

REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

TANA WATER AND SANITATION COMPANY

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



**TANA WATER AND SANITATION COMPANY (TAWASCO)
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

CEO	<i>Chief Executive Officer</i>
DG	<i>Director General</i>
IAS	<i>International Accounting Standards</i>
IASB	<i>International Accounting Standards Board</i>
IFRS	<i>International Financial Reporting Standards</i>
ICS	<i>Institute of Certified Secretaries</i>
MD	<i>Managing Director</i>
NT	<i>National Treasury</i>
PFMA	<i>Public Finance Management Act.</i>
WASREB	<i>Water Services Regulatory Board</i>
TAWASCO	<i>Tana Water and Sanitation Company</i>
SWASAP	<i>Sustainable Management and Access to Water and Sanitation in the Arid and Semi -Arid Lands Programme</i>
WSTF	<i>Water Sector Trust Fund</i>
NSSF	<i>National Social Security Fund</i>
NHIF	<i>National Hospital Insurance Fund</i>
ICPAK	<i>Institute of Certified Public Accounts of Kenya</i>
WRA	<i>Water Resource Authority</i>
UBSUP	<i>Upscaling Basic Sanitation for the Urban Poor</i>
UPC	<i>Urban Project Call</i>
CECM	<i>County Executive Committee Member</i>
KSL	<i>Kenya School of Law</i>

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Entity Information

Background information

Tana Water and Sanitation Company Ltd was established by the Company Act (Cap,486) of Parliament on 1st September, 2006. At County level, the Company is represented by the County Executive Members responsible for water & sanitation and Finance and the County Secretary whom together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has water schemes in Ngao, Garsen, Hola, Madogo and Bura.

Principal Activities

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

Vision

To be a water service provider that gives adequate and reliable water and sanitation services to residents of Tana River County.

Mission

To ensure provision of efficient and suitable water and Sanitation services.

Core Objectives

- Development of water infrastructure.
- Operation and rehabilitation/ maintenance of water infrastructure
- Sourcing, treatment, conveyance and distribution of water.
- Financial and operations management (billing, revenue collection, human resource, ICT, and efficient application of financial resources.

Directors

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

1.	Said Omara Waldea	- Chairman	- Appointed on 12 th Dec 2022
2.	Wiliam Jillo	- Ag. Managing Director	- Appointed on February 2021
3.	Mwanajuma Hiribae	- Ag County Secretary	- Appointed on 12 th Dec 2022
4.	Mrs. Hadija Harufa Algi	-CECM Water & Energy	- Appointed on 12 th Dec 2022
5.	CPA. Brenda Mokaya	-CECM Finance	- Appointed on 12 th Dec 2022
6.	Ambari Guyo Galgalo	- Director	- Appointed on 12 th Dec 2022
7.	Mrs. Zeitun Ahmed Said	-Director	-Appointed on 12 th Dec 2022

Company Secretary

Mr. Sango Maewa
P.O. Box 29-70101
Hola

Registered Office

Water headquarters Building,
Trade Road, Liberia, Hola
P.O. Box 90-70101
Hola, KENYA

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Corporate Headquarters

Water headquarters Building,
Trade Road, Liberia, Hola
P.O. Box 90-70101,
Hola, KENYA.

Corporate Contacts

Telephone: (254) 700281073
E-mail: info@tawasco.co.ke
Website: www.tawasco.co.ke

Corporate Bankers

Kenya Commercial Bank
P.O Box 100-70101
Hola

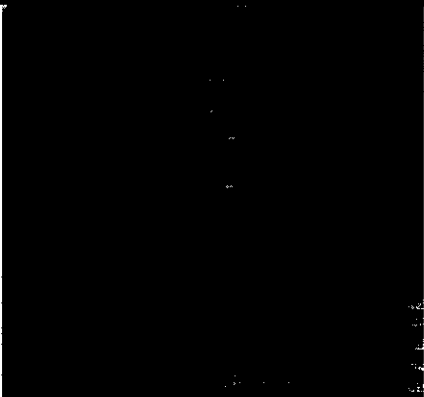


Independent Auditor

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

Principal Legal Adviser

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

3. The Board of Directors

 <p>SAID OMARA WALDEA CHAIRMAN TAWASCO</p>	<p>Mr Said Omara Waldea Chairman Board of Directors Date of birth 1st January, 1962 Qualifications He holds a Bachelor of Education degree from University of San Juan De La Cruz-Costa Rica Experience Over 30 years in various management role as a principal in various secondary schools.</p>
 <p>MRS. MWANAJUMA HIRIBAE Ag. County Secretary</p>	<p>Mrs. Mwanajuma Mabuke Member of the Board (Executive Member/ HR Committee) Date Of Birth 22nd October, 1977 Qualifications Masters of Arts in Women, Leadership and Governance in Africa – Ongoing BSc. Business Administration Diploma in Mass Communication Experience Over 20 years’ experience in advocacy, and policy analysis</p>
 <p>Mrs. HADIJA HARUFA ALGI CECM WATER AND ENERGY</p>	<p>Mrs. Hadija Harufa Algi Member of the Board (Executive Member) Date of Birth 15th August, 1975 Qualifications Master in International relations Bachelor’s degree in sociology and communications Experience Over three years in research currently CECM water and energy county Government of Tana River</p>



WILLIAM JILLO
AG. MANAGING DIRECTOR

Designation: Ag. Managing Director

Date of Birth 18th July, 1991

Qualification:

BSc. Soil, Water & Environmental Engineering
Registered Graduate Engineer, Engineers Board of
Kenya, EBK- (B18737)

Member of Institute of Engineers of Kenya (IEK)

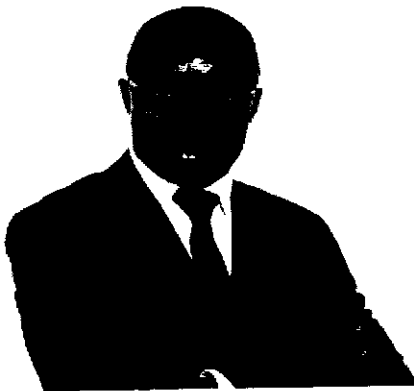
Associate Expert NEMA (11753)

Member of the Environmental Institute of Kenya
(EIK)

Senior Management Course

Experience

Over 7 years in various field and management roles
as a county irrigation engineer and a Project
Engineer in the NAVCDP, SIVAP, KCSAP and
WFP projects.



SANGO MAEWA
LEGAL ADVISOR/ COMPANY
SECRETARY

Mr. Sango Maewa

Legal Advisor

Date of Birth 23rd April, 1979

Qualifications

Bachelor's degree in Law

Dip in Law KSL

Experience

Over five years practising law currently legal
advisor County Government of Tana River



MR. AMBARI JILLO

Mr. Ambari Jillo

Board Member (Independent Member/ Internal Audit Committee)

Date Of Birth 1st August, 1960

Holds a Bachelor of Arts In Leadership and Management.

