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REPORT
OF
THE AUDITOR-GENERAL
ON
KIKUYU WATER COMPANY LIMITED
FOR THE YEAR ENDED
30 JUNE, 2025

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KIKUYU WATER COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

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

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

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1. Acronyms and Glossary of Terms

A. Acronyms

| | |
|---------------|---|
| ICPAK | <i>Institute of Certified Public Accountants of Kenya</i> |
| IFRS | <i>International Financial Reporting Standards</i> |
| MD | <i>Managing Director</i> |
| PFM | <i>Public Financial Management</i> |
| PSASB | <i>Public Sector Accounting Standards Board</i> |
| WASREB | <i>Water Services Regulatory Board</i> |
| KWCL | <i>Kikuyu Water Company Limited</i> |
| NRW | <i>Non-Revenue Water</i> |
| AWWDA | <i>Athi Water Works Development Agency</i> |

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

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2. Key Entity Information

Background information

The Kikuyu Water Company Ltd was incorporated under the Companies Act (Cap. 486) on March 10, 2006. It was appointed by AWWDA to provide efficient and effective water and sewerage services within Kikuyu Township and its environs. At the County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the company's general policy and strategic direction. The Company is wholly owned by the County Government of Kiambu.

Principal Activities

- To supply portable water and to offer sewerage to residents of Kikuyu and Kabete Sub-Counties for domestic, industrial and commercial purposes.
- To exercise overall control over water sources and supply, including the conservation, redistribution, and augmentation of water resources. This includes sinking boreholes, constructing and maintaining reservoirs, waterworks, cisterns, culverts, filter beds, pipelines, and related infrastructure, as well as carrying out all necessary activities to obtain, store, sell, deliver, measure, and distribute water for the company's purposes.

OUR VISION

“To be the leading Company in the provision of quality, reliable, and affordable water services in the Region and beyond”

OUR MISSION

“To consistently provide excellent water services in our area of jurisdiction to the absolute satisfaction of our esteemed customers all year round”

CORE OBJECTIVES

1. Expanding water coverage.
2. Achieving financial sustainability.
3. Enhancing operational efficiency and institutional strengthening.
4. Significantly elevating customer satisfaction.
5. Integrating cross-cutting issues into our operations.

Directors

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

| Directors Name | Position | Date of Appointment |
|------------------------------|-------------------|--------------------------------|
| 1. Eng. Kamunyu Kahenya | Chairman | 20 th March 2023 |
| 2. Jennifer Kanini Musyoki | Member | 29 th July 2020 |
| 3. Mrs Esther Wambui Gacheru | Member | 20 th March 2023 |
| 4. Mr, Richard Njogu Ndungu | Member | 20 th March 2023 |
| 5. Mr, Charles N. Gikonyo | Member | 29 th July 2020 |
| 6. Mr William Nyanjui Kimani | Member | 14 th February 2022 |
| 7. Mr. Samuel Kuria | Member | 16 th June 2024 |
| 8. Jane Murage | Managing Director | 19 th December 2014 |

Company Secretary

Jacqueline Wangari Muriigi
P.O Box 2344 -00900
Kiambu

Registered Office

Kikuyu Water Ltd Main office, Kikuyu Township
P. O. Box 313-00902, Kikuyu.
Tel: 0728578098

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Corporate Headquarters

Kikuyu Water Ltd Main office, Kikuyu Township
P. O. Box 313-00902, Kikuyu.
Tel: 0728578098

Corporate Contacts

Telephone: 254728578098
E-mail: kikuyuwater@yahoo.com
Website: kikuyuwater.com

Corporate Bankers

Kenya Commercial Bank-Kikuyu Branch

P. O. Box 148-00902, Kikuyu.
Tel: +254-66-33046 Fax: +254-66-33246

Equity Bank (K) Limited-Kikuyu Branch

P. O. Box 1707-00902, Kikuyu.
Tel: +254-66-31071 Fax: +254-66-31072

Family Bank Limited

P.O Box 75145, Nairobi
Tel: +254-335003 Fax 337231

Kenya Post Office Savings Bank

P.O Box 30311-00100, Nairobi
Tel 020-2229551 Fax 0202229186

Safaricom Limited

P.O Box 66827 – 00800, Nairobi
Tel: 020 – 4273272/0722003272

Independent Auditor

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




Principal Legal Adviser

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



3. The Board of Directors

| Directors | Details |
|--|---|
|  | <p>Name: Eng. Kamunyu Kahenya (Representing the Community) Position: Chairman (Independent Director) Date of Appointment: 20th March 2023 Qualifications:</p> <ul style="list-style-type: none"> • BSc. Civil Engineering (Hons), University of Nairobi (1979) • MSc. Project Management, University of Liverpool (2017) <p>Work Experience:</p> <ul style="list-style-type: none"> • Managing Director, EngConsult Ltd – Consulting Engineers (2004 – present) • Managing Partner, EngConsult – Consulting Engineers (1991 – 2003) • Director, EngConsult (Pty) Ltd, Botswana (1991 – 2003) |
|  | <p>Name: Esther Wambui Gacheru (Representing Professionals) Position: Independent Director (Chairlady, Audit and Risk Committee) Date of Appointment: 20th March 2023 Qualifications:</p> <ul style="list-style-type: none"> • Master's in Tax and Customs Administration (Taxation) • Bachelor of Commerce (Finance), University of Nairobi • CPA (K) <p>Work Experience:</p> <ul style="list-style-type: none"> • Senior Accountant, Kenya Animal Genetics Resources Centre (September 2019 – present) • Senior Internal Auditor, Kenya Animal Genetics Resources Centre (December 2008 – August 2019) • Accountant 1, Kenya Animal Genetics Resources Centre (March 2006 – December 2008) • School Bursar, Muhu Secondary School (March 2005 – February 2006) • Accountant, Kenya College of Accountancy (May 2002 – April 2003) • Accountant, Institute of Certified Public Accountants of Kenya (ICPAK) (August 1999 – March 2002) |

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|---|--|
|  | <p>Name: Richard Njogu Ndung'u (Representing Business Community) Position: Independent Director (Chairman, Finance, ICT, HR, and Admin Committee) Date of Appointment: 20th March 2023 Qualifications:</p> <ul style="list-style-type: none"> • CPA II • Diploma in Business Administration <p>Work Experience:</p> <ul style="list-style-type: none"> • Principal Consultant, Brentwrich Capital Ltd (2009 – present) • Financial Controller, Shuttle Air Services Ltd (1992 – June 2000) • Accounts Assistant, Southern Credit Banking Corporation Ltd • Accounts Assistant, Kyu Garments (K) Ltd |
|  | <p>Name: Charles Gikonyo Position: Executive Director Date of Birth: 1977 Date of Appointment: 29th July 2020 Date of Leaving: June 2024 Qualifications:</p> <ul style="list-style-type: none"> • BA in Government & Public Administration • Certified Public Secretary (CPS) • Chartered Institute of Purchasing & Supplies (UK) <p>Experience:</p> <ul style="list-style-type: none"> • Practiced as a Certified Public Secretary • Current Chief Officer, Administration & Public Service |
|  | <p>Name: Samuel Kuria Ndung'u ((Representing Residence Association) Position: Independent Director – Member of Finance & Audit Committees Date of Birth: Date of Appointment: 16th June 2024 Qualifications: Diploma in Civil Engineering Experience: 15 years in experience in Engineering</p> |




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|---|---|
|  | <p>Name: William Nyanjui Kimani Position: Executive Director Date of Appointment: 14th February 2022 Qualifications:</p> <ul style="list-style-type: none"> • MSc. Business Administration (Finance) • BBA (Accounting & Finance) • CPA (K) <p>Work Experience:</p> <ul style="list-style-type: none"> • COF & Economic Planning, County Government of Kiambu (2019 – present) • Chief Officer, Administration, County Government of Kiambu (Dec 2018 – June 2019) • Director of Administration & Principal Administration Officer, County Government of Kiambu (May 2017 – Nov 2018) • Finance Manager, PUEA, Mt. Kenya University (Jan 2010 – April 2017) • Finance Manager, Limuru Milk Processors (Mar 2007 – Dec 2009) <p>Chief Accountant, New Baron and Leveque International & Kenana Distributors (Feb 2002 – Mar 2007)</p> |
|  | <p>Name: Jennifer Kanini Musyoki Position: Executive Director Date of Appointment: 29th July 2020 Qualifications:</p> <ul style="list-style-type: none"> • MBA (Strategic Management) • BSc in Civil Engineering <p>Work Experience:</p> <ul style="list-style-type: none"> • Water & Sanitation Engineer with expertise in planning and designing urban and rural water and sanitation infrastructure • Experience in formulating water and sanitation policies, strategies, and plans for national and county governments • Conducted technical assessments, socio-economic studies, and surveys with H.P. Gauff Ingenieure, GIZ International Water Stewardship Programme, and Authentic Living Int. Co. Ltd <p>Currently serving as Chief Officer, Department of Water, Environment, Energy, and Natural Resources</p> |




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|  | <p>Name: Murithi Wanjau Position: Company Secretary Date of Appointment: 24th October 2024 Qualifications:</p> <ul style="list-style-type: none"> • MA in Communication, Daystar University (Ongoing) • MBA in Strategic Management, Daystar University • LL.B, University of Bombay • Diploma in Law, Kenya School of Law • B.Com, Jabalpur University • Certified Professional Mediator Notary Public Commissioner of Oaths Patent Agent Company Secretary <p>Work Experience:</p> <ul style="list-style-type: none"> • Advocate of the High Court with over thirty years of experience • Renowned for expertise in commercial law, arbitration, mediation, and company secretarial practice. <p>Fellow of the Institute of Certified Public Secretaries of Kenya and a recipient of the Eisenhower Fellowship</p> |
|  | <p>Name: Jane Wanjiru Murage Position: Managing Director Date of Appointment: 19th December 2014 Qualifications:</p> <ul style="list-style-type: none"> • BSc in Water & Environmental Engineering, Egerton University • Certificate in Environmental Impact Assessment (Egerton University) <p>Responsibilities:</p> <ul style="list-style-type: none"> • Monitoring and assessing management performance • Ensuring compliance with legal and governance frameworks • Driving institutional transformation in line with corporate strategy |

4. Key Management Team

| Managers | Details |
|---|--|
|  | <p>Name: Jane Wanjiru Murage Position: Managing Director Qualifications:</p> <ul style="list-style-type: none"> • BSc in Water & Environmental Engineering, Egerton University • Certificate in Environmental Impact Assessment (Egerton University) <p>Responsibilities:</p> <ul style="list-style-type: none"> • Monitoring and assessing management performance • Ensuring compliance with legal and governance frameworks <p>Driving institutional transformation in line with corporate strategy</p> |
|  | <p>Name: David Kimani Position: Finance & Administration Manager Date of Appointment: 1st March 2025 Qualifications:</p> <ul style="list-style-type: none"> • Bachelor of Commerce in Finance • Certified Public Accountant (CPA-K) <p>Responsibilities:</p> <ul style="list-style-type: none"> • Assisting in the development of current and long-term goals • Formulating policies and procedures • Producing financial reports • Overseeing the implementation of accounting and financial management systems <p>Managing all accounting functions, including cash flow management, revenue collection, payroll, and budgeting</p> |
|  | <p>Name: Mary Mbugua Position: Commercial Manager Date of Appointment: 1st March 2025 Qualifications: MBA (UON), BA(KEMU) and is a (CPA -K) Responsibilities:</p> <ul style="list-style-type: none"> • Formulating a work plan for daily commercial operations • Ensuring that monthly cycles and accurate bills are produced accordingly |

