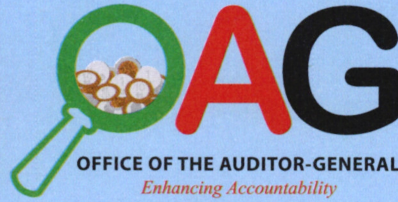
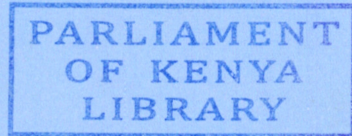


REPUBLIC OF KENYA



REPORT

OF



THE AUDITOR-GENERAL

ON

**NOLTURESH LOITOKITOK WATER AND
SANITATION COMPANY LIMITED**

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

PAPERS LMD	
DATE	04/12/2025
TABLED BY	S.M.L
COMMITTEE	-
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OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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**NOLTURESH LOITOKITOK WATER AND
SANITATION COMPANY LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

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NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

1. Acronyms and glossary of terms

Nolwasco.....	Nolturesh loitokitok water and sanitation company
NRW.....	Non-revenue water
OAG.....	Office of the auditor general

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

2. Key Entity Information

a) Background information

Nolturesh Loitokitok Water and Sanitation Company Limited was established by the Companies Act cap 486 and was incorporated on 3rd August 2011. The County Government of Kajiado, Makueni and Machakos are the principal shareholders. Under the water act 2016, NOLWASCO carries out its functions as a Water services provider. The *Company* is domiciled in Kenya.

b) Principal Activities

The principal activity of the company is to provide water and sanitation services to the surrounding community.

Vision

To be the best managed bulk high quality water supply company in the region that constantly meets the water requirements of our customers and the affiliated water services providers.

Mission statement

To ensure improved access and equitable distribution of available high-quality water to our customers and the affiliated water services providers within our area of jurisdiction.

Core Objectives

Core Values:

Our cherished core values are:

- Integrity
- Good Corporate Governance
- Customer Satisfaction
- Professionalism
- Continuous Improvement
- Innovation and Creativity
- Team work
- Commitment to Environmental conservation

c) Board of Directors

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

The Directors who served the company during the year under review were selected from the three counties that the company serves namely Kajiado, Machakos and Makueni.

ELIJAH KIRISIA TIMPAINE	MALE	CHAIRMAN	KAJIADO	MASAI	4/10/2024	4/10/2027	2ND
AUGSTINE KIOKO SUKA	MALE	BOARD MEMBER	MAKUENI	KAMBA	4/10/2024	4/10/2027	2ND
ESTHER LAMET LEIPA	FEMALE	BOARD MEMBER	KAJIADO	MASAI	5/3/2025	5/3/2028	1ST
HELLEN MUMBUA MUSYOKA	FEMALE	BOARD MEMBER	MACHAKOS	KAMBA	5/3/2025	5/3/2028	1ST
ROIMEN KOYIET PARPAAI	MALE	BOARD MEMBER	KAJIADO	MASAI	4/10/2024	4/10/2027	2ND
PETER MUTIO MASILA	MALE	BOARD MEMBER	MAKUENI	KAMBA	5/3/2025	5/3/3038	1ST
MERCY MBAKA- REP CECM WATER	FEMALE	BOARD MEMBER	MACHAKOS	AMERU			
MICHAEL SEMERA - CECM WATER, KAJIADO COUNTY	MALE	BOARD MEMBER	KAJIADO	MASAI			
ENG. DAVID MAITHYA MAKAU – REP CECM WATER MAKUENI COUNTY	MALE	BOARD MEMBER	MAKUENI	KAMBA			

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

REGISTERED OFFICE

Nol-turesh Loitokitok Water and Sanitation Co. Ltd
P. O. Box 379-90132
Sultan Hamud, Kenya

COMPANY CONTACTS

Tel.No. 0745336516
Email: nolturesh@gmail.com
info@nolturesh.co.ke

BANKERS

SIDIAN BANK.
Emali Branch,
P. O BOX 82,
EMALI.

KCB BANK.
Emali Branch,
P. O BOX 82,
EMALI.

Independent Auditors

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






Principal Legal Advisers

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




NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

3. THE BOARD OF DIRECTORS

a)Board Team

<p>ELIJAH TIMPAINE</p>  <p>BOARD CHAIRMAIN</p>	<p>Holds a Post Graduate Dip in Port and Shipping from the University of Wales Higher Dip in Administration and Operations of Port Services UK</p>	<p>DOB 01.01.1961</p>
<p>CATHERINE MUTANU</p>  <p>MEMBER</p>	<p>Holds a Bachelor of Education from the University of Nairobi Masters in public policy and administration</p>	<p>DOB 01.01.1971</p>
<p>MICHAEL SEMERA</p>  <p>MEMBER</p>	<p>MBA. Strategic Management. B.com Accounting Option.</p>	<p>DOB 01.07.1969</p>
<p>ENG. DAVID MAKAU</p>  <p>MEMBER</p>	<p>Msc. Environmental & Biosystems Engineering, Irrigation and Water Engineering Option – On going. Bsc. Environmental & Biosystems Engineering, Irrigation and Water Engineering Option</p>	<p>DOB 01.01.1985</p>
<p>ESTHER LAMET</p> <p>MEMBER</p>	<p>Masters in Business Administration(MBA)- Strategic Management Holds a degree in Bachelor Of Business Administraation & Management Diploma in Strategic Procurement Certificate in Financial Management & Auditing</p>	<p>DOB 01.01.1972</p>
<p>PETER MASILA</p>  <p>MEMBER</p>	<p>Bachelor of Surveying Technology Diploma in Land Surveying</p>	<p>DOB 01.01.1987</p>

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

<p>AUGISTINE SUKA</p>  <p>MEMBER</p>	<p>Holds a Masters of Business Administration, Bachelor of Law from the University of Nairobi, Bachelor of Commerce Accounting option CPAK, CPSK</p>	<p>DOB 18.08.1974</p>
<p>ROIMEN KOYIET</p>  <p>MEMBER</p>	<p>Holds a Diploma in Procurement and Supply Chain Management. CIPS</p>	<p>DOB 26.02.1988</p>
<p>JOSEPH MWANGI</p>  <p>BOARD SECRETARY</p>	<p>Holds a BSC,Civil Engineering Higher diploma water engineering Post graduate Diploma in water sector governance and Operations Member in EBK and IEK.</p>	<p>DOB 03.03.1966</p>




