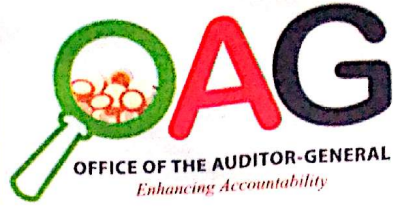


REPUBLIC OF KENYA



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REPORT

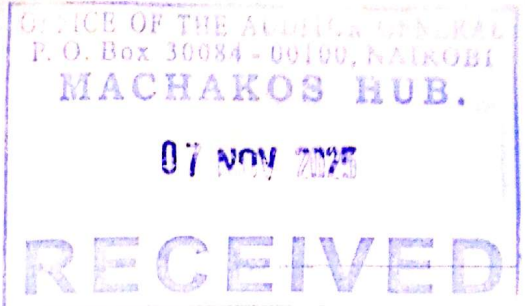
OF

THE AUDITOR-GENERAL

ON

**KIAMBERE MWINGI WATER
AND SANITATION COMPANY LIMITED**

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



**KIAMBERE MWINGI WATER AND SANITATION COMPANY
LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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1. Acronyms and Glossary of Terms

A. Acronyms

KIMWASCO	Kiambere Mwingi Water & Sanitation Company
CGoK	County Government of Kitui
TAWWDA	Tanathi Water Works Development Agency
WASREB	Water Services Regulatory Board
WRA	Water Resources Authority
WSTF	Water Sector Trust Fund
TARDA	Tana & Athi Rivers Development Authority
WASPA	Water Service Providers' Association
NRW	Non Revenue Water
O & M	Operations and maintenance
M & E	Monitoring and Evaluation
MD	Managing Director
PFM	Public Finance Management
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
PSASB	Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
Kshs.	Kenya Shillings
WIP	Work In Progress
B. P.	Business Plan
S. P.	Strategic Plan
KIWASH	Kenya Integrated Water, Sanitation & Hygiene Project
D. T. F.	Decentralized Treatment Facility
IAS	International Accounting Standards
NT	National Treasury
PFMA	Public Finance Management Act

B. Definition of Key Terms

Comparative Year	Means the prior period.
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2. Key Entity Information

Background information

The Kiambere Mwingi Water & Sanitation Company Limited was established by the Companies Act CAP 486 laws of Kenya on May 2009. The company is represented by the Kitui County CECM responsible for Agriculture, Water & Irrigation who together with the board of Directors are responsible for the general policy and strategic direction of the Company.

The Kiambere Mwingi Water & Sanitation Company Limited is domiciled in Kenya, Kitui County, Mwingi Sub County and has satellite offices in Kyuso and Migwani markets. Its water production plant is situated at Kiambere Dam.

Principal Activities

The principal activities of the company are to supply and distribute potable water and provide basic sanitation within the Larger Mwingi region of Kitui County. Its Vision, Mission and Core values are as follows: -

VISION:

- ☐ A model water and sanitation services provider.

MISSION:

- ☐ To improve the wellbeing and quality of life of our stakeholders through effective provision of quality reliable and affordable water and sanitation services.

CORE VALUES:

- ☐ Professionalism
- ☐ Respect
- ☐ Integrity
- ☐ Dedication
- ☐ Excellence

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Directors

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

	NAME	POSITION	APPOINTED ON	RETIRED ON
1.	Ms. Irene M. Mati	Chairperson - (Former BOD)	13/09/2021	12/09/2024
2.	Brig (Rtd) David M. Kambuni	Member - (Former BOD)	13/09/2021	12/09/2024
3.	Ms. Angela R. Musyoka	Member – (Current BOD)	13/09/2021	-
4.	Mr. Anthony Naunga	Member (Alternate to CO Finance) - (Former BOD)	13/09/2021	12/09/2024
5.	Mr. Philip Nzula	Member (Alternate to CO Water) - (Former BOD)	13/09/2021	12/09/2024
6.	Mr. Mutemi Mbinga	Chairperson - (Current BOD)	21/03/2025	-
7.	Mr. Benjamin Mukulo	Member – (Current BOD)	21/03/2025	-
8.	Ms. Gladys Mwendwa	Member – (Current BOD)	21/03/2025	-
9.	Ms. Dinah Wambua	Member – (Current BOD)	21/03/2025	-
10.	Mr. John Makau	Member (CO Finance) - (Current BOD)	21/03/2025	-
11.	Mr. Nathan Vungo	Member (CO Water) - (Current BOD)	21/03/2025	-

Company Secretary

The company has no Corporate Secretary.

Registered Office

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 656 - 90400
Mwingi, Kenya

Corporate Headquarters

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 656 - 90400
Mwingi, Kenya

Corporate Contacts

Telephone: 0717 032 223 / 0782 541 997
E-mail: kimwasco@gmail.com
Website: www.kimwasco.co.ke

Corporate Bankers

1. Equity Bank,
P. O. Box 75104-00200, Mwingi Branch
2. Co-operative Bank
P.O. Box 48231 – 00100, Mwingi Branch
3. Kenya commercial bank
48400 – 00100, Mwingi Branch
4. Safaricom M-pesa Paybill/Till
P.O. Box 66827-00800, Nairobi

Independent Auditor

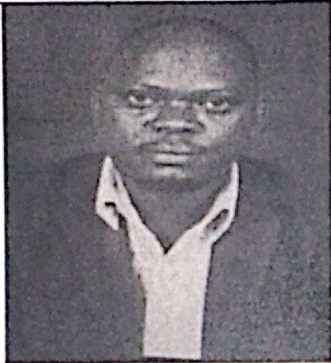
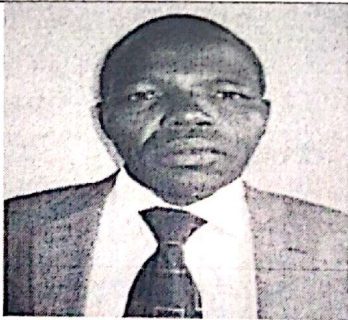
Auditor General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 GPO 00100
Nairobi, Kenya

Principal Legal Adviser

1. The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
2. Miller & Company Advocates, Commissioners for Oaths & Notaries public
13th Floor, Bruce House, Standard Street,
P. O. Box 45707 – 00100, Nairobi, Kenya.
Tel: 020 2248461 / 020 2248467
Email: info@milleradvocates.com

3. The Board of Directors

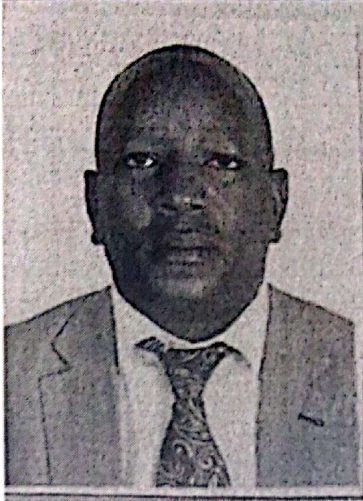
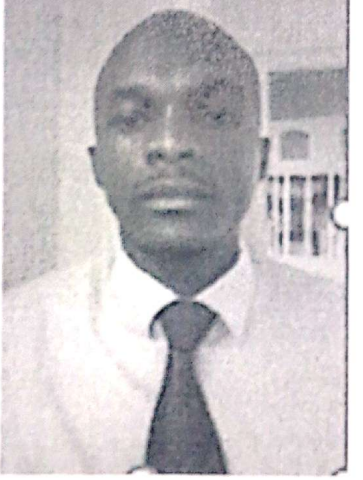
	Name	Photo	Date of birth, key qualifications & experience
1.	Ms. Irene Martha Mati, ESK Former - Chair lady		D.O.B – 11 December 1963, Masters in Economic Policy Management – Makerere University. Bachelors Economics and Business Studies (Honours) – Kenyatta University. PHD Development Studies – (On Going) – J.K.U.A.T. Experienced Financial Analyst, Strategic Planner and Economist in a wide field. Work experience includes; Managing Director – Africa Research and Development Consultancy. Lecturer – University of Nairobi, Catholic University of Eastern Africa and Kenya Technical Teachers College.
2.	Brig. (Rtd) David Kambuni Former - Board Director		Born on 23/09/1955. Has a Diploma in International Studies and extensive training in the Military and Armed Forces from 1979. He has served in various Senior Military positions from 1979 to 2010.

3.	Ms. Angela Rhoda Musyoka Board Director		Born on 14/4/1973. Has a Bachelor of Commerce (Finance), Diploma in Accountancy and Currently pursuing CPA advanced level. She is currently serving as the Executive Director for the Center for Human Rights and Civic Education (CHRCE). She also served as a Finance officer/Administrator for the CHRCE and other organizations from 1988.
4.	Mr. Anthony Naunga Former - Alternate Board Director		Born on 7/12/1967. Has a Bachelor of Arts in Economics & Sociology. He has served in administration as a County Clerk, currently working as a Director – Administration in the County Government of Kitui with experience of over 22 years.
5.	Mr. Philip Nzula Former - Alternate Board Director		Born on 30/12/1974. Has Bachelor of Science Soil, Water and Environmental Engineering with over 14 years of experience in water and administration.
6.	Mr. Paul Kinuba Former - Managing Director		Born on 06/11/1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Progressive work experience of over 20 years in various technical and managerial positions.

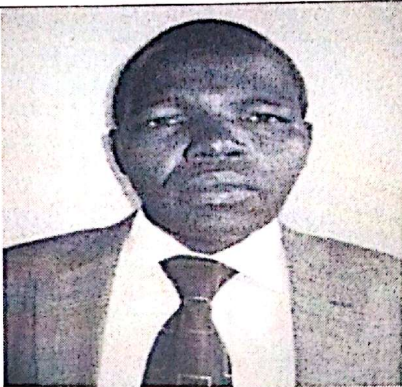
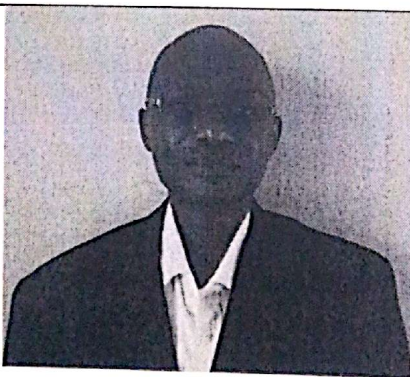
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7.	Eng. Mutemi Mbinga – Current BOD Chair		Born in 1957. Has BSc. in Civil Engineering from UON and Diploma in Water Engineering. He has 32 years of experience serving in different capacities at Garissa District Water Office and Athi Water Works Development Agency-2017
8.	Mr. Benjamin Mukulo - Board Director		Born in 01/01/1963. Has MSc. Physics from JKUAT and Bachelor of Education from Kenyatta University. He has 33 years experience serving in various positions at the National and County Government of Kitui.
9.	Ms. Gladys Mwendwa - Board Director		Born in 01/01/1990. Has Bachelor's degree environmental planning and management from Kenyatta University with a 5 years experience.
10.	Ms. Dinah Wambua - Board Director		Born in 31/01/1972. Has a Bachelor of Arts in Anthropology from University of Nairobi. She has 27 years of experience and is currently working with Action Aid.