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| | |
|---|---|
|  | <p>Name: Paul Gichuki Position: Technical Manager Qualifications:</p> <ul style="list-style-type: none"> • Bachelor of Science in Water and Environmental Engineering, Egerton University • Certificate in Environmental Impact Assessment and Environmental Audit, Jomo Kenyatta University of Agriculture and Technology <p>Responsibilities: Heading the Technical Department</p> |
|  | <p>Name: Jeniffer Chebet Position: Internal Auditor Qualifications:</p> <ul style="list-style-type: none"> • Bachelor of Commerce in Marketing <p>Responsibilities:</p> <ul style="list-style-type: none"> • Ensuring a strong control environment to prevent fraud • Ensuring compliance with established internal controls • Preparing audit reports for the Board Audit & Risk Committee <p>Setting up risk-based internal audit programs and systems</p> |
|  | <p>Name: Stephen Mwangi Nderi Position: Procurement Officer Qualifications:</p> <ul style="list-style-type: none"> • Bachelor of Commerce (Finance Option), KCA University • Diploma in Purchasing and Supplies, Kenya Institute of Management <p>Responsibilities: Ensuring that the procurement function is conducted in accordance with the Public Procurement and Disposal Act</p> |
|  | <p>Name: Murithi Wanjau Position: Company Secretary Date of Appointment: 24th October 2024 Qualifications:</p> <ul style="list-style-type: none"> • MA in Communication, Daystar University (Ongoing) • MBA in Strategic Management, Daystar University • LL.B, University of Bombay • B.Com, Jabalpur University • Certified Professional Mediator Notary Public Commissioner of Oaths Patent Agent Company Secretary <p>Work Experience:</p> <ul style="list-style-type: none"> • Advocate of the High Court with over thirty years of experience • Renowned for expertise in commercial law, arbitration, mediation, and company secretarial practice. |

5. Chairman's Statement

It is my privilege to present the annual financial report for the fiscal year ending June 30, 2025. Our company remains steadfast in its mission to provide essential water and sanitation services to the residents of Kikuyu and Kabete sub-counties in Kiambu County.

Throughout this fiscal year, KWCL has made significant strides toward achieving our strategic goals of expanding service coverage, ensuring financial and operational sustainability, and enhancing customer satisfaction.

Additionally, the company is now in a position to operate under a sustainable tariff following the successful completion of the rigorous application process with WASREB.

We have also seen positive developments across key areas, such as the growth of our customer base, improved revenue collection, greater billing efficiency, operational stability, and strengthened governance practices. These achievements were made despite various challenges.

For this financial year, KWCL recorded a surplus of **Kshs 41,772,297**, a marked improvement compared to the previous year's loss of **(Kshs 1,287,763)**. This improvement was chiefly due to the implementation of the new tariff. This demonstrates that, with determination and consistency, we are moving toward the company's financial sustainability.

Notably, some of the challenges we faced have been addressed through strategic partnerships, including collaborations with the County Government of Kiambu and the Athi Water Works Development Agency. It is also important to note that the company will continue to cultivate and expand these strategic partnerships, with other development partners.

Looking ahead, we recognize that overcoming our current challenges will require substantial system improvements and innovations. I am confident that, with the support of our stakeholders, we can successfully navigate these obstacles.

As we all know, access to water and sanitation is a fundamental human right enshrined in our Constitution. Therefore, we must continuously strive to enhance our operations and systems to meet this mandate. In the coming year, our key priorities will include:

- Increasing revenue from water sales and sewerage services.
- Reducing non-revenue water to boost sales.
- Enhancing staff productivity.
- Expanding water service coverage and reliability.
- Deepening our partnerships with strategic development partners.
- Strengthening collaborations with existing Self-Help Water Projects.
- Completing current projects and initiating new ones.

I would like to take this moment to sincerely thank my fellow board members for their unwavering support and invaluable contributions. I also express my deep gratitude to our dedicated management and staff for their commitment and hard work. To our esteemed development partners, your continued support is deeply valued. Lastly, I extend my gratitude to our loyal customers and stakeholders for their trust and confidence in us, and I reaffirm our dedication to enhancing the quality of our services.

Eng. Kamunyu Kahenya

For the Chairman
Company's Chairman KWCL

Susan Wamaita



6. Report Of the Managing Director

I am pleased to present the financial report for the fiscal year ending June 30, 2025. Over the past year, our organization has made remarkable strides toward achieving our strategic objectives, which include:

1. Enhancing water accessibility.
2. Achieving financial viability.
3. Improving operational efficiency and reinforcing institutional capacity.
4. Elevating customer satisfaction levels.
5. Incorporating cross-cutting issues into our operations.

In addition, we have achieved several noteworthy milestones:

- **Successful Implementation of a New Regular Tariff:** The company successfully applied for a new consumer tariff from the Water Services Regulatory Board (WASREB), that took effect in July 2024. This new tariff has enabled the company to meet its current obligations and accrued liabilities.
- **Operationalization of the Company's First Sewer Project:** This project was commissioned in July 2023, resulting in the increase from 450 to 522 connections in the current fiscal year. The sewerage project has emerged as a vital revenue stream, generating **Kshs 44,670,111** in income.
- **Installation and operationalization of Mai ai Hii Solarized Borehole.** Through the partnership with the County Government of Kiambu, a borehole was sunk at Ondiri Swamp well field with a daily yield of 600 M³ serving around 1,200 residents of Mai ai Hii.
- **Drilling, Equipping, Solarization & Tank Installation at Thirime Borehole.** Through the partnership of AWWDA, the Company has undertaken the equipping of Thirime borehole with the connection of new customers set to take place in the upcoming fiscal year.

In this fiscal year, KWCL experienced a surplus of **Kshs 41,772,297**, an improvement from the previous year's loss of (**Kshs 1,287,763**). This is chiefly attributed to the operationalization of the new tariff as well as a marked growth in customer base.

Addressing Challenges

We are dedicated to addressing significant challenges as we strive for long-term sustainability:

1. **High Power Bills:** The rising cost of electricity poses a substantial threat to our sustainability, as Kikuyu Water Company heavily relies on borehole pumping for water production. To mitigate these costs, we are actively pursuing the solarization of all boreholes by submitting proposals to development partners. This far, we have solarized five boreholes, yielding an average monthly savings of 28% on electricity bills. We plan to seek further support to solarize the remaining boreholes.
2. **Non-Revenue Water (NRW):** The high NRW levels can be attributed to the aging and dilapidated pipe networks inherited from the Municipal Council in 2006, which require

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significant capital for replacement. To combat this, we have adopted a policy of using only HDPE pipes for new installations and replacing affected PVC networks with HDPE.

3. **Impact of Road Construction Projects:** The ongoing road construction projects in Kikuyu and Kabete sub-counties have posed challenges, particularly when distribution mains were damaged, leading to substantial water losses and increased NRW. To address this, we are working closely with road contractors to minimize disruptions in water supply and prevent leaks.
4. **Irregular Power Supply:** Interruptions in water supply have also been exacerbated by inconsistent power supply, resulting in pump and motor failures that necessitate replacements.

The Way Forward

To overcome these challenges, we pledge to remain resolute in our efforts to enhance existing systems while developing new ones. Our focus will be on critical pillars, including the solarization of ongoing borehole projects, the efficient implementation of our tariff structure, staff development, and investment in water infrastructure. These essential initiatives will require substantial capital investment and continuous resource mobilization to ensure sustainable operations. Our commitment to this transformative journey is unwavering, and we will pursue this path with passion and determination.

Appreciation

With heartfelt sincerity, I extend my profound gratitude to the County Government of Kiambu, the Athi Water Services Board, the Water Services Regulatory Board, the Water Sector Trust Fund, and the Constituency Offices of Kikuyu and Kabete.

To our valued customers, your steadfast support fuels our mission and inspires us to excel. I also wish to express my appreciation to our dedicated suppliers and financial partners; your unwavering loyalty forms the foundation of our success. Together, we move forward, resolute in our commitment to elevating our services to new heights.

In closing, I offer my deepest appreciation to the Board of Directors, Management, and Staff of Kikuyu Water for their relentless dedication, unwavering commitment, and exemplary teamwork. Our journey has been marked by achievements made possible only through your collective efforts. United, we will face the challenges ahead, determined to continue serving our community with excellence and grace.

Jane Murage



Managing Director KWCL

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

Kikuyu Water Company has 3 strategic pillars and objectives within its Strategic Plan. These strategic pillars are as follows:

- Pillar 1: Increased access to safe water and reliable sanitation services
- Pillar 2: Efficient and enhanced water supply and sewerage service delivery
- Pillar 3: Strengthened institutions & developed capacity for KWCL and partners

Kikuyu Water Company develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done every quarter. KWCL achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|--|---|--|
| Pillar 1: Increased access to safe water and reliable sanitation services | Increase access to safe water supply by approx. 60% in 5 years. | No. of rehabilitated and operational boreholes | Operationalization of 5 Twin boreholes and solarisation of 4 Twin boreholes | Operationalization of 5 Twin boreholes and Riu 4 Solarisation 4 Twin |
| | Increase access to sewerage for Kikuyu Town and its environs safe sanitation in public places | No. of sewer line laid in kilometres. No. of sewer connections made. | Development of sewer lines at Kikuyu, Kidfarmaco, Thogoto, and Kinoo | 50.2km sewer laid. 136 sewer connections done |
| Pillar 2: Efficient and enhanced water supply and sewerage service delivery | Develop policies, strategies, and road maps for facilities taken over from CBOs | Audits conducted. | Audit to determine the condition of assets and water infrastructure. | On Going |
| | | No. of policies approved by the board. | Develop technical policy and assets management policy | On Going |
| | Develop operational guidelines, manuals, tool kits etc. | No. of manuals developed | Development of guideline manual | 7 |
| | Support to rural water facilities | | Offer technical support | 2No. |
| | PPPs to enhance efficiencies and infrastructure coverage | Length of pipeline rehabilitated or upgraded | Pipeline rehabilitation and upgrading | 25Km |

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| | | | | |
|--|--|---|--|----------------------|
| | | Length of pipeline extension works. | Pipeline extensions | 60Km |
| | Enhance O&M | No. of operational schedules developed | Develop and implement a maintenance schedule for water supply infrastructure | 1 |
| Pillar 3: Strengthened institutions & developed capacity for KWCL and partners | Assets & management | Update of the assets register | New asset identification (fixed & movable) and valuation | Ongoing |
| | Enhance HR Management | Performance appraisal developed and implemented. | Undertake study to establish staff training needs and capacity gaps; annual updates through appraisals | Staff appraisal done |
| | | No. of staff training conducted. Attended Trainings | Implement recommendations of staff training and capacity development | 15 |
| | | Installation of the HRM System | Procure and install computer based Human Resource Information System (HRIS) | Done |
| | Operational policies, strategies, guidelines, manuals and certifications | No. of Developed manuals and guidelines | Develop/customize available national policies and develop guidelines (Gender; EHS; HR training and development; HR management; Corporate Social Responsibility; Procurement and Disposal; Disability; Anti-Corruption etc.); Board Members Induction Packages (and guidelines) | |

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| | | | | |
|--|-----------------------|---|--|--|
| | | | Staff induction guideline and process | |
| | | Performance appraisals developed for all staff. | Develop/customize performance management systems and establish performance contracting framework | Developed |
| | | ISO certification | ISO Certification and compliance | |
| | | | Establish integrity assurance/Risk mitigation systems | |
| | | | Water Safety (WS) Plans | |
| | Enhance communication | Developed strategy. | Development and implementation of communication strategy Customer | done |
| | | No. of survey conducted and recommendations highlighted | satisfaction survey and implementation of findings | 1 Survey has been done within our supply area |
| | Resource mobilization | No. of proposals developed and sent to financiers. | Proposal development, investor conferences, donor coordination etc. | 5 |

8. Corporate Governance Statement

Kikuyu Water Company Ltd regards good corporate governance as crucial to the success of the business and is committed to practicing it so that it remains a sustainable and viable business. This Statement sets out the main corporate governance practices and structures of Kikuyu Water Company Ltd.