(a) Board Committees

Name of the Committee	Members
<p>Finance Committee</p>	<p>1.Esther Lamet Chairperson 2.Roimen Koyiet- Member 3.Mercy Mbaka - Member</p>
<p>Audit Committee</p>	<p>1.Augustine Suka- Chairperson 2.Peter Kasaine- Member 3. Hellen Musyoka- Member 4. David Makau- Member</p>
<p>Technical Committee</p>	<p>1.Peter Masila - Chairperson 2. Peter Kasaine - Member 3. Esther Leipa- Member 4. Roimen Koyiet- Member</p>

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

4. KEY MANAGEMENT TEAM

The Company's senior management team is as follows:

1.	<p>JOSEPH WANJOHI</p> 	<p>Holds a BSC,Civil Engineering Higher diploma water engineering Post graduate Diploma in water sector governance and Operations Member in EBK and IEK</p>	<p>MANAGING DIRECTOR</p>
2.	<p>CPA JOSEPH MAPENA</p> 	<p>Bachelor of commerce (Finance Option) CPA (K) - KASNEB Computerised Accountancy.</p>	<p>FINANCE AND ADMINISTRATION MANAGER</p>
3.	<p>LILIAN KHAEMBA</p> 	<p>Msc. Integrated Water Resources Management Bsc. Environmental and Biosystems Engineering-Water and Irrigation Certificate in Computer Proficiency</p>	<p>TECHNICAL SERVICES MANAGER</p>

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

5. CHAIRMAN'S STATEMENT

We are pleased to present the annual report and financial statements of the Company for the financial year ended 30th June 2025 and financial statements for the year ended 30th June 2025. The year under review was a challenging, however commitment by employees ensured marked improvement in performance.

The Company is not a profit-making entity and its main source of revenue is water sale. It does not get any funding from the ex-chequer.

While we have naturally seen some of the effects of the slow economic growth in the recent years such as unpredictable energy costs and greater difficulty in recovering customer debt, we have been able to stay strong and focused. We have continued to educate customers and key influencers about the water industry and the solutions we provide every day to help ensure high-quality and reliable water service to Kenyans across the three counties that we serve.

The company has had a number of challenges which have greatly affected its performance. A high number of unmetered customers along the main pipeline has contributed to high non-revenue water. Most of the customers are practicing irrigation and are highly opposed to metering. There are also a number of free community water points that have contributed to the high non-revenue water.

The drivers of our business, particularly those concerned with protecting the environment and improving water security, remain firmly in place.

We know success depends on our ability to shape the future by anticipating and responding to change. Looking forward, the board will continue to support investment in new projects to ensure the continued growth of the company and progress towards achieving the company's main objective, that of delivering superior value to its customers for socio- economic development.

With favourable operating environment, support from our stakeholders and financial partners, we expect to expand our water supply network to un-served areas such as Simba and Matiliku. We want to continue to be a leader in our field and to push beyond the boundaries of what it means to be a successful water company in the 21st century.

Finally, I would wish to extend my sincere gratitude to the NOLWASCO Board of Directors, County Government of Makueni, Kajiado, Machakos and the Ministry of Water, Sanitation and Irrigation and our customers for their support. I also thank the management and employees of NOLWASCO for their unrelenting hard work over the financial year.

Thank you.


Elijah Kirisia Timpaine

Chairman, Board of Director

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

6. REPORT OF THE MANAGING DIRECTOR

I am delighted to present to you the Nol-turesh Loitokitok and Sanitation Company Ltd Annual Reports and Financial Statements for the year ended 30th June 2025.

Financial Highlights & Overview

We are pleased to present the annual report and financial statements of the Company for the financial year ended 30th June 2025. Operations and maintenance costs are high because of aged pipeline system prone to regular exposure to damages. The company invested a lot in fighting high cases of vandalism and lack of order amongst the staff members and the customers.

Cost Recovery

To achieve sustainability of our company, implementation of our cost recovery tariffs was paramount and Non-Revenue Water (NRW) has to be reduced to acceptable levels. However enormous amount of capital investment is required to realize this. During the financial year 2024/25, we expected support from the National Government to enable us start the overhaul project however the assistance never came by. Through partnership with WASPA and other partners, we have designed measures to bring down the NRW to acceptable levels.

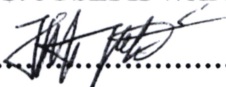
Outlook

We are confident that our focus on bringing back the company to its past glory while ensuring sustainability is to be achieved through diversification of our revenue lines and bringing back the confidence we had lost with our development partners and suppliers. With this in mind, a good result is what we only look forward to.

Our objective is to continuously transform the lives of our citizens and ensuring that we fulfil our mandate by improving water and sanitation services to all our customers within our area of operation.

I take this opportunity to thank the Board of Directors and all other Stakeholders for the leadership and support they provide. I also thank all company staff members for their dedication to achieve the desired results.

ENG. JOSEPH WANJOHI


.....

MANAGING DIRECTOR

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

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

Nolturesh Loitokitok water and sanitation company limited has 4 strategic pillars and objectives within the current Strategic Plan for the FY 2024- FY 2025. These strategic pillars/ themes/ issues are as follows:

Pillar 1

Pillar 2

Nolturesh Loitokitok water and sanitation company limited develops its annual work plans based on the above 2 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Nolturesh Loitokitok water and sanitation company limited achieved its performance targets set for the FY 2024/2025 period for its 2 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme /Issues	Objective	Key Performance Indicators	Activities	Achievements
Customer Service	To continue strengthening the institutional capacity of the company to meet its mandate	<ul style="list-style-type: none"> ➤ Customer satisfaction ➤ Company improved performance ➤ 	<ul style="list-style-type: none"> ➤ Continuously evaluate the board/staff needs, capacity, and skills gaps and put in place remedial, measures to fill the gaps ➤ Provide continuous training to both board and staff on good corporate governance, ➤ Benchmarking with the industry/sector, ➤ Carryout a communication and stakeholder's needs assessment. 	<ul style="list-style-type: none"> ➤ Constant communication with stakeholders ➤