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11.	CPA John Makau - Board Director		Born in 05/12/1977. Has MSc. Finance and Investment, Bachelor of Commerce and CPAK. Has served in various Financial positions and is currently the Chief Officer - Finance, Revenue Management and Accounting at the County Government of Kitui.
12.	CPA Nathan Vungo - Board Director		Born in 28/05/1981. Holds an MBA and Bachelor of Agribusiness Management. He has extensive experience in Finance and Auditing having served in various capacities at CPF, Safaricom, Kitui town administrator and currently Chief Officer – Water department at County Government of Kitui.
13.	CPA Joseph Mwangangi – Ag. Managing Director		Ag. Managing Director Born on 3rd October 1985. He holds MBA Finance and BA Economics both from the University of Nairobi and CPAK. He has 17 years of work experience having served at senior management positions at Simba Colt Motors, Ashok Leyland and Anchor Limited. He is a member of ICPAK and Institute of Internal Auditors.

4. Key Management Team

	Name	Photo	Date of birth, key qualifications & experience
1	Mr. Paul Kinuba – Former Managing Director		Former Managing Director Born on 6 th November 1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Progressive work experience of over 20 years in various technical & managerial responsibilities.
2.	CPA Joseph Mwangangi – Ag. Managing Director		Ag. Managing Director Born on 3 rd October 1985. He holds MBA Finance and BA Economics both from the University of Nairobi and CPAK. He has 17 years of work experience having served at senior management positions at Simba Colt Motors, Ashok Leyland and Anchor Limited. He is a member of ICPAK and Institute of Internal Auditors.
3.	Mr. David Nzuki		Technical Manager Born on 23 August 1981 David M. Nzuki has a Bachelor of Science in Water and Environmental Engineering from Egerton University. He has over ten years post-graduation experience in water supply and has been involved in implementation of water projects in various parts of the country.

4	CPA Agnes Munyoki		Chief Internal Auditor Born on 5th April 1990. Holds a Masters of Science in Finance and Economics from KCA University, Bachelors of Economics and Finance from Kenyatta University and is a member of ICPAK. She has over 10 years' experience of in audit, Finance and management.
5	Ms. Penninah Mutio		Human Resources Officer Born on 5th April 1976. Has a Secretarial Certificate stage 1 and 2, Diploma in Human Resource Management and a Degree in Project planning and management. Has work experience of 12 years as a Secretary and 7 years as Human Resource Officer.

5. Chairman's Statement

The current Board of Kiambere-Mwingi Water and Sanitation Company Limited (KIMWASCO) comprises Seven members, two representing the County Government of Kitui as the principal shareholder, and five representing other stakeholder groups.

KIMWASCO serves the larger Mwingi region, which include; Mwingi West subcounty, Mwingi Central subcounty, and Mwingi North subcounty. At present, the company supplies water to approximately 30% of the population, while 70% rely on alternative sources. The main source of supply is the Kiambere dam which produces about 2,700 m³ of water per day against a current demand of 20,000 m³ per day.

The Kiambere system has surpassed its design life and is increasingly prone to leakages and breakdowns. In addition, operations are costly due to high electricity bills at the Kiambere treatment plant, where pumping is required. To sustain operations, KIMWASCO depends on electricity subsidies from the County Government of Kitui.

To address these challenges, the Board, in collaboration with stakeholders, has prioritized the following interventions:

1. **Reduce operational costs** through installation of solar power at the Kiambere treatment works.
2. **Develop alternative water sources** within our area of service.
3. **Reduce Non-Revenue Water (NRW)** through automation and plot-to-plot combing to identify illegal connections.
4. **Rehabilitate Phase I** of the Kiambere-Mwingi project and implement **Phase II**.
5. **Take over and integrate water projects** developed by development partners.
6. **Improve operational efficiency** through adoption of modern technologies in KIMWASCO operations.

With the successful implementation of these initiatives, KIMWASCO is confident that water service delivery in the Mwingi region will significantly improve.

Signature.....*Mutemi Mbinga*.....

Date.....*6-11-2025*.....

Eng. Mutemi Mbinga
Board Chair

6. Report Of the Managing Director

Kiambere-Mwingi Water & Sanitation Company Limited (KIMWASCO) is mandated to provide potable water and basic sanitation services within the Mwingi region on behalf of the County Government of Kitui. Guided by our strategic themes; Water and Sanitation Infrastructure Development, Operational Efficiency & Customer Satisfaction, Financial Sustainability, Institutional Development & Strengthening, and Effective Corporate Governance the company has developed operational systems over time which have enabled it to fulfill this mandate.

Since its incorporation in May 2009, the company has undergone several transitions arising from key sectoral reforms, including the Water Act 2002, the Constitution of Kenya 2010, and the Water Act 2016. The financial year under review was no exception, with significant institutional and operational changes taking place. During the period, we witnessed changes in the Board of Directors, with the retirement of several members and the induction of a new Board under the leadership of Eng. Mutemi Mbinga as Chairperson. At the management level, key positions were filled before the beginning of the period, while the company's founding Managing Director, who had served since inception, retired.

A notable milestone achieved during this period was the successful procurement and installation of a new water pump for the Kiambere water supply system by the County Government of Kitui. This investment is expected to enhance production and significantly reduce electricity costs onwards. Equally important was the approval and adoption of the full cost recovery tariff, aimed at ensuring the company's commercial sustainability. However, the period was also marked by operational challenges. Water production fluctuated between 6,336 m³/day to 342 m³/day, at times nearing complete shutdown. Despite these difficulties, the company remains on a gradual upward trajectory showing growth both institutionally and financially.

Currently, KIMWASCO has approximately 5,058 customer connections, 147 kiosks, and a storage capacity of 10,520 m³. The company serves an estimated 128,958 people out of the regional population of 380,000 within an area of 10,000 km² and maintains a distribution network of 432 km.

The main challenges inhibiting growth at the desired pace include:

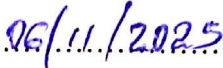
- Insufficient and aging water and sanitation infrastructure,
- High electricity costs, constituting about 35% of O&M expenditure,
- Non-Revenue Water (NRW) at 37%, mainly due to old and dilapidated distribution lines and inaccurate meters.

To address these challenges, the company has prioritized investment in infrastructure, strengthened engagement with the County Government of Kitui and development partners, and implemented initiatives to reduce NRW through the installation of accurate meters and proactive maintenance of the network.

Report of the managing director, Continued....

We particularly acknowledge the invaluable support of the County Government of Kitui in settling electricity bills amounting to Ksh. 16.8 million during the financial year 2024/2025. Continued support of this nature is critical to sustaining service delivery, even as we pursue long-term solutions.

Looking ahead, KIMWASCO aspires to achieve full financial sustainability by developing new water sources, expanding supply and distribution infrastructure, and rehabilitating existing facilities.

Signature.......... Date..........

CPA Mutunga Mwangangi
Ag. Managing Director

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

KIMWASCO has the following 5 strategic themes and objectives. These strategic themes are as follows:

Theme 1: Water and Sewerage infrastructure development

Theme 2: Operational efficiency and customer service

Theme 3: Financial sustainability

Theme 4: Institutional Capacity Strengthening

Theme 5: Corporate governance

KIMWASCO develops its annual work plans based on the above 5 themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The table below shows the Company's performance against its set targets for the Financial Year 2024/2025:

NO.	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
1.	Water and Sewerage infrastructure development	Increased Water Supply Coverage	Kilometres of pipeline done	Replacement of worn-out water supply & distribution pipelines	1.5 km of pipeline sections prone to bursts/leaks replaced
				Extend the main water supply pipelines	20 km of pipeline extensions done
				Extend water distribution net works	4 km of pipeline extensions done in Migwani
			Additional Cubic meters produced	Develop alternative water supply project for Kyuso town	Kyuso RC Project under implementation.
				Develop twelve sump well supply systems	2 sumpwells under implementation by the CGoK
			Additional cubic meters of storage	Repair/replace of existing Storage tanks	2 tanks repaired and 2 new tanks constructed.
			Monthly report on weak pipe sections	Survey the pipe network to identify weak pipe sections for replacement	5 km of weak pipe sections identified
			One 10m3 Exhauster	Acquire 10m3 Exhauster or repair the existing one at the Mwingi Municipal Office	Exhauster in place

Kiambere Mwingi Water and Sanitation Company Ltd
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NO.	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
			One Public Sanitation Facility	Construct PSF at Tseikuru market	PSF in place
2.	Operational efficiency and customer service	Reduce Non-Revenue Water	Non-Revenue water reduced	Install zonal meters	4 zonal meters installed – Areas installed
				Constitute Non – Revenue Water Team	Non-Revenue Management team in place
				Replace old meters and non-functional meters	700 old and non-functional meters replaced
		Undertake water quality surveillance	Water storage tanks cleaned	Clean water storage tanks every quarter	Water storage tanks cleaned biannually
			Water quality tests conducted monthly	Conduct monthly water quality tests	Water quality test undertaken
3.	Financial sustainability	Adopt new technology	All financial systems integrated	Install integrated Financial systems	Billing and Payroll software in place
		Strengthen internal systems	Reviewed Finance and policy manual in place	Review and approval of finance manuals	Finance manual in place and in review process
				Implementation of the manual	Finance manual being implemented
		Increase Current Revenue Base	Increased water connections	Installation of new connections	89 new connections installed
			Increased water Tankering services	Water trucking to customers	Water trucked to customers
			Activated dormant connections	Activating new connections	68 Dormant connections activated
			Activated dormant connections	Activating new connections	Dormant connections activated