The following corporate governance guidelines and principles are applied in the company to govern directors and staff. WASREB guidelines on Corporate Governance for Water companies specify best corporate governance principles and others like the Code of Ethics for directors and the Public Officer Ethics Act, 2003 that applies to public officers.

Directors exercise independent judgment and professional competencies for effective governance of the Company as set out in their terms of reference which spells out important governance arrangements covering appointment of directors.

The Directors' Code of Conduct sets out rules that govern the conduct of individual directors to enable the Board to operate effectively and in the best interests of Kikuyu Water Company Ltd. The Code of Conduct sets out rules for directors to among others: act honestly, in good faith and for the best interest of the company, exercise duty with care and diligence, avoidance and management of conflict of interest, maintain confidentiality of information about the company, showing commitment to and attend to Kikuyu Water Company Ltd business and respect to fellow directors.

Composition of the Board of Directors

The Board comprises Seven Directors, including the Managing Director. The composition of the Board of Directors considers the requirements of the water sector, a diverse mix of skills, age, gender, qualifications, and experience necessary to achieve the company's goals and objectives.

Conflict of Interest

Directors are required to make a written disclosure of any transaction in which they have interest and which would constitute a conflict of interest and to abstain from voting when such matters are being considered. Business transactions with all parties, directors, or their related parties are carried out at arms' length.

Role and Responsibilities of the Board

The Board provides leadership and strategic direction to the Kikuyu Water Company Ltd. Their main responsibilities are:

- Establishing the short and long-term goals of the Company and strategic plans to achieve those goals
- Ensuring preparation of the annual and half-year financial statements
- Approval and review of the annual budgets
- Setting and periodically reviewing key performance indicators and management performance
- Ensuring that Kikuyu Water Company Ltd has adequate systems of internal controls
- Ensuring that Kikuyu Water Company Ltd has adequate risk management plans to ensure business continuity

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Role of Chairman of the Board of Directors

The Chairman is primarily responsible for providing leadership to the board, chairing board meetings, and general meetings of members. The chairman also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively.

Managing Director

The Managing Director is the Chief Executive Officer of Kikuyu Water Company Ltd responsible for the day-to-day management of Kikuyu Water Company Ltd.

Directors Training and Development

The Company recognizes the importance of having a well-informed and fully empowered Board of Directors. In this regard, relevant training and capacity development opportunities are organized to equip directors with the skills and knowledge necessary to effectively perform their responsibilities.

Board Work Plan and Meetings

A work plan and schedule of meetings is prepared annually in advance. The Board meets at least twice per quarter or more depending on the requirements of the business. Directors receive adequate notice for meetings and detailed papers on issues to be discussed

| | MEETING | DATES | AGENDAS & BOARD MEETINGS FY 2024 - 2025 |
|---|------------------------------------|----------------------------------|--|
| 1 | FULL BOARD | | |
| | 1 st Special Full Board | 22 nd August, 2024 | <ol style="list-style-type: none"> 1. Notice of the meeting 2. Confirmation of the quorum 3. Adoption of the agenda 4. Declaration of the conflict of interest 5. Induction of new Board members and constitution of the Board Committees 6. Setting up performance contract for the company Financial Year (Fy) 2024-25 7. Approval of Board work plan for the Fy 2024 -25 8. Setting a date for the Annual General Meeting (AGM) |
| | 1 st Full Board | 26 th September, 2024 | <ol style="list-style-type: none"> 1. Constitution of the meeting 2. Notice of the meeting 3. Confirmation of the quorum 4. Adoption of the agenda 5. Declaration of conflict of interest 6. Reading and confirmation of the previous minutes and matters arising from previous minutes 7. Adoption and approval of reports Technical, Finance, ICT, HR & Administration and Procurement Committee 8. Adoption and approval of report Audit and Risk Committee |
| | 2 nd Special Full Board | 30 th September, 2024 | <ol style="list-style-type: none"> 1. Constitution of the meeting 2. Notice of the meeting 3. Confirmation of the quorum 4. Declaration of conflict of interest 5. Adoption and approval of reports Technical, Finance, ICT, HR & Administration and Procurement Committee |

Kikuyu Water Company Ltd

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

| | | | |
|----------|--|----------------------------------|--|
| | 2 nd Full Board | 3 rd December 2024 | <ol style="list-style-type: none"> 1. Constitution of the meeting 2. Notice of the meeting 3. Confirmation of the quorum 4. Adoption of the agenda 5. Declaration of conflict of interest 6. Reading and confirmation of the previous minutes and matters arising from previous minutes 7. Adoption and approval of report Audit and Risk Committee |
| | 3 rd Special Full Board | 3 rd January, 2025 | <ol style="list-style-type: none"> 1. Constitution of the meeting 2. Notice of the meeting 3. Confirmation of the quorum 4. Adoption of the agenda 5. Declaration of conflict of interest 6. Progress report on fraudulent investigation in the billing system. |
| | 3 rd Full Board | 4 th February, 2025 | <ol style="list-style-type: none"> 1. Constitution of the meeting 2. Notice of the meeting 3. Confirmation of the quorum 4. Adoption of the agenda 5. Reading and confirmation of the previous minutes and matters arising from the previous 6. Adoption and approval of reports Technical, Finance, ICT, HR & Administration and Procurement Committee 7. Adoption and approval of reports Audit and Risks Committee |
| 2 | FINANCE | | |
| | 1 st Technical, Finance, ICT, HR & Administration Committee | 12 th September, 2024 | <ol style="list-style-type: none"> 1. Constitution of the meeting 2. Notice of the meeting 3. Confirmation of the quorum 4. Adoption of the agenda 5. Declaration of conflict of interest 6. Signing of performance contract between HODs, MD and Committee Chairman 7. Presentation of 4th quarter technical report Fy 2023-24 8. Presentation of the 4th quarter fy 2023-24 Finance, Commercial, HR & Administration and Procurement reports. 9. Presentation of the final accounts' financial year 2023-24 |
| | 2 rd Technical, Finance, ICT, HR & Administration Committee | 14 th November, 2024 | <ol style="list-style-type: none"> 1. Constitution of the meeting 2. Notice of the meeting 3. Confirmation of the quorum 4. Adoption of the agenda 5. Declaration of conflict of interest 6. Reading and conformation of the previous minutes and matters arising from previous meeting 7. Presentation of the 1st quarter Technical Report fy 2024-25 8. Presentation of the 1st quarter fy 2024-25 Finance, Commercial, HR & Administration and Procurement reports |
| | 3 rd Technical, Finance, ICT, HR & Administration Committee | 24 th January, 2025 | <ol style="list-style-type: none"> 1. Constitution of the meeting 2. Notice of the meeting 3. Confirmation of the quorum 4. Adoption of the agenda 5. Declaration of conflict of interest |

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

| | | | |
|---|--|---------------------------------|--|
| | | | <ol style="list-style-type: none">6. Reading and confirmation of the previous minutes7. Presentation of the 2nd quarter Technical report fy 2024 258. Presentation of the 2nd quarter Finance, Commercial, HR & Administration and Procurement reports |
| 4 | RISK AND AUDIT | | |
| | 1 st Audit and Risk Committee Meeting | 26 th November, 2024 | <ol style="list-style-type: none">1) Constitution of the meeting2) Notice of the meeting3) Confirmation of the quorum4) Declaration of conflict of interest5) Reading and confirmation of the previous minutes6) Presentation of the 1st quarter internal Audit and Risk report. |
| | 2 nd Audit and Risk Committee Meeting | 31 st January, 2025 | <ol style="list-style-type: none">1. Constitution of the meeting2. Notice of the meeting3. Confirmation of the quorum4. Declaration of conflict of interest5. Reading and confirmation of the previous minutes6. Presentation of the 2nd quarter internal Audit and Risk report 2024- 25 |

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

9. Management Discussion and Analysis

The company’s operational and financial performance

During the financial year, KWCL made a surplus of **Kshs 41,772,297** compared to a loss of **(Kshs 1,287,763)**. The turnaround was as a result of the adoption of the new Consumer Tarrif that increased internally generated revenues to **Kshs 275,097,008**.

Company’s compliance with statutory requirements

KWCL complied with statutory requirements i.e. payment of SHIF, NSSF, PAYE, WIBA, AHDL and contribution to pension schemes. Nevertheless, we have arrears in other statutory obligations like lease fees, regulatory levies, abstraction levies to WARMA, and audit fee.

Major risks facing the company

We continue to depend on boreholes to supply water to customers under our jurisdiction incurring high electricity bills which poses a challenge on the continued dependence on Kenya power.

Material arrears in statutory/financial obligations

We have the following as the material balances in the year under review are as follows;

- | | |
|-----------------------|-----------------|
| 1. Lease Fee to AWWDA | Kshs 24,106,488 |
| 2. Regulatory Levy | Kshs 38,406,952 |
| 3. Abstraction Levy | Kshs 6,796,784 |

The company’s financial probity and serious governance issues

The company does not have any financial probity or any governance issues, since the company has risk management in place and adequate internal controls.

Development Projects

We have tabulated our development projects in terms of status, effects, and proposed intervention.

| No | Proposed Capital Work | Status | Impact | Proposed Intervention | Budget |
|----|--|----------|---|--|--------------------------------------|
| 1 | Drilling and equipping of a borehole at the Ondiri-Twin site and laying of pipeline to serve Kamangu area. | Complete | Increase water service levels and area of coverage. | Partner with Kiambu county government for development. | 21,000,000 |
| 2 | Kinoo- Uthiru Phase I involving pipework, 1No. 108m3 elevated steel & metering | Ongoing | Increase water service levels and adequate storage facilities | Partner with AWWDA | Already budgeted under sewer project |

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

| No | Proposed Capital Work | Status | Impact | Proposed Intervention | Budget |
|----|--|----------------|---|---|---------------------|
| 3 | Construction of Kikuyu Sewerage project | Ongoing | improved sanitation | Works ongoing, project 82% complete. | 662,000,000 |
| 4 | Non-Revenue Water Reduction Initiatives | ongoing | Increase in billing efficiency hence more revenue | Invest highly in the reduction of NRW and also partner with Kiambu County Government. | 13,000,000 |
| 5 | Distribution network for Uthiru ward | Ongoing | Increase in coverage | Partner with Kiambu County Government and AWWDA. 80% done. | 15,000,000 |
| 6 | Distribution network for Kinoo ward | Ongoing | Increase coverage | Partner with Kiambu County government | 25,000,000 |
| 7 | Rukubi Kanyariri water supply | Ongoing | Increase coverage | Partner with Kiambu County Government | 5,000,000 |
| 8 | Augmentation Ondiri Maaiihii water project | Complete | Improve reliability | Partner with Kiambu County Government | 4,500,000 |
| 9 | Kanjeru water project | Ongoing | Improve coverage | Partner with Water Fund (WSTF) | 16,400,000 |
| 10 | Solarization of Twin boreholes | Ongoing | Lower production cost | Partner with AWWDA | 32,200,000 |
| 11 | Rugita water supply | Ongoing | Increase coverage | Partner with AWWDA | Under sewer project |
| 12 | Rungiri Kanyongo pipeline | Design ongoing | Increase coverage | Partner with Kiambu County Government | 15,000,000 |

10. Environmental And Sustainability Reporting

Kikuyu Water Company exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 3 strategic pillars: putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

i) Sustainability strategy and profile –

According to the strategic plan the pillars for sustainable service delivery are:

- Professionalization of community management.
- Recognition and promotion of alternative service provider options.
- Monitoring service delivery and sustainability
- Harmonisation and coordination
- Support to service providers
- Capacity support to service authorities
- Learning and adaptive management
- Asset management
- Financing to cover all life cycle cost
- Regulation of small rural service providers.