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

Sustainability of Water.	To increase access to water and sanitation	<ul style="list-style-type: none"> ➤ Improved company revenue 	<ul style="list-style-type: none"> ➤ Establish MIS relevant to various supply regions ➤ Develop performance targets for water supply regions ➤ Implement M & E systems for the regions ➤ Establish and implement a reward system 	
Financial Sustainability	To ensure economic utilization of available water and reduce Non-Revenue (NRW)	<ul style="list-style-type: none"> ➤ Improved revenue. ➤ Wider area coverage ➤ More hours of service 	<ul style="list-style-type: none"> ➤ Creating DMAs and caretaker approach in management of NRW, ➤ Undertake water balance (real losses, commercial losses, billed), ➤ Strengthen NRW unit (tools and equipment, training, staffing) 	
Governance.	To ensure the company is driven by the principles & practices of good governance	<ul style="list-style-type: none"> ➤ 	<ul style="list-style-type: none"> ➤ Ensure the company has competent and qualified directors ➤ Ensure there is wide representation on the board, ➤ Inculcate Benchmarking programs. 	<ul style="list-style-type: none"> ➤ New directors were recruited during the financial year ➤ All major stakeholders are represented in the board

8. Corporate Governance Statement

The Board of Directors of **NOLWASCO** is responsible for the overall management of the Company and its commitment to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

In the recent year's various recommendations have been made in several legal and professional publications in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The Board is committed to full compliance of all the relevant laws including the Guidelines on Corporate Governance issued by the Regulator, WASREB

The Corporate Governance of **NOLWASCO** takes place within a framework, which exists to regulate and/or guide the conduct of Board members, staff, customers and members of public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company. The key instruments within the governance framework are:

- The Kenya Constitution 2010
- The Water Act 2016
- The Public Financial Management Act (2012)
- The Public Procurement and Assets Disposal Act (2015)
- The Public Procurement and Disposal Regulations (2006)
- The **NOLWASCO** Service Charter
- Company approved policies and procedures

For the sake of coherence and legitimacy, it was in the best interest of the Company that its conduct be regulated by the most appropriate type of governance instrument.

The Board of Directors

The Company Board of Directors are appointed by the three of counties Kajiado, Makueni and Machakos through a public process helped by WASREB.

The Board of Directors are responsible for the following: -

- Implementation of Memorandum and Articles of Association
- Provision of guidelines and control function of the Company
- Approval of the organisation structure and maintenance of staff terms and conditions of service
- Approval of business plans and budgets
- Provision of management guidelines
- Approval of major contracts/projects
- Approval of tariff adjustment
- Prudent investment of funds to ensure continuity of service
- Appointment of Corporate Management Team

The Board is responsible for drawing and implementing strategies for the long term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. The Board meets regularly guided by a formal schedule of meetings to discuss matters reserved for its decision with a view of determining and reviewing the strategies of the Company and overseeing the Companies compliance with statutory and regulatory obligations.

Notices and agenda for all Board meetings are circulated to all board members on a timely basis together with the respective documents for discussion.

Composition of the Board

The Board is composed of six (6) Competitively selected Directors and three Counties representatives who are the CECM for water from the three counties and one executive director who is also the Managing Director. The Directors represent various stakeholders. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business and operations and also provided with information relating to their legal and regulatory obligations.

9. Management Discussion and Analysis

Business Performance

The company has continued to register losses in the FY 2024/2025. This has been highly contributed by the high non-revenue water due to farming activities along the pipeline. The company has continued to face challenges on dealing with the illegal irrigation as it has continued to cause hostility between the company and the community.

Operational performance

During the year, the company had connected 22 new customers along the pipeline. Despite the new connections, the company has registered a decline in revenues due to its outdated tariff and farming activities along the pipeline

10. Environmental And Sustainability Reporting

Nol-turesh Loitokitok Water & Sanitation Company Limited recognizes that it must be responsible towards its stakeholders, society and our environment in order to achieve a sustainable system in Kenya. As a Company we acknowledge our responsibility to the environment and to our local communities in which we operate. We aim to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including customers, employees, investors, communities and others. The Company actively encourages staff to recognise those responsibilities and behave in a responsible manner toward the society in which we function. We regard the setting of good examples as an important practice in this regard. Below are some examples of how the Company and its staff have shown commitment to practice responsible corporate behaviour and to establish and support initiatives in the offices.

Environmental performance

The Company seeks to contribute to a cleaner environment and hence its involvement in community exercises which include clean up exercises especially in towns within its area of jurisdiction and by so doing reduces impact on the environmental pollution. The company also actively gets involved in tree planting in its various Stations. The company also contributes to the society by giving donations especially during public national holidays.

Employees Welfare

The success of the company is based on its people. The Company seek to recruit, retain, reward and develop the best talent in the company. It recognises the need to inculcate among our employees the culture of being sensitive to safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with. It trains employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. Further, it continually seeks to improve its employees through structured programs for personal and professional development.

Health and Safety

The Company aims at ensuring a safe and healthy working environment for all our employees and customers. The Company aims to comply with all relevant legislation or regulations and best practice guidelines recommended by national health and safety authorities. It also liaise with staff regarding policies and practices so that it can continue to maintain a healthy, safe and enjoyable work environment.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2027 which shows the state of the NOLWASCO affairs.

i) Principal activities

The company's main activity is the provision of wholesome clean water and sanitation services to the residents of Makueni, Kajiado and Machakos.

ii) Results

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

	2024/2025	2023-2024
KshsKshs		
Profit/ (Loss) for the year	(21,389,101)	(18,242,989)

iii) Dividends

The company does not pay any form of dividends to its shareholders.

iv) Directors

The members of the Board of Directors who served during the year are shown on page vi,

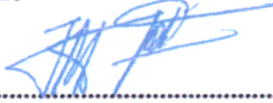
In accordance with Regulation of NOLWASCO Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of NOLWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 or A team of Certified Public Accountants were nominated by the Auditor General to carry out the audit of NOLWASCO for the year ended June 30, 2025, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Name


.....

Managing Director/Secretary to the Board

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the companies act cap 486 requires 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's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year 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's 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 and companies Act cap 486.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements For the year ended June 30,2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are of the opinion that NOLWASCO financial statements give a true and fair view of the state of NOLWASCO transactions during the financial year ended June 30, 2025, and of the NOLWASCO financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NOLWASCO, which have been relied upon in the preparation of the NOLWASCO financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

NOLWASCO financial statements were approved by the Board on 31 July 2025 and signed on its behalf by:

Signature.....