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NO.	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
		Improve metering	Automated water dispensing machines installed at water kiosks	Install automated water dispensing machines at kiosks points	Water dispensing machines installed at the market, Seminary, tank site and 3 kiosks at Lundi market
4.	Institutional Capacity Strengthening	Provide adequate operating Assets	Appropriate tools and equipment in place	Procure additional tools & equipment	Additional assorted tools & equipment Procured
		Improve employees' terms & Condition of service	Approve scheme of service in place	Develop a scheme of service	Schemes of Service Developed
		Improve KIMWASCO branding	Approved Company Logo & Active Website	Improve the Company Logo and have it approved	Approved Company Logo in place
		Review & Improve organization culture	Values clearly described & explained	Perform change management activities	Sensitization on positive values done
		Improve HR Structure & systems	Operationalized staff remuneration structure	Update & operationalize Organizational structure	Updated & operationalized Organizational structure in place
5.	Corporate governance	Effective cooperate governance	Amended Memorandum & Articles which is aligned with new legislations	Amend the Memorandum & Articles of Association	Memorandum & Articles of Association Amended
			Board & Management trained on corporate governance	Train Board and Management on corporate governance	Board & Management trained on corporate governance

Kiambere Mwingi Water and Sanitation Company Ltd
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NO.	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
			New Board of Directors recruited	Fill vacant positions of the Board of Directors	New Board recruited through competitive process in line with the Articles and Memorandum of association
		Improve HR Structure & systems	Operationalized staff remuneration structure	Update & operationalize Organizational structure	Updated & operationalized Organizational structure in place
5.	Corporate governance	Effective corporate governance	Amended Memorandum & Articles which is aligned with new legislations	Amend the Memorandum & Articles of Association	Memorandum & Articles of Association Amended
			Board & Management trained on corporate governance	Train Board and Management on corporate governance	Board & Management trained on corporate governance
			New Board of Directors recruited	Fill vacant positions of the Board of Directors	New Board recruited through competitive process in line with the Articles and Memorandum of association

The performance targets have been tied with the performance contracts where each department had agreed strategic plan activities which were to be captured in the departments' performance contracts and implemented in the 2024 – 2025 Financial year.

8. Corporate Governance Statement

i. Board meetings

The Company's Board of Directors are required to hold four (4) full board meetings and four (4) committee meetings as per BOD meeting calendar. However, in the case of any special motions, the Board can call and hold a special meeting.

The Board of Directors held a total of 4 full board meetings during the Financial Year 2024/2025.

ii. Appointment of Directors

The Directors of the Company shall be appointed in line with corporate governance guidelines established by the Regulator from time to time. These will be the representatives of the stakeholder interest groups existing within the service area of the Company identified in consultation with the Principal (County Government of Kitui). According to the national standards prescribing the size of the companies, the maximum number of Directors of KIMWASCO shall be five (5) but this may be increased to a maximum of nine (9) when the company qualifies to join the large company category.

iii. Removal of Directors

A Director shall vacate office if;

- a) He is removed from the office pursuant to Section 185 of the Water Act 2016, or by special resolution by the company in General Meeting.
- b) He ceases to be a director by virtue of Section 184 and 186 of the Water Act 2016
- c) He becomes bankrupt or makes an arrangement of composition with his creditors
- d) He becomes prohibited from being a director by reason of any order under Section 189 of the Water Act 2016
- e) He becomes of unsound mind
- f) He fails without any reasonable cause and without consent of the board to attend three (3) consecutive meetings of the Board and the Board resolves that, he shall cease to be a director
- g) He resigns his office by notice in writing to the company
- h) He or any persons to who has personal ties transacts business with the company
- i) He breaches the Code of Ethics & Conduct
- j) He ceases to be a representative of the stake holder entity that has appointed him/her
- k) He is charged with an offence under the Anti-Corruption and Economic Crimes Act or Water Act 2016
- l) He becomes a director in any other water sector institution

iv. Roles and functions of the Board

- a) Appointing a Managing Director and senior management team through competitive advertising in the national media. Likewise, may revoke any such appointment in accordance with the terms and conditions of employment of the company.
- b) Responsible for implementation of the company's Memorandum and Articles of Association and guide and control the functions of the Company
- c) The Directors may within the PFM Act 2012 and Standards issued in the Water sector, exercise all the powers of the company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the company or any third party.

Corporate Governance Statement (Continued)

- d) Duly comply with the provisions of the Water Act 2016 or any statutory modification thereof for the time being in force
- e) The Directors may from time to time with the advice of the Managing Director and Company secretary appoint any company or firm to be Attorney of the Company to carry out any legal undertakings of the Company as it may be deemed fit.

v. Conflict of interest

A director, employee or their proxies shall not be eligible to trade and or in any way contract with the Company for the provision of goods and services

9. Management Discussion and Analysis

SECTION A

The entity's operational and financial performance

1. The internally generated income was Kshs. 106 m less than budgeted. The Company stopped operations at the Kiambere Treatment Plant in February 2025 when the aged and inefficient water pumps ceased to operate. The Company had also been previously affected by consistent power outages at the Kiambere Treatment Plant and frequent pipe bursts along the main pipeline.

The Company engaged the County Government of Kitui to replace the defective water pumps and the installation and testing of the pumps is ongoing. The process of overhauling the weak sections of the pipeline and replacing the weak sections prone to bursts is also ongoing.

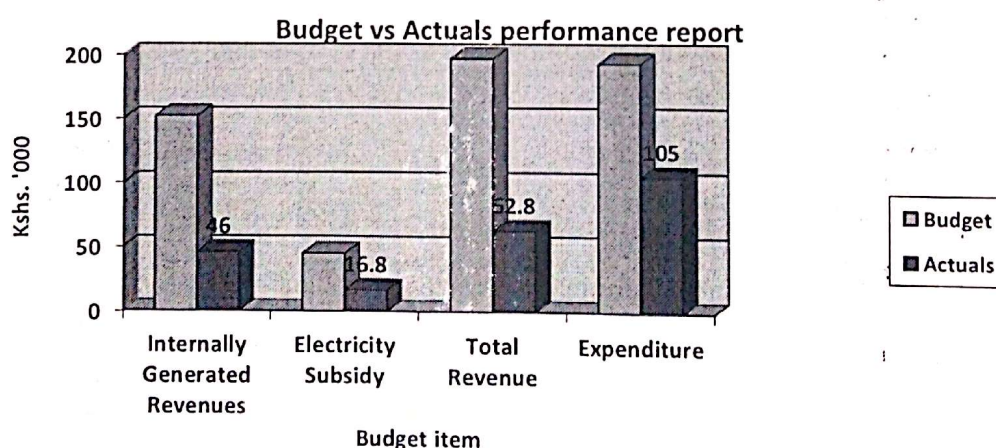
2. The overall expenses were less by Kshs. 87 m. The high under expenditure was due to huge underfunding resulting from inefficient water pumps and consistent power outages at the Kiambere Treatment Plant and frequent pipe bursts along the main pipeline.

The Company received electricity subsidy from the County Government of Kitui amounting to Kshs. 16.8 m and paid KPLC Kshs. 2.1 m for water production electricity. This resulted to some budgeted expenditures not to be incurred during the period.

3. The Company reported Expenses amounting to Kshs. 105 million and revenues amounting to Kshs. 46 million during the year under review.

4. Accumulated revenue reserves deficit in 2024/2025 declined from negative 33.6 m to negative 54 m. This was mainly due to operational challenges cited in 1 & 2 above.

The current ratio declined from 1.09 in 2023/2024 to 0.44 in 2024/2025.



Management Discussion and Analysis (Continued)

SECTION B

Entity's compliance with statutory requirements

There were no known non-compliance cases that could result in contingent liabilities. There were no ongoing court cases and defaults that could lead to exposure.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The Company received Kshs. 8.8 million from the Water Sector Trust Fund for implementation of Kyuso Rock Catchment water supply project at Kyuso town in conjunction with the County Government of Kitui who contributed Kshs. 2.1 m to the project during the year under review. The project was completed during the FY 2024/2025.

SECTION D

Major risks facing the entity

There are several operational risks which include;

1. Silting of the raw water intake at Kiambere dam
2. Damage of some sections of the main Kiambere-Mwingi water pipeline as a result of massive soil erosion which results to high levels of NRW
3. Receding of water levels at the Kiambere dam to a point where water abstraction /pumping is not possible during prolonged dry seasons
4. Frequent power outages at the Kiambere Treatment Works
5. Lack of an alternative source of power at our main production site
6. Low levels of production in comparison to the current high demand.

SECTION E

Material arrears in statutory/financial obligations

There were material arrears in statutory and financial obligations that could impact on the operations of the company. Since the Company's operations were affected by the faulty water pumps, statutory and other financial obligations including creditors and suppliers payments were affected adversely. The trade and other payables hence increased by 44% during the year under review.

Management Discussion and Analysis (Continued)

SECTION F

The entity's financial probity and serious governance issues

There were no financial improbity or governance issues that could negatively impact on the company's operations.

10. Environmental And Sustainability Reporting

Kiambere - mwingi water & Sanitation Co Ltd exists to improve the wellbeing and quality of living of its stake holders through effective provision of quality reliable and affordable water and sanitation services. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

As a responsible corporate citizen, KIMWASCO embraces the policy of sustainable development. As such, it strives to conduct its business in a sustainable manner by conserving its water catchment areas, seeking NEMA consent before implementing major water and sanitation projects as well as engaging the local community in planning and implementation of projects.

The Company also educates its customers during public barazas on the importance of using water effectively to ensure that wastage is eliminated so that this limited resource can at least be shared equitably. They have also been educated on having enough storage facilities to store water for tomorrow's use when there is no flow within the pipe network.

Use of solar energy has been emphasised to reduce on high cost electricity bills especially at the borehole production sites hence making the projects sustainable.

ii) Environmental performance

The company seeks approvals from NEMA before implementing any major water and sanitation projects. Tree planting and gabion construction activities are conducted at least once per year as a way of reducing environmental impact on the organizations product. Waste management has also not been left behind as this is managed in collaboration with the County Government through the relevant offices mandated with the responsibility of ensuring effective waste management.

