.com

Website: www.iwasco.or.ke

Corporate Bankers

Equity Bank
Isiolo Branch
P.O Box 197-60300
Isiolo

Consolidated Bank
Isiolo Branch
P.O Box 30238-60300
Isiolo

Co-operative
Bank
Isiolo Branch
P.O Box 30238-
60300
Isiolo







Independent Auditor

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

Principal Legal Advisers

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

3. The Board of Directors

<p>1.  Abdikarim Wachu, Chairman</p>	<p>Mr. Wachu Abdi aged 40 years, joined the Board in 2019. He is a director representing faith based organizations. He holds certificate in IT from Mersburn Institute. He has led in Islamic preaching for over 15 years. He is a businessman too.</p>
<p>2.  CPA Godana Dida, Director</p>	<p>Mr. Godana Dida aged 44 years joined the board in 2023. He is a director representing the county government of Isiolo. He holds Bachelor Degree in Business Administration. He is also CPA (K).</p>
<p>3.  Asli Sode, Director</p>	<p>Ms Asli aged 68, joined the board in 2019. She is a director representing women organisations. She is currently the chairperson maendeleoyawanawake organisation (MYWO), Isiolo county. She has extensive experience in mass media having worked with the voice of kenya for more than a decade.</p>
<p>4.  Wilson Lemillion, Director</p>	<p>Mr Wilson aged 40, joined the board in 2019. He is a director representing Non-governmental organisations. He holds certificate in tour guiding and administration. He has vast experience in conservation affairs having worked as conservancy manager for many years.</p>
<p>5.  CPA Habiba Galgalo, Director</p>	<p>Ms. Habiba Galgalo aged 44 years joined the board in 2023. She is a director representing the county government of Isiolo. She holds Bachelor Degree in Business Administration. She is also CPA (K).</p>
<p>6.  Abdullahi Sora, Managing Director</p>	<p>Mr Abdullahi aged 54, is the current Managing Director. He has been the company's administrative manager for many years. He has vast knowledge of the company's operations. He holds Masters degree in purchase and supplies.</p>

4. Key Management Team

<p>1.</p>  <p>Name: Abdullahi Sora</p>	<p>Managing Director</p> <p>Qualifications: Master Degree in purchase and supplies, undergraduate degree in purchase and supplies, Diploma in business administration, registered member KISM</p>
<p>2.</p>  <p>Name: Nura Bonaya</p>	<p>Finance and Commercial Manager</p> <p>Qualifications: Undergraduate Degree in Finance, Masters Degree in Finance (on-going), CPA.</p>
<p>3.</p>  <p>Name: Joseph Waciuri</p>	<p>Technical Manager</p> <p>Qualification: Undergraduate Degree in Business Administration, Diploma in Civil Engineering</p>
<p>4.</p>  <p>Name: Mariam Dida</p>	<p>Human Resource and Administrative Manager</p> <p>Qualifications: Undergraduate Degree in Human Resource , Diploma in IT. Member IHRM, Kenya</p>

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



5.

Name: Cathrine Mwendwa

Internal Auditor

Qualifications: A master's Degree in project Management, Bachelor degree in business administration, CPA

5. Chairman's Statement

Once more, I am honoured to present the 2024/2025 annual report and accounts ending June 2025, for Isiolo Water and Sewerage Company Ltd in line with the company's Act, the water act 2016 and licensing conditions by the regulator.

Isiolo Water and Sewerage Company Ltd has grown from strength to strength over the years and is now a reference institution for the whole Northern Kenya region in terms of efficient and effective water services provision.

This company faces many challenges including the scarcity of water sources, stiff competition with farmers upstream the source river, especially so during dry periods of the year and repetitive droughts.

During the year under review, the company had stable water supplies. The clients enjoyed improved reliability. The company performance was generally good.

The demand for water surpasses the production i.e the current demand for water in Isiolo town and its environs stand at 12,000m³/day against the daily production of about 7,000m³/day.

However, the company has reached out to the county government, national government through the Northern water works Agency and Development partners to realize increase in supply to mitigate on the shortages.

The company enjoys an over whelming support from the stakeholders, customers and other bilateral organizations. The Board of Directors is trained on corporate governance, their roles and responsibilities hence adding value to the operations of the company.

Finally, may I thank the Managing Director, the Board of Directors of IWASCO for the good work, they have done over the years. It is my hope that sooner or later we shall avail more water to the residents of Isiolo. It is my hope and believe that this report reflects the financial status of the company



Wachu Abdi

Chairman Board of Directors

Isiolo Water And Sewerage Company

6. Report of the Managing Director

It is with great pride that I once again present the Annual report and financial statement for the year ending 30th June 2025.

This report highlights a performance overview of the Isiolo Water and sewerage Company Limited (IWASCO) for the year ended 30th June 2025. The company sustained its mandate which is provision of water and safe disposal of resultant waste water in Isiolo town and its environs. Below are highlights of performance during the review year;

Technical Services

During the period, the company at production level maintained its raw and treated water supply pipelines, cleaning of screens at the intakes & desilting, sustained maintenance of plant and equipment with a view of enhancing their optimal performance to effectively deliver water supply to the clients. The Company produced a total of 2.2 million cubic meters of water reflecting an increase by 0.5 million cubic meters from 1.7 million cubic meters of water produced in the financial year 2023/2024. This was attributed to the stable water supplies during the year under review.

To improve water supply services in the low income areas, the company extended and rehabilitated a total of 3.4 km of water pipeline in Bula mpya, olla odha and kambigarba estates.

Quality monitoring through sampling and testing of both raw and treated water was carried out as per schedule. Consequently, during the period, the quality of water produced complied 100% to both World Health Organization (WHO) and Kenya Bureau of Standards (KeBS) requirements.

Equitable distribution of water to customers was enhanced through the monitoring of the twenty six corridors of water supply through which, water supply constancy of 20 hours was achieved per day. The company upheld environmental protection by planting trees and conducting security surveillances along the catchment area.