From ST. Pauls University Kenya.

Experience

Over twenty years in leadership and management



Mrs. Zeitun Ahmed Said

Mrs. Zeitun Ahmed Said

Board Member (Independent Member)




Date of Birth 6th June, 1971



Diploma in Early Childhood Development and Employed by Teacher's Service Commission (TSC).

Experience

Over five years in education sector currently she enjoys teaching

4. Key Management Team

Managers	Details
 <p>William Jillo Soye Appointed: Feb 2021</p>	<p>Designation: Ag. Managing Director Qualification: BSc. Soil, Water & Environmental Engineering Registered Graduate Engineer, Engineers Board of Kenya, EBK- (B18737) Member of Institute of Engineers of Kenya (IEK) Associate Expert NEMA (11753) Member of the Environmental Institute of Kenya (EIK)</p>
 <p>JAMES NJARAMBA MURAGURI</p>	<p>Designation: Ag. Finance Manager Qualification: Bachelor of Commerce (BCOM) CPA PART III</p>
 <p>Salim Juma Makorane</p>	<p>Designation: Ag. Technical & Services Manager Qualification: Certificate in Power Plant Mechanic Grade 1</p>

 <p>Kimera Thuva</p>	<p>Designation: Commercial Manager</p> <p>Qualification: High Dip. Water Engineering Dip. Water Engineering</p>
 <p>Mariam Rago</p>	<p>Designation: Human Resource & Admin</p> <p>Qualification: Dip. Business Management (HR Option)</p>
<p>Jacob Makondeni</p>	<p>Designation: Procurement Officer</p> <p>Qualification: BBM (Procurement & Supply Chain Management Option) Member KISM</p>

5. Chairman's Statement

On behalf of the Board of Directors, I present the annual financial statement for the Financial Year ending 30th June 2025 which outlines the company's financial and operational performance. The company struggled in performance while providing high quality water to the people in its jurisdiction.

Shareholding

The company is 100% owned by the Tana River County Government.

Board of Directors

TAWASCO board is made up of 5 boards of directors, 2 from the Executive and 3 Independent members - distributed among the sub counties of Tana River making a total of 5 and the Managing Director serving as the secretary of the board.

Overview on Performance

The company has continued to expand the services in an effort to reach more customers in our coverage. During this year, Tana Water and Sanitation Company (TAWASCO) was successful in the Water Sector Trust Fund's SWASAP Proposals. The company is concluding projects in Golbanti, Oda, Tarasaa, Wenje and Vukoni. Once completed, the projects will see an addition of 12.5Km of pipeline, 3 steel elevated tanks and 3 boreholes. In the Hola Household Sanitation Project (UBSUP), the company has successfully facilitated the implementation of over 200 safisan toilets within Hola town and its environs.

In the year, we held various board meetings which met the threshold of the required minimum of quarterly meetings. We played our oversight and policy making roles. Therefore, I stand here to tell you that the business of the company was executed with due diligent and always ensuring the interests of the shareholder, which are also the interests of the community are taken into consideration.

Water Coverage

During the year, the company continued to work closely with Coast Water Works Development Agency and the County Government of Tana River to provide water and sanitation services to the residents of Tana River County and its environs. As per the Water Impact Report, Issue 17, the TAWASCO's water coverage has remained to be 32% but has grown to 55% in the Financial year 2024/2025.

It is our hope that with the availability of resources, the company will continue to grow and adopt new areas in the next Service Provision Agreement.

National Recognition

The company was ranked no. 89 in the WASREB Performance Impact Report of Kenya's Water Sector release for the year 2023/2024. The company has an approved WASREB License and Water Tariff.

Appreciation

We continue to enjoy incredible support and goodwill from diverse stakeholders, development partners and customers. I would like to appreciate and most sincerely thank my fellow directors for their selfless services. I also wish to note with appreciation the support extended to us by the County Government of Tana River, Water Sector Trust Fund, Water Services Regulatory Board, Coast Water Works Development Agency and local NGOs. We greatly value and appreciate this support and trust that we can continue to count on it in the future. We look forward with the conviction that TAWASCO will remain not just a place but a good place to be.

Sincerely.



Mr Said Omara Waldea
Chairman Board of Directors

6. Report Of the Managing Director

I am delighted to present the report showing the performance of the company for the year 2024/25.

1. Water Supply Coverage

During the year, the company produced 700,933 cubic meters of water. The company billed for 272,703 with a 61% unaccounted for water in the FY 2024/2025, a performance that is poor compared to the global benchmark of non-revenue water of 25% but is an improvement from 65% unaccounted for water in the FY 2023/2024.

The company's water production averages 1,920 cubic meter per day against a capacity of 14,210 cubic meters per day, a capacity utilization of about 13.5%. The reserve capacity is not met because of some of the systems like Hola Water Supply having under-capacity pumps. In Bura Water Supply, there is limited supply of raw water from the source that is controlled by National Irrigation Authority.

2. Financial Results for the Year 2024/25

The following is a summary of the key highlights of the financial statements.

a) Turnover

The company's sales turnover during the year 2024-25 was KShs. 32,374,539 against KShs. 35,089,066 for the year 2023-24. This is about 6.5% decrease. The decrease was as a result of Madogo water supply not being in operation for over six months in the FY 2024-25 due to technical challenges. The management has applied for Proposals at County Government, Water Sector Trust Fund and the Coast Water Works Development Agency to upgrade water infrastructure as a way to improve revenue.

b) Expenses

The operating expenses during the year under review was KShs. 66,770,316 against KShs. 75,941,045 reported in the year 2024-25.

c) Profits

The company made a Profit of KShs. 4,921,783 after tax in the year 2024-2025 compared to a loss of KShs. 18,373,852 after taxation made in the year 2023-24. The profit is attributed to the operational grants received from the county Government of Tana River during the FY 2024-2025. The company attracts funding from donors leading to rise of grants income. The grants were not fully expended as at the end of the year.

3. Challenges

3.1 Revenue Collection

The revenue growth rate is slow because of high non-revenue water (61%), low metering ratio (currently 53% in WASREB ratings), and under-capacity pumps.

3.2 Water Supply


Inadequate funds to expand infrastructure especially water treatment plants and storage tanks has limited the company to an average supply of water of 15 hours per day against the recommended 24 hours per day.

4.0 Way Forward

The future of the company seems excellent assuming that the operating environment is improved. The company could grow to provide clean and safe water to all the major towns in the county. The key areas to focus on include;

- Capacity building
- Improving water supply reliability
- Infrastructure upgrades

Thank you.