The fact that the demand for the commodity has been growing with increase in population, there has been a shortcoming on waste water management because there is no sanitation facility and especially in Mwingi Municipality. Waste has however been managed through the use of a Decentralised Treatment Facility (DTF) as well as working hand in hand with Mwingi Municipality Management.

iii) Employee welfare

The Company puts emphasis on improving skills and managing careers through conducting training. These trainings are paid for fully by the Company and at the same time staff are encouraged to attend courses which can help them progress in their careers. As such, off duty to attend class and do exams are usually given to staff.

The Company has a performance management system where every staff is under performance contracting. Annual performance contracts are signed at the beginning of every year and appraisals done the basis upon which rewards and sanctions are given.

Environmental And Sustainability Reporting (Continued)

The Company has an occupational Safety and Health policy in place and complies with the Occupational Safety and Health Act of 2007. The Company premises are periodically inspected by a body registered to inspect work environments where the outcome and recommendations are implemented.

The company fills vacant positions competitively and gender issues are taken into consideration. Stake holder engagements and satisfaction surveys are also done.

iv) Market place practices-

KIMWASCO has made the following efforts in this regard:

a) Responsible competition practice.

The Company staff are not involved in politics. However, since politics is inevitable, any signs of political interferences are addressed through the Board of Directors. Fair competition and respect for everyone has not been a challenge so far. We are a water Company which is licenced by the Water Services and regulatory Board and our prices are regulated. We sell our commodity to water vendors at the regulated prices and to this end, we do not see them as competitors but as our counterparts in water service delivery.

b) Responsible Supply chain and supplier relations

The company prepares an annual budget and procurement plan the basis upon which all procurement is anchored. To avoid pending bills, contracts are only issued upon confirmation of budgetary allocation and in line with the procurement plan. We strive to pay our suppliers after every thirty days after supply of goods or services.

c) Responsible marketing and advertisement

Given that we deal with a very important and sensitive commodity, we ensure effective customer communication through public barazas. Alert messages are also sent through mass messages to our customer using our billing software which ensures timely information to our customers. Advertisement for prequalification of suppliers and contractors is done competitively as these are placed in the daily newspapers.

d) Product stewardship

Customer rights and interests are always safeguarded through public participation and consultation through the customer representatives who are elected by the consumers.

v) Corporate Social Responsibility / Community Engagements

As a provider of clean and safe drinking water and basic sanitation, we carry out our duties with due diligence to ensure quality and safety of our products and services. We strive to effectively play our role in nation building and take our corporate social responsibilities seriously.

11. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the Kiambere - Mwingi Water and Sanitation Company Limited affairs.

Principal activities

The principal activities of the entity are to:

1. Supply and distribute potable water and provide basic sanitation.
2. Offer accompanying services such meter connection, meter calibration and servicing, repair or replace defective service lines.
3. Bill for services rendered and collect revenue from customers.
4. Carry out preventive and corrective maintenance of water treatment works facilities and water distribution networks.
5. Write proposals for water & sanitation project funding by prospective development agencies

Results

The results of the entity for the year ended June 30, 2025 are set out on pages 1 - 45

Dividends

The company does not declare dividends to the Directors since they only hold shares in trust for the County government of Kitui.

Directors

The members of the Board of Directors who served during the year are shown on page 3. In accordance with Regulation 59(a) of the company's Articles of Association, one third of the board members will retire each year and will be eligible for re-election.

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2025.

By Order of the Board

Name: CPA Mutunga Mwangangi

Signature:  Date: 06/11/2025

Ag. Managing Director

12. Statement Of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the company'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 June 30, 2025. This responsibility includes:

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

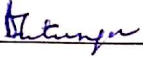
The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2025 and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company'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.

Statement Of Directors' Responsibilities, Continued...

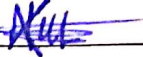
Approval of the financial statements

The company's financial statements were approved by the Board on 28th August 2025 and signed on its behalf by:



Eng. Mutemi Mbinga

Board Chair



CPA Mutunga Mwangangi

Ag. Managing Director

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kiambere Mwingi Water and Sanitation Company Limited set out on pages 1 to 40, which comprise of the statement

Report of the Auditor-General on Kiambere Mwingi Water and Sanitation Company Limited for the year ended 30 June, 2025

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

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

Basis for Qualified Opinion

Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Note 20 to the financial statements reflect trade and other receivables balance of Kshs.24,006,057. Included in the balance are receivables totalling Kshs.19,218,148 which have been outstanding for more than one hundred and twenty (120) days. However, Management did not provide measures put in place to recover the long outstanding amounts.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.19,218,148 could not be confirmed.

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

Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.20,477,242 (Deficit of Kshs.18,252,855 for financial year 2023/2024). In addition, the statement of financial position reflects current liabilities totalling Kshs.71,188,284 against current assets of Kshs.30,197,580 resulting in a negative working capital of Kshs.40,990,704.

Further, trade and other payables balance of Kshs.60,906,589 increased by Kshs.27,087,083 from the previous year's balance of Kshs.33,819,506, which may be an indication of the Company's inability to settle its obligations as and when they fall due.

Report of the Auditor-General on Kiambere Mwingi Water and Sanitation Company Limited for the year ended 30 June, 2025

Management has in the annual report highlighted several challenges which include aged infrastructure network, which implies that the pumps require a lot of power to operate and pump water to customers.

Although Management has outlined a number of measures taken to ensure future improved profitability of the Company including: developing alternative water sources within their area of operation, take over and integrate water projects developed by development partners, installation of solar power at Kiambere treatment works, automation and plot-to-plot combing to identify illegal connections, the measures may not bear immediate results.

In the circumstances, the ability of the Company to continue to sustain its services could not be confirmed.

My opinion is not modified in respect of this matter.

Emphasis of Matter

1. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 32 to the financial statements reflect trade and other payables balance of Kshs.60,906,589. Included in the balance are payables totalling Kshs.9,545,707 which have been outstanding for more than one year and no measures have been put in place to settle the debts.

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

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.197,042,000 and Kshs.84,612,666 respectively resulting to underfunding of Kshs.112,429,334 or approximately 57% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Refund Customers' Deposits

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.10,281,695 as disclosed in Note 33 to the financial statements. However, the certificate of bank balance reflect a closing balance of Kshs.922,451 in respect to customer's deposits resulting to a variance of Kshs.9,359,244. As previously reported, the difference of Kshs.9,359,244 represents the amount borrowed by Management to finance various activities. This is contrary to Section 68 (1) and (2) of the Public Finance Management Act, 2012 which stipulates that an Accounting Officer for a National Government entity, shall be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the Accounting Officer are used in a way that is lawful and authorized, effective, efficient, economical and transparent. In

Report of the Auditor-General on Kiambere Mwingi Water and Sanitation Company Limited for the year ended 30 June, 2025

the performance of a function under Sub-Section (1), An Accounting Officer shall ensure that all contracts entered into by the entity are lawful and are complied with. Although, Board approvals were sought for the borrowings, the amount borrowed totalling Kshs.9,359,244 had not been refunded as at 30 June, 2025.

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

2. Non-Remittance of Statutory Deductions

Review of records revealed that Management did not remit statutory deductions totalling Kshs.7,774,570 which were due to Kenya Revenue Authority (KRA), National Social Security Fund (NSSF), Social Health Insurance Fund (SHIF), Housing Levy and Pension. This is contrary to Section 19(4) of the Employment Act, 2007 which stipulates that an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in law.

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

3. Excessive Non-Revenue Water

Review of water sales and production records revealed that the Company produced 214,335 cubic meters (m³) of water, out of which 157,430 cubic meters (m³) was billed to customers, while the balance of 56,905 cubic meters (m³) or approximately 27% of the production represent Non-Revenue Water (NRW) valued at Kshs.16,471,152 (at an average of Kshs.289.45 per m³). This contravenes the Water Services Regulatory guidelines which require water service providers to ensure that commercial losses in respect of water produced do not exceed 25% of total production.

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

4. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Water Company was forty-one (41) out of which thirty-four (34) or approximately 83% of the total number were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public Institution shall have more than one-third of its staff establishment from the same ethnic community".

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

5. Lack of Company's Strategic Plan

During the year under review, Management did not develop a Strategic Plan in conformity with the medium-term fiscal framework financial objectives for the entity. This is contrary to Section 149(2)(g) of the Public Finance Management Act, 2012 which states that in

carrying out a responsibility imposed by Sub-Section (1), an Accounting Officer shall, in respect of the entity concerned, prepare a Strategic Plan for the entity in conformity with the medium-term fiscal framework financial objectives of the County Government.

In the circumstances, Management was in breach of the law and the Company may not be able to achieve its goals and objectives.

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

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

Conclusion

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

Basis for Conclusion

Lack of Bulk Water Production Meter at the Kiambere Water Treatment Works

Review of water production records revealed that the Company had not installed bulk meters in Kiambere Water Treatment Plant to control and manage water so as to avoid wastage.

In the circumstances, the effectiveness of measures put in place to manage water at Kiambere Water Treatment Plant could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

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

Report of the Auditor-General on Kiambere Mwingi Water and Sanitation Company Limited for the year ended 30 June, 2025

- ii. The information given in the Directors' report on pages xxvi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 33 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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

Responsibilities of the Management and Board of Directors

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

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

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

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

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

12 November, 2025

Report of the Auditor-General on Kiambere Mwingi Water and Sanitation Company Limited for the year ended 30 June, 2025

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

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

	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	45,568,872	66,970,136
Grants Income	7	38,554,545	47,381,770
Other Income	8	489,249	1,133,287
Finance income	9	-	1,134,637
Total Revenue		84,612,666	116,619,830
Expenses			
Staff Costs	10	40,572,307	41,476,792
General and Operations expenses	11	46,118,160	70,454,936
Board Expenses	12	4,684,210	2,767,200
Maintenance Expenses	13	6,816,119	13,558,969
Depreciation and Amortization expenses	14	6,792,715	6,512,286
Finance Costs	15	106,397	102,502
Total Expenses		105,089,908	134,872,685
Profit/(Loss) Before Taxation		(20,477,242)	(18,252,855)
Income Tax Expense/(Credit)	16	-	-
Profit/(Loss) After Taxation		(20,477,242)	(18,252,855)
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(20,477,242)	(18,252,855)
Surplus or deficit on revaluation of PPE	29	(8,422,427)	-
Total Comprehensive Income for The Year		(28,899,669)	(18,252,855)