Commercial Services

The company continued to identify and implement suitable service delivery innovations as well as enhancing the existing ones. To optimize on the emerging technology and innovation, the company updated its customer's directory with a view of reaching out electronically via mobile phones and post customer bills, disconnection notices and settlement of bills.

Human Resource and Administration Services

To create supportive work environment and ensure compliancy to Operational, Health and Safety Act 2007 (OSHA), the company procured and issued personal protective clothing to all eligible staff accordingly. The company fleet was regularly maintained per schedule.

Financial Services

Revenue collection was KShs.111.5 million against a target of KShs.110.4 million, translating to a performance of 100%. Control on revenue collected was strengthened, monitored and reconciled daily. Planning was effectively conducted through quarterly monitoring and evaluation of various business units against set targets as envisaged in the annual plans.

During the period under review, Quarterly Performance Contract and Water and Sewerage Services Improvement Project (WaSSIP) data were compiled and submitted. In addition, annual WARIS data used for generation of sub-sector's *impact* reports was submitted to WASREB on timely basis.

Report of the Managing Director(continued)

Corporate Affairs

The company has for many years been contributing to the welfare of the community. The company is usually pro-active in supporting community initiatives on Education, Health, and Environment conservation, and contributions to water catchments protection.

Internal Audit and Risk Management

To continuously enhance effective performance, the company has an internal audit and risk management function that check on implementation and effectiveness of policies, systems and procedures and identifies risks and proposes on how they can be mitigated. Further, awareness creation on integrity among staff was enhanced and capacity building to ensure that the entire IWASCO fraternity moved along the same continuum on corporate governance related issues.

CONCLUSION

In conclusion, I take this opportunity to most sincerely thank all the stakeholders who enabled us be resilient amid challenges to achieve what has been highlighted above and whom we also bank on for our continuous growth. In particular, I strongly believe that with the stewardship and leadership from the national and county governments and our Board of Directors (BoD), the company will achieve better results in coming years.

According to the Water services Regulatory Board reports, this company is among the few, that are well managed, progressive and result oriented. Over the years we have maintained high standard of integrity, efficiency and effectiveness in managing our resources. The company has done well financially during the year under review.

We have involved the community we are serving and all our stakeholders in the decision making process of the company, hence effective communication with all those concerned.

The management team is mainly concerned with daily service delivery, which they do with outmost dedication, professionalism and efficiency.

Finally, I would like to thank the Board of Director's through the chairman for their strong support, understanding and guidance in all our operations, the staff of IWASCO for their courage, effectiveness and creativity.



Abdullahi Sora

Managing Director

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

7. Statement of Performance against Predetermined Objectives for FY 2024/2025

Isiolo Water & Sewerage Company Ltd (IWASCO) has five strategic objectives within its strategic plan for the FY 2023-2024-2024-2025-2025-2026-2026-2027-2027-2028. These strategic objectives are;

- Increase access to clean and safe drinking water and sanitation services
- Grow financial and commercial position and viability
- Provide timely, quality and reliable services.
- Strengthen organizational structures and operational processes.
- Strengthen people and communication systems

IWASCO develops its annual work plan based on the above five strategic objectives. Assessment of the Board's performance against its annual work plan is done on quarterly basis. IWASCO achieved its performance targets set for the FY 2024-2025 period for its five strategic objectives, as indicated in the diagram below;

Strategic Objective	Key performance indicator(s)	Activities	Achievements
Increase access to clean and safe drinking water and sanitation services	-Increase in water connections -Increase in sewer connections -Increase in coverage	-Extension of water services -Extension of sewer services	-Extended water services by 10km -Extended sewer services by 0.5km -Increased coverage from 95% to 96%
Grow financial and commercial position and viability	-Increase in o & m cost coverage	-Increase in production to increase sales -Checking on operating expenses	-increase in production by 500m ³ -Reduction in the operating expenses
Provide timely, quality and reliable services.	Enhanced services hours	Injecting more water into the system	Increased service hours from 21hrs/day to 22hrs/day
Strengthen organizational structures and operational processes.	-Improved company performance -Improved services quality	-Undertake change management training for all staffs and BoD -Develop workplace policies that are flexible and friendly to the staff -Institute the culture of continuous improvement in all departments and promote health competition	-BoD were trained -Staffs were trained on performance management -Human resource, data management and performance management policies under review and development

8 Corporate Governance Statement

Isiolo Water and Sewerage Company is committed to the standard of world class corporate governance practice as set by Regulatory Authority and in accordance with international best practice.

The Board of Directors is responsible for the long-term strategic direction that will ensure the profitable growth of the company whilst being accountable to the stakeholders for legal compliance and maintenance of the highest corporate governance standards and business ethics. The Board formulates policies and strategies that enhance transparency and accountability and seek to conform to set guidelines on Corporate Governance practices provided by the Regulator. The company operates under a wide regulatory and legal control and supervisory framework.

The Board of Directors, duly cognizant of its role in safeguarding stakeholders' interests and ensuring a clean, safe and affordable drinking water for Isiolo residents and its environ, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability as part of the company's continuing and operations.

Board appointments shall be transparent and competitive so as to ensure the public served has an opportunity to participate in decision making in service delivery that affects them. Vacant positions shall be advertised in the media and on the website of the WSP and the criteria set out by WASREB nationally shall be used. An ad hoc nominating committee of the board of directors comprising county and select committee from two or three primary/key stakeholders shall assess applications and ensure that not only is the Leadership and Integrity criteria met but shall perform a background check to ensure the candidates add value to the entity.

The select committee shall receive the applications, vet them to ensure that they comply to the Fit and Proper Test plus the eligibility criteria and where necessary conduct interviews. The Report of the selection committee shall be submitted to the shareholder who is required as shareholder and function owner to ensure that only persons who add value to the company are appointed. A letter of appointment issued by the county secretary that adheres to the articles of association of the WSP shall be given after ratification of names of the accepted directors at annual general meeting by the shareholder.