In the year 2024/2025, the greatest threat to the sustainability of our service and production were among others:

- Unreliable power supply led to downtimes, thus we were temporarily unable to produce water due to low/high voltages or no power at all. This greatly affected our supply. Further, numerous power surges occurred in this period leading to the failure of some pumps and motors that eventually had to be replaced.
- High power bills. Kikuyu Water Company predominately produces its water from boreholes. This implies that all water production through pumping results in very high-power bills. To address these two issues, the company explored alternative power sources; solar installations, which have partly been installed in two boreholes in Rui Karai, Thogoto, Mai ai Hii, Twin Island & Gichuru Boreholes. Proposals have been made to get more funding for similar projects

ii) Environmental performance

As a water service provider, KWCL has been deeply involved in conserving water catchment areas within its jurisdiction and surrounding environments. In the 2024/2025 fiscal year, KWCL became an active member of the ONKARU WRUA, which is responsible for the conservation of the Ondiri, Karai, and Rungiri catchments. Additionally, KWCL has a significant interest in the preservation of Ondiri Swamp, a critical recharge zone for the Athi aquifer, the main source from which KWCL abstracts its water supply.

Through collaboration with the Water Resources Authority (WRA) and the Friends of Ondiri Forum, KWCL has actively participated in tree-planting activities, swamp clean-ups, fencing the swamp, and organizing public education forums, all aimed at conserving the area. Notably, under the Kenya Satellite Towns project, KWCL commenced the construction of the KIWACO sewer line in 2019/2020. The sewer project, which was fully completed and became operational in June 2023, has been instrumental in eliminating the use of soak pits and latrines, which posed a major risk of contaminating the Ondiri catchment.

Moreover, KWCL has incorporated a catchment conservation strategy into its technical policy to ensure the continuity of these conservation efforts.

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

iii) Employee welfare

The company has developed a Human Resource manual policy that guides on contracting and employee welfare.

The policy includes a strategy for the implementation of the OSHA; act of 2007. Further, the company has insured its employees with the Work Injury Benefits Act (WIBA).

iv) Market place practices-

a) Responsible competition practice.

Kikuyu water operates within its area of jurisdiction as guided by the WASREB operating license further the company acknowledges the existence of community-based water service providers in its area of jurisdiction and supports them.

KWCL is fully owned by the County Government of Kiambu, and engages with the county government through the county government's department of Water and environment. Further, the company answers to the County assembly committee of finance in an annual basis

b) Responsible Supply chain and supplier relations

Kikuyu Water Company has developed the Procurement Policy Manual that guides purchasing and disposing at the company. The policy also guides the annual development of the Procurement plan in which process the suppliers are pre-qualified to ensure fair completion in its procurement

c) Responsible marketing and advertisement

Our tariff is developed by WASREB the government body mandated to give guidelines on the same

d) Product stewardship

Kikuyu Water Company complies to the KEBS guidelines for standards of drinking water. Further WASREB gives guidelines for water quality testing and reporting which KWCL adheres to. Water Quality results of samples from our borehole sources are submitted to WASREB. This serves to safeguard the quality of our product.

v) Community Engagements.

KWCL carries out CRS on an annual basis. The company is involved in the take over and facilitation of failed community projects in an aim to ensure that communities that do not get water services start getting the services.

Kikuyu Water 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, 2025 which show the state of the company's affairs.

i) Principal activities

The principal activities for which the Company was established are: -

- To supply water in Kikuyu town and Kabete its environs and to carry on the business of water and sewerage works and to manage the assets belonging to Athi Water Services Board and the assets shall not be subject to any resolution of the Company or that of the County Government of Kiambu
- To exercise overall control over the sources and supply of water and in particular, to conserve, redistribute, and augment those water resources, including sinking boreholes, to make, build and construct, lay down, and maintain reservoirs, waterworks, cisterns, culverts, filter-beds, main and other pipe, and appliances, to execute and do all works and things necessary or convenient for obtaining, storing, selling, delivering, measuring and distributing water, or otherwise for the Company
- To provide and distribute a constant supply of potable water for commercial, industrial, and domestic purposes.

ii) Results

The results of the company for the year ended June 30, 2025 are set out on pages 1-48

iii) Dividends

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

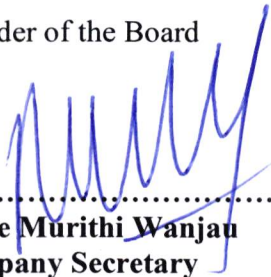
iv) Directors

The members of the Board of Directors who served during the year are shown on page (VI-VII) In accordance with Regulation ... of the company's Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Company's Auditors, the Office Auditor General will continue in office in accordance with Public Audit Act 2015

By Order of the Board


.....
Name Murithi Wanjau
Company Secretary
Date:

12. Statement Of Directors' Responsibilities

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

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

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

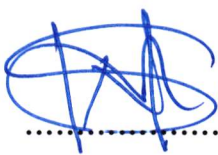
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting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

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

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

Approval of the financial statements

The company financial statements were approved by the Board on 03/12/ 2025 and signed on its behalf by:

 Susan Wamatha
.....

Name

Chairperson of the Board


.....

Name

Managing Director

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KIKUYU WATER COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kikuyu Water Company Limited set out on pages 1 to 46, which comprise of the statement of financial position as at

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

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

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

Review of the financial statements revealed the following inconsistencies;

- i. The statement of financial position and as disclosed in Note 24 to the financial statements reflects deferred income balance of Kshs.11,331,962. However, review of completion certificates and payments totalling Kshs.8,941,051 against deferred grant of Kshs.19,571,080 resulted to a balance of Kshs.10,630,029 which differed with the reported balance of Kshs.11,331,962 resulting to an unexplained variance of Kshs.701,933. Further, current year utilized grant reflects a balance of Kshs.1,828,521 instead of Kshs.2,031,690 resulting to an unexplained variance of Kshs.203,169.
- ii. The statement of changes in equity reflects adjustment for whole billing prior years (2019-2024) balance of Kshs.64,909,349 which was not supported with approved adjustment journal entry vouchers and schedules.
- iii. Review of the statement of cash flows revealed net cash flow from operating activities amount of Kshs.30,919,790 while Note 27 to the financial statements reflects an amount of Kshs.68,249,993 resulting to an unexplained variance of Kshs.37,330,203.
- iv. The financial statements have been signed by a non-Board Member.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Non-Current Assets

2.1 Unsupported Property, Plant and Equipment Additions

The statement of financial position and as disclosed in Note 12b to the financial statements reflects property, plant and equipment net book value of Kshs.110,187,391

which further includes additions of Kshs.29,140,111. However, Management did not provide ledgers and payment vouchers to support additions of Kshs.4,078,294 for the year. In addition, the building and civil works balance of Kshs.22,063,650 includes a balance of Kshs.1,828,521 relating to payment certificate No. 2 for Renguti Project which was supported with an invoice amount of Kshs.2,031,690. However, review of work in progress balance of Kshs.2,032,690 indicated that the same amount was also included in WIP resulting in misclassification and overstatement of assets.

2.2 Unrecorded Donated Motor Vehicle and Motor Cycles

Review of asset records revealed that the Company received six (6) motor vehicles and one (1) motor cycle from Athi Water Works Development Agency for use in its operations. Whereas the vehicles are under the control of the Company and are being used in service delivery activities, they have not been recognized in the financial statements as at 30 June, 2025 as right-of-use assets. Further, no journal entries or disclosures were provided to reflect the receipt and use of the assets.

In the circumstances, the accuracy and completeness of the property, plant and equipment net book value of Kshs.110,187,391 could not be confirmed.

3. Overstatement of Intangible Assets

The statement of financial position and as disclosed in Note 15 to the financial statements reflects intangible assets balance of Kshs.167,026. However, review of the movement schedule revealed the following anomalies;

- i. The depreciation rate applied to amortize the software was 33% on a reducing balance method contrary to the finance manual of the Water Company which specifies a depreciation rate of 20% for software which translates to Kshs.49,858 instead of Kshs.82,261.
- ii. The Water Company uses Utility Master Billing Suite System. Management explained that the software was procured to be shared amongst other water companies, however, the Memorandum of Understanding between the supplier and the Water Company was not provided for audit.
- iii. Included in the balance is another billing software assigned to the billing office which, according to Management, is no longer in use but still carries a positive net book value. Management therefore, reported an asset value that did not reflect actual economic benefit resulting to overstatement of the intangible assets balance.

In the circumstances, the accuracy and completeness of intangible assets balance of Kshs.167,026 could not be confirmed.

4. Misstatement of Work in Progress

The statement of financial position and as disclosed in Note 14 to the financial statements reflects property, plant and equipment net book value of Kshs.110,187,391 which further

includes a balance of Kshs.2,031,690 recorded as work in progress relating to one (1) project. However, **Appendix II** to the financial statements reflects nine (9) ongoing capital projects during the year. Management did not provide supporting documents or accounting records to show the WIP balance and expenditure incurred for the remaining eight projects. In addition, review of project documentation revealed six (6) completed and commissioned projects, implemented with support and assistance of the County Government of Kiambu and Water Sector Trust Fund were not capitalized in the Company's books in accordance with IAS 16 and were also not recorded in the fixed assets register.

In the circumstances, the property, plant and equipment net book value of Kshs.110,187,391 could not be confirmed.

5. Inaccurate and Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 22 to the financial statements reflects trade and other payables balance of Kshs.148,134,391. However, review of the trade payables ageing analysis revealed that payables totalling Kshs.39,505,249 have been outstanding for more than one year. Management did not explain why the payables have not been settled and did not form a first charge. Further, trade and other payables balance totalling Kshs.104,419,489 in respect to accrued expenses were not supported with ageing analysis indicating the supplier, contract number, invoice number and the duration the payables had been outstanding.

In addition, the trade payables included creditors with debit balances totalling Kshs.2,655,527 therefore, misstating the trade and other payables balances. Further, the balance of Kshs.148,134,391 includes trade payables balance of Kshs.43,714,902 which differ with the ledger balance of Kshs.43,671,982 resulting to an unexplained variance of Kshs.42,920. In addition, review of trade and other payables supplier analysis schedule for Kenya Power and Lighting Company revealed that the Company settled payables of Kshs.23,795,859 in the financial year under review, against budgeted amount of Kshs.21,000,000 resulting to over-expenditure of Kshs.2,795,859.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.148,134,391 could not be confirmed. Further, the Company risks paying penalties and interest due to litigation charges resulting to additional costs and risk of liquidation.