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

15. Statement Of Financial Position As at 30 June 2025

	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	17	73,471,197	33,757,016
Intangible assets	18	2,075,119	2,075,119
Total non-current assets		75,546,316	35,832,135
Current assets			
Inventories	19	3,497,783	1,575,451
Trade and receivable	20	24,006,057	34,078,472
Prepayments	21	29,011	26,565
Bank and cash balances	22	1,164,729	27,250,426
Short-term deposits	23	1,500,000	4,400,000
Total current assets		30,197,580	67,330,914
Total Assets		105,743,895	103,163,049
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	24	100,000	100,000
Capital reserve	25	4,718,945	4,718,945
WSTF	26	50,002,482	41,162,833
Development grant	27	12,890,291	10,777,252
STAWI	28	10,760,039	-
Revaluation reserve	29	(8,422,427)	-
Retained earnings	30	(53,908,316)	(33,645,074)
Capital and Reserves		16,141,014	23,113,956
Non-current liabilities			
Tanathi Water Works Development Agency	31	18,414,597	18,414,597
Total non-current liabilities		18,414,597	18,414,597
Current liabilities			
Trade and other payables	32	60,906,589	33,819,506
Refundable deposits and Prepayments	33	10,281,695	10,135,695
Deferred income	35	-	17,679,295
Total current Liabilities		71,188,284	61,634,496
Total Equity and Liabilities		105,743,895	103,163,049

The financial statements were approved by the Board on 28th August 2025 and signed on its behalf by:

CPA Mutunga Mwangangi
 Sign:  Date: 06/11/25
 Managing Director

CPA Teddy Mutia
 Sign:  Date: 06/11/25
 Head of Finance
 ICPAK M/No: 33848

Eng. Mutemi Mbinga
 Sign:  Date: 6-11-2025
 Chairman of the Board

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

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

	Not e	Ordinary share capital	Capital reserve	Retained earnings	Capital/ Development Fund	WSTF	STAWI	Revaluatio n reserve	Total
As at July 1, 2023		100,000	4,718,945	(16,742,603)	25,660,599	31,335,169	-	-	45,072,110
Total comprehensive income	30	-	-	(18,252,855)	-	-	-	-	(18,252,855)
WSTF (Kyuso/Tseikuru PSF)	26	-	-	-	-	9,827,664	-	-	9,827,664
CGoK fund adjustment	27	-	-	-	(14,883,347)	-	-	-	(14,883,347)
Prior year adjustment (TAWWDA lease fee)	30	-	-	1,350,384	-	-	-	-	1,350,384
As at June 30, 2024		100,000	4,718,945	(33,645,074)	10,777,252	41,162,833	-	-	23,113,956
As at July 1, 2024		100,000	4,718,945	(33,645,074)	10,777,252	41,162,833	-	-	23,113,956
Total comprehensive income	30	-	-	(20,477,242)	-	-	-	-	(20,477,242)
WSTF (Kyuso R. C.)	26	-	-	-	-	8,839,649	-	-	8,839,649
CGoK (Kyuso R. C.)	27	-	-	-	2,113,039	-	-	-	2,113,039
STAWI	28	-	-	-	-	-	10,760,039	-	10,760,039
Revaluation of assets	29	-	-	-	-	-	-	(8,422,427)	(8,422,427)
Prior year adjustment (Audit fee)	30	-	-	214,000	-	-	-	-	214,000
At June 30, 2025		100,000	4,718,945	(53,908,316)	12,890,291	50,002,482	10,760,039	(8,422,427)	16,141,014

Note:

During the financial year 2023/2024 under Note 32. Trade and Other Payables, the Audit fee outstanding balance was reported as Kshs. 910,000. During the year under review, upon reconciling the OAG accounts, it was discovered that the outstanding balance had been overstated by Kshs. 214,000. This overstatement was adjusted in the statement of Changes in Equity as a Prior year adjustment.

Kiambere Mwingi Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025
17. Statement Of Cash Flows for The Year Ended 30 June 2025

	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	6	45,568,872	62,754,937
Grants Income	7	38,554,545	47,381,770
Other Income	8	489,249	1,133,287
Finance Income	9	-	1,134,637
Customer Deposits	33	146,000	234,500
Total Receipts		84,758,666	112,639,131
Payments			
Staff Costs	10	40,572,307	36,850,690
General And Operation Expenses	11	46,118,160	67,056,175
Board Expenses	12	4,684,210	2,767,200
Maintenance Expenses	13	6,816,119	11,671,514
Finance Costs	15	106,397	102,502
Refund Of Customer Deposits	34	-	13,000
Total Payments		98,297,192	118,461,081
Net Cash From/ (Used In) Operating Activities	36	(13,538,526)	(5,821,950)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	17	(37,159,897)	(10,758,825)
Net Cash From/ (Used In) Investing Activities		(37,159,897)	(10,758,825)
Cash Flows from Financing Activities			
WSTF - CIPRA	26	8,839,649	-
Deferred income	35	-	17,679,295
CGoK - CIPRA	27	2,113,039	-
STAWI	28	10,760,039	-
Electricity payments	37	-	(1,932,633)
Net Cash From/(Used In) Financing Activities		21,712,727	15,746,662
Increase/(Decrease) In Cash and Cash Equivalents		(28,985,696)	(834,113)
Cash And Cash Equivalents At Beginning of Year	22	31,650,425	32,484,538
Cash And Cash Equivalents At End of the Year	22	2,664,729	31,650,425

Kiambere Mwingi Water and Sanitation Company Ltd

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

18. Statement Of Comparison of Budget & Actual Amounts for The Year Ended 30 June 2025

Description	Original budget Kshs	Adjustments Kshs	Final budget Kshs	Actual on comparable basis Kshs	Performance difference Kshs	% of utilization	Remark
	a	b	C= a+b	d	E = c-d	F = d/c %	
Receipts							
Operating Revenue	135,000,000	-	135,000,000	45,568,872	(89,431,128)	(66)	Note 1
Grants	45,000,000	-	45,000,000	38,554,545	(6,445,455)	(14)	Note 1
Finance Income	1,000,000	-	1,000,000	-	(1,000,000)	(100)	Note 1
Other revenue	16,042,000	-	16,042,000	489,249	(15,552,751)	(97)	Note 1
Total Receipts	197,042,000	-	197,042,000	84,612,666	(112,429,334)		
Payments							
Staff Costs	57,332,200	-	57,332,200	40,572,307	16,726,911	29	Note 1
Board Expenses	6,488,000	3,000,000	9,488,000	4,684,210	4,803,790	51	Note 1
General and operations Expenses	105,971,800	-	105,971,800	52,910,875	53,060,925	50	Note 1
Maintenance	22,500,000	(3,000,000)	19,500,000	6,816,119	12,683,881	65	Note 1
Finance costs	120,000	-	120,000	106,397	13,604	11	Note 1
Total Payments	192,412,000	-	192,412,000	105,089,908	87,289,110		
Capital Expenditure Payments	4,630,000	-	4,630,000	2,830,067	1,799,933		
Surplus	-	-	-	(23,307,309)			

NOTE: 1. During the year under review, two high lift water pumps at Kiambere Treatment Plant malfunctioned due to ageing, reducing the volume of water produced at the plant to zero in February 2025. Operations at the plant were shut down and the Company has been relying on sump-wells and boreholes to supply water, which amounts to approximately 5% of the total water produced by the Company.

This affected the Company's performance during the year with the water produced, revenues realised and expenditure budget absorption being adversely affected as reported in the performance report.

NOTE: 2. Changes between original and final budget is as a result of reallocations.

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

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	32,982
1	Non budgeted grants	(21,712,727)
2	Increase/decrease in receivables	10,072,415
3	Increase/decrease in payables	9,553,788
4	Increase /decrease in non-cash items	4,718,271
	Cash and Cash Equivalents	2,664,729

19. Notes To the Financial Statements

1. General Information

Kiambere Mwingi Water and Sanitation Company Limited is established by and derives its authority and accountability from CAP 486 of Companies Act that was repealed by the Companies Act 2015. The entity is wholly owned by the County government of Kitui and is domiciled in Kenya. The entity's principal activity is to supply and distribute potable water and provide basic sanitation within the Larger Mwingi region of Kitui County.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kiambere Mwingi Water and Sanitation Company Limited .

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

Notes to the financial statements (continued)

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

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

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

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

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

Notes to the financial statements (continued)

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

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

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

- iii. *Early adoption of standards*

The Company 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 recognised to the extent that it is probable that future economic benefits will flow to the Kiambere Mwingi Water and Sanitation Company Limited and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below.

- i) Revenue from the sale of goods and services** is recognised in the year in which the Company delivers services to the customer, the customer has accepted the services and collectability of the related receivables is reasonably assured.
However, the amounts are subjected to adjustments when errors are realized, in relation to meter readings and subsequent billings. Non-Revenue water is not recognized as income since it's not billed.
- ii) Service charge income** is recognized monthly after water meters are installed at the customers' premises and billed by the Company.
- iii) Grants from County and National Governments** 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.
The County Government of Kitui paid for electricity.
WSTF paid for Water and Sanitation projects.
- iv) 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.
- v) Miscellaneous income** like meter reconnection fee and penalties is recognized when the service has been provided and billed.
- vi) Other income** is recognized as it accrues.

Notes to the financial statements (continued)
Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to Kiambere Mwingi Water and Sanitation Company Limited 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.

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is 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:

Item	Years	Rates
Water kiosks	10	10%
Storage tanks	40	2.5%
Decentralized Treatment Facility	40	2.5%
Public Sanitation Facilities	40	2.5%
Motor vehicles, including motor cycles	4	25%
Office equipment, furniture and fittings	8	12.5%
Computers and related equipment	3	33.3%
Treatment plant & equipment	40	2.5%

Notes to the financial statements (continued)

A full year's depreciation charge is recognized 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 and accounted for in line with the provisions in the standard.

e) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

The annual rates used are as follows:

Computer software	33.3%
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f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

ERP system recently installed has an infinite useful life, therefore has not been amortized.

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

Notes to the financial statements (continued)

terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest 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 realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the weighted average method.

m) Trade and other receivables

Trade receivables are carried at the anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end.

Trade receivables are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the receivables, and that the loss event has an impact on the future cash flows on the receivables that can be estimated reliably.

Notes to the financial statements (continued)

Objective evidence that trade receivables are impaired could include default or delinquency by a customer, indications that a customer will enter bankruptcy as well as observable changes in national or local economic conditions that correlate with default on receivables.