William Jillo,
Ag. Managing Director
TAWASCO

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7.Statement Of Performance Against Predetermined Objectives for FY 2024/2025

Strategic Pillar	Objective	KPI	Activities	Achievements
Water infrastructure	To increase water coverage from 32% in 2023/24 to 50% in 2024/25	1. Feasibility study report conducted 2. Completion reports. 3. Amounts of funds secured	Feasibility study report conducted.	1. Completion of survey & designs 2. Construction of pipelines and elevated tanks
Increase the hours of supply from 13 to 18 hours per day.	Increase hours of supply from 13hrs in 2023/24 to 18hrs in 2024/25	1. Number of hours of pumping	i. Increase the water sources	Number of boreholes drilled to completion
Ensure drinking water quality compliance with residual chlorine	Increase residual chlorine from 87% in 2023/24 to 95% in 2024/25	1. Number of bacteriological analysis reports.	i. Procure water quality assessment kits ii. Construction of water quality lab	1. Reports generated. 2. Completion report
Non-Revenue Water (NRW)	To reduce non-Revenue water from 65% in 2023/24 to 60% in 2024/25	1. Rehabilitated pipeline 2. Number of consumer meters & bulk meters installed	i. Rehabilitation of pipelines ii. Meter replacement iii. Number of bulk meters installed	1. Completion of rehabilitation works 2. Survey of unmetered malfunctioning meters
Customer Service	Increase customer satisfaction from 52% in 2023/24 to 65% in 2024/25	1. Prompt handling of customer issues	1. Enhance customer relationship management	1. Training staff on customer service management 2. Commenced implementation of staff on call a 24hr basis

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Revenue Collection Efficiency	Increase revenue collection efficiency from 63% in 2023/24 to 75% in 2024/25	1. Number of bills distributed	1. install a water billing system	Completion report of a billing system
Human Resource Management	To attain and attract skilled and productive staff	1. Approved organizational structure in place 2. Projected staff requirements 3. No. of staff trained 4. Appraisal reports	1. Staff capacity building Enhance innovation and knowledge	Capacity building and training of staff

8. Corporate Governance Statement

The role of the Board of Directors is to determine the Company’s policy and strategy, to monitor the attainment of company objectives and ensure that the company meets its obligations to its customers, stakeholders and shareholders. The Board is also responsible for overseeing the company’s internal control systems designed to safeguard the company’s assets and to ensure the reliability of the financial information provided by the company. The Board has 3 committees namely:

- (a) Finance and Administration Committee
- (b) Audit Committee.
- (c) Human Resource Committee

Finance Planning and Administration Committee

The Finance and Administration Committees’ main duties are to ensure that Company’s budget is prepared, approved and enforced, that there is harmony within the organization. The Committee is responsible for reviewing and setting medium- and long-term strategic directions and financial prudence. The Committee includes all aspects of projects planning.

Audit and Risk Committee

The main duty of the Internal Audit Committee is to ensure that the systems of internal controls are effectively administered. The committee defines the responsibilities of the Internal Auditors and to review and recommend to the Board the approval of interim financial results and annual financial

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statements. The Internal Audit is a department operating independently of other departments and sections of the Company.

Human Resource Committee

The main duty of the Human Resource Committee is to clearly define the Company's organizational structure within which individual responsibilities are defined in relation to the Company's mandate. The structure will be complemented by documented policies. The Committee deals with appointments, dismissal, conflicts, dispute, promotion and demotion. During the year under review the board of directors held an Annual General Meeting where there was retirement of directors and reappointment of new directors to hold office for a period of three years. The directors hold meetings in accordance to the board charter which requires review in every quarter of the financial year. The new board of directors were taken through an induction process and later signed code of ethics before taking up their roles as directors.

Board Size

TAWASCO's Board consists of five members—two Executive and three Independent Directors—

Date of Appointments

Appointed on 12th December 2022: Said Waldea, Ambari Galgalo, Zeituni Ahmed, Mwanajuma Mabuke, and Harufa Algi.

Appointment Process

The appointment process is transparent and competitive, with vacancies advertised through mainstream media, the Tana River County website, and the TAWASCO website. Applications are assessed and vetted by a committee comprising the Tana River County Public Service Board and relevant stakeholders to ensure compliance with the Fit and Proper Test before notification and gazettement.

Board Induction

Board members have undergone induction facilitated by KEWI, covering governance and the code of conduct.

Board Remuneration

Board remuneration follows the Mwongozo Guidelines and WASREB's Corporate Governance Guidelines, and board succession is managed in line with WASREB's Corporate Governance provisions.

9. Management Discussion and Analysis

The development of TAWASCO resulted from 4 critical elements that go alongside its vision, mission and core values. They are anchored in the reviewed Strategic Plan 2021-2026. The critical elements are;

1. Operational and financial performance
2. Investment levels

Operation and Financial Performance

1) Number of Consumer Accounts Billed

The number of consumer accounts continued to increase steadily largely attributable to the new pipelines provided by the minor works improvement.

2) Water Production and Billing Efficiency

There was a decrease in water production and sales in the financial year under review compared to the previous year. The non-revenue water loss reduced compared to the last financial year as a result of concerted efforts by the management.

Water Production, Billed and Billing Efficiency

Period	Water Production	Water Sales	Billing Efficiency	Unaccounted for Water (UfW)
	m ³	m ³	%	%
FY 2023/2024	1,038,065	362,512	35%	65%
FY 2024/2025	700,933	272,703	39%	61%

3) Revenue and Collection Efficiency

There was a decrease in total billing but an increase in collection efficiency in the current financial year compared to last year. The management has formed a non-revenue water unit and is expected to improve the efficiency even more from the arrears. The collection efficiency is at 68% in 2024/2025 compared to 63% in 2023/2024.

10. Environmental And Sustainability Reporting

Sustainability strategy and profile

Service Provision Agreement

The Company operates under a three-year operating license issued by the regulator which is expected to be renewed in December 2025

Tariff Regime

The Company is operating under an approved water tariff which is expiring in June 30th 2026.

Environmental performance

TAWASCO is mandated to ensure efficient availability, continuity and quality of water and sanitation services for its customers. To better fulfil its mandate, TAWASCO vision, mission and core values have been aligned with a focus on building partnerships, valuing its customers, spur business growth as well as promoting environmental conservation to better support the Kenya's Vision 2030 that envisages a high quality of life.

Climate Change

TAWASCO has noble initiatives towards addressing the impact of Climate Change while striving to achieve international corporate standards that will allow it to operate in ways that meet minimum fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. As part of the Governor's Greening Initiative, therefore, TAWASCO is supporting the Municipality of Hola in the provision of water to grow trees beside the town roads. The company is also working with Kenya Forestry to create a green zone at the TAWASCO headquarters.

Employee welfare

The Company contributes towards NSSF and NHIF for its staff. The company has arrears of KShs. 1,479,732 for NSSF and NHIF.