6. Billing

6.1 Estimated Accounts for More than Six Months

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue amount of Kshs.275,097,008. However, review of the billing estimates data indicated that eight thousand, one hundred and twenty-one (8,121) accounts had their bills estimated. Further analysis revealed that one hundred and forty-two (142) accounts had been estimated consecutively for more

than six (6) months for the period between 1 July, 2024 to 30 June, 2025. The estimated bills for more than six (6) months totalled Kshs.1,377,175. Therefore, actual value of the bills could not be determined which may have resulted to underbilling or overbilling.

6.2 Active Accounts not Billed

Comparative analysis of water meters and billing revealed that a total of seven hundred and ninety-one (791) active accounts were not billed during the year under review. Management did not explain why the active accounts were not billed for the whole year. Failure to bill active accounts lead to undetermined loss of potential revenue for the Company.

6.3 Irregular M-Pesa Transaction Codes

Review of customer payment receipts revealed fifty-seven (57) irregular M-Pesa transaction codes valued at Kshs.145,343. The codes deviated from the standard ten (10) character alphanumeric format used in M-Pesa transactions. Specifically, fifty-one (51) transactions contained eleven (11) characters and were all recorded on Monday, November 11, at 17:54 pm, while six (6) transactions contained nine (9) characters and were recorded on Thursday, January 16, at 11:06 am.

6.4 Customer M-Pesa Payments not Captured in the Billing System

Review of M-Pesa payment records revealed fifty-five (55) transactions valued at Kshs.49,647 were successfully paid by customers but were not receipted or reflected in the Utility Master Billing System. The omitted transactions indicated gaps in the System's integration and reconciliation between the M-Pesa payment gateway and the billing platform. No reconciliation reports or exception logs were provided to explain the variance.

6.5 Accounts Billed and not Paid Throughout the Year

Comparative analysis of water meters billings and payment reports revealed that one thousand two hundred and fifty-nine (1,259) accounts were billed a total amount of Kshs.7,580,733 during the year under review. However, the accounts did not have a corresponding payment. Lack of payments for the accounts represents loss of potential revenue for the Company.

6.6 Active Vendor Administrator Account in the Live Billing System

Review of user accounts and access roles revealed that the system vendor maintained an active administrator account within the Company's live billing system. The account had unrestricted privileges, including the ability to create, modify, or delete user accounts and access all system modules. The continued presence of a vendor-controlled administrator account on a production environment exposes the system to potential interference, unauthorized data manipulation, or privacy breaches. Management did not provide

evidence to indicate that it had formalized access controls or monitoring mechanisms to monitor vendor activity in the live environment.

6.7 Revenue Recognized Without Corresponding Invoices

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating income amount of Kshs.275,097,008 which further includes an amount of Kshs.7,460,221 relating to water and sewer connections, exhauster services, change of name, change of tenancy, meter replacement, meter testing, and other income (NITA compensation) which were recorded as cash collections without corresponding invoices to serve as a record of a transaction in managing income and accounts receivables.

6.8 Lack of Audit Trail and Serialized Invoices in the Billing System

It was established that the Company's billing system lacked a functional audit trail to track user activities and changes made within the System. In addition, invoices generated through the system were not serialized, making it difficult to trace transactions and identify missing or altered records. The absence of these control features limits the ability to verify the completeness and accuracy of billing data.

6.9 Billing Disconnected Customer Accounts

Review of billing records revealed that one thousand, seven hundred and fifty-three (1,753) customer accounts categorized under disconnected accounts continued to be billed every month during the year with new meter readings. The Company billed a total amount of Kshs.23,520,025 from these accounts. This indicates that the billing system did not restrict billing of disconnected accounts and lacked controls to prevent unauthorized or erroneous billing.

6.10 Variance in Billed Revenue

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue amount of Kshs.275,097,008 which differed with the customer bills amount of Kshs.268,070,797 resulting to an unexplained variance of Kshs.7,026,211.

In the circumstances, the accuracy and completeness of the operating revenue amount of Kshs.275,097,008 could not be confirmed.

7. Cash and Cash Equivalents

7.1 Unauthorized Overdrawing of Bank Account

The statement of financial position and as disclosed in Note 18 to the financial statements reflects cash and cash equivalents balance of Kshs.8,806,320. However, review of

cashbook and bank reconciliations revealed that the Company's expenditure account had a negative balance of Kshs.4,082,598. Management did not provide authority to overdraw the bank account. In addition, the balance of Kshs.4,082,598 has been netted off instead of disclosing separately in the statement of financial position.

7.2 Irregular Revenue Collection Account Not Disclosed in the Financial Statements

Review of the Utility Master Billing System revealed an account labelled 'Stanbic Bank Revenue Collection Account' configured within the system for receipt processing. However, Management did not provide cashbook, bank statements and bank reconciliations for the bank account and to support collections of Kshs.47,500 received through the bank account. In addition, the account was not disclosed in the financial statements.

In the circumstances, the accuracy, existence and completeness of cash and cash equivalents balance of Kshs.8,806,320 could not be confirmed.

8. Trade and Other Receivables

8.1 Unsupported Trade and Other Receivables

The statement of financial position and as disclosed in Note 17 to the financial statements reflects trade and other receivables balance of Kshs.61,756,735. However, re-computation, based on the opening balance of Kshs.95,294,741, total billing and receipts during the year yielded a receivables balance of Kshs.154,743,601, resulting to an unexplained variance of Kshs.64,695,824. Further, the opening receivables balance was not supported with a detailed debtors' schedule.

8.2 Non-Recoverability of Trade Receivables

The statement of financial position and as disclosed in Note 17 to the financial statements reflects trade and other receivables balance of Kshs.61,756,735. However, review of the ageing analysis report revealed receivables aged above ninety (90) days of Kshs.44,840,912 which have not been collected. Further, review of the bad debts' accounts revealed a balance of Kshs.30,762,185 that have not been recovered or written off from the books of the entity.

In the circumstances, the accuracy, completeness and full recoverability of trade and other receivables balance of Kshs.61,756,735 could not be confirmed.

9. Variances Between Statement of Comparison of Budget and Actual Amounts and Statement of Cash Flows

The statement of comparison of budget and actual amounts reflects actual amounts which differ with the actual amounts disclosed in the statement of cashflows as follows;

| | Statement of Comparison of Budget and Actual Amounts (Kshs) | Statement of Cash Flows Amount (Kshs) | Variance (Kshs) |
|---------------------------------|--|--|------------------------|
| Operating Receipts | 275,097,008 | 242,480,746 | 32,616,262 |
| Grants Income | 19,571,080 | 2,471,000 | 17,100,080 |
| Staff Costs | 81,576,217 | 78,584,581 | 2,991,636 |
| General and Operations Expenses | 144,254,501 | 112,366,330 | 31,888,171 |
| Board Expenses | 6,002,206 | 5,925,026 | 77,180 |
| Maintenance Expenses | 21,016,949 | 17,156,019 | 3,860,930 |
| Total | | | 88,534,259 |

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

10. Variance in Customer Deposits

The statement of financial position and as disclosed in Note 23 to the financial statements reflects customer deposits balance of Kshs.32,542,753. However, Note 18 to the financial statements reflects customer deposits bank balance of Kshs.11,361,957 resulting to an unreconciled variance of Kshs.21,180,796. Further, included in the balance of Kshs.11,361,957 is Kshs.4,200,000 in respect to borrowing repayments paid during the year. However, Board of Director's approval of the borrowings of Kshs.950,000 requested in July, 2020 and repayment plan was not provided. It was also not possible to confirm the outstanding borrowings to the customer deposit account since an ageing analysis of all borrowings was not provided. In addition, customer deposits balance of Kshs.2,675,563 was not receipted in the names of individual customers.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.32,542,758 could not be confirmed.

11. Unsupported Grant Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 7 to the financial statements reflects grant income amount of Kshs.19,571,080. Included in the amount is a receipt of Kshs.1,828,521 from the County Government of Kiambu in respect to payments for a project whose income had been recognized in the previous year's financial statements. Further, the amount includes receipts of Kshs.2,471,000 from the County Government of Kiambu in respect to Mai Ai Hii and Kianguno-Mutaratara projects of Kshs.1,000,000 and Kshs.1,470,000 respectively, that have not been

supported with requisitions, finance agreements, bill of quantities and project bank account statements.

In the circumstances, the accuracy, existence and regularity of grant income amount of Kshs.19,571,080 could not be confirmed.

12. Unsupported Board Allowances

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects Board expenses amount of Kshs.6,002,206 which further includes Board allowances amount of Kshs.4,173,976. However, review of payment vouchers revealed that the payments were not supported with signed minutes of the Board of Directors authorizing the sittings and related allowances. Further, review of payment vouchers revealed that the Board Members' sitting allowances was inclusive of individual bank transaction charges where a total of Kshs.37,024 was incurred as bank charges relating to the personal accounts of Board Members. These charges were paid from the Company's funds, yet no policy authorizing settlement of personal bank fees was provided.

In the circumstances, the accuracy and regularity of the Board expenses of Kshs.4,173,976 could not be confirmed.

13. Non - Disclosure of Material Uncertainty Related to Going Concern

The statement of financial position reflects total current assets balance of Kshs.71,906,646 and total current liabilities balance of Kshs.192,009,106, resulting to a negative working capital balance of Kshs.120,102,460. Consequently, the Company's current ratio stood at 0.37:1, indicating that current assets were insufficient to meet short-term obligations. The material uncertainty relating to going concern was not disclosed in the financial statements.

In the circumstance, the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due.

14. Unconfirmed Value for Grounded Motor Vehicles

The statement of financial position and as disclosed in Note 14 to the financial statements reflects property, plant and equipment net book value of Kshs.110,187,391 which further includes a balance of Kshs.570,664 in respect to motor vehicles including motor cycles. Review of fixed asset register, motor vehicle records and physical verification carried out in November, 2025 revealed that two (2) motor vehicles owned by Athi Water Works Development Agency had been grounded and non-operational for an extended period. Further, one vehicle which has been grounded since financial year 2017/2018 continued to be carried in the financial statements at net book value of Kshs.10,859 without any assessment for impairment, disposal, or repair. In addition, no documentation was

provided to indicate the cause of grounding, repair plans, or Management's decision regarding the vehicle's status.

In the circumstances, the accuracy and completeness of net book value of Kshs.570,664 in respect to motor vehicles including motor cycles could not be confirmed.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.326,511,572 and Kshs.294,668,088 respectively, resulting to under collection of Kshs.31,843,484 or 10% of the budget. However, the Company spent Kshs.310,958,207 against actual revenue of Kshs.294,668,088 resulting to an overutilization of Kshs.16,290,119 or 6% of the actual revenue.

The under collection affected the planned activities of the Company and may have impacted negatively on service delivery to the residents.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the

status during audit of the Kikuyu Water Company Limited in 2024/2025 revealed that the following matters remained unresolved as shown **Appendix I**.

Other Information

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

In connection with my audit on Kikuyu Water Company Limited 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. Presentation and Disclosure of the Financial Statements

Review of financial statements revealed the following anomalies:

- i. The statement of comparison of budget and actual amounts does not reflect budget carry over from the previous year and the budget reconciliation.
- ii. The statement of cash flows does not indicate relevant Notes to the financial statements.

- iii. Ageing analysis for trade and other payables has not been included in the financial statements.
- iv. Key entity information has not included Stanbic Bank account for revenue collection.
- v. The financial statements do not contain related party disclosures as required in the template.
- vi. The financial statements do not contain the appendices for climate change expenditures and transfers from other Government entities.