An estimate is made of doubtful receivables based on a review of all outstanding amount at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

n) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the 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.

Current income tax workings

The Company had a deficit of Kshs. 20.5 m during the year under preview and hence did not incur income tax.

During the Financial year under review, the Company received Kshs. 8.8 m from Water Sector Trust Fund. These funds were for development of Kyuso Rock Catchment water project.

o) Deferred tax

There was no deferred tax as at the end of the reporting period.

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

Notes to the financial statements (continued)

p) Borrowing costs

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. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

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

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 charges, including premiums payable on 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.

The Company borrowed Kshs. 7.7 m internally from the Customers deposit account as at June 2025, to be repaid in twelve months.

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.

Notes to the financial statements (continued)

t) Retirement benefit obligations

The Company is a member of a defined pension contribution scheme administered by the Roberts Insurance Brokers Limited for all full-time employees where the Company contributes 15% of staff basic pay and the staff contribute 7.5% of their basic pay monthly.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,060 per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2024 - 2025 was approved by the Board of Directors on 28th March 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Board of Directors. The additional appropriations are added to the original budget by the Company upon receiving the respective approvals in order to conclude the final budget.

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,

Notes to the financial statements (continued)

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.

Capital expenditure budget disclosure

There was a budget of Kshs. 4.6m for capital expenditures. The Company spend Kshs. 0.7m under capital expenditure while assets acquired through County Government of Kitui, Water Sector Trust Fund and STAWI amounted to Kshs. 37 m.

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

Notes to the financial statements (continued)

a) Estimates and assumptions

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

i) Bad debts

All debts which are three years and above have been treated as bad debts. Bad debts are written off when all reasonable steps to recover them have failed.

ii) Prior events

There were no prior year events and/or adjustments during the period.

iii) Nature of Capital reserve

Capital reserves were inherited from Tana & Athi Rivers Development Authority when the Company took over operations. They represent inherited debtors, customer deposits and creditors.

iv) Liquidity risk management

KIMWASCO Board of Directors made a resolution on 7/3/2017 that it would pay Tanathi Water Services Board accumulated lease fee up to 30/5/2013 when the County Government of Kitui took over as the principal, water services having been devolved to county governments.

The accumulated lease fee from 2008 when TAWSB was incorporated to 30/7/2013 was Kshs. 5,894,026. TAWSB was informed about the Boards resolution through a letter dated 30/3/2016 in which an undertaking was made to pay the debt in instalments of Kshs. 400,000 per month.

There is a water deposits account where these funds are retained until a customer requests to terminate his/her water account with the Company, in the event that the water deposit is refunded back after all bills have been cleared. This fund is treated as a liability to the Company.

Proceeds of water meters sold to customers used to be deposited at the Water deposits account at Equity bank until end of Financial Year 2016/2017. The total amount for water meter sales as at that In view of these facts, the licensee remuneration of Kshs. 18,414,597 which is an accumulation from July 2013 to June 2017 ought to have been written off. It is treated as a non-current debt until it is written off.

Notes to the financial statements (continued)

The debt was cleared in June 2018 and TAWSB informed through a letter dated 10/7/2018.

vi) Water deposits

Water deposits are charged to customers when applying for new water connection. period was Kshs. 1,670,500. The Company has been using these funds to buy meters for re-sale and since the amount is not refundable to customers, journals were passed to transfer the balance from the deposits account and retain it at the collection account where it will be used as a revolving fund for purposes of re-stocking water meters.

b) Useful lives and residual values

i) Property, plant and equipment and intangible assets

Critical estimates are made by the management in determining the useful lives of property, plant and equipment and intangible assets. This is the basis on which the depreciation and amortization rates applied on property, plant and equipment and intangible assets respectively are determined.

ii) Impairment

On the reporting date, the company reviews the carrying amounts of its assets to determine whether there is any objective evidence that those assets have suffered an impairment loss.

If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

c) Provision for doubtful debts

Provision for doubtful debts is calculated at 1% of the net debtors.

d) Balance sheet notes

Items under balance sheet with notes referred to as CIE refer to the statements of Changes In Equity as the reference point.

e) Restated figures in the Financial statements

Upon introduction of the new IFSR reporting template, the comparative figures in the Financial statements have been restated where applicable to conform to the new reporting template.

Notes to the financial statements (continues)

6. Operating Revenue

	2024/2025	2023/2024
Description	Kshs	Kshs
Water sales - Billings	29,349,769	45,903,432
Water sales - Kiosks	5,256,173	8,706,669
Water sales - Boreholes	2,263,700	1,305,940
Water sales - Tankering	7,395,580	8,491,145
Billing for other services	1,303,650	2,562,950
Total	45,568,872	66,970,136

Billing for other services refers to income generated from services such as service charge, meter testing reconnection fees, sludge discharge etc.

7. Grants Income

	2024/2025	2023/2024
Description	Kshs	Kshs
County Government of Kitui (Electricity)	16,841,818	41,684,650
Water Sector Trust Fund (CIPRA - Sanitation) - Tseikuru	-	5,697,120
Grant - WSTF (Project)	8,839,649	-
Grant - CGoK (Project)	2,113,039	-
Grant - STAWI	10,760,039	-
Total	38,554,545	47,381,770

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

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2023/2024 KShs
CGoK-Power	16,841,818	-	-	16,841,818	41,684,650
WSTF-PSF	-	-	-	-	5,697,120
WSTF-KRC	-	-	8,839,649	8,839,649	-
CGoK-KRC	-	-	2,113,039	2,113,039	-
STAWI	-	-	10,760,039	10,760,039	-
Total	16,841,818	-	21,712,727	38,554,545	47,381,770

Notes to the financial statements (continued)

8. Other Income

	2024/2025	2023/2024
Description	Kshs	Kshs
Public toilet lease	42,000	42,000
Fines and penalties	125,930	111,172
New connection charge	321,319	980,115
Total	489,249	1,133,287

9. Finance Income

	2024/2025	2023/2024
Description	Kshs	Kshs
Interest income from fixed deposit	-	1,134,637
Total	-	1,134,637

10. Staff Costs

	2024/2025	2023/2024
Description	Kshs	Kshs
Gross salary and allowances	30,985,119	31,324,189
Casual workers' wages	1,122,492	835,287
Intern stipend	50,000	-
Medical insurance schemes	1,123,191	2,260,548
Employers contribution to social security schemes	1,210,827	729,389
Employers contribution to pension schemes	2,693,238	2,904,696
Employers contribution to housing levy	429,055	341,770
Gratuity provisions	801,191	424,857
Top – up allowance	120,000	120,000
Commission – Kiosk and boreholes operators	1,301,313	1,676,840
Staff welfare	735,880	859,215
Total	40,572,307	41,476,791
The average number of employees during the year	41	42

Notes to the financial statements (continued)

11. General and Operations Expenses

	2024/2025	2023/2024
Description	Kshs	Kshs
Chemicals	677,365	1,150,871
Electricity	23,633,296	45,308,230
Fuel, oil and lubricants	4,851,542	6,593,199
Office supplies / Stationery/ Photocopy	303,874	454,876
Telecommunication	568,398	677,831
Postage and courier	15,590	20,295
Water	17,165	33,720
Insurance	301,093	513,081
Rent	348,000	348,000
Hire of equipment and vehicles	232,021	77,500
Domestic traveling and subsistence	4,191,467	3,059,815
Staff training and development	1,538,485	2,283,527
Security services	2,891,200	2,810,000
Publicity and advertising	109,025	298,465
Audit fees	232,000	232,000
Consultancy fees	134,500	416,000
Licensing and levies	2,046,185	3,195,184
Hospitality expenses	296,113	252,250
Subscription fees	202,640	134,450
Provision for doubtful debts	170,045	273,849
Tax – VAT and penalties	-	168,104
Permits	50,700	50,700
Water testing	30,000	6,500
Purchase of bulk water	545,750	562,900
Strategic plan implementation	-	444,850
News papers	21,420	19,490
Office general expenses	58,854	57,640
Others; -WSTF project expenses	2,651,432	1,011,609
Total	46,118,160	70,454,936

Notes to the financial statements (continued)

12. Board Expenses

	2024/2025	2023/2024
Description	KShs	KShs
Chairperson honoraria	210,000	420,000
Sitting allowances	1,494,700	2,347,200
Board selection committee	2,979,510	-
Total Board Expenses	4,684,210	2,767,200

13. Maintenance Expenses

	2024/2025	2023/2024
Description	Kshs	Kshs
Plant and equipment	3,699,720	6,281,752
Infrastructural networks	456,540	2,056,380
Motor vehicles	2,196,464	4,767,883
Office equipment maintenance	325,645	348,794
Station and building maintenance	137,750	104,160
Total Maintenance Expenses	6,816,119	13,558,969

14. Depreciation and Amortization Expenses

	2024/2025	2023/2024
Description	KShs	KShs
Property, plant, and equipment	6,792,715	6,512,286
Total Depreciation and Amortization	6,792,715	6,512,286

15. Finance costs

	2024/2025	2023/2024
Description	Kshs	Kshs
Bank charges	106,397	102,502
Total	106,397	102,502

16. Income Tax Expense/(Credit) - Current taxation

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

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17. (a) Property, Plant and Equipment

Assets with estimated value of Ksh. 630,482,219 as at 2005 were handed over to TAWSB by TARD in 2009. Kiambere - Mwingi Water & Sanitation Company Ltd has been operating these assets since May 2009 although they have not been handed over to the company officially. These assets have not been included in the financial statements.