Name Elijah Kirisia Timpaine
Chairperson of the Board

Signature

Name: Joseph Wanjohi
Managing Director

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

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

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

Qualified Opinion

I have audited the accompanying financial statements of Nolturesh Loitokitok Water and Sanitation Company Limited set out on pages 1 to 39, 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 the 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 Nolturesh Loitokitok Water and Sanitation Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Ownerships of Assets

The statement of financial position and as disclosed in Note 15 to the financial statements reflect property, plant and equipment balance of Kshs.126,654,699. However, the ownership documents of four (4) motor vehicles of unknown value granted by Tanathi Water Works and Development Agency and the National Water had not been transferred and registered in the name of the Water Company. Further, ownership documents and valuation report of a parcel of land with an estimated value of Kshs.57,184,641 disclosed in the assets register were not provided for audit review.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.126,654,699 could not be confirmed.

2. Understated Provision for Bad and Doubtful Debts

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflect general and operations expenses of Kshs.12,687,579. Included in the amount is Kshs.3,497,685 relating to provision of bad and doubtful debts charged for the year. However, the charge for the year was Kshs.3,497,685 or approximately 4% of total outstanding receivables aged 120 days and above instead of the total amount of Kshs.91,627,960 outstanding for 120 days and over as per the aging analysis schedule provided for audit review resulting in understatement of the provision by Kshs.89,671,873. This is contrary to the Company's Finance Policy which states that a provision for doubtful debts shall be made on total outstanding balance over 180 days of the aged debtors listing at every end of the financial year.

In the circumstances, the accuracy and completeness of provision for bad and doubtful debts totalling Kshs.3,497,685 could not be confirmed.

3. Variances in Customers' Deposits

The statement of financial position reflects Kshs.2,798,697 in respect to other current liabilities (customers' deposits'). However, review of the customers' deposits account held

at the commercial bank reflects a balance of Kshs.151,942 resulting in unexplained variance of Kshs.2,646,755. Review of documents revealed that the variance constituted funds spent by Management. However, the approval from the Company's Board of Directors was not provided for audit review. Further, the borrowings from the customers' deposits account had not been refunded to the account as at 30 June, 2025.

In the circumstances, the accuracy and completeness of the customers' deposits balance of Kshs.2,798,697 could not be confirmed.

Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before taxation of Kshs.21,389,101 (loss of Kshs.18,242,989 in 2023/2024). In addition, the statement of financial position reflects current liabilities of Kshs.336,544,448 which exceeded current assets of Kshs.91,826,307 resulting in a negative working capital of Kshs.244,718,141. The unfavorable financial status implies that the Company may not be able to meet its financial obligations as and when they fall due. Further, the Directors have not made specific disclosure on the risk to the going concern status of the Company or indicated the measures put in place to stop the loss-making trend and return the Company to profitability.

In the circumstances, the Company's sustainability is dependent upon continued support from the Government, shareholders and creditors.

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

Emphasis of Matter

1. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 23 to the financial statements reflect trade and other payables amounting to Kshs.333,745,751. However, included in the amount is Kshs.29,629,050, Kshs.331,200 and Kshs.1,441,200 relating to Kenya Revenue Authority (KRA), Pay as You Earn (PAYE), National Social Security Fund (NSSF) and National Hospital Insurance Fund (NHIF) respectively which had not been remitted. In addition, the payables were outstanding for a period longer than three (3) years.

In the circumstances, Management risks avoidable costs on fines and penalties for the long outstanding trade and other payables.

2. Budgetary Control and Performance

Review of the statement of comparison of budget and actual amounts revealed the following:

i. Unbalanced Budget

The statement of comparison of budget and actual amounts indicates a final income budget of Kshs.80,162,000 against a projected expenditure of Kshs.84,802,000 resulting in a budget deficit of Kshs.4,640,000. This is an indication that the Water Company did not prepare a balanced budget, as the planned expenditure exceeded the anticipated income. No explanation was provided on the source of the extra funding.

ii. Failure to Meet Revenue Budget

During the year under review, the Water Company budgeted revenue amounted to Kshs.78,400,000 while actual revenue received as per the financial statements was Kshs.47,121,677 resulting to an under-collection of Kshs.31,278,323 or approximately 40% of the budget.

iii. Unauthorized Expenditure

The statement of comparison of budget and actual amounts reflects a final budgeted expenditure of Kshs.84,802,000. However, review of the approved budget and the corresponding supporting schedules revealed instances of unauthorized expenditure, where actual expenditure exceeded the approved budget allocations as follows:

Item	Approved Budget (Kshs.)	Actual Expenditure (Kshs.)	Unauthorized Expenditure (Kshs.)
Staff Costs	36,037,471	38,795,935	2,758,464
General and Operation Expenses	6,718,076	11,768,296	5,050,220
Pending Bills	1,000,000	1,750,000	750,000

My opinion is not modified in respect to these matters.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on pages iii to xx which comprise of Key Entity Information, The Board of Governors, Management Team,

Chairman's Statement, Report of the Principal, 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

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect Kshs.47,121,677 in respect to revenue from sale of water. Review of the Company's records revealed that a total of 3,024,000 cubic meters (M³) of water was produced and a total of 612,352 cubic meters (M³) was billed to customers. The balance of 2,411,648 cubic meters (M³) or approximately 80% of the total water produced represent non-revenue water. The non-revenue water exceeded the 25% threshold of total production set in the guidelines issued by the Water Services Regulatory Board (WASREB).

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

2. Use of Unapproved Water Tariff

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue totalling Kshs.47,121,677. However, the amount was not supported by a gazetted water tariff by Water Services Regulatory Board (WASREB) as required. The water Company currently uses the Extraordinary Tariff Adjustment which is undated and ungazetted.

In the circumstances, the accuracy of the water tariff applied by the Water Company and the actual revenues collected could not be confirmed.

3. Non-Remittance of Statutory Dues

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflect staff costs amounting to Kshs.38,795,935. However, the following anomalies were noted:

i. Non-Remittance of Pension

Review of payroll records revealed that Kshs.196,588, relating to pension and gratuity during the period under review had not been remitted to respective Retirement Benefit Schemes, despite statutory deductions being made. In addition, the Company had outstanding accrued expenses totalling Kshs.19,725,627 in respect to pension and gratuity that had not been remitted for a period of more than one (1) year despite deductions being made. No justification was provided for the non-remittance of the statutory deductions to the respective retirement schemes.

ii. Failure to Deduct and Remit Affordable Housing Levy

Review of the supporting schedules for staff costs revealed that the Company did not deduct and remit Affordable Housing Levy and NITA expenses from the gross salaries to the respective statutory bodies. Although Management explained that it was due to financial constraints, it was unclear why the deductions were not effected in the payroll. This is contrary to Section 4(2a) of the Affordable Housing Levy Act, 2024 which requires employers to deduct one point five percent of the gross salary of an employee.