In the circumstances, the financial statements presented for audit are not in accordance with the Public Sector Accounting Standards Board template requirements.

2. Non-Payment of Regulatory, Water Abstraction Levies and Lease Fee

Review of supplier analysis schedule provided for audit revealed a balance of Kshs.45,203,736 in respect to Regulatory Levy and Water Abstraction Levy payable to Water Resources Authority (WRA) and Water Service Regulatory Board (WASREB), which has been outstanding for more than a year. No evidence of waivers, penalty negotiations, or correspondence with the relevant authorities was provided. The outstanding amounts remain unpaid despite continuous abstraction and utilization of water resources. Further, Kshs.24,106,488 in respect to lease fees due to Athi Water Works Development Agency has been outstanding for more than a year. This was contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which provides that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates.

In the circumstances, the Company Management was in breach of the law and there is risk loss of public funds through litigations, interests and penalties.

3. Lack of Annual Governance Audit and Performance Evaluation

Review of Board records revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, Board independence and governance, consistent shareholder engagement and value enhancement among others. Further, the Board did not conduct self-evaluation of its performance on an annual basis as provided by the Mwongozo which requires the Board of Directors to carry out annual performance evaluation and file a report with the parent Ministry and the State Corporations Advisory Committee. This was contrary to Governance Principle 1.13 of the Mwongozo on governance audit which provides that the Board should ensure that a governance audit of the organization is by a Member of the Institute of Certified Public Secretaries of Kenya

(ICSPK) accredited for the purpose and on an annual basis and file compliance reports on all statutory obligations in each quarter to the Cabinet Secretary and the State Corporations Advisory Committee

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

4. Irregular Composition of the Board

Review of Board records revealed that the Company had seven (7) Directors. However, the duration of service for three (3) Directors lapsed in 19 March, 2025 while the term for one (1) additional Director lapsed in June, 2024. Despite the lapse of terms, no evidence was provided to confirm reappointment, or extension as required. Therefore, the Board of Directors was not properly constituted in accordance with Article 57 of the Company's Memorandum and Articles of Association, which prescribes the composition and eligibility of sitting Directors. Further, review of the financial statements revealed that they were signed by Directors whose terms had already lapsed, rendering the approval and authorization of the financial statement's irregular.

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

5. Failure to Comply with Statutory Meeting Requirements

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects Board expenses amount of Kshs.6,002,206. Review of Board minutes revealed that the Board of Directors held four (4) full Board meetings and four special full Board meetings, however, Management did not provide approvals for the special full Board meetings with justification by the Board on the source of the funds and implication thereof and reasons why the same could not be adjudicated in regular meetings.

Further, Technical, Finance, ICT, HR and Administration Committee held three (3) meetings while Audit and Risk Committee held only two (2) meetings in the financial year under review. This was contrary to the Board Charter which requires the committees to meet on a quarterly basis.

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

6. Irregular Implementation and Improvement of Water, Environment and Sanitation Services

Review of the financing agreement between the County Government of Kiambu and Kikuyu Water Company Limited revealed that a grant of Kshs.19,976,172 for the implementation and improvement of water, environment and sanitation services was issued by the County Government of Kiambu for drilling of borehole at KARLO grounds in Zambezi, equipping the borehole, constructing 12M tank tower, placing 40 cubic metres tanks and four (4) 10 cubic metres plastic tanks at Renguti Secondary School, laying

distribution pipes, networks and solarization of the borehole as per the bill of quantity provided. However, review of procurement records revealed the following anomalies;

- i. Financing agreement between the County Government of Kiambu and Kikuyu Water Company Limited was not signed by any party.
- ii. The project budget, designs, implementation schedule and phases of projects were not provided.
- iii. Expenditure returns to the County Treasury for the project was not provided.
- iv. Disbursement of the grant was done through the revenue account instead of project account opened for the purpose of the project.
- v. Payment vouchers for the project were not provided.
- vi. Site meeting minutes and implementation status was not provided.

In the circumstances, the propriety and value for money for the expenditure amount of Kshs.19,976,172 could not be confirmed.

7. Non-Compliance with the Public Procurement Capacity Building Levy Order, 2023

Review of records revealed that the Company entered into contracts but no documentary evidence has been provided to confirm that the Entity complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

8. Irregular Payment of Allowances Contrary to Human Resource Policy

Review of payroll records revealed that several staff were paid allowances and basic salaries that were not in conformity with the Human Resource Policy and Procedures Manual as follows:

- i. Ten (10) staff were overpaid house allowance totalling Kshs.365,450. The payments exceeded the approved rates for their respective grades as stipulated in the Human Resource Policy.
- ii. Twenty-nine (29) staff were overpaid medical allowance by Kshs.52,500. The variance was attributed to application of uniform rates contrary to the policy which prescribes differential rates based on staff category.

- iii. Three (3) staff were overpaid travel allowance. The excess payments were attributed to use of incorrect rates and lack of independent verification before processing of payments.
- iv. Five (5) staff received extraneous allowance totalling Kshs.359,700 that was not supported with Management circular authorizing the payments.

In the circumstances, the regularity of the expenditure amount of Kshs.777,650 could not be confirmed.

9. Irregularities in Employees Termination Process

Review of human resource records revealed termination process for seven (7) employees of the Company with various allegations as detailed below;

| | P. No. | | Allegation |
|---|---------------|------------------------------|--|
| 1 | 171033 | Customer Relations Assistant | Illegal posting of payments in the billing system through unauthorized bank channels, misappropriation of customer deposits, and issuance of fake company receipts. |
| 2 | 190565 | Revenue Collection Assistant | Fraudulently issuing fake Company receipts to customers and swindling customers by obtaining their money meant for paying water bills without remitting to the Company. |
| 3 | 171036 | Revenue Collection Assistant | Fraudulently issuing fake Company receipts to customers and swindling customers by obtaining their money meant for paying water bills without remitting to the Company. |
| 4 | 190564 | ICT Assistant | Creation of system administrators in the billing system and impersonating them as users, illegally posting customer payments in the billing system through other bank channels that are not the official Company's payment points and cloning Mpesa transactions reference numbers and falsifying customer payments. |
| 6 | 130425 | Commercial Manager | Failure to take any action on irregularities in the billing system despite being in charge of the billing and commercial system. |
| 7 | 120926 | Finance Manager | Failure to conduct monthly reconciliations of payments posted on the billing system and the amounts received in the Company bank accounts which created a loophole for fraudulent activities in the billing system and failure to monitor the official payment channels and detect fraudulent incidences. |

However, the following anomalies in the termination process were noted:

- i. There was no investigation report indicating the findings of the inquiry into the specific complaints highlighted.
- ii. Disciplinary hearing notice informing the employee of the date, time, and venue of the hearing was not provided.
- iii. Minutes of the disciplinary hearing were not provided.
- iv. Management did not provide Disciplinary Committee recommendation report with conclusions and recommendations after the hearing.
- v. Termination letters officially communicating the decision, reasons, and effective date was not provided.
- vi. There were no field verification reports on the affected meters.
- vii. There was no internal memo or correspondence recommending reinstatement of the officer.
- viii. Reinstatement letter was not issued by the Human Resource.
- ix. No evidence of warning letter given to the reinstated employees.

In the circumstances, the Company was in breach of the Employment Act and is exposed to loss of funds through legal encounters.

10. Irregular Payment of Funds to National Police Officers Guarding the Company Offices

The statement of profit or loss and other comprehensive income and as disclosed in Note 9 to the financial statements reflects general and operations expenses amount of Kshs.134,488,374 which further includes security services of Kshs.3,195,000. Review of payment vouchers revealed that the Company engaged National Police Officers in guarding the offices and Ondiri Solar Farm and were paid allowances totalling Kshs.1,152,000. This payment was irregular as the Administration Police are already compensated by the Ministry of Interior Services, and the allowance was inappropriately directed to their personal account rather than The National Treasury as provided under Section 104 (1)(3) of the National Police Act, 2011 which provides that the Inspector-General may on application by any person, station an officer for duty at such place and for such period as the Inspector-General may approve and the monies paid for the private use of the police as specified in subsection (1) shall be paid to the Treasury raising concerns about the legitimacy of the transaction.

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

11. Non-Remittance of Statutory Deductions

The statement of financial position and as disclosed in Note 22 to the financial statements reflects trade and other payables balance of Kshs.148,134,391 which further includes accrued expenses of Kshs.104,419,489. However, review of records revealed that statutory deductions amounting to Kshs.18,381,097 comprising PAYE, NHIF, NSSF, Pension, NITA levies, and AHDL employer contributions have not been remitted for over one year. Further, the accrued expenses balance includes Kshs.4,449,502 relating to gross salaries and other payroll deductions that has been outstanding for over one year, indicating long-outstanding obligations and weaknesses in compliance with statutory and payroll remittance requirements.

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

12. Failure to Provide Budget Estimates to the County Executive Committee

The approved revenue budget estimates for the year under review was Kshs.297,741,650. The Company reviewed the budget upwards on 4 February, 2025 to Kshs.326,511,572 resulting to an increase of Kshs.28,769,922 equivalent to 10% of the original budget. Whereas the budget review was signed by the Chairman of the Board, no evidence was provided to indicate that the supplementary estimates were submitted to the County Executive Committee Member for approval.

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

13. Lack of Ethnic Diversity in Staff Composition

Review of the staff establishment revealed that the Company had eighty-five (85) staff out of which 74 or 87% came from the same ethnic community This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than a third of its staff from the same ethnic community.

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

14. Unaccounted for Non-Revenue Water

During the year under review, the Company produced a total of 2,940,787 cubic meters (m³) of water. However, only 1,912,472m³ were billed to customers. The unbilled volume of 1,028,315m³ approximately 35% of the total water produced with a sale price of Kshs.129,516,274 (at Kshs.125.95 per m³ which is the average sale price for the year under review) represents the non-revenue water which is over and above the allowable loss of 25% as provided in schedule E of the Water Service Regulatory Board (WASREB) guidelines.

The non-revenue water, which if not addressed, will negatively impact on the Company's profitability and its long-term sustainability.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weaknesses in Payroll System

1.1 Lack of System Automation

Review of payroll records revealed that the Company uses the Quest Payroll System to process salaries and manage staff records. However, the System could not generate processed payrolls for previous months and only produced a single consolidated amount for basic pay and allowances resulting to manual reconstruction of monthly payroll reports from individual pay slips to obtain details of earnings and deductions.

1.2 Use of Unsupported Legacy Payroll System

The payroll function operates on the Quest Payroll System built on Visual FoxPro technology. Microsoft officially discontinued support for the final version, Visual FoxPro 9.0 on 13 January, 2015. The system therefore no longer receives security patches, updates, or technical support from Microsoft. Continued reliance on the unsupported platform exposes the payroll data to vulnerabilities, including security breaches and potential data loss.

1.3 Use of Personal Emails for Official Company Communication

Staff of Kikuyu Water Company Limited used personal email accounts to transmit official correspondence, including customer information, billing data, and administrative documents. The practice exposes the Company to unauthorized access and loss of confidentiality. Further, there was no evidence that the Company had implemented a structured corporate email system or policy to govern the use of official communication

channels in compliance with the Government directive. Continued use of personal email accounts for official communication contravenes the Data Protection Act and weakens the Company's information security and accountability framework.