Market place practices-

The company complies with the Public Procurement and Disposal Act and also has a website that has information for customer grievances and resolution.

Corporate Social Responsibility / Community Engagements

The company has been keen to provide water and sanitation services to the pro-poor residents of Tana North Sub- County in the Adele region. In response to this, TAWASCO has established a

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pro-poor unit tasked with the responsibility of developing appropriate strategies for effective services delivery to the poor. The company also supports the Governors village cluster agenda with water trucking services

11. Report Of the Directors

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

i) Principal activities

The principal activities of Tana water and sanitation Company limited are to provide adequate and reliable water and sanitation services to the residents of Tana River County.

ii) Results

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

iii) Dividends

The company has not declared dividends for the year ended 30th June 2025 due to low operating revenue and high cost incurred in the financial year under review

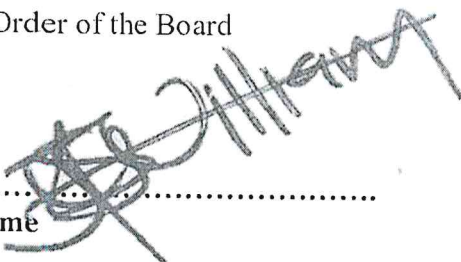
iv) Directors

The members of the Board of Directors who served during the year are shown on page vi to viii In accordance with Regulation of the company's Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of the Tana Water and Sanitation 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

Company Secretary/Secretary to the Board

Date:

12. Statement Of Directors' Responsibilities

Section 79(1) of the Water Act of 2016 establishes the WSPs Board and their responsibilities. The Water Act, 2026 also specifies the role of the Water Service Provider as; (1) Provision of water services within the area of jurisdiction (2) Development of County Assets of water provision.

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. 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 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 ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. 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.

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Statement Of Directors' Responsibilities (Continued)

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 financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern.

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

Approval of the financial statements

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



.....

Name

Chairperson of the Board

SAID WALDEA



.....

Name

Managing Director

WILLIAM JILLO

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TANA WATER AND SANITATION COMPANY 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 Tana Water and Sanitation Company set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive Income,

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

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

Basis for Qualified Opinion

1. Long Outstanding Receivables

The statement of financial position reflects a balance of Kshs.62,525,574 in respect of trade and other receivables as disclosed in Note 19 to the financial statements after provision for bad debts of Kshs.15,631,393. Included in the gross receivables balance of Kshs.78,156,968 are receivables balance of Kshs.68,479,659 which had been outstanding for more than one (1) year. However, there was no policy on the impairment of long outstanding receivables casting doubt on the fair statement of the accounts receivable balance.

In the circumstances, the accuracy and full recoverability of the outstanding receivables balance of Kshs.62,525,574 could not be confirmed.

2. Unsupported Domestic Travel and Subsistence Allowances

The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs.39,611,138 as disclosed in Note 10 to the financial statements. The amount includes Kshs.4,003,210 incurred on domestic travel and subsistence allowances. However, the schedule provided does not indicate employee name, personal number, job group, imprest warrant number, amount, activity undertaken and results achieved.

In the circumstances, the accuracy and completeness of domestic travel and subsistence allowances of Kshs.4,003,210 could not be confirmed.

3. Unsupported Maintenance Expenses

The statement of profit or loss and other comprehensive income reflects maintenance expenses of Kshs.7,305,291 as disclosed in Note 12 to the financial statements, out of which Kshs.2,831,401 was incurred on repair of plant and equipment. However, the supporting schedules showing the description, model, function, location and cost incurred on each item of plant and equipment maintained or repaired were not provided for audit. Further, the amount of Kshs.7,305,291 includes infrastructure network expenditure of

Kshs.4,241,890 which was not supported by job card, description of repairs, pre and post inspection reports, cost and inspection and acceptance certificates.

In the circumstances, the accuracy, completeness and value for money spent on maintenance expenditure of Kshs.7,305,291 could not be confirmed.

4. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.25,334,527 as disclosed in Note 17 to the financial statements. However, the balance excludes undetermined value of land and buildings. Management attributed this to lack of ownership documents for the land.

In addition, included in the property, plant and equipment balance was Kshs.11,366,254 in respect to water and sewer infrastructure. However, the balance excludes undetermined values of water treatment facilities in Bura, Ngao and Hola and two (2) boreholes in Madogo and Hola. Management attributed this due to lack of ownership documents.

In the circumstances, the value for money on additions accuracy, completeness and ownership of property, plant and equipment balance of Kshs.25,334,527 could not be confirmed.

5. Unsupported Refundable Deposits and Prepayments Balance

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.47,445,168 as disclosed in Note 27 to the financial statements. Included in the balance was Kshs.46,549,020 which was not supported with detailed schedule of individual customers. In addition, the customer deposits are not maintained in a designated bank account and have been utilized in the Company's operations.

In the circumstances, the accuracy, completeness and existence of customer deposits balance of Kshs.46,549,020 could not be confirmed.

6. Inaccuracies in the Statement of Cash Flows

Note 19 of the notes to the statement of cashflows reflects Kshs.7,031,119 in respect of profit or loss before tax. However, the statement of profit or loss and other comprehensive incomes reflects a corresponding balance of Kshs.7,697,319, resulting in unreconciled variance of Kshs.666,200. Further, the same Note reflects a negative balance of Kshs.803,690 in respect to prepayments whereas the statement of financial position reflects a corresponding balance of Kshs1,469,892, resulting in a variance of Kshs2,273,582 which was not explained. In addition, the Note reflects a decrease in receivables of Kshs.14,822,289 whereas the statement of financial position reflects a corresponding decrease of Kshs.7,458,760, resulting in an unexplained variance of Kshs.7,363,529.

In the circumstances, the accuracy, and completeness of statement of cash flows could not be confirmed.

7. Unsupported Inventory Balance

As previously reported, the statement of financial position reflects comparative balance for inventory of Kshs.125,900 as disclosed in Note 17 to the financial statements. However, the balance was not supported by inventory stock take report.

In the circumstances, the accuracy of inventory balance of Kshs.125,900 could not be confirmed.

8. Unsupported Adjustment to Share Capital Balance

As previously reported, included in the statement of changes in equity is share capital balance as at 1 July, 2023 amounting to Kshs.5,000,000 and a closing balance of Kshs. 100,000 as at 30 June, 2025. However, the statement of changes in net assets does not disclose the adjustment made to share capital balance in the year. Management has also not supported the adjustment with approval and authority to adjust the share capital balance.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual on a comparable basis of Kshs.97,500,000 and Kshs.96,696,440 respectively, resulting to under collection of Kshs.803,560 or 1% of the budget. The Company spent an amount of Kshs.88,380,773 against actual receipts of Kshs.96,696,440, resulting to underutilization of Kshs.8,315,668 or 9% of the actual receipts.