The letter must contain a termination clause on poor performance and misconduct and ensure that it captures that unless the board is retired due to poor performance a third of the members shall retire every year from the third year. Board members shall serve a maximum of six (6) years based on the approval of the shareholder and on performance issues.

Before a board member begins to serve, he/she must be inducted in governance training customized for the water services sector and sign a code of ethics based on the Leadership and Integrity Act 2012 and the Public Officer Ethics Act 2003.

Isiolo Water & Sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025
(Corporate Governance Statement...continued)

The list of ratified board members and the stakeholder group they represent shall be maintained on the website of the WSP and shall be communicated to water Services Regulatory Board (WASREB). It is important that board service is not disrupted by the election cycle and independent oversight must not be compromised by the election cycle.

Board succession and period in office; the shareholder must avoid a situation where all Board members retire at the same time in order to ensure institutional memory. In order to avoid this situation, one third of the Board members other than those from the County Governments, shall retire from office by rotation every year starting from the third year after appointment. The retiring members shall be determined on the basis of those who have served longest and, if they have served for the same period of time, then the retirement will be determined by lot. The retiring members shall be required to reapply for their positions if they are eligible for reappointment. The county water department as function owner is advised to use annual performance evaluation of the board of directors and WSP to assess suitability of reapplying members and the need to make changes to improve performance. The remuneration of the Directors shall be within the national benchmarks set in the water services sector in reference to ability to pay and shall be by way of sitting allowances only. Any director who, being so requested by the Board of Directors, performs special or extraordinary services on behalf of the company, or who travels outside Kenya for the purpose of discharging his duties may be paid such extra remuneration as the Board of Directors may determine, provided that the rates of such extra remuneration shall be those approved in the sector by the regulator.

The roles and functions of the Board of directors include;

- Appointing a Managing Director and senior management team competitively.
- Borrowing or raising money for the company operations within guidelines issued in the sector.
- Appointing any company or firm to be Advocate or Advocates of the Company to carry out any legal undertakings of the Company as it may be deemed fit.
- Implementing of the company's Memorandum and Articles of Association provide guidelines and control the functions of the Company.
- Causing minutes to be made in books.

The Board has an approved charter to guide its operations and functions.

During the year under review, four board and twelve committee meetings were held. All committee meetings were fully attended.

7. Management Discussion and Analysis

IWASCO's mandate is to provide clean water and sewerage services to the residents of Isiolo town, in a financially sustainable manner and within Government regulations.

Organizational Structure

Structurally, the company is headed by the Managing Director, who reports to the Board of Directors (BOD). The Managing Director provides overall leadership and chairs the corporate management team (CMT) which comprises all heads of departments of the company namely;

- i. Technical Department
- ii. Commercial Department
- iii. Human Resource and Administration Department
- iv. Internal Audit and Risk Management Department

Under the above named departments, the company structure is reinforced by several business process units which are headed by respective Business Process Owners (BPOs) with a mandate of overseeing actualization of the company mission.

Broadly, the company operations are anchored on strategic business plan which is normally designed to resonate with the international (SDGs), regional (AfWA) and national water sector i.e. 2015 National Water Sector Strategy (NWSS), Kenya Government economic blue print-Vision 2030 and any other existing water and sanitation sector policies. In addition, the company's annual performance is guided and monitored on quarterly basis through negotiated and signed annual Performance Contract (PC) between the Company and its principal.

During the review period, the Company developed its fifth strategic plan covering the period 2024/2025-2027/2028 and targets to achieve a compliance of 100%. This fifth Strategic Plan is anchored on five themes namely;

- Increase access to clean and safe drinking water and sanitation services
- Grow financial and commercial position and viability
- Provide timely, quality and reliable services.
- Strengthen organizational structures and operational processes.
- Strengthen people and communication systems

Key Performance Areas 2024/2025

Water and Sewer Services Expansions

The development objective of water and sanitation projects by the Company is to improve water supply and sanitation services in Isiolo to progressively meet the Sustainable Development Goal number six as well as the national Vision 2030 of ensuring availability and sustainable management of water and sanitation for all by the year 2030. In order to improve water services in Isiolo, the Company targeted to extend and rehabilitate 3.4 km of water pipelines in the low income areas. Against this target, the Company extended and rehabilitated 3.4 km translating to a performance of 100%

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

Non-Revenue Water

Non-Revenue Water (NRW) is one of the key efficiency parameters in water utilities. NRW levels continue to be very high across the country. The regulator reported in its impact report (2023/2024) the national NRW being 43% despite resources having been spent in the upstream process of abstraction, treatment and distribution. In the review period, the Company reduced the NRW to 28% against a target of 28% translating to 100% performance. Strategies and mechanism have been put in place in the 2024/25-2027/28 Strategic Plan to address reduction of NRW within the city. More resources have been allocated towards this endeavour

Management discussion and analysis (Continued)

Water and sewerage Connections

The size of a utility is determined by the total number of water and sewer connections. IWASCO is reported in the impact and other sector reports as a large utility in the country. Over the years, the numbers of water and sewerage connections have been growing. During the review period, the total active number of water and sewerage connections has increased by 525 accounts and 30 connections respectively.

Revenue Collection against Billed Amounts

Collection Efficiency is used to measure the effectiveness of the revenue management system in a utility. Revenue collected, as opposed to amount billed is what impacts on a utility's direct ability to fund its operations. In the period under review, the Company collected 97% against the amount billed.

The management is pleased to report that the company's operational efficiency has improved significantly during the period under review. The non-revenue water has reduced to 28%.

There were over 525 additional clients that were connected for the services. The company has employed latest technologies like extending services using HDPE pipes which are better than UPVC pipes.

The company met its financial obligations without defaulting. The budgetary expectations were met. There was no staff turnover during the year. The company took section heads for refresher training during the period under review. This has really improved staff morale and performance levels. The company fully complied with statutory requirements, both financial and legal. This excites as the company faces no risk of invalid business operations.