Description	Water kiosks	Steel water tank	Masonry water tank	DFT	PSF's	Motor vehicles	Motor cycles	Office equipment, furniture	Computers & related equipment	Water meters	Lab equipment	Treatment plant & equipment	WIP	Total
Depreciation rate	10%	2.50%	2.50%	2.50%	2.50%	25%	25%	12.50%	33.30%	2.50%	12.50%	2.50%		
As At 1 st July 2023	3,560,700	5,389,171	2,225,983	9,095,689	-	27,862,357	3,374,152	3,537,623	6,154,572	1,594,823	465,752	4,645,633	4,174,463	72,080,918
Additions	401,960	-	-	-	9,827,664	417,600	-	25,800	85,800	-	-	-	(4,174,463)	6,584,361
As at 30 th June 2024	3,962,660	5,389,171	2,225,983	9,095,689	9,827,664	28,279,957	3,374,152	3,563,423	6,240,372	1,594,823	465,752	4,645,633	-	78,665,279
Additions	1,800,000	-	-	-	-	-	-	297,039	572,700	-	-	34,490,157	-	37,159,896
Revaluation Adjustments	1,200,000	2,000,000	1,650,000	-	-	2,630,000	360,000	126,000	1,381,000	-	-	-	-	9,347,000
As at 30 th June 2025	6,962,660	7,389,171	3,875,983	9,095,689	9,827,664	30,909,957	3,734,152	3,986,462	8,194,072	1,594,823	465,752	39,135,790	-	125,172,175
Depreciation And Impairment														
At 1 st July 2023	2,334,160	1,077,833	333,899	1,096,353	-	23,007,408	2,755,521	2,140,673	4,458,399	439,343	318,846	433,542	-	38,395,977
Depreciation	396,266	134,729	55,650	227,392	245,692	2,966,511	351,175	399,040	1,525,806	39,871	58,219	111,936	-	6,512,286
As At 30 th June 2024	2,730,426	1,212,562	389,549	1,323,746	245,692	25,973,919	3,106,696	2,539,713	5,984,204	479,214	377,065	545,478	-	44,908,263
Depreciation	401,948	253,892	187,260	227,392	245,692	2,737,983	245,125	281,998	1,155,255	39,871	37,906	978,395	-	6,792,715
As at 30 th June 2025	3,132,374	1,466,454	576,809	1,551,138	491,384	28,711,902	3,351,821	2,821,711	7,139,458	519,085	414,971	1,523,873	-	51,700,978
As at 30 th June 2024 - NBK	1,232,234	4,176,609	1,836,434	7,771,943	9,581,972	2,306,038	267,456	1,023,710	256,168	1,115,609	88,687	4,100,155	-	33,757,016
As at 30 th June 2025 - NBK	3,830,286	5,922,717	3,299,174	7,544,551	9,336,280	2,198,056	382,331	1,164,751	1,054,614	1,075,738	50,781	37,611,917	-	73,471,197

Valuation: Property, Plant and Equipment items were partially valued by Delit independent valuer on 26th June 2025 on Fair Market Value basis of valuation. These amounts were adopted on 10th July 2025.

Notes to the financial statements (continued)

18. Intangible Assets

	2024/2025	2023/2024
Description	Kshs	Kshs
Cost	2,269,619	2,269,619
At July 1 2024	-	-
Additions	-	-
Disposals		
At June 30 2025	2,269,619	2,269,619
Amortization		
At July 1 2024	194,500	194,500
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30 2025		
Net book value	194,500	194,500
At June 30 2025	2,075,119	2,075,119

Intangible assets include QuickBooks software, Website domain and an accounting/billing software costing Kshs. 110,000, Kshs. 84,500 and Kshs. 2,075,119 respectively.

The accounting/billing system (ERP) is expected to be used for indefinite period of time and therefore has not been amortized.

19. Inventories

	2024/2025	2023/2024
Description	Kshs	Kshs
General stores	32,075	72,550
Chemicals & Laboratory items	61,908	359,629
Water fittings and Accessories	298,360	597,476
Water meters	2,196,500	-
Stationery	8,940	133,700
Finished goods	-	412,096
Water dispensing machines	900,000	-
Total	3,497,783	1,575,451

Finished goods refer to treated water which was in the pipelines and storage tanks as at 30th June 2025.

Notes to the financial statements (continued)

20. Trade and Other Receivables

	2024/2025	2023/2024
Description	KShs	KShs
Trade receivables (note (20a))	33,560,351	39,644,550
Staff receivables (note 20 (c))	143,250	31,053
Gross trade and other receivables	33,703,601	39,675,603
Provision for bad and doubtful receivable	(9,697,544)	(5,597,131)
Net trade and other receivables	24,006,057	34,078,472
Analysed as:		
Short- Term Trade and Other Receivables	24,006,057	34,078,472
Long- Term Trade and Other Receivables	-	-

20. (a) Trade Receivables

	2024/2025	2023/2024
Description	Kshs	Kshs
Gross active trade receivables	1,458,414	15,695,168
Gross inactive trade receivables	32,101,936	23,949,382
Bad debts	(9,527,499)	(5,323,282)
Provision for doubtful receivables	(170,045)	(273,849)
Net trade receivables	23,862,807	34,047,419
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	467,091	5,286,001
Between 30 and 60 days	2,382,056	256,038
Between 61 and 90 days	960,749	792,205
Between 91 and 120 days	834,763	2,058,340
Over 120 days	19,218,148	25,654,835
Total	23,862,807	34,047,419

20. (b) Reconciliation of Impairment Allowance for Trade Receivables

	2024/2025	2023/2024
Description	KShs	KShs
At the beginning of the year	5,597,131	3,203,453
Additional provisions during the year	4,677,354	4,869,604
Recovered during the year	(746,986)	2,475,926
Written off during the year	-	-
At the end of the year	9,527,499	5,597,131

Notes to the financial statements (continued)

20. (c) Staff Receivables

	2024/2025	2023/2024
Description	Kshs	Kshs
Gross staff loans and advances	143,250	31,053
Total	143,250	31,053

20. (d) Reconciliation of Impairment Allowance for Staff Receivables

	2024/2025	2023/2024
Description	KShs	KShs
At the beginning of the year	31,053	63,970
Additional during the year	154,000	75,000
Recovered during the year	(41,803)	(107,917)
At the end of the year	143,250	31,053

21. Prepayments

	2024/2025	2023/2024
Description	Kshs	Kshs
Fuel – Vivo energy	29,011	26,565
Total	29,011	26,565

22. Bank and Cash Balances

	2024/2025	2023/2024
Description	Kshs	Kshs
Cash at bank	1,046,461	26,754,599
Cash in hand	5,188	47,038
M-pesa account	113,080	448,789
Total	1,164,729	27,250,426

The bulk of the cash at bank was held at Equity Bank limited, the entity's main bankers.

23. Short Term Deposits

	2024/2025	2023/2024
Description	Kshs	Kshs
Commercial banks		
Equity Bank	1,500,000	4,400,000
Total	1,500,000	4,400,000

Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
KCB (Collection)	1112294120	82,914	215,792
Equity Bank (Collection)	590295549051	3,037	157,437
Equity Bank (Deposits)	590295548998	922,451	412,691
Equity Bank (Drought mitigation)	590271483467	14,249	14,249
Equity Bank (CIPRA -Water supply)	590280541089	-	25,735,166
Equity Bank (Paying)	590295549120	18,174	202,320
Co-operative Bank	1100398327900	5,636	16,944
Sub- total		1,046,461	26,754,599
b) Fixed deposits account			
Equity bank		1,500,000	4,400,000
Sub- total		1,500,000	4,400,000
c) Others(specify)			
Cash in hand	N/A	5,188	47,038
M-pesa Paybill	803650	12,420	349,242
M-pesa Till	7205226	-	79,871
M-pesa Till	7205228	100,660	19,676
Sub- total		118,268	495,827
Grand total		2,664,729	31,650,426

24. Ordinary Share Capital

	2024/2025	2023/2024
Description	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

The County Government of Kitui fully owns and has paid the 5,000 ordinary shares of the Company.

Notes to the financial statements (continued)

25. Capital Reserves

	2024/2025	2023/2024
Description	Kshs	Kshs
Debtors	6,477,891	6,477,891
Customer deposits	(1,061,600)	(1,061,600)
Creditors	(697,346)	(697,346)
Total	4,718,945	4,718,945

26. Water Sector Trust Fund

	2024/2025	2023/2024
Description	Kshs	Kshs
Balance b/f 2023/2024	41,162,833	31,335,169
Add: Receipts 2024/2025	8,839,649	9,827,664
Total	50,002,482	41,162,833

27. Capital/Development Grant

	2024/2025	2023/2024
Description	Kshs	Kshs
Balance b/f	10,777,252	25,660,599
Receipts from CGoK	2,113,039	-
CGoK fund adjustment	-	(14,883,347)
Total	12,890,291	10,777,252

28. STAWI

	2024/2025	2023/2024
Description	Kshs	Kshs
Balance b/f 2023/2024	-	-
Add: Receipts 2024/2025	10,760,039	-
Total	10,760,039	-

29. Revaluation Reserve

	2024/2025	2023/2024
Description	Kshs	Kshs
Cost	17,769,427	-
Revalued cost	9,347,000	-
Revaluation loss	8,422,427	-

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment.

Notes to the financial statements (continued)

30. Retained Earnings

	2024/2025	2023/2024
Description	Kshs	Kshs
Opening balance	(33,645,074)	(16,742,603)
Total comprehensive income	(20,447,242)	(18,252,855)
Prior year adjustment (Audit fee)	214,000	1,350,384
Total	(53,908,316)	(33,645,074)

The retained earnings represent amounts available for utilization to finance the Company's business activities.

31. (a) Long Term Trade Liabilities

The long term trade liabilities relate to accumulated lease fee from 2008 when Tanathi Water Works Development Agency (TAWWDA) was incorporated to 30/7/2013.