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

4. Irregularities in Maintenance of Motor Vehicle

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect Kshs.1,741,075 in respect to maintenance expenses which include Kshs.879,200 in respect to maintenance of vehicles. However, review of a sample of records including payment vouchers, invoices and local service orders amounting to Kshs.623,280 revealed the following anomalies:

- i. The procurement documents including the requisition from the user, quotations, opening and evaluation minutes and professional opinion showing how the services of the garages were procured were not provided for audit review.
- ii. Job cards and the inspection reports for the services rendered were not provided for audit review contrary to Section 48(3)(a)(b) of the Public Procurement and Assets Disposal Act, 2015 which states that the Inspection and Acceptance Committee shall immediately after the delivery of goods, works and services inspect and where necessary, test the goods received and also ensure that the goods, works and services meet the technical standard defined in the contract.

- iii. The pre-inspection and post-inspection reports for the job done were not provided for audit review.

In circumstances, the occurrence and value for money totalling Kshs.623,280 could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on page xi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages xi and 24 has been properly prepared in accordance with the Companies Act, 2015.

Responsibilities of the Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 November, 2025

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
LTD**

**14. Statement of Profit or Loss and Other Comprehensive Income For The Year
Ended 30th June 2025.**


	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	47,121,677	46,357,290
Grants Income	7	-	17,039,600
Other Income	8	77,000	808,500
Total Revenue		47,198,677	64,205,390
Expenses			
Staff Costs	9	38,795,935	36,438,573
General and Operations expenses	10	12,687,579	15,096,646
Maintenance Expenses	11	1,741,075	12,543,291
Board Expenses	12	1,073,800	846,000
Depreciation and Amortization expenses	13	11,925,463	13,720,583
Finance Costs	14	2,363,925	3,803,286
Total Expenses		68,587,778	82,448,379
Profit/(Loss) Before Taxation		(21,389,101)	(18,242,989)
Income Tax Expense/(Credit)		(6,416,730)	(5,472,897)
Profit/(Loss) After Taxation		(21,389,101)	(18,242,989)

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD

13. Statement of Financial Position As at 30 June 2025


Assets			
Non-Current Assets			
Property, Plant And Equipment	15	126,654,699	138,580,161
Total Non-Current Assets		126,654,699	138,580,161
Current Assets			
Inventories	16	-	692,986
Trade And Other Receivables	17	91,619,548	94,824,896
Bank And Cash Balances	18	206,759	1,910,694
Total Non-Current Assets		91,826,307	97,428,576
TOTAL ASSETS		218,481,006	236,008,737
Equity And Liabilities			
Capital And Reserves	19		
Ordinary Share Capital		100,000	100,000
Capital reserve		25,324,043	25,324,043
Donation reserve		11,974,370	11,974,370
Retained earnings		(163,322,850)	(141,933,749)
Revaluation Reserve			
Capital And Reserves		(125,924,437)	(104,535,336)
Non-Current Liabilities			
Borrowings	22	7,860,995	19,465,683
Total Non-Current Liabilities		7,860,995	19,465,683
Current Liabilities			
Trade and other payables	23	333,745,751	318,323,693
Other current liabilities- customer deposits	24	2,798,697	2,754,697
Total Current Liabilities		336,544,448	321,078,390
TOTAL EQUITY AND LIABILITIES		218,481,006	236,008,736

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

Sign: 

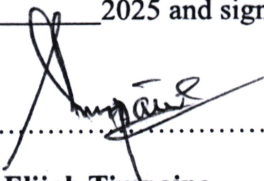
Name: Joseph Wanjohi

Managing Director

Sign: 

Name: Joseph Mapena

ICPAK NO: 30127
Head of Finance

Sign: 

Name: Elijah Timpaine

Chairman of the Board

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
LTD**

14. Statement Of Changes in Equity For The Year Ended 30 June 2025

As at July 1, 2023		100,000	25,324,043	11,974,370	(123,690,760)	-	(86,292,347)
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		-	-	-	(18,242,989)	-	(18,242,989)
Capital/Development grants received during the year		-	-	-	-	-	-
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	25,324,043	11,974,370	(141,933,749)	-	(104,535,336)
As at July 1, 2024		100,000	25,324,043	11,974,370	(141,933,749)	-	(104,535,336)
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		-	-	-	(21,389,101)	-	(21,389,101)
Capital/Development grants received during the year		-	-	-	-	-	-
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, 2025		100,000	25,324,043	11,974,370	(163,322,850)	-	(125,924,437)

Note

The retained earnings are the prior years cumulated losses

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD

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 Revenue		43,688,523	46,357,290
Non-Operating Revenue		-	-
Other Income		-	17,039,600
Finance Income		-	-
Grants		-	-
Customer Deposits		44,000	462,000
Total Receipts		43,732,523	63,858,890
Payments			
Staff Costs		18,806,323	31,206,133
Board Expenses		1,592,388	2,434,543
General And Operation Expenses		8,614,772	7,658,900
Maintenance		2,454,362	12,154,389
Finance Costs		2,363,925	2,343,345
Refund Of Customer Deposits		-	-
Total Payments		33,831,770	55,797,310
Net Cash From/(Used In) Operating Activities	25	9,900,753	8,061,580
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		-	-
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets		-	-
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal Of Quoted Investments		-	-
Net Cash From/(Used In) Investing Activities		-	-
Cash Flows from Financing Activities			
Proceeds From Issues Of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings	22	(11,604,688)	(7,213,038)
Dividends Paid		-	-
Net Cash From/(Used In) Financing Activities		(11,604,688)	(7,213,038)
Increase/(Decrease) In Cash And Cash Equivalents		(1,703,935)	848,542
Cash And Cash Equivalents At Beginning Of Year		1,910,694	1,062,152
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End Of The Year		206,759	1,910,694