The year was generally a success despite the adverse effects of prolonged drought.

Comparison of the company profitability is as tabulated below;

FY	Profit/Loss (Ksh)
2022-2023	(714,854)
2023-2024	(950,297)
2024-2025	7,311,345

8. Environmental and Sustainability Reporting

Isiolo water & sewerage Company Ltd (IWASCO) exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability

i) Sustainability strategy and profile –

The company has made deliberate efforts to increase production, reduce non-revenue water, increase sewer service lines, extend water services and employ latest technologies in service delivery to better its performance and sustain delivery of reliable services. Despite adverse climatic changes and exploding population, IWASCO has served its clients to satisfaction.

ii) Environmental performance

IWASCO employs environmentally sustainable approaches in its service delivery. The company has responded to all bursts, be it sewer or water in the shortest time possible to check on the degradation of its business environment. The discharge from its waste water treatment plant meets the required standards. The company has participated in tree planting activities to protect the catchment areas. Environmental management and coordination act, 1999, world health organization standards and water services regulatory Board (WASREB) standards guide the company in its environmental performance

iii) Employee welfare

Company employees are its greatest asset. IWASCO has a good human resource management policy. The policy clearly guides the company on hiring, training, developing, disciplining and rewarding of staffs. It advocates for gender parity in engagement of employees. The policy has best flexibility where, all stakeholders have equal stake in its reviews and improvements.

iv) Market place practices-

Environment and sustainability Reporting (continued)

a) Responsible competition practice.

IWASCO handles its clients, suppliers and competitors with utmost care. It operates an anticorruption policy. The price of services is regulated to ensure affordability. The clients enjoy best of services and products of highest quality at the most affordable price

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

b) Responsible Supply chain and supplier relations

The company meets its obligations as they fall due without fail. The company suppliers enjoy prompt payments for goods delivered as enforced through the company's financial manual.

c) Responsible marketing and advertisement

As a monopoly within its jurisdiction, the company faces zero competition. Its marketing is run inform of public information to the clients on radio shows, public fora, client clinics and bulk SMSs.

d) Product stewardship

Kenya bureau of standards, WHO standards and the regulator's consumer engagement guidelines suffice in ensuring that the company gives the clients best of products.

v) *Corporate Social Responsibility / Community Engagements*

Isiolo Water and Sewerage Company is committed to the standard of world class corporate governance practice as set by Regulatory Authority and in accordance with international best practice.

The Board of Directors is responsible for the long-term strategic direction that will ensure the profitable growth of the company whilst being accountable to the stakeholders for legal compliance and maintenance of the highest corporate governance standards and business ethics. The Board formulates policies and strategies that enhance transparency and accountability and seek to conform to set guidelines on Corporate Governance practices provided by the Regulator. The company operates under a wide regulatory and legal control and supervisory framework.

The Board of Directors, duly cognizant of its role in safeguarding stakeholders' interests and ensuring a clean, safe and affordable drinking water for Isiolo residents and it's environ, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability as part of the company's continuing and operations.

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

9. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Isiolo water & Sewerage Co. Ltd's affairs.

i) Principal activities

The principal activity of the Company is provision of water and sewerage services within Isiolo Town and its environs

ii) Results

The results of the entity for the year ended June 30, 2025 are set out on page 1-4. Below is summary of the profit or loss made during the year;

Income (Kshs.)	Expenses (Kshs)	Profit/Loss (Kshs)
111,869,128	104,557,783	7,311,345

iii) Dividends

There is no dividend recommended for pay out. Under water act 2016, this is a non-profit, public service delivery entity.

iv) Directors

The members of the Board of Directors who served during the year are shown on page vii & viii

v) Auditors

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

By Order of the Board

Name: AbdullahiSora
Secretary to the Board

Signature:



Date:

21/8/2025

10. Statement of Directors' Responsibilities

Section 81 of the public finance management act, 2012 and section 164 of the water act 2016, require the directors to prepare financial statements in respect of isiolo water and sewerage co.ltd, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of company for the period. The directors are also required to ensure that Isiolo water and sewerage co.ltd keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The directors are also responsible for safe guarding the assets of the company. The directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on 30th June 2025. These responsibilities include:

1. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
2. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
3. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatements, whether due to error or fraud.
4. Safeguarding the assets of the company.
5. Selecting and applying appropriate accounting policies
6. Making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with international financial reporting standards (IFRS),and in the manner required by the PFM act and the state corporations act.

The directors are of the opinion that the company's financial statements give a true and fair view 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 for the company which have been

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

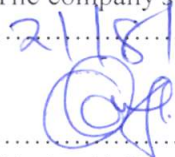
Statement of Director's responsibilities (continued)

relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the board on
21/1/2025 and signed on its behalf by;


.....
Wachu Abdi
Chairperson of the Board


.....
Abdullahi Sora
Managing Director

REPUBLIC OF KENYA

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that 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 aim to address the Auditor-General's statutory roles and responsibilities 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

Opinion

I have audited the accompanying financial statements of Isiolo Water and Sewerage Company Limited set out on pages 1 to 42, which comprise of the statement of financial

Report of the Auditor-General on Isiolo Water and Sewerage Company Limited for the year ended 30 June, 2025

position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in net 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, the financial statements present fairly, in all material respects, the financial position of Isiolo Water and Sewerage Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Isiolo Water and Sewerage Company Limited 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted revenue of Kshs.110,580,000 and actual revenue of Kshs.111,541,878, resulting in an over-performance by Kshs.961,878. Similarly, the company incurred expenditures amounting to Kshs.104,557,783 against actual revenue of Kshs.111,541,878, resulting in an under absorption of Kshs.6,984,096 or 7% of the actual receipts.