The underutilization may have negatively impacted on the planned activities of the Company which affected service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements. Review of the status during audit of the Company in 2024/2025 revealed that the following thirteen (13) matters remained unresolved:

No.	Audit Issue
1	Unsupported and Long Outstanding Trade and Other Receivable Balance
2	Inaccuracies in the Annual Report and Financial Statements
3	Inaccurate, Unsupported and Long Outstanding Trade and Other Payables Balance
4	Unsupported Adjustment to Share Capital Balance
5	Budget Control and Performance
6	Non-Revenue Water
7	Un-remitted National Social Security Fund Contributions
8	Failure to Settlement Pending Bills
9	Lack of Approval Budget and Procurement Plan
10	Inactive Customer Accounts
11	Lack of Audit Committee and Functional Internal Audit
12	Lack of Information Communication Technology Policy and Disaster Recovery Plan
13	Lack of Risk Management Policy and Strategy

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water Above Allowable Limit

The statement of profit or loss and other comprehensive income reflects operating income of Kshs.32,792,083 as disclosed in Note 6 to the financial statements, out of which Kshs.31,950,103 was in respect of water sales. The Company produced 700,933 cubic meters of water, out of which 272,703 cubic meters (39%) was billed to customers for Kshs.31,950,103 and the balance of 428,230 cubic meters or 61% was not billed. The unbilled water represents non-revenue water. The percentage of unbilled water is higher than the allowable loss limit of 25% by the Water Service Regulatory Board guidelines. The 428,230 cubic meters of non-revenue water resulted to a loss of revenue estimated at Kshs.50,171,427 at average sale per cubic meter of Kshs.117.16 .

In the circumstances, Management was in breach of policy guidelines.

2. Non-Compliance with The Constitution and Law on Affirmative Action

The Company had a total staff population of seventy-one (71) comprising of fourteen (14) seconded staff and fifty-seven (57) casual staff. However, only one (1) or 1% was a person living with disability. Further, out of the seventy-one (71) staff, fifty-six (56) or 79% were of the male gender. This was contrary to the provisions of the National Cohesion and Integration Act, 2008 which requires that not more than two-thirds or (66%) of all employees should be of the same gender.

In the circumstances, Management was in breach of policy guidelines.

3. Non- Compliance with Fiscal Responsibility Principles

The statement of comparison of budget and actual amounts reflects total revenue and expenditure budget of Kshs.97,500,000, out of which Kshs.27,479,210 or (28%) was in respect of development budget, contrary to Section 107(2)(b) of the Public Finance Management Act, 2012 which requires that at least 30% of County Government entity's total budget should be allocated to development activities.

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

4. Failure to Settle Pending Bills

As previously reported, the statement of financial position reflects trade and other payables balance of Kshs.6,118,934 which includes a balance of Kshs.3,646,401 owed to suppliers which has remained outstanding for over two years. Failure to settle the debts is contrary to Regulation 41(2) of the Public Finance Management (County Governments) Regulations, 2015 which require that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the County Government does not default on debt obligations.

In the circumstances, Management was in breach of the law

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

REPORT ON 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 Audit Committee and a Functional Internal Audit

As previously reported, the Company did not have an Internal Audit Unit and the Board had not established an Audit Committee as provided under Clause 3.7(2) of the Corporate Governance Guidelines for Water Services Sector, 2018 which stipulates that the audit committee, technical services committee and finance and human resource committee are mandatory.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xxi to xxii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 1 to 25 has been properly prepared in accordance with the Companies Act, 2015.

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2025

Tana 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	32,792,083	35,089,066
Grants Income	7	42,287,401	22,478,126
Other Income	8	6,500	-
Total Revenue		75,085,984	57,567,192
Expenses			
Staff Costs	9	17,955,274	19,355,220
General and Operations expenses	10	39,611,138	51,940,762
Board Expenses	11	980,260	495,200
Maintenance Expenses	12	7,305,291	3,332,180
Depreciation and Amortization expenses	13	1,536,701	817,683
Total Expenses		67,388,664	75,941,045
Profit/(Loss) Before Taxation		7,697,319	(18,373,853)
Income Tax Expense/(Credit)	14	2,309,196	-
Profit/(Loss) After Taxation		5,388,124	(18,373,853)
Earnings Per Share – Basic and Diluted	15	-	-
Dividend per share	16	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		5,388,124	(18,373,853)
Surplus or deficit on revaluation of PPE		-	-
Rremeasurement of net defined benefit liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
Total Comprehensive Income for The Year		5,388,124	(18,373,853)

Tana Water and Sanitation Company Ltd.

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

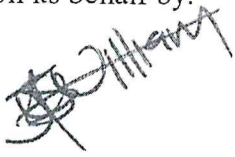
15. Statement Of Financial Position As at 30 June 2025

	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	17	25,334,527	6,704,108
Total non-current assets		25,334,527	6,704,108
Current assets			
Inventories	18	2,176,580	125,900
Trade and receivable	19	62,525,574	55,066,814
Prepayments	20	1,469,891	-
Bank and cash balances	21	7,281,476	10,386,518
Total non-current assets		73,453,521	65,579,232
Total Assets		98,788,048	72,283,340
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	22	100,000	100,000
Retained earnings		(11,039,244)	(16,427,368)
Capital/Development Fund		53,247,884	31,637,428
Capital and Reserves		42,308,640	15,310,060
Non-current liabilities		-	-
Total non-current liabilities		-	-
Current liabilities			
Trade and other payables	26	6,118,934	10,057,260
Refundable deposits and Prepayments	27	47,445,168	46,309,909
Taxation	28	2,915,307	606,111
Total current Liabilities		56,479,408	56,973,280
Total Equity and Liabilities		98,788,048	72,283,340

Tana Water and Sanitation Company Ltd.

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

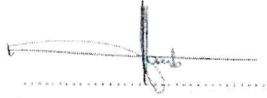
The financial statements were approved by the Board on _____ 28th Aug _____ 2025 and signed on its behalf by:



.....

Name: William Jillo

Managing Director



.....

Name: CPA JACOB JARHA

Head of Finance

ICPAK M/No: 8685



.....