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
LTD**

18. Statement Of Comparison of Budget and Actual Amounts for The Period Ended 30 June 2025

		Adjustments	Final budget		Deficit	% of utilization
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue from water sale	78,400,000	-	78,400,000	47,121,677	(31,278,323)	-9.14
Transfers from the government	-	-	-	-	-	-
Other income	1,762,000	-	1,762,000	77,000	(1,685,000)	-52.33
Total income	80,162,000	-	80,162,000	47,198,677	(32,963,323)	-10.04
Expenses		-			-	-
Staff cost	36,037,471	-	36,037,471	38,795,935	2,758,464	-1.11
Board Expenses	2,631,000	-	2,631,000	1,073,800	(1,557,200)	67.84
General and operation expenses	6,718,076	-	6,718,076	12,687,579	5,969,503	15.94
Maintenance Costs	18,960,000	-	18,960,000	1,741,075	(17,218,925)	-17.45
Finance cost	12,800,000	-	12,800,000	2,363,925	(10,436,075)	70.29
Pending Bills	1,000,000	-	1,000,000	1,750,000	750,000	-113.81
Total expenditure	84,802,000	-	84,802,000	77,655,168	(7,146,832)	8.43
Surplus for the period	-	-	-	-	-	-

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
LTD**

Explanation of Variances

- (i) Revenue from sale of water – Target not achieved due to old and dilapidated pipeline which losses a lot of water during bursts
- (ii) Other incomes- This include connection fees excluding rent income, miscellaneous and surcharges which are integrated with the billing income, the reduction in connection fees will is due to a decrease in the number of new connection attributable to water shortage.
- (iii) Personnel costs- The increase in such costs is attributable to increase in staff gratuities during the year
- (iv) Board Expenses- the expenditure is within the budget line
- (v) Administrative costs- the expenditure was within the budget line
- (vi) Operations and maintenance costs- Teamwork & coordination between management & Staff saw reduction in operational cost.
- (vii) Levies- its inclusive of all the fees for the year
- (viii) Subscription and professional membership- new members joined their professional bodies during the year under review
- (ix) Bank Facility- it includes repayment of a bank loan, the expenditure is within the budget line

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD

17. Notes To the Financial Statements

1. General Information

NOLWASCO is established by and derives its authority and accountability from Companies Act. The entity is wholly owned by the County Government of Kajiado, Makueni and Machakos.

The entity's principal activity is provision of water and sanitation services to the surrounding communities.

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

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years present.

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD

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 but not yet effective in the year ended 30 June 2025.*

<p>amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)</p>	<p>amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period</p>	<p>amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.</p>
<p>amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)</p>	<p>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.</p>	<p>amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.</p>
<p>amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)</p>	<p>amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.</p>	<p>amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.</p>

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD

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

18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
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iii. *Early adoption of standards*

Nol-turesh did not early –adopt any new or amended standards in the Financial year 2023-2024.

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To The Financial Statements (Continued)

iv. Summary of Significant 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 Water Sale** is recognized in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) Grants from National Government** are 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.

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To the Financial Statements (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

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

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

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To the Financial Statements (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Freehold Land	Nil	Nil
Leasehold Land	Nil	Nil
Buildings and civil works	25 years	4%
Plant and machinery	12.5 years	8%
Motor vehicles, including motor cycles	4 Years	25%
Computers and related equipment	3 Years	33%
Office equipment, furniture and fittings	12.5 years	8%

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

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

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To The Financial Statements (Continued)

Summary of Significant Accounting Policies

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 or 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 so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

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

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To The Financial Statements (Continued)

Summary of Significant 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 consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To The Financial Statements (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To the Financial Statements (Continued)

Summary of Significant Accounting Policies

n). Taxation

i) Current income tax

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

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

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

o. Deferred Tax

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

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

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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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

Notes To The Financial Statements (Continued)

Summary of Significant Accounting Policies

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.

p). Borrowing costs

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD

q). Cash and cash equivalents

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

r). Borrowings

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

s). 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.

t). Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2023. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,160 per employee per month.

u) 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.

v). Exchange rate differences

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

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD

translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Notes To The Financial Statements (Continued)

Summary of Significant Accounting Policies

w). Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 30th June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

x). Service concession arrangements

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

y). Comparative figures

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

z). Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements

NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY LTD

for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To The Financial Statements (Continues)

6. Operating Revenue

Water sales	47,121,677	46,357,290
Sewerage Services	-	-
Billing for other services*	-	-
Total	47,121,677	46,357,290

7. Grants Income

Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	-	17,039,600
Capital grants amortized	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	-
Total	-	17,039,600

8. Other Income

Connection fees	77,000	808,500
Fine and penalties	-	-
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (specify)	-	-
Total	77,000	808,500

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To The Financial Statements (Continued)

9. Staff Costs

Gross Salary and Allowances	37,467,570	35,299,985
Casual workers Wages	371,022	810,000
Employer's contributions to social security schemes	760,755	132,000
Employer's contributions to pension scheme	129,764	129,764
Provisions for Leave pay	-	-
Gratuity provisions	66,824	66,824
Staff welfare	-	-
Total	38,795,935	36,438,573
The average number of employees during the year	60	54

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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10. General and operation Cost

Chemicals	-	304,760
Electricity	793,054	775,960
Fuel, oil, lubricants and gases	2,908,419	3,530,500
Office Supplies	271,568	772,935
Hospitality Expenses	80,500	-
Uniforms and Protective Clothing	-	64,090
Telecommunication	540,091	815,236
Postage & Courier Costs	22,500	18,900
Insurance costs	17,500	26,250
Rent expenses	144,000	174,000
Staff Allowances	497,415	-
Hire of equipments and vehicle	74,950	243,800
Domestic Travelling and Subsistence	1,212,000	2,721,330
Staff Training and development	330,970	549,800
Bank charges and commissions	161,182	161,182
Publicity and Advertising	60,900	129,504
Auditors' Fees	50,000	50,000
Legal fees	-	250,000
Licencing & Levies	1,940,245	2,552,312
Provision for bad and doubtful debts	3,497,685	1,956,087
Training Expenses	69,600	-
Others expenses	15,000	-
Total	12,687,579	15,096,646

11. Maintenance Expense

Plant and Equipment	73,315.00	29,500
Buildings	102,850.00	173,000
Infrastructural networks	648,710.00	10,350,980
Grounds	-	-
Motor vehicles	879,200.00	1,701,775
Software	10,000.00	218,036
ICT	27,000.00	70,000
Furniture	-	-
Water Meter	-	-
Access roads	-	-
Total Maintenance Expenses	1,741,075.00	12,543,291

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes ToThe Financial Statements (Continued)