In the circumstances, the under absorption may have affected the implementation of planned activities, potentially impacting service delivery to the Isiolo residents.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year's Matters

In the prior year's audit reports, several issues were raised under the Report on 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 matters remained unresolved;

1. Non-Revenue Water.
2. Budgetary Control and Performance.
3. Non – compliance with Fiscal responsibility on Wage bill.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Fiscal Responsibility Principle on Wage Bill

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements disclose staff costs amounting to Kshs.57,885,762, representing 52% of the total revenue of Kshs.111,541,878. This exceeds the 35% limit prescribed under Regulation 25(1)(b) of the Public Finance Management (County Governments) Regulations, 2015, which requires that County Government expenditure on wages and

benefits for public officers should not exceed 35% of the total revenue and provisions of WASREB Corporate Governance Standards for the Water Services Sector, 2024, which require that personnel costs remain within nationally established benchmarks as a share of operations and maintenance expenses to ensure financial sustainability.

In the circumstance, Management was in breach of law

2. Non-Prioritization of Debt Service Payments

The statement of financial position and Note 26 to the financial statements disclose trade and other payables balance of Kshs.3,495,173. However, review of the payables revealed that the Company did not prioritize the settlement of these obligations as a first charge on its budget, contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015, which requires that debt service payments be treated as a first charge to prevent default on debt obligations.

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

3. Non-Revenue Water

The statement of profit or loss and Note 6 to the financial statements disclose operating revenue balance of Kshs.105,671,318. It was noted that the company produced 2,215,827 m³ of water during the year under review, out of which only 1,585,888 m³ was billed to customers. The remaining 629,939 m³, representing approximately 28% of total production, constitutes Non-Revenue Water (NRW) valued at approximately Kshs.40,946,035, which is above the allowable loss of 25% stipulated by the Water Services Regulatory Board guidelines.

In the circumstances, Management was in breach of Water Service Regulatory Board guidelines.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on page xviii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 37 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 Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 December, 2025

Isiolo Water & Sewerage Company Ltd.
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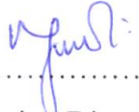
12. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.

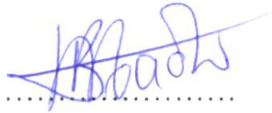
	Note	2024, 2025	2023, 2024
		Kshs	Kshs
REVENUE			
Operating Revenue	6	105,671,318	105,014,161
Other Income	8	5,822,110	22,206
Finance Income	9	48,450	5,380,861
TOTAL REVENUE		111,541,878	110,417,228
EXPENSES			
Staff costs	10	57,885,762	56,704,043
General and operation expenses	11	25,088,856	6,619,267
Board Expenses	12	75,600	1,006,300
Maintenance Expenses	13	17,045,188	41,641,333
Depreciation and Amortization Expenses	14	4,244,598	5,267,240
Finance Costs	15	217,779	120,842
TOTAL EXPENSES		104,557,783	111,359,025
PROFIT/(LOSS) BEFORE TAXATION		6,984,095	(941,797)
INCOME TAX EXPENSE/(CREDIT)	16	-	-
PROFIT/(LOSS) AFTER TAXATION		6,984,095	(941,797)
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation			
Fair value gain/(loss) on investments in equity instruments	17	327,250	(8,500)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,311,345	(950,297)


13. Statement of Financial Position as at 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	18	33,737,716	36,536,234
Quoted investments	17	1,062,500	735,250
Total Non-Current Assets		34,800,216	37,271,484
Current Assets			
Inventories	19	2,230,109	2,295,825
Receivables and prepayments	20	10,785,370	16,646,521
Bank and cash balances	21	27,563,884	11,594,052
Total Current Assets		40,579,363	30,536,398
Total Assets		75,379,579	67,807,882
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary Share capital	22	100,000	100,000
Capital/Development Fund	33	67,279,939	67,607,189
Retained Earnings		(8,375,784)	(15,687,129)
Capital and Reserves		59,004,155	52,020,060
Total Non-Current Liabilities			
Current Liabilities			
Refundable Deposits	27	12,880,251	12,092,751
Trade and other payables	26	3,495,173	3,695,071
Total Current Liabilities		16,375,424	15,787,822
TOTAL EQUITY AND LIABILITIES		75,379,579	67,807,882

The financial statements were approved by the Board on 21/8/2025 2025 and signed on its behalf by:


.....
Managing Director
Abdullahi Sora


.....
Head of Finance
Nura Bonaya


.....
Chairman of the Board
Wachu Abdi

151010 water & sewerage Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

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

	Notes	Ordinary Share capital	Capital Development fund	Revenue Reserve	Total
As at July 1, 2023		100,000	66,269,647	(14,736,832)	51,632,815
Revaluation gain		-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-
Profit for the year		-	-	(950,297)	(950,297)
Capital/Development grants received during the year		-	1,337,542	-	1,337,542
Amortisation of grant reserve		-	-	-	-
At June 30, 2024		100,000	67,607,189	(15,687,129)	52,020,060
As at July 1, 2024		100,000	67,607,189	(15,687,129)	52,020,060
Revaluation gain		-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-
Profit for the year		-	-	7,311,345	7,311,345
Capital/Development grants received during the year		-	-	-	-
Amortisation of grant reserve		-	(327,250)	-	(327,250)
At June 30, 2025		100,000	67,279,939	(8,375,784)	59,004,155

Isiolo Water & Sewerage Company Ltd
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15. Statement of Cash Flows for the Year Ended 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		111,071,037	97,029,537
Grants Income		0	0
Finance Income		48,450	22,206
Other Income		5,822,110	5,380,861
Customer Deposits		787,500	830,000
Total Receipts		117,729,097	103,262,604
Payments			
Staff costs		(57,885,762)	(56,704,043)
General and Operation Expenses		(25,088,856)	(6,619,267)
Board Expenses		(75,600)	(1,006,300)
Maintenance Expenses		(17,045,188)	(41,641,333)
Finance Costs		(217,779)	(120,842)
Refund of customer Deposits		(0)	(0)
Total payments		(100,313,185)	(106,091,785)
Net cash from/(used in) operating activities		17,415,912	(2,829,181)
Cash flows from investing activities			
Purchase of property, plant and equipment(PPE)		(1,446,080)	(2,448,904)
Proceeds from Disposal of PPE		0	0
Purchase of intangible assets		0	0
Purchase of investment property		0	0
Purchase of quoted investment		0	0
Proceeds from Disposal of quoted investment		0	0
Net cash flows from/(used in) investing activities		(1,446,080)	(2,448,904)
Cash flows from financing activities			