Name: SAID WALDEA

Chairman of the Board

Tana 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

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2023		5000,000	-	-	1,946,484	-	26,048,428	32,994,911
New capital issued		-						-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(18,373,852)	-	-	(18,373,852)
Capital/Development grants received during the year		-	-	-	-	-	5,589,000	5,589,000
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2024		100,000	-	-	(16,427,368)	-	31,637,428	15,310,060
As at July 1, 2024		100,000	-	-	(16,427,368)	-	31,637,428	15,310,060
Issue of new share capital		-	-	-	-	-	-	-

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

Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-	-	-	-
Profit for the year	-	-	-	5,388,124	-	-	5,388,124
Capital/Development grants received during the year	-	-	-	-	-	21,610,456	21,610,456
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – prior year	-	-	-	-	-	-	-
Interim dividends paid – current year	-	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-	-
At June 30, 2025	100,000	-	-	(11,039,244)	-	53,247,884	42,308,640

Tana 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		23,475,134	21,997,922
Grants Income		41,206,256	7,138,956
Other Income		6,500	-
Customer Deposits		658,500	-
Total Receipts		65,346,390	29,136,878
Payments			
Staff Costs		10,984,041	7,131,011
General And Operation Expenses		27,192,939	26,783,306
Board Expenses		980,260	495,200
Maintenance Expenses		7,727,046	3,345,980
Refund Of Customer Deposits		-	-
Total Payments		46,884,286	37,755,497
Net Cash From/ (Used In) Operating Activities	29	18,462,104	(8,618,619)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(21,567,146)	(4,333,895)
Net Cash From/ (Used In) Investing Activities		(21,567,146)	(4,333,895)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		-	-
Dividends Paid		-	-
Net Cash From/(Used In) Financing Activities		-	-
Increase/(Decrease) In Cash and Cash Equivalents		(3,105,042)	(12,952,514)
Cash And Cash Equivalents At Beginning of Year		10,386,518	23,339,032
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End of the Year		7,281,476	10,386,518

**Tana 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 Period Ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs a	Kshs b	Kshs C=a+b	Kshs d	Kshs e= c-d	f=d/c %
Budget carryovers from the previous year*	-	-	-	-	-	
Receipts						
Operating Revenue	33,500,000	-	33,500,000	32,792,083	707,917	98%
Non-Operating Revenue	500,000	-	500,000	6,500	493,500	1%
Grants	63,500,000	-	63,500,000	63,897,857	(397,857)	101%
Finance Income	-	-	-	-	-	
Other gains	-	-	-	-	-	
Total Receipts	97,500,000	-	97,500,000	96,696,440	803,560	99%
Payments						
Staff Costs	20,328,000	-	20,328,000	19,253,969	1,074,031	95%
Board Expenses	1,820,000	-	1,820,000	980,260	839,740	54%
General and operations Expenses	39,520,000	-	39,520,000	38,852,352	667,648	98%
Maintenance	8,030,000	-	8,030,000	7,727,046	302,954	96%
Finance costs	-	-	-	-	-	-
Total Recurrent Expenditure	69,698,000	-	69,698,000	66,813,627	2,884,374	96%
Total Payments	69,698,000	-	69,698,000	66,813,627	2,884,374	96%
Capital Expenditure Payments	27,479,210	-	27,479,210	21,567,146	5,912,065	78%
Surplus	322,790	-	322,790	8,315,668	(7,992,878)	2576%

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

Budget notes:

There is a 99% variance between budgeted non-operating revenue and actuals due to low incomes received from fines and penalties compared to what was anticipated during the FY 2024/2025.

The variance of 46% between budgeted board expenses and actuals is attributed from training activities and other meetings that were to take place during the year under review but did not take place.

19. Notes To the Financial Statements

1. General Information

Tana Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act 2006. The Company is wholly owned by the Tana River County Government and is domiciled in Kenya. The Company's principal activity is provision of adequate and reliable water and sanitation services to resident of Tana River county. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act 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	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for	The amendments are effective for annual periods beginning on or after

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

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

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	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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Title	Description	Effective Date
	represents an entity's assets, liabilities, equity, income and expenses.	
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

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	nill	0%
Leasehold Land	nill	0%
Buildings and civil works	50	2%
Infrastructure works	50	2%
Plant and machinery	7	13%
Motor vehicles, including motorcycles	10	10%
Computers and related equipment	3	33.3%

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Office equipment, furniture and fittings	3	33.3%
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A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

Summary of Accounting Policies

h) Right of Use Asset

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

i) Biological Assets

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

j) Fixed interest investments (bonds)

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

k) Quoted investments

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

Summary of Accounting Policies

l) Unquoted investments

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

m) Inventories

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

n) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page 33 of this report.

o) Taxation

i) Current income tax

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

p) Deferred tax

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

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

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

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

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

q) Borrowing costs

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

r) Cash and cash equivalents

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

Restricted cash

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

s) Borrowings

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

t) Trade and other payables

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

u) Retirement benefit obligations

The company 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 6% of Gross income per employee per month.

v) Provision for staff leave pay

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

w) Exchange rate differences

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

x) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 28th June 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company did not record additional appropriations of budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 18, page 7 of these financial statements.

y) Service concession arrangements

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

z) Comparative figures

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

aa) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

- Availability of funding to replace the assets.

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The management made a provision for bad and Doubtful debts of 20% of trade receivables during the financial year 2024/2025. Disclosure of these estimates of provisions is included in Note 17.

6. Operating Revenue

	2024/2025	2023/2024
	Kshs	Kshs
Water sales	31,950,103	34,774,166
Sewerage Services	-	-
Billing for other services*	199,000	56,100
Application fees	642,980	212,600
Reconnection fees		46,200
Total	32,792,083	35,089,066

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

Notes to the financial statements (continues)

7. Grants Income

	2034/2025	2023/2024
	Kshs	Kshs
Operational grants from Government entities	19,595,800	-
Capital grants amortised	-	-
In Kind contribution/donations from County Government	22,691,601	22,478,126
Total	42,287,401	22,478,126

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2024/2025 KShs
County Government of Tana River	19,595,800	-	15,404,200	35,000,000	35,000,000
Operational grants Government entities- WSTF	-	-	6,206,256	6,206,256	6,206,256
In Kind Contributions- Payment of Electricity bill and seconded staff salaries by County Government of Tana River	22,691,601	-		22,691,601	22,691,601
Total	42,287,401	-	21,610,456	63,897,857	63,897,857

Notes to the financial statements (continues)

8. Other Income

	<i>2024/2025</i>	<i>2023/2024</i>
	Kshs	Kshs
Fine and penalties	2,500.00	-
Miscellaneous income (Change of line and disconnection request)	4,000.00	-
Total	6,500.00	-

9. Staff Costs

Description	<i>2024/2025</i>	<i>2023/2024</i>
	Kshs	Kshs
Gross Salary and Allowances	8,651,677	9,882,004
Casual workers' Wages	8,543,786	8,621,166
Medical insurance schemes	237,721	343,550
Employer's contributions to social security schemes	522,090	508,500
Other allowances	-	-
Total	17,955,274	19,355,220
The average number of employees during the year	66	66