In the circumstances, the effectiveness in internal controls on payroll management and management of data could not be confirmed.

2. Irregularities in Disciplinary Control and Compliance with Human Resource Regulations

2.1 Absence of Recovery Report or Recommendation

It was noted that although the affected employees were terminated on grounds of fraudulent activities leading to loss of Company funds and assets, Management and the Board did not prepare or implement any recovery report or recommendation for the restitution of the lost public money and assets. The omission indicates a weak control environment in safeguarding public resources and contravenes Regulation 139 Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officers to ensure effective systems of risk management and internal control for the protection of public assets.

2.2 Irregular Placement of Employees on Compulsory Leave Exceeding 30 Working Days

The audit established that Management and the Board placed employees on compulsory leave for a period of sixty (60) days, contrary to established legal provisions under Regulation 62(1) of Public Service Commission Regulations, 2020 which states that the authorised officer of a public body may, with the written approval of the Commission, send on compulsory leave for a period not exceeding thirty working days a public officer in a public body in which an investigation is being conducted, where it is feared that the officer may influence or interfere with the investigation.

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

2.3 Irregular Handling of Fraud Cases

Review of full Board minutes for the meeting held on 3 December, 2024 revealed a case of fraud involving the opening and operation of a Stanbic Bank account that was not authorized by the Board of Directors. Revenue collections were channeled through this account by several individuals who were not authorized officers of the Company and were illegally granted access by the Company's IT Officer. The minutes also indicated that some of the involved individuals were no longer employees of the Company at the time of discovery. Further, review of the Human Resource Disciplinary Committee report showed that although the implicated staff admitted to engaging in fraudulent activities, the Committee only recommended dismissal from employment. However, there was no evidence of legal proceedings being initiated, and no effort to recover the misappropriated

revenue. This was contrary to Regulation 139(1) of Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officers to ensure effective systems of risk management and internal control for the protection of public assets.

In the circumstances, effectiveness of controls on risk identification, mitigation and prevention could not be confirmed..

4. Unsupported Ordinary Share Capital Balance

The statement of financial position and as disclosed in Note 19 to the financial statements reflects ordinary share capital of Kshs.100,000 as at 30 June, 2025 which constitute 5,000 authorized ordinary share capital of Kshs.20 par value each all of which is issued and fully paid. The Company is fully owned by the County Government of Kiambu, however, the share certificate relating to the paid-up share capital was not provided for audit verification.

In the circumstances, the ownership of the Company could not be confirmed.

5. Lack of IT Continuity Plan and Disaster Recovery Plan

The Company did not have an IT Continuity Plan (ITCP) or a Disaster Recovery Plan (DRP) in place. Further, evidence of backups being stored in a secure off-site storage facility was not provided.

Lack of preparedness poses a risk to the Company's operational resilience and data integrity.

6. Lack of Risk Management Policy Framework

Review of IT internal control records revealed that the Company did not have a risk management policy framework contrary to Regulation 158 of the Public Finance Management (County Governments) Regulations, 2015, which requires each County Government entity to develop risk management strategies which should include fraud prevention mechanisms, a disaster recovery plan and a system of risk management and internal control that builds robust operations.

In the absence of an approved risk management framework, Managements' ability to identify, measure, and mitigate operational and other risks faced by the Company may have been constrained.

7. Lack of IT Steering and Strategic Committee

The Company did not have an IT Steering Committee and IT Strategic Committee. This was contrary to Section 6.2 of the IT Governance Standard by the ICT Authority on ICT Governance which directs that all Ministries, Counties, Departments and Agencies to

establish two ICT Governance Committees namely; an IT Strategy Committee to provide strategic advice on ICT initiatives and investments to the Management and an IT Steering Committee to define the IT mission and goals aligned with the strategic direction of the organization, to authorize and direct the development of the services and operation plans.

Further, lack of an ICT Steering Committee exposes the Company to the risk of unclear direction regarding the maintenance of information security and safeguard of ICT Assets.

8. Weaknesses In ICT Internal Controls

8.1 Change and Upgrade Management

Management did not put in place IT procedures and processes. Further, the Company lacked approved procedures and guidelines on handling changes and upgrades to the system.

8.2 Use of Outdated Financial and Payroll System

Review of both systems and discussions with ICT Department revealed the following gaps;

8.2.1 Absence of System Patch Updates

There was no evidence of any system patch updates being applied to the systems since the end of its mainstream support. This raises concerns regarding the security and functionality of the system, as it may be vulnerable to new threats without regular updates.

8.2.2 Service Level Agreement (SLA)

The service level agreement with the service providers was not provided for review. Lack of documentation hinders verification of the support terms and conditions that should be in place for maintaining the system.

8.2.3 Absence of Service Reports

Management did not provide service reports that document any changes made to the system by the vendor, therefore raising concerns about accountability and the ability to track modifications or updates that may impact system performance.

8.2.4 Access to Live Environment by Vendor

The vendor providing support for the financial and payroll system has direct access to the client's live environment. The direct access raises concerns regarding security, data integrity, and compliance.

8.2.5 User Setup - Excessive User Rights

Some staff members possess excessive user rights within the system beyond what is necessary for their job responsibilities therefore posing significant security risks and potential breaches.

8.2.6 Lack of Evidence for User Deactivation

Management did not demonstrate that user accounts were properly deactivated when employees leave the organization or no longer required access. Without clear evidence of the deactivation process, it was difficult to verify that access rights were revoked in a timely manner.

In the circumstances, the effectiveness of controls on ICT operations could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion, I confirm 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. Information given in the Directors' report on page xxv is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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

Responsibilities of the Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 December, 2025

Appendix I- Unresolved Prior Year Matters

| | Financial Year | Audit Issue |
|-----|-----------------------|--|
| 1. | 2023/2024 | Inaccuracies in Cash and Cash Equivalents |
| 2. | 2023/2024 | Variance Between Financial Statements and Ledgers |
| 3. | 2023/2024 | Unsupported Trade and Other Receivables |
| 4. | 2023/2024 | Inconsistencies in Customer Billing and meter Reading |
| 5. | 2023/2024 | Constant Consumption Throughout the Year |
| 6. | 2023/2024 | Variances in Revenue |
| 7. | 2023/2024 | Variances in Water Inventory |
| 8. | 2023/2024 | Material Uncertainty Relating to Going Concern |
| 9. | 2023/2024 | Budgetary Control and Performance |
| 10. | 2023/2024 | Lack of Annual Governance Audit and Performance Evaluation |
| 11. | 2023/2024 | Failure to Gazette Board of Directors |
| 12. | 2023/2024 | Non-Compliance with Minimum Requirement on Employee Ethnicity Balance |
| 13. | 2023/2024 | Unsustainable Wage Bill |
| 14. | 2023/2024 | Long Outstanding Leave Days |
| 15. | 2023/2024 | Unaccounted for Non-Revenue Water (NRW) |
| 16. | 2023/2024 | Unsupported Ordinary Share Capital Balance |
| 17. | 2023/2024 | Long Outstanding Trade and Other Payables |
| 18. | 2023/2024 | Non-Compliance with Public Sector Accounting Standard Board Reporting Template |
| 19. | 2023/2024 | Weaknesses in Payroll and HR System Integration |
| 20. | 2023/2024 | Lack of Updated Asset Register |

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

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


| REVENUE | Notes | 2025 | 2024 |
|---------------------------------|--------------|--------------------|--------------------|
| | | Kshs | Kshs |
| Operating Revenue | 6 | 275,097,008 | 147,960,140 |
| Grant Income | 7 | 19,571,080 | 64,658,564 |
| TOTAL REVENUE | | 294,668,088 | 212,618,704 |
| EXPENSES | | | |
| Employee Costs | 8 | 81,576,217 | 71,112,773 |
| General and Operations Expenses | 9 | 134,488,374 | 104,325,729 |
| Board Expenses | 10 | 6,002,206 | 3,014,307 |
| Maintenance Expenses | 11 | 21,016,949 | 26,386,458 |
| Depreciation | 12 | 9,812,045 | 9,041,951 |
| Finance Cost | 13 | - | 25,249 |
| Total Expenses | | 252,895,791 | 213,906,467 |
| Profit/Loss | | 41,772,297 | -1,287,763 |


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

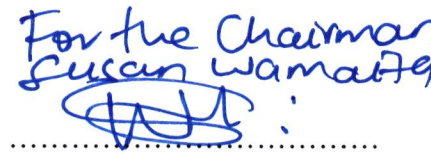
2. Statement of Financial Position As at 30 June 2025

| | Notes | 2025 | 2024 |
|-------------------------------------|-------|--------------------|--------------------|
| NON-CURRENT ASSETS | | Kshs | Kshs |
| Property, Plant and Equipment's | 14 | 110,187,391 | 90,711,138 |
| Intangible Assets | 15 | 167,026 | 249,290 |
| Total Non- Current Assets | | 110,354,417 | 90,960,428 |
| CURRENT ASSETS | | | |
| Inventory | 16 | 1,343,591 | 937,740 |
| Trade and Other Receivables | 17 | 61,756,735 | 95,294,741 |
| Cash and Cash Equivalent | 18 | 8,806,320 | 5,465,676 |
| TOTAL CURRENT ASSETS | | 71,906,646 | 101,698,157 |
| TOTAL ASSETS | | 182,261,063 | 192,658,585 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Share Capital | 19 | 100,000 | 100,000 |
| Capital Reserve | 20 | 349,000 | 349,000 |
| Revenue Reserve | 21 | (10,197,043) | 12,943,042 |
| Total Capital and Reserves | | (9,748,043) | 13,392,042 |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 22 | 148,134,391 | 136,571,736 |
| Customer Deposits | 23 | 32,542,753 | 29,534,324 |
| Deferred Income | 24 | 11,331,962 | 13,160,483 |
| TOTAL CURRENT LIABILITES | | 192,009,106 | 179,266,543 |
| Total Equity and Liabilities | | 182,261,063 | 192,658,585 |

The financial statements were approved by the Board on 03/12/ 2025 and signed on its behalf by:


 Name: Jane W. Murage
 Managing Director


 Name: David Kimani
 CPA NO:14874
 Finance Manager


 Name Eng. Kamunyu
 Kahenya
 Chairman of the Board

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

3. Statement of Changes in Equity

| | Ordinary Share Capital Kshs | Capital Reserves Kshs | Retained Earnings Reserves Kshs | Total Kshs |
|---|--|--------------------------------------|--|-----------------------|
| Balance as at 1st July 2023 | 100,000 | 349,000 | 14,227,772 | 14,676,772 |
| Profit for the year | - | - | (1,287,763) | (1,287,763) |
| Balance as at 30th June 2024 | 100,000 | 349,000 | 12,940,009 | 13,392,042 |
| | | | | |
| Balance as at 1st July 2024 | 100,000 | 349,000 | 12,940,009 | 13,389,009 |
| Profit for the year | - | - | 41,772,297 | 41,772,297 |
| Adjust for Whole Billing Prior Years (2019-2024) | | | (64,909,349) | (64,909,349) |
| Balance as at 30th June 2025 | 100,000 | 349,000 | (10,197,043) | (9,748,043) |