Isiolo Water & Sewerage Company Ltd
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Proceeds from issue of New share capital		0	0
Proceeds from borrowings		0	0
Repayment of borrowings		0	0
Dividends paid		0	0
Net cash flows from/(used in) financing activities		0	0
Increase/(Decrease) in cash and cash equivalent		15,969,832	(5,278,085)
Cash and cash equivalents at 1/7/2024		11,594,052	16,872,137
Cash and cash equivalents as at 30/6/2025		27,563,884	11,594,052

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16. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30
June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= e-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Sale of water	79,000,000	-	79,000,000	79,618,810	(618,810)	100%
Sale of sewer	25,500,000	-	25,500,000	26,052,508	(552,508)	102%
Other income						
Meter Rent	3,000,000	-	3,000,000	3,063,310	(63,310)	102%
Exhauster Hire	10,000	-	10,000	0	10,000	0%
Investment income	50,000	-	50,000	48,450	1,550	97%
Water Boozer	20,000	-	20,000	19,000	1,000	95%
Owner's Request	5,000	-	5,000	0	5,000	0%
Meter testing fee	15,000	-	15,000	17,000	(2,000)	113%
Sewer connection fee	70,000	-	70,000	75,000	(5,000)	107%
Compressor Hire	5,000	-	5,000	0	5,000	0%
Sewer unblocking fee	5,000	-	5,000	0	5,000	0%
Other miscellaneous income	2,600,000	-	2,600,000	2,647,800	(47,800)	102%
Gain on investment	300,000	-	300,000	327,250	(27,250)	109%
Grant from county/National Govt	0	-	0	0	-	-
Total income	110,580,000		110,580,000	111,541,878	(961,878)	100.9%
Expenses						
Administration						
Salaries & allowances	34,500,000	-	34,500,000	34,442,114	57,886	100%
Staff welfare	1,600,000	-	1,600,000	1,594,420	5,580	100%
Office supplies	900,00	-	900,000	864,957	35,043	96%
Training	100,000	-	100,000	83,700	16,300	84%
Telephone & Email	600,000	-	600,000	548,650	51,350	91%
Professional fees	300,000	-	300,000	299,000	1,000	100%

Isiolo Water & Sewerage Company Ltd
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Travelling & subsistence	1,000,000	-	1,000,000	954,800	45,200	95%
Board expenses	80,000	-	80,000	75,600	4,400	95%
Casual wages	5,000,000	-	5,000,000	4,983,748	16,252	100%
Postage & Delivery	20,000	-	20,000	17,726	2,274	89%
Leave Allowances	600,000	-	600,000	597,500	2,500	100%
Advertisement, Printing & Reproduction	400,000	-	400,000	353,954	46,046	89%
Social Responsibility	10,000	-	10,000	0	10,000	0%
Stationery	200,000	-	200,000	181,300	18,700	81%
Sewer line maintenance	1,550,000	-	1,550,000	1,528,920	21,080	100%
NSSF	3,200,000	-	3,200,000	3,105,969	94,031	97%
Pension	11,800,000	-	11,800,000	11,633,635	166,365	99%
Gratuity	1,600,000	-	1,600,000	1,528,376	71,624	96%
Bank Charges	250,000	-	250,000	217,779	32,221	88%
Total Administration Expenses	63,710,000		63,710,000	63,012,148	607,852	99%
Operation, Maintenance & Distribution Expenses						
Capacity building	500,000	-	500,000	401,880	98,120	81%
Chemicals	6,800,000	-	6,800,000	6,533,706	266,294	96%
Laboratory Chemicals	50,000	-	50,000	0	50,000	0%
License & Permits	100,000	-	100,000	70,000	30,000	70%
Regulatory fees	600,000	-	600,000	500,000	100,000	84%
Water abstraction levy	50,000	-	50,000	0	50,000	0%
Subscriptions	50,000	-	50,000	20,000	30,000	40%
Motor vehicle running Expenses	9,000,000	-	9,000,000	8,609,687	390,313	96%
Motor vehicle Insurance	500,000	-	500,000	419,558	80,442	84%

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Pipes & Fittings	9,910,000	-	9,910,000	7,140,453	2,769,547	73%
Production costs	10,000	-	10,000	0	10,000	0%
Repairs	1,500,000	-	1,500,000	1,295,048	204,952	87%
Electricity	12,000,000	-	12,000,000	11,518,345	481,655	96%
Depreciation	5,000,000	-	5,000,000	4,244,598	755,402	85%
Billing	800,000	-	800,000	792,360	7,640	100%
Total O&M & Distribution Expenses	46,870,000		46,870,000	41,545,635	5,324,365	89%
Total expenditure	110,580,000		110,580,000	104,557,783	6,022,217	95%
Surplus for the period						

17. Notes to the Financial Statements

1. General Information

Isiolo water & sewerage Co.Ltd is established by and derives its authority and accountability from Company's Act cap 486. The entity is wholly owned by the Isiolo County Government and is domiciled in Kenya.

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 entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

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

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

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

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

Title	Description	Effective Date
	<p>to changes in basic lending risks and costs; and</p> <p>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.</p>	

iv. 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	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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Title	Description	Effective Date
	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	

(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).

v. Early adoption of standards

Isiolo water & Sewerage Company Ltd did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are recognised 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 recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant 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 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.