10. General and Operations Expenses

Description	2024/2025 Kshs	2023/2024 Kshs
Chemicals	4,120,003	2,166,700
Electricity	18,684,052	15,197,907
Fuel, oil, lubricants, and gases	1,045,000	515,640
Bulk water Costs	-	-
Office supplies	439,850	556,040
Telecommunication	607,232	75,000
Postage and courier	9,450	-
Rent and Rates	-	-
Domestic Traveling and subsistence	4,003,210	2,075,330
Staff training and development	-	-
Bank Charges	142,948	200,168
Audit fees	-	116,000
Consultancy fees	1,650,000	207,701
Licensing and levies	1,278,004	1,503,563
Hospitality expenses	151,050	97,950
Provision for doubtful debts	1,864,690	13,766,703
Electrical repair		32,000
Transfer to UBSUP		1,000,000
UPC 8 TH call project	55,117	161,420
SWASAP Project	805,431	13,437,585
UBSUP Project	4,755,102	831,055
Total	39,611,138	51,940,762

11. Board Expenses

Description	2024/2025 KShs	2023/2024 KShs
Chairman Honoraria	140,000	60,000
Sitting allowances	190,400	50,400
Medical Insurance	-	-
Induction and Training	292,400	-
Travel and accommodation	357,460	384,800
Total Board Expenses	980,260	495,200

Notes to the financial statements (continued)

12. Maintenance Expenses

	2024/2025	2023/2024
Description	Kshs	Kshs
Plant and Equipment	2,831,401	1,647,200
Buildings	-	-
Infrastructural networks	4,241,890	939,750
Motor vehicles	232,000	745,230
Software	-	-
Water Meter maintenance costs	-	-
Total Maintenance Expenses	7,305,291	3,332,180

13. Depreciation and Amortization Expenses

Description	2024/2025	2023/2024
	KShs	KShs
Property, plant, and equipment	1,536,701	817,683
Total Depreciation and Amortization	1,536,701	817,683

14. Income Tax Expense/(Credit)

Current taxation

	2024/2025	2023/2024
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	2,309,196	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	2,309,196	-

15. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year of 2024/2025. There were no dilutive or potentially dilutive ordinary share as at the reporting date.

16. Dividend Per Share

No dividends were declared for the financial year 2024/2025.

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17. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Depreciation rate		2%	2%	13%	10%	33%	33%	-	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2023				17,026,980	301,100	1,190,000	436,000	-	18,954,080
Additions	-	-	-	-	-	140,000	-	4,193,895	4,333,895
Disposals	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
As at 30th June 2024				17,026,980	301,100	1,330,000	436,000	4,193,895	23,287,975
Additions	-	-	11,598,218	3,743,317	-	58,000	-	4,767,586	20,167,121
Disposals	-	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
As at 30th June 2025			11,598,218	20,770,297	301,100	1,388,000	436,000	8,961,481	43,455,096
Depreciation And Impairment									
At 1 July 2023				14,756,745	120,440	453,000	436,000	-	15,766,185
Depreciation				378,373	30,110	409,200	-	-	817,683
Impairment				-	-	-	-	-	-
Transfers/ Adjustments				-	-	-	-	-	-
As At 30th June 2024			231,964	15,135,118	150,550	862,200	436,000	-	16,583,868
Depreciation				846,287	30,110	428,340	-	-	1,536,701
Disposals				-	-	-	-	-	-

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Description	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Impairment	-	-	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-	-	-
As at 30th June 2025	-	-	231,964	15,981,405	180,660	1,290,540	436,000	-	18,120,569
As at 30th June 2024	-	-	-	1,891,863	150,550	467,800	-	4,193,895	6,704,108
As at 30th June 2025	-	-	11,366,254	4,788,892	120,440	97,460	-	8,961,481	25,334,527

The capital work in progress includes the construction of 200m³ steel elevated tank and 2.4 km 3'' HDPE line in Madogo under the Water Sector Trust Fund UPC 8th Call Project.

Notes to the financial statements (continued)

17 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings	-	-	-
Plant and machinery	20,770,297	15,981,405	4,788,892
Motor vehicles, including motorcycles	301,100	180,660	120,440
Computers and related equipment	1,388,000	1,290,540	97,460
Office equipment, furniture, and fittings	436,000	436,000	-
Total	22,895,397	17,888,605	5,006,792

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Notes to the financial statements (continued)

18. Inventories

	2024/2025	2023/2024
	Kshs	Kshs
Chemicals & Laboratory items	333,500	836,600
Water fittings and Accessories	443,055	21,300
Water meters	1,400,025	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery and general stores	-	21,000
Finished goods	-	-
Others specify	-	-
Work in progress	-	-
Less: Impairment of stocks	-	-
Total	2,176,580	125,900

18. a) Inventory movement details

Description	2024/2025	2023/2024
	KShs	KShs
At the beginning of the year	125,900	-
Additional provisions during the year	2,050,680	125,900
Recovered during the year	-	-
Written off during the year	-	-
Others specify	-	-
At the end of the year	2,176,580	125,900

Notes to the financial statements (continued)

19. Trade and Other Receivables

	<i>2024/2025</i>	<i>2023/2024</i>
	KShs	KShs
Trade receivables (note (19a))	78,156,968	68,833,517
Deposits and prepayments	-	-
Gross trade and other receivables	78,156,968	68,833,517
Provision for bad and doubtful receivable	(15,631,393)	(13,766,703)
Net trade and other receivables	62,525,574	55,066,814
Analysed as:		
Short- Term Trade and Other Receivables	9,323,451	-
Long- Term Trade and Other Receivables	53,202,123	-

19a. Trade Receivables

	<i>2024/2025</i>	<i>2023/2024</i>
	Kshs	Kshs
Gross trade receivables	78,156,968	68,833,517
Provision for doubtful receivables	(15,631,393)	(13,766,703)
Net trade receivables	62,525,574	55,066,814
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	3,062,347	4,426,028
Between 30 and 60 days	2,363,954	2,594,838
Between 61 and 90 days	2,833,506	3,744,907
Between 91 and 120 days	1,417,501	2,607,810
Over 120 days	68,479,659	55,459,934
Total	78,156,967	68,833,517

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Notes to the financial statements (continued)

20. Prepayments

Description	2024/2025	2023/2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Electricity	1,469,891	-
Total	1,469,891	-

21. Bank and Cash Balances

	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	7,281,476	10,386,518
Cash in hand	-	-
Mobile money account	-	-
	7,281,476	10,386,518

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024/2025	2023/2024
		KShs	KShs
a) Current account			
Kenya Commercial banks Main a/c Hola	1122965575	3,562,906	1,555,492
Kenya Commercial banks 8 th Call	1296976459	2,203,188	342,876
Kenya Commercial banks SWASAP	1302173146	1,371,126	3,571,917
Kenya Commercial banks Ngao	1276688423	17,933	28,358
Kenya Commercial banks Madogo	1276671334	21,922	22,987
Kenya Commercial banks Garsen	1276625936	101,259	106,644
Kenya Commercial banks UBSUP	1319476589	3,143	4,758,245
Grand total		7,281,476	10,386,518

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Notes to the financial statements (continued)

22. Ordinary Share Capital

	<i>2024/2025</i>	<i>2023/2024</i>
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs. par value each	100,000	100,000
Issued and fully paid:		
5,000ordinary shares of Kshs. par value each	100,000	100,000

23. Revaluation Reserve

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

24. Fair Value Adjustment Reserve

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

25. Retained Earnings

The retained earnings represent amounts available for distribution to the TAWASCO shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities. The company recorded retained earnings of 4,921,783 in the financial year 2024/2025.