12. Board expense

Directors' Allowances	1,073,800	846,000
	1,073,800	846,000

13. Depreciation charge and amortization expense

Property, plant, and equipment	11,925,463	13,720,583
Right of Use Assets	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortization	11,925,463	13,720,583

14. Finance Costs

Interest Expense On Loans	2,363,925	3,803,286
Interest Expense On Bank Overdrafts	-	-
Total	2,363,925	3,803,286

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To The Financial Statements (Continued)

15. Property, Plant and Equipment

Cost or valuation								
At July 1, 2022	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	-	147,020,337
Additions	-	-	11,105,737	6,020,000	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2022	57,184,641	14,296,160	36,608,712	23,175,392	11,436,928	21,444,241	-	164,146,074
Depreciation								
At July 1, 2022	-	-	-	-	-	-	-	-
Charge for the year	-	-	-5,487,107	-6,358,223	-	-	-	-
At June 30, 2023								
Net book value at June 30, 2023	57,184,641	14,296,160	31,121,605.00	16,817,169	11,436,928	21,444,241	-	152,300,744
As at July 1, 2023	57,184,641	14,296,160	31,121,605.00	16,817,169	11,436,928	21,444,241	-	152,300,744
Charge for the year	-	571,846	2,489,728	4,204,292	3,774,186	2,680,530	-	13,720,583
Net book value at June 30, 2024	57,184,641	13,724,314	28,631,877	12,612,877	7,662,742	18,763,711	-	138,580,161

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Property, Plant and Equipment (Continued)

Cost or valuation	-						
At July 1, 2022	57,184,641	14,296,160	25,502,975	17,155,392	11,436,928	21,444,241	147,020,337
Additions	-	-	11,105,737	6,020,000	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At June 30, 2022	57,184,641	14,296,160	36,608,712	23,175,392	11,436,928	21,444,241	164,146,074
Depreciation							
At July 1, 2022	-	-	-	-	-	-	-
Charge for the year	-	-	-5,487,107	-6,358,223	-	-	-
At June 30, 2023							
Net book value at June 30, 2023	57,184,641	14,296,160	31,121,605.00	16,817,169	11,436,928	21,444,241	152,300,744
As at July 1, 2023	57,184,641	14,296,160	31,121,605.00	16,817,169	11,436,928	21,444,241	152,300,744
Charge for the year	-	571,846	2,489,728	4,204,292	3,774,186	2,680,530	13,720,583
Net book value at June 30, 2024	57,184,641	13,724,314	28,631,877	12,612,877	7,662,742	18,763,711	138,580,162
As at July 1, 2024	57,184,641	13,724,314	28,631,877	12,612,877	7,662,742	18,763,711	138,580,162
Charge for the year	-	548,973	3,578,985	3,153,219	2,298,823	2,345,463.88	11,925,463
Net book value at June 30, 2025	57,184,641	13,175,341	25,052,892	9,459,658	5,363,919	16,418,247	126,654,699

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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Notes To the Financial Statements (Continued)

15 (B) Property, Plant and Equipment at Cost

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

Land	57,184,641	-	57,184,641
Buildings	13,724,314	548,973	13,175,341
Plant and machinery	28,631,877	3,578,985	25,052,892
Motor vehicles, including motorcycles	12,612,877	3,153,219	9,459,658
Computers and related equipment	7,662,742	2,298,823	5,363,919
Office equipment, furniture, and fittings	18,763,711	2,345,464	16,418,247
Total	138,580,162	11,925,463	126,654,699

16. Inventories

Opening balance	692,986.00	2,765,855.00
Purchases	-	-
Total	692,986.00	2,765,855.00
Issued	692,986.00	(2,072,869.00)
Closed balance	-	692,986.00

17. Trade Receivables

Gross Trade Receivables	101,616,027	107,642,161
Provisions For Doubtful Receivables	(9,999,479)	(12,817,265)
Net Trade Receivables	91,619,548	94,824,896
At June 30, The Ageing Analysis Of The Gross Trade Receivables Was As Follows:		
LessThan30Days	4,345,180	4,596,187
Between 30 And 60 Days	2,150,850	2,487,159
Between 61 And 90 Days	1,255,790	1,469,763
Between 91 And 120 Days	2,191,247	2,331,355
Over120 Days	91,672,960	96,757,698
Total	101,616,027	107,642,161

**NOLTURESH LOITOKITOK WATER AND SANITATION COMPANY
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17(b). Reconciliation of Impairment Allowance for Trade Receivables

Description	2024-2025	2023-2024
	Kshs	Kshs
At the beginning of the year	100,213,144	98,257,057
Additional provisions during the year	3,657,350	1,956,087
Recovered during the year	(-)	(-)
Written off during the year	(-)	(-)
At the end of the year	103,870,494	100,213,144

18. Bank and Cash Balance

Description	2024-2025	2023-2024
	Kshs	Kshs
Cash At Bank	206,759	1,910,694
Cash In Hand	-	-
Total	206,759	1,910,694

The cash at bank was held at Sidian Bank of Kenya and Kenya Commercial Bank, which are the entity's main bankers.

Detailed analysis of the cash and cash equivalents

Description		2024-2025	2023 - 2024
Financial institution	Account number	kshs	Kshs
a)Current Account			
Kenya Commercial Banks	1130831272	-	-
	1130831515	-	-
	1130830926	151,942	1,530,617.00
	1130831361	-	-
	1181677688	-	-
Sidian Bank	01021020003500	-	692.90
	01021020003100		-
	01021020004859	-	500.00
Mpesa Till Number	887800	54,817	378,884.00
Grant Total		206,759	1,910,694

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19. Ordinary share capital

Description	2024-2025	2023-2024
	Kshs	Kshs
Authorized:		
1,000 Ordinary Shares Of Kshs 100 Par Value Each	100,000	100,000
Issued And Fully Paid:		
Nolturesh ordinary shares of ksh 100 per value	100,000	100,000
Capital Reserves	25,324,043	25,324,043
Donation Reserve	11,974,370	11,974,370
Retained Earnings	(163,322,850)	(141,933,749)
Capital and Reserves	(125,247,539)	(104,535,336)

Retained Earnings

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

20. 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.

21. 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.