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.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line 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:

Buildings	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and printers	30%
Office furniture and fittings	12.5%
Sewer Extension	12.5%
Water Extension	12.5%
Tools and equipment	12.5%
Water meters and equipment	12.5%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

f) Amortisation and impairment of intangible assets

Amortisation 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 recognised so that the asset is written down immediately 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 on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs 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. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

m) Trade and other receivables

Trade and other receivables are recognised at fair values 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.

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity 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 statement of financial performance.

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 Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charge 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 capitalised as part of the cost of the project.

s) Trade and other payables

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

t) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2007. 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.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The entity'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 financial performance, 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.

x) Service concession arrangements

The Entity 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

y) Comparative figures

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

z) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity 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 Entity. 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 from disposal:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 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. (include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

Notes to the financial statements (continues)

6. Operating Revenue

	2024-2025	2023-2024
Water sales		
July	6,835,092	6,628,893
August	6,680,260	6,657,090
September	6,580,950	6,671,433
October	6,698,425	6,666,668
November	6,670,420	6,625,800
December	6,125,680	6,643,649
January	6,709,648	6,664,610
February	6,785,920	6,663,514
March	6,690,535	6,653,347
April	6,590,380	6,689,886
May	6,600,520	6,699,053
June	6,650,980	6,652,425
Sub-total	79,618,810	79,916,368
Sewer Sales		
July	2,145,980	2,040,849
August	2,180,125	2,151,210
September	2,120,645	2,127,382
October	2,050,050	2,054,672
November	2,008,952	2,168,709
December	2,158,900	2,008,762
January	2,260,586	2,060,712
February	2,195,820	2,067,900
March	2,189,560	2,100,460
April	2,300,650	1,979,466
May	2,250,680	2,005,789
June	2,190,560	2,331,882
Sub-total	26,052,508	25,097,793
Total	105,671,318	105,014,161

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7. Grants Income

	2024-2025	2023-2024
Capital grants amortised	-	-
Operational grant from Unicef	-	8,243,052
Total	-	8,243,052

8. Other Income

Description	2024-2025	2023-2024
Meter Rent	3,063,310	2,759,305
Water Boozer	19,000	109,000
Meter testing fees	17,000	17,000
Sewer connection fees	75,000	102,500
Exhauster Hire	0	54,000
Compressor Hire	0	0
Sewer unblocking Fees	0	0
Other miscellaneous receipts	2,647,800	2,339,056
Total	5,822,110	5,380,861

Notes to the Financial Statements (Continued)

9. Finance Income

Description	2024-2025	2023-2024
Dividends	48,450	22,206
Total	48,450	22,206

10. Staff Costs

Description	2024-2025	2023-2024
		Kshs
Gross Salaries and allowances	34,442,114	34,880,944
Casual Workers' Wages	4,983,748	4,490,035
NSSF	3,105,969	1,084,465
Pension	11,633,635	13,434,360
Leave pay	597,500	469,500
Gratuity	1,528,376	1,419,899
Staff welfare	1,594,420	924,840
Total	57,885,762	56,704,043

Notes to the Financial Statements (Continued)

11. General and Operations Expenses

Description	2024-2025	2023-2024
Office supplies	864,957	1,560,299
Training	83,700	38,000
Telephone & Email	548,650	618,698
Professional Fees	299,000	336,800
Travelling & subsistence	954,800	1,328,450
Postage & courier	17,726	28,661
Advertising, printing & Reproduction	353,954	479,960
Social Responsibility	0	10,000
Stationeries	181,300	261,319
Sewerline maintenance	1,528,920	1,957,080
Capacity building & Meetings	401,880	0
Chemicals	6,533,706	0
License & permits	70,000	0
Regulatory Fees	500,000	0
subscriptions	20,000	0
Motor vehicle Insurance	419,558	0
Electricity	11,518,345	0
Billing	792,360	0
Total	25,088,856	6,619,267

Notes to the Financial Statements (Continued)

12. Board Expenses

Description	2024-2025	2023-2024
		Kshs
Honoraria	75,600	223,300
Directors' Allowances	0	318,000
Directors' Training	0	465,000
Other miscellaneous Expenses	0	
Total	75,600	1,006,300

13. Maintenance Expenses

Description	2024-2025	2023-2024
Capacity building & meetings	0	249,342
Chemicals	0	6,905,510
Lab chemicals	0	134,558
License & permits	0	800,059
Regulatory Fees	0	0
Water Abstraction Levy	0	272,840
Subscriptions	0	130,000
Motor Vehicle running expenses	8,609,687	9,983,906
Motor vehicle insurance	0	110,077
Pipes & fittings	7,140,453	10,553,558
Production cost	0	48,300
Repairs	1,295,048	1,069,494
Electricity	0	10,334,587
Billing	0	1,049,102
Total	17,045,188	41,641,333

Notes to the Financial Statements (Continued)

14. Depreciation and Amortization Expenses

Description	2024-2025	2023-2024
		Kshs
Depreciation	4,244,598	5,267,240
Total	4,244,598	5,267,240

15. Finance Costs

Description	2024-2025	2023-2024
		Kshs
Bank Charges	217,779	120,842
Total	217,779	120,842

16. Income Tax Expense/(Credit)

Current taxation

	2024-2025	2023-2024
		Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Total	-	-

17. Quoted Investment

	2024-2025	2023-2024
	Kshs	Kshs
Opening valuation	735,250	743,750
Fair value gains/(losses)	327,250	(8,500)
Closing valuation	1,062,500	735,250

Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

2024-2025	Computers & Printers	Plant Improvement	Motor Vehicle	Sewer Extensions	Water Extensions	Water Meters & Equipment	Building	Fuels & Equipment	Office Furniture & Fittings	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
COST/VALUATION										
At 1 July 2024	4,902,005	1,733,972	7,445,642	7,122,736	28,348,444	17,559,916	8,181,472	2,013,699	1,400,066	78,707,952
Additions	102,080	-	-	-	-	1,344,000	-	-	-	1,446,080
On Disposal	-	-	-	-	-	-	-	-	-	-
As At 30 June 2025	5,004,085	1,733,972	7,445,642	7,122,736	28,348,444	18,903,916	8,181,472	2,013,699	1,400,066	80,154,032
DEPRECIATION										
At 1 July 2024	4,585,813	1,542,505	7,250,345	6,280,556	7,914,871	9,711,165	2,173,463	1,675,179	1,037,821	42,171,718
On disposal	-	-	-	-	-	-	-	-	-	-
Charge for the year	125,482	23,933	48,824	105,273	2,554,197	1,149,094	150,200	42,315	45,280	4,244,598
At 30 June 2025	4,711,295	1,566,438	7,299,169	6,385,829	10,469,068	10,860,259	2,323,663	1,717,494	1,083,101	46,416,316
NET BOOK VALUE										
At 30 June 2025	292,790	167,534	146,473	736,907	17,879,376	8,043,657	5,857,809	296,205	316,965	33,737,716

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2023-2024	Computers & Printers	Plant Improvements	Motor Vehicle	Sewer Extensions	Water Extensions	Water Meters & Equipment	Building	Tools & Equipment	Office Furniture & Fixings	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
COST/VALUATION										
At 1 July 2023	4,902,005	1,733,972	7,445,642	7,122,736	27,266,540	16,216,916	8,181,472	2,013,699	1,376,066	76,259,048
Additions	-	-	-	-	1,081,904	1,343,000	-	-	24,000	2,448,904
On Disposal	-	-	-	-	-	-	-	-	-	-
As At 30 June 2024	4,902,005	1,733,972	7,445,642	7,122,736	28,348,444	17,559,916	8,181,472	2,013,699	1,400,066	78,707,952
DEPRECIATION										
At 1 July 2023	4,450,303	1,515,153	7,185,245	6,160,244	4,371,315	8,589,915	2,019,411	1,626,819	986,072	36,904,476
On disposal	-	-	-	-	-	-	-	-	-	-
Charge for the year	135,510	27,352	65,100	120,312	3,543,556	1,121,250	154,052	48,360	51,749	5,267,241
At 30 June 2024	4,585,813	1,542,505	7,250,345	6,280,556	7,914,871	9,711,165	2,173,463	1,675,179	1,037,821	42,171,718
NET BOOK VALUE										
At 30 June 2024	316,192	191,467	195,297	842,180	20,433,573	7,848,751	6,008,009	338,520	362,245	36,536,234

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Notes to the Financial Statements (Continued)

19. Inventories

	2024-2025	2023-2024
	Kshs	Kshs
Chemicals & Lab items	1,217,766	1,358,322
Water Fittings & Accessories	1,012,343	937,503
Total	2,230,109	2,295,825

20. Trade and Other Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Trade receivables	10,095,933	15,813,641
Employee Advances	511,500	466,500
VAT recoverable	-	-
Other	177,937	177,937
Insurance prepayments	0	188,443
Net trade and other receivables	10,785,370	16,646,521

21. Bank and Cash Balances

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	27,560,097	11,590,215
Cash in hand	3,787	3,837
	27,563,884	11,594,052

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Notes to the financial Statements (Continued)

22. Ordinary Share Capital

	2024-2025	2023-2024
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of KShs.20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of KShs.20 par value each	100,000	100,000

Notes to the Financial Statements (Continued)

23. 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.

24. 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.

25. Retained Earnings

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Trade and Other Payables

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	8,078	8,078
Audit fees	837,900	837,900
Withholding tax control	594,428	794,326
Other payables & accruals	1,459,246	1,459,246
Vat Control	(101,819)	(101,819)
Income Tax	697,340	697,340
Total	3,495,173	3,695,071

27. Refundable Deposits

	2024-2025	2023-2024
	Kshs	Kshs
1/7/2024	12,092,751	11,262,751
Additions in the year	787,500	830,000
Total	12,880,251	12,092,751

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Related Party Disclosures

County Government of Isiolo

The County Government of Isiolo is the principal shareholder of the company, holding 100% of the company's equity interest.

Other related parties include:

- i) Key management
- ii) Board of Directors

Transactions with related parties

	2024-2025	2023-2024
	Kshs	Kshs
a) Key management compensation		
i) Compensation to the MD	2,246,000	2,246,000
ii) Compensation to the management	3,948,000	3,948,000
Total	6,194,000	6,194,000

29. Financial Risk Management

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

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 Finance Department 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 entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity 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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk (Continued)

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

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

b) Interest rate risk

Interest rate risk is the risk that the entity'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 mainly 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.

30. Incorporation

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

31. Events After The Reporting Period

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

32. Currency

The financial statements are presented in Kenya Shillings (Kshs).

**NOTES TO THE FINANCIAL
STATEMENTS (Continued)**

**33. CAPITAL/DEVELOPMENT
FUND**

Particulars	Balance at 1/7/2024	Grants received in the year	Usage	Balance at 30/6/2025
	Kshs.	Kshs.	Kshs.	Kshs.
Water infrastructure inherited from local government	51,370,976	-	-	51,370,976
Sewer infrastructure inherited from local government	6,751,445	-	-	6,751,445
Chemicals	9,484,768	-	(327,250)	9,157,518
Total	67,607,189	-	(327,250)	67,279,939

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34. APPENDICES

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Budget control and performance	The company endeavors to meet 100% performance	Resolved	
2.0	High unaccounted for water	The company will work in reducing the lost volumes to the acceptable levels	Resolved	Continuous
3.0	Non-compliance with fiscal responsibility on wage bill	The company will work to increase its revenue base .	Resolved	

Signature:



Date:

21/8/2025

APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

There were two water projects implemented by the company

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1.Kiwanjani water project	08W/ISI OLO/ISIO LO/38	Water sector Trust Fund	2022/2023		Yes	Yes
2. Hospital Borehole project	MOU	Gatsby Africa	2022/2023		Yes	Yes