26. Trade and Other Payables

	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	792,244	987,656
Accrued expenses	1,979,732	5,074,587
Employee payables	1,365,737	2,584,672
Other payables	1,981,221	1,410,345
Total	6,118,934	10,057,260

Aging Analysis for Trade and other Payables

	2024/2025	% of the total	2023/2024	% of the total
Under one year	686,876	11%	6,410,859	58%
1-2 years	1,785,657	29%	3,266,401	37%
2-3 years	3,266,401	53%	260,000	3%
Over 3 years	380,000	6%	120,000	1%
Total	6,118,934		10,057,260	

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27. Refundable Deposits and Prepayments

	2024/2025	2023/2024
	<i>Kshs</i>	<i>Kshs</i>
Customer deposits	46,549,020	45,890,520
Retention/Contract deposits	896,148	419,389
Total	47,445,168	46,309,909

Aging Analysis for Refundable Deposits and Prepayments

	2024/2025		% of the total	2023/2024	% of the total
Under one year	1,135,259		2%	665,489	1%
1-2 years	665,489		1%	1,176,546	3%
2-3 years	1,176,546		2%	2,334,528	5%
Over 3 years	44,467,874		94%	42,133,346	92%
Total	47,445,168			46,309,909	

28. Taxation

	2024/2025	2023/2024
	Kshs	Kshs
At beginning of the year	606,111	606,111
Income tax charge for the year	2,309,196	-
Income tax paid during the year	-	-
At end of the year	2,915,307	606,111

29. Notes to The Statement of Cash Flows

	2024/2025	2023/2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	7,031,119	(18,373,852)
Depreciation	1,536,701	817,683
Provision for doubtful debts	1,864,690	
Operating profit/(loss) before working capital changes	10,432,510	(17,556,170)
Working capital changes:		
(Increase)/decrease in inventories	(2,050,680)	14,448,733
Prepayment	(803,690)	
(Increase)/decrease in trade and other receivables	14,822,289	(8,081,360)
Increase/(decrease) in trade and other payables	(3,938,326)	2,570,178
Cash generated from/ (used in) operation	18,462,104	(8,618,619)
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	7,281,476	10,386,518
Cash in hand	-	-
Balance at end of the year	7,281,476	10,386,518

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Notes to the financial statements (continued)

Other Disclosures

30. Related Party Disclosures

County Government of Tana River

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

Other related parties include:

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

Transactions with related parties

	2024/2025	2023/2024
	Kshs	Kshs
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	457,853.00	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	457,853.00	-
b) Purchases from related parties		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-

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	2024/2025	2023/2024
	Kshs	Kshs
b) Grants from the Government		
Grants from National Govt Agencies	6,206,256.00	4,589,000.00
Grants from County Government	35,000,000.00	2,549,956.00
Donations in kind	-	-
Total	41,206,256.00	7,138,956.00
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for Seconded employees	8,651,677	8,332,047.57
Payments for goods and services for Electricity	14,039,923.64	12,596,122.43
Total	22,691,600.64	20,928,170.00
d) Key management compensation		
Directors' emoluments	-	-
Compensation to key management	-	-
Total	-	-

31. Financial Risk Management

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

Notes to the financial statements (continued)

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	78,156,968	9,677,308	52,848,266	15,631,393
Other Receivables				
Investments	-	-	-	-
Bank balances	7,281,476	7,281,476	-	-
Total	85,438,444	16,958,785	52,848,266	15,631,393
At 30 June 2024				
Receivables	68,833,517	13,373,583	41,693,231	13,766,703

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Other Receivables	-	-	-	-
Investments	-	-	-	-
	-	-	-	-
Bank balances	10,386,518	10,386,518	-	-
Total	79,220,035	23,760,101	41,693,231	13,766,703

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

(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.

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) Sensitivity analysis

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

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

Financial instruments not measured at fair value

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

Notes to the financial statements (continued)

iv) Capital Risk Management

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

32. Incorporation

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

33. Events After the Reporting Period

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

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

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 annual report and Financial Statements	The inaccuracies were errors during printing of the financial statements and were rectified and submitted to the auditor before issue of final report	Solved	
3	Unsupported long and outstanding trade and other payables	Most of the payables were inherited from previous periods reports and some of the supporting documents were missing. The management will contact the suppliers for copies of the invoices and other supporting documents to verify the claims	Partially solved	
2	Lack of Audit committee and Functional Internal Audit	The board of directors met and formed an audit committee alongside other committees	Solved	
4	Lack of Risk Management	The company has a draft risk management policy	Partially Solved	

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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)
	Policy and Strategy			

Guidance Notes:

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

Name: WILLIAM JILLO

Signature

Managing Director

Date....28-08-2025... ..



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Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Madogo UPC 8 th Call	WSTF and County Government of Tana River Contribution	April 2022- April 2023		Yes	Yes
2	SWASAP Project	County Government of Tana River Contribution	December 2022- August 2024		Yes	Yes
3	UBSUP Project	WSTF and WSP contribution	August 2023-July 2024		Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Madogo UPC 8 th Call	19,394,550	12,732,529	100%	14,895,066	12,732,529	WSTF and County Government of Tana River Contribution
2	SWASAP Project	115,329,840			3,571,917	2,200,791	County Government of Tana River

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3	UBSUP Project	20,561,226.	831,056	27%	4,758,245	4,755,102	WSTF and WSP contribution
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Appendix III- Inter-Entity Confirmation Letter

Name of Transferring entity.....

Name of Beneficiary entity.....

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

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

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Sign Date.....

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Appendix IV: Reporting of Climate Relevant Expenditures

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

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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

(Attach forms from each transferring Government entity.)

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Comprehensive income	Where Recorded/recognized					Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific		
County department of Water	28/11/2024	Recurrent	17,500,000	9,926,985	7,573,015	-	-	-	17,500,000	
County Department of water.	12/3/2025	Development	17,500,000	9,668,815	7,831,185	-	-	-	17,500,000	
Water Sector Trust Fund	12/10/2025	Donor Fund	6,206,256	-	6,206,256	-	-	-	6,206,256	
Total			41,206,256	19,595,800	21,610,456	-	-	-	41,206,256	