(b) Tanathi Water Works Development Agency

	2024/2025	2023/2024
Description	Kshs	Kshs
TAWWDA	18,414,597	18,414,597
Total	18,414,597	18,414,597

32. Trade and Other Payables

	2024/2025	2023/2024
Description	Kshs	Kshs
Trade payables	32,698,455	19,298,780
Payroll deductions	15,610,739	4,519,837
Staff creditors	4,363,927	2,218,764
Prepayments - debtors	1,205,148	845,774
Unallocated receipts	7,028,321	6,936,350
Total	60,906,589	33,819,505

Aging Analysis for Trade and other Payables

Description	2024/2025	% of the total	2023/2024	% of the total
Under one year	51,360,882	84.33%	27,041,374	79.95%
1-2 years	5,136,284	8.43%	2,696,431	7.98%
2-3 years	-	0%	8,000	0.02%
Over 3 years	4,409,423	7.24%	4,073,700	12.05%
Total	60,906,589	100%	33,819,505	100%

33. Refundable Customer Deposits

	2024/2025	2023/2024
Description	Kshs	Kshs
Balance b/f	10,135,695	9,914,195
Water deposits	146,000	234,500
Water deposits refund	-	(13,000)
Total	10,281,695	10,135,695

Aging Analysis for Refundable Deposits and Prepayments

Description	2024/2025	% of the total	2023/2024	% of the total
Under one year	146,000	1.42%	234,500	2.33%
1-2 years	234,500	2.28%	437,000	4.35%
2-3 years	437,000	4.25%	358,500	3.56%
Over 3 years	9,464,195	92.05%	9,026,195	89.76%
Total	10,281,695	100%	10,056,195	100%

34. Customer Deposits Refund

	2024/2025	2023/2024
Description	Kshs	Kshs
Water deposits refund	-	13,000
Total	-	13,000

35. Deferred Income

	2024/2025	2023/2024
Description	KShs	KShs
Balance bf	17,679,295	-
Water Sector Trust Fund	8,839,649	17,679,295
Kyuso Rock Catchment	(26,514,449)	-
Refund to WSTF	(4,495)	-
Total	-	17,679,295

The deferred income movement is as follows:

Description	WSTF
Balance brought forward	17,679,295
Additions	8,839,649
Transfers to Capital fund	(23,863,017)
Transfers to income statement	(2,651,432)
Refund to WSTF	(4,495)
Balance carried forward	-

Notes to the financial statements (continued)

36. Notes to The Statement of Cash Flows

	2024/2025	2023/2024
Description	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(20,477,242)	(18,252,855)
Depreciation	6,792,715	6,512,286
Adjustment for STAWI grant – non cash	(10,760,039)	-
Operating profit/(loss) before working capital changes	(24,444,565)	(11,740,569)
Working capital changes:		
(Increase)/decrease in inventories	(1,922,332)	694,786
(Increase)/decrease in trade and other receivables	10,072,415	(12,435,892)
(Increase)/decrease in prepayments	(2,446)	-
Increase/(decrease) in trade and other payables	9,553,788	17,438,225
Increase/(decrease) in water deposits	-	221,500
Increase/(decrease) in bad debts provision – non cash	(4,106,657)	-
Increase/(decrease) in provision for gratuity	(2,688,730)	-
Cash generated from/ (used in) operation	(13,538,526)	(5,821,950)
(b) Analysis of cash and cash equivalents		
Cash at bank	1,046,461	26,754,599
Cash at M-pesa paybill	12,420	349,242
Cash at M-pesa till	100,660	99,547
Cash at fixed deposits	1,500,000	4,400,000
Cash in hand	5,188	47,038
Balance at end of the year	2,664,729	31,650,426

Notes to the financial statements (continued)

Other Disclosures

37. Related Party Disclosures

County Government of Kitui

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

Other related parties include:

- The County Department in charge of Water
- Tanathi Water works Development Agencies
- WASREB (Water Services Regulatory Board)
- WRA (Water Resources Authority)
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

Description	2024/2025	2023/2024
	Kshs	Kshs
a) Grants from the Government		
Grants from County Government of Kitui (Power)	16,841,818	41,684,650
Grants from County Government of Kitui (Projects)	2,113,039	-
Grants from Water Sector Trust Fund (Projects)	8,839,649	23,376,415
Grants from STAWI	10,760,039	-
Total	38,554,545	65,061,065
b) Expenses incurred on behalf of related party		
Payments of projects implementation	10,952,688	5,697,120
Payments for water production electricity	16,841,818	41,684,650
Total	27,794,506	47,381,770
c) Key management compensation		
Directors' emoluments	4,684,210	2,767,200
Compensation to key management	10,436,568	10,402,140
Total	15,120,778	13,169,340

Notes to the financial statements (continued)

38. Financial Risk Management

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

(i) Credit risk

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

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

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

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 are considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from 2009.

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:

Notes to the financial statements (continued)

Description	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	33,703,601	1,458,414	23,342,065	8,903,122
Other Receivables	29,011	29,011	-	-
Bank balances	2,664,729	2,664,729	-	-
Total	36,397,341	4,152,154	23,342,065	8,903,122
At 30 June 2024				
Receivables	39,675,603	15,695,168	18,657,153	5,323,282
Other Receivables	26,565	26,565	-	-
Bank balances	31,650,426	31,650,426	-	-
Total	71,352,594	47,372,159	18,657,153	5,323,282

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.

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

Notes to the financial statements (continued)

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables	612,888	627,811	39,691,225	40,931,924
Staff creditors	2,778,094	2,790,304	14,406,268	19,974,666
Total	3,390,982	3,418,115	54,097,493	60,906,590
At 30 June 2024				
Trade payables	11,562,064	9,546,031	10,114,203	31,222,298
Staff creditors	602,394	728,910	1,265,903	2,597,207
Total	12,164,458	10,274,941	11,380,106	33,819,505

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

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

Notes to the financial statements (continued)

Description	Total
	Kshs
At 30 June 2025	
Financial assets	
Cash	2,664,729
Debtors	23,862,807
Financial Liabilities	
Trade and other payables	60,906,589

b) Interest rate risk

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

i) Management of interest rate risk

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

ii) Capital Risk Management

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve	8,422,427	-
Retained earnings	(53,908,316)	(33,645,074)
Capital reserve	4,718,945	4,718,945
Total funds	(40,766,944)	(28,926,129)
Total borrowings	-	-
Less: cash and bank balances	2,664,729	31,650,426
Net debt/ (excess cash and cash equivalents)	(46,515,318)	2,724,297
Gearing	(1,430)%	9%

Notes to the financial statements (continued)

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2009. The scheme is administered by Roberts Insurance while ICEA Lion are the custodians of the scheme. The scheme is based on 7.5 percentage of salary of an employee at the time of retirement.

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 4,160 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by ICEA Lion. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

39. Incorporation

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

40. Events After the Reporting Period

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

41. Currency

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracies in the statement of cash flows	The issue has been resolved	Resolved	N/A
2.	Budgetary control and performance	The issue will be resolved once the Company resumes operations after replacement of faulty water pumps at the Kiambere Treatment Plant	Not Resolved	31 st Dec. 2025
3.	Material uncertainty relating to going concern	The issue will be resolved once the Company resumes operations after replacement of faulty water pumps at the Kiambere Treatment Plant	Not Resolved	31 st Dec. 2025
4.	Unresolved prior year matters	Pending prior year matters to be resolved by 30 th June 2026.	Not Resolved	30 th Jun. 2026
5.	Use of out-dated tariff structure	The issue has been resolved	Resolved	N/A
6.	Non-remittance of statutory deductions	The issue will be resolved once the Company resumes operations after	Not Resolved	31 st Dec. 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		replacement of faulty water pumps at the Kiambere Treatment Plant		
7.	Non-Revenue Water	The issue will be resolved by June 2028 as the Company implements its 5 year strategic plan	Not Resolved	30 th Jun. 2028
8.	Failure to establish Non-Revenue Water unit	The issue has been resolved	Resolved	N/A
9.	Non-compliance with the reporting template	The issue has been resolved	Resolved	N/A

Guidance Notes:

- Use the same reference numbers as contained in the external audit report.
- Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.
- Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

Name: CPA Mutunga Mwangangi

Signature 

Ag. Managing Director

Date.....06/11/2025.....

Appendix II: Projects Implemented by the Company Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Kyuso Rock Catchment water project	WSTF/CGoK	1 Year	36,523,494	Yes	Yes
2	Installation of Water kiosk dispensing machines	STAWI	6 Months	1,800,000	No	Yes

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kyuso Rock Catchment water project	36,523,494	36,523,494	100%	36,523,494	36,518,899	WSTF
2	Installation of Water kiosk dispensing machines	1,800,000	900,000	50%	1,800,000	900,000	STAWI

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Appendix III: Inter-Entity Confirmation Letter

Name of Transferring entity: County Government of Kitui

Name of Beneficiary entity: Kiambere Mwingi Water and Sanitation Company Limited

Confirmation of amounts received by Kiambere Mwingi Water and Sanitation Company Limited as at 30th June 2025

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
	02/08/2024		2,113,039	2,113,039	Kyuso rock water project
	19/08/2024	56,474		56,474	Electricity subsidy
	19/08/2024	94,903		94,903	Electricity subsidy
	19/08/2024	85,266		85,266	Electricity subsidy
	19/08/2024	69,563		69,563	Electricity subsidy
	19/08/2024	66,077		66,077	Electricity subsidy
	19/08/2024	3,313,721		3,313,721	Electricity subsidy
	03/10/2024	1,474,138		1,474,138	Electricity subsidy
	03/10/2024	3,378,882		3,378,882	Electricity subsidy
	31/10/2024	103,448		103,448	Electricity subsidy
	31/10/2024	58,135		58,135	Electricity subsidy
	31/10/2024	136,768		136,768	Electricity subsidy
	31/10/2024	53,943		53,943	Electricity subsidy
	18/11/2024	2,958,440		2,958,440	Electricity subsidy
	31/01/2025	4,992,061		4,992,061	Electricity subsidy
Total		16,841,818	2,113,039	18,954,857	

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

Head of Accounts Department - Disbursing Entity:

Name *Caleb M. James* Sign *[Signature]* Date *25/08/2025*

Head of Accounts Department - Beneficiary Entity:

Name *Joel Mwangi* Sign *[Signature]* Date *25/08/2025*



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Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Q1	Q2	Q3	Q4	Source Of Funds	Implementing Partners
The Company did not incur any climate related expenditure during the year under review.									

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Appendix V: Reporting Disaster Management Expenditure

Date:						
Entity						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
The Company did not incur any disaster management related expenditure during the year under review.						

(Attach forms from each transferring Government entity.

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/D onor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Othe rs	Total Amount - KES	Where Recorded/recog nized	Capital Fund	Total Transfers during the Year
CGoK	19/08/2024	Recurrent - Direct Payment	3,686,004	3,686,004	-	3,686,004
	03/10/2024	-	4,853,020	4,853,020	-	4,853,020
	31/10/2024	-	352,294	352,294	-	352,294
	18/11/2024	-	2,958,440	2,958,440	-	2,958,440
	31/01/2025	-	4,992,061	4,992,061	-	4,992,061
CGoK	02/08/2024	Development	2,113,039	-	2,113,039	2,113,039
WSTF	01/08/2024	Donor Fund	8,839,649	-	8,839,649	8,839,649
STAWI	01/08/2024	Direct Payment	10,463,000	-	10,463,000	10,463,000
STAWI	15/05/2025	Direct Payment	297,039	-	297,039	297,039
Total			38,554,545	16,841,818	21,712,727	38,554,545