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22. Borrowings

b) Domestic borrowings		
Balance at beginning of the year	19,465,683	26,678,721
Domestic borrowings during the year		
Repayments during the year	(11,604,688)	(7,213,038)
Balance at end of the year	7,860,995	19,465,683
c) Balance at end of the period-domestic And external borrowings c=a+b	7,860,995	19,465,683

23. Trade and Other Payables

Trade Payables	69,692,884.00	74,248,055
Accrued Expenses	264,052,867	244,075,638
Total	333,745,751	318,323,693

24. Customer Deposits

Opening Balance	2,754,697	2,264,118
Add: deposits received during the year	44,000	490,579
Less: Refunded deposits during the year	-	-
Closing balance	2,798,697	2,754,697
Total	2,798,697	2,754,697

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25. Cash from/(Used in) operating Activities.

(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(21,389,101)	(18,242,989)
Depreciation	11,925,463	13,720,583
Amortisation	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(9,463,638)	(4,522,406)
(Increase)/decrease in inventories	692,986	2,072,869
(Increase)/decrease in trade and other receivables	3,205,347	9,103,798
Increase/(decrease) in trade and other payables	15,466,058	19,152,915
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	9,900,753	25,807,176
(b) Analysis of changes in loans		
Balance at beginning of the year	-	26,678,721
Receipts during the year	-	-
Repayments during the year	(11,604,688)	(7,213,038)
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	(11,604,688)	19,465,683
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	206,759	1,062,152
Cash in hand	-	-
Balance at end of the year	206,759	1,062,152

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26. Related Party Disclosures

Contingent Assets and Liabilities

Contingent Assets

The company did not have any form of contingent assets during the year under review

Contingent Liabilities

NOLWASCO had the following list of pending contingent liabilities

1. Mulekyo & Co. Advocates Vs Nolturesh (HccMisc.Appl No 61 & 72 Of 2019)
2. Raphael Wambua Vs Nolturesh (Elrc No 880/2019)
3. Augustine Murandi & 2 Others V Noturesh (Civil Appeal No 40 Of 2018)
4. Patrick Mui Kamunya & 56 Others Vs Nolturesh (Elrc No 1073/2019)
5. Nolturesh Vs Breson O. Rakiro & 50 Others (Elrc No.1239/2016)
6. Sapadulo Ole Mosoi Kura Vs Nolturesh (Elrc No.881 Of 2019)

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27. Financial Risk Management

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

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

(i)Credit risk

The entity has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

(ii)Market risk

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

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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 optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

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

a) Foreign currency sensitivity analysis

No effect of currency changes on the Financial statements of the company.

b) Interest rate risk

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

i) Management of interest rate risk

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

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ii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair value 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 *entity'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 *entity* considers relevant and observable market prices in its valuations where possible.

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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.

iv) Capital Risk Management

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

Revaluation Reserve	-	-
Retained Earnings	(141,933,749)	(123,690,760.00)
Capital Reserve	(104,535,336)	(86,292,347.00)
Total Funds	-	-
Total Borrowings	19,465,683.00	26,678,720.52
Less: Cash And Bank Balances	(206,759)	(1,062,065.88)
Net Debt/(Excess Cash And Cash Equivalents)	19,258.924	25,616,654.64
Gearing	-	-

28. Incorporation

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

29. Events After The Reporting Period

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

30. Currency

The financial statements are presented in Kenya Shillings (Kshs)

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Appendix: Projects Implemented By The Entity

Projects

There were No projects Implemented in the Financial year 2024-2025


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PROGRESS ON FOLLOW UP OF AUDITORS RECOMMENDATIONS.

S N	Issue/Observation	Auditors comment	Management comment	Resolved/Not resolved
1	Inaccurate Valuation of Assets	The Company's financial policies indicate a depreciation rate of 12.5% for meters, plant and machinery and 25% for computers and related equipment. However, Management applied a depreciation rate of 8% for meters, plant and machinery and 33% for computers and related equipment leading to misstatement of the values of the assets and depreciation in the financial statements. In addition, the Management did not maintain an updated asset register as the register provided for audit review omitted crucial details such as cost of assets and date of purchase.	The errors in the financial statements have been noted and will be corrected in the amended financial statements	Resolved
2	Unconfirmed borrowings	The statement of financial position reflects a balance of Kshs.19,465,685 in respect to borrowings as disclosed in Note 24 to the financial statements. However, the bank certificate provided for audit review indicated an outstanding loan balance from Sidian Bank of Kshs.18,756,869 resulting in unexplained variance of Kshs.708,816	The certificate of bank balance issued by the bank was erroneous. However, the correct certificate of bank balance has been provided for audit.	Resolved
	Excess Non-revenue water	Management reported total production of water of 2,088,763 M3 and a total billing of 663,164 M3 incurring a loss of produced water of about 1,425,599 M3 equivalent to 68% of the total water produced or 43% above the allowable loss of 25% which is contrary to the Water Services Regulatory Board Guidelines. No satisfactory explanation was provided for the high level of NRW, and the measures put in place to reverse the trend.	The company has been facing a huge problem of illegal farming along the pipeline	Not resolved

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		However, review of the payroll revealed that costs totalling Kshs.132,000 and Kshs.3,886,178 were statutory deductions for NSSF and PAYE respectively which had not been remitted to the relevant statutory bodies as at 30 June, 2024. This is contrary to Section 94(1) (a) of the Public Finance Management Act, 2012 which states that a state organ or public entity is in serious material breach of the measures established under the Act if it fails to make payments as and when due and has defaulted financial obligations for financial reasons.	The company has been facing financial constraints making it unable to make the payments when they fall due	Unreso
	Long outstanding payables	Review of the schedules provided for audit revealed that the balance includes Kshs.29,629,050, Kshs.331,200 and Kshs.1,441,200 relating to PAYE, NSSF and NHIF respectively which had not been remitted as at 30 June 2024. In addition, there was no ageing analysis for the payables which was provided for audit review.		Unresolved
	Use of Unapproved Water Sales Tariff	The water company currently uses the Extraordinary Tariff Adjustment which is undated and ungazetted. This was contrary to Paragraph 4.0 (11) of the WASREB Tariff Guidelines June 2023 which states that the process for Tariff adjustments is initiated by the WSP or BWSP (applicant) and upon approval by the BoD, WASREB shall gazette the tariff with a 30 days' notice for implementation by the WSP and this process shall take a maximum of six (6) months from the receipt of a complete application.	The company had applied for an updated tariff which is under review by wasreb	



ENG. JOSEPH WANJOHI
MANAGING DIRECTOR