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

4. Statement of Cash Flows for the Year Ended 30 June 2025

| | Note | 2024-2025 | 2023-2024 |
|---|------|--------------------|--------------------|
| | | Kshs | Kshs |
| Cash Flows from Operating Activities | | | |
| Receipts | | | |
| Operating Receipts | | 242,480,746 | 138,405,927 |
| Grants Income | | 2,471,000 | 64,658,564 |
| Finance Income | | - | |
| Other Income | | - | |
| Customer Deposits | | | 3,348,400 |
| Total Receipts | | 244,951,746 | 206,412,891 |
| Payments | | | |
| Staff Costs | | 78,584,581 | 65,352,771 |
| General and Operation Expenses | | 112,366,330 | 92,254,691 |
| Board Expenses | | 5,925,026 | 2,546,170 |
| Maintenance Expenses | | 17,156,019 | 15,323,632 |
| Performance Guarantee | | - | 2,429,841 |
| | | 0 | |
| Total Payments | | 214,031,956 | 177,907,105 |
| Net Cash From/ (Used In) Operating Activities | | 30,919,790 | 28,505,786 |
| Cash Flows from Investing Activities | | | |
| Purchase of Property, Plant and Equipment (PPE) | | 27,579,147 | 24,846,557 |
| Net Cash From/ (Used In) Investing Activities | | 27,579,147 | 24,846,557 |
| Cash Flows from Financing Activities | | | |
| Net Cash From/ (Used In) Financing Activities | | - | - |
| Increase/(Decrease) In Cash and Cash Equivalents | | 3,340,644 | 3,659,229 |
| Cash and Cash Equivalents at Beginning of Year | 18 | 5,465,675 | 1,806,447 |
| Effects of Foreign Exchanges Rate Fluctuations | | - | - |
| Cash and Cash Equivalents at End of the Year | 18 | 8,806,319 | 5,465,676 |

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

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

| Description | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Performance Difference | % of Utilization |
|--|--------------------|-------------------|--------------------|----------------------------|------------------------|------------------|
| Prior Year Carry Over | - | - | - | - | - | - |
| Revenue | | | | | | |
| Water | 251,541,650 | 980,000 | 252,521,650 | 222,966,677 | 29,554,973 | 88% |
| Sewer | 19,000,000 | 31,989,922 | 50,989,922 | 44,670,111 | 6,319,811 | 88% |
| Other Miscellaneous Income | 12,200,000 | -4,200,000 | 8,000,000 | 7,460,220 | 539,780 | 93% |
| County Government Grant | 15,000,000 | - | 15,000,000 | 19,571,080 | -4,571,080 | 130% |
| Total Revenue | 297,741,650 | 28,769,922 | 326,511,572 | 294,668,088 | 31,843,484 | 90% |
| Expenses | | | | | - | |
| Staff Cost | 82,134,664 | 2,422,908 | 84,557,572 | 81,576,217 | 2,981,355 | 96% |
| Board Expenses | 5,470,000 | 1,000,000 | 6,470,000 | 6,002,206 | 467,794 | 93% |
| General and Operations Expenses | 146,400,650 | 4,291,350 | 150,692,000 | 144,254,501 | 6,437,499 | 96% |
| Maintenance Cost | 19,820,000 | 2,980,000 | 22,800,000 | 21,016,949 | 1,783,051 | 92% |
| Total Expenses | 253,825,314 | 10,694,258 | 264,519,572 | 253,189,584 | 11,329,988 | 96% |
| | | | | | - | |
| Surplus Before Capital Expenditure & Payment of arrears | 43,916,336 | 18,075,664 | 61,992,000 | 41,772,297 | 20,219,703 | 67% |
| Payment of Arrears | | | | | - | |
| Power Bills | 10,000,000 | 11,000,000 | 21,000,000 | 23,795,859 | -2,795,859 | 113% |
| WASPA Arrears | - | 350,000 | 350,000 | 110,000 | 240,000 | 31% |
| Pension Arrears | 7,000,000 | - | 7,000,000 | 3,272,617 | 3,727,383 | 47% |
| Customer Deposit Borrowing Refund | 4,200,000 | - | 4,200,000 | 4,200,000 | - | 100% |
| Total Payment of Arrears | 21,200,000 | 11,350,000 | 32,550,000 | 31,378,476 | 1,171,524 | 96% |
| capital Expenditure | 22,716,336 | | 29,442,000 | 26,390,147 | 3,051,853 | 90% |
| Surplus/Deficit | - | 6,725,664 | - | -15,996,326 | | |

BUDGET NOTES

Budget notes

1. Revenue

Our budget total revenue was Kshs 326,511,572. We realised Kshs 294,668,088 achieving utilization of 90%. The Company did not achieve the budgeted revenue as a result of several incidences of pumps and motors breakdown.

2. Expenditure

a. Staff expenses

Our budgeted staff cost was Kshs 84,557,572 and we utilized Kshs 81,576,217 for the financial year, this was a utilization of 96%.

b. Maintenance Cost

Our Budgeted maintenance expenses were Kshs 22,800,000 and we utilized Kshs 21,016,949. This cost increased due to required maintenance of new supply areas including Karai, Nyakumu, Ondiri Maaiihii & Wangingi. These increased operations also affected the vehicle maintenance.

c. General and Operational Expenses

We had budgeted our general operational costs at Kshs 150,692,000 and we utilized Kshs 144,254,501. Operational costs have increased mainly due to operationalization of Twin, Riu Nderi and boreholes. Riu Nderi borehole has supplied water in Karai area, Lusigeti, Teachers, Nyakumu, Nairobi Ndogo, Nderi, Ngando and Kieri. Wangigi borehole has supplied water to the area around Wangige Hospital and Kibichiko area. Water supply to these areas had led to a lot of repairs of the pipeline and rehabilitation of some of the areas and others required extension in order to serve the residents. Other new projects also increasing this cost are Ondiri Maaiihii, Kanjeru and Rugita which are ongoing.

d. Board Expenses

Our budgeted board cost was Kshs 6,470,000. We have spent Kshs 6,002,206 this was 93% budget utilization

6. Notes to the Financial Statements

1. General Information

Kikuyu Water Company Ltd was established by and derives its authority and accountability from the Companies Act (Cap. 486). The Company is wholly owned by the Kiambu County Government and is domiciled in Kenya. The Company's principal activity is the provision of efficient and effective water and sewerage services within Kikuyu Township and its environs. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

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

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

Notes to the financial statements (continued)

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

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

| Title | Description | Effective Date |
|--|---|--|
| Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022) | The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022) | The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022) | The 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. | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |

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

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

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

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

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

iii. *Early adoption of standards*

The Company did not adopt any new or amended standards in the year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

| Item | Years | Rates |
|--|--------------|--------------|
| Buildings and civil works | 2023 | 2.5 % |
| Plant and machinery | 2023 | 10 % |
| Motor vehicles, including motorcycles | 2023 | 25 % |
| Computers and related equipment | 2023 | 33 % |
| Office equipment, furniture and fittings | 2023 | 10 % |
| Intangible Assets | 2023 | 33% |

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

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

i) Fixed-interest investments (bonds)

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

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.

Notes to the financial statements (continued)

Summary of 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. These are measured at fair value through profit or loss (FVTPL).

l) Inventories

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

m) Trade and other receivables

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

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

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 controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

p) Borrowing costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks and Mpesa 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 considering any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

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, 2012. 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 6% of the gross pay per employee per month.

u) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue.

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 14th June 2024 . Subsequent revisions or additional adjustments were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of Kshs 6,725,664 on the 2024-2025 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the

statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 18 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 for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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| 6 | OPERATING INCOME | 2025 | 2024 |
|----------|----------------------------------|--------------------|--------------------|
| | | Kshs | Kshs |
| | Water Sales | 222,966,677 | 122,856,872 |
| | Sewerage Services | 44,670,111 | 16,646,974 |
| | Water Connection Fees | 2,461,611 | 4,480,994 |
| | Sewer Connection Fees | 1,471,819 | 1,213,500 |
| | Exhauster Charges | 3,349,790 | 2,761,800 |
| | Change of Name | 47,000 | - |
| | Change of Tenancy | 1,000 | - |
| | Meter Replacement | 73,500 | - |
| | Meter Testing | 500 | - |
| | Other Income (Nita Compensation) | 55,000 | - |
| | | 275,097,008 | 147,960,140 |

| 7 | GRANT INCOME | 2025 | 2024 |
|----------|---|-------------------|-------------------|
| | | Kshs | Kshs |
| | County Government Grant - Electricity | 15,271,559 | 6,329,545 |
| | National Government Grant -Electricity | - | 43,119,972 |
| | Grant from Other Institutions | | |
| | WSTF Grant - Kanjeru Project | - | 3,299,717 |
| | County Government - People's Park | - | 4,999,968 |
| | County Government – Renguti | 1,828,521 | 6,909,361 |
| | County Government – Mai Ai Hii | 1,000,000 | - |
| | County Government – Kiunguno-Mutaratara | 1,471,000 | - |
| | | 19,571,080 | 64,658,564 |

| 8 | EMPLOYEE COST | 2025 | 2024 |
|----------|--|-------------------|-------------------|
| | | Kshs | Kshs |
| | Gross Salary and Allowances | 70,363,301 | 60,469,889 |
| | Casual Wages | 456,592 | 697,366 |
| | Medical Expenses | 424,794 | 129,560 |
| | Employer's Contribution to NSSF | 2,959,951 | 1,702,371 |
| | Employers Contribution to Pension Scheme | 5,751,747 | 5,164,340 |
| | AHDL Employers Contribution | 1,029,793 | 1,440,568 |
| | Staff Welfare | 531,289 | 1,452,879 |
| | Nita Levy | 58,750 | 55,800 |
| | | 81,576,217 | 71,112,773 |

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

| 9 | GENERAL AND OPERATIONS EXPENSES | | |
|---|--|--------------------|--------------------|
| | | 2025 | 2024 |
| | | Kshs | Kshs |
| | Chemicals | | 272,552 |
| | Electricity | 83,255,811 | 72,447,061 |
| | Fuel, Oil, Lubricants and Gases | 4,504,242 | 7,092,435 |
| | Uniform and Protective Clothing | 828,303 | 141,352 |
| | Telecommunications | 1,129,750 | 1,095,000 |
| | Insurance | 391,376 | 834,781 |
| | Rent and Rates | 132,500 | 138,000 |
| | Electricity - Office | 1,000 | 1,048 |
| | Printing & Stationeries | 900,580 | 506,294 |
| | Domestic Travelling & Subsistence Allowance | 8,759,772 | 2,227,785 |
| | Staff Training and Development | 5,053,134 | 2,712,015 |
| | Bank Charges | 428,649 | 219,049 |
| | Security Services | 3,195,000 | 2,980,487 |
| | Publicity and Advertising | - | 89,298 |
| | Audit Fee & Professional Fee | 1,828,247 | 1,259,629 |
| | Legal Fees Fines | 370,000 | 52,840 |
| | Performance Reward System | 709,689 | 647,821 |
| | Abstraction (WRA) Fees | 2,484,683 | 1,396,681 |
| | WASREB Regulatory Levy | 11,001,680 | 5,918,405 |
| | Stakeholders Expenses | 662,806 | 1,083,245 |
| | Corporate Social Responsibility | 179,045 | 415,641 |
| | Membership to Professional Association | 342,950 | 71,873 |
| | Billing & Support Services | 1,395,741 | 1,422,239 |
| | Water quality Testing | 140,350 | 147,830 |
| | Conservation Expenses | 432,012 | 44,875 |
| | Provision for Bad debts | 4,502,389 | 460,581 |
| | General Office Running Expenses | 1,688,085 | 164,316 |
| | AGM Expenses | 46,500 | 42,500 |
| | First Aid Kit | - | 5,829 |
| | Sports WASCO | 124,080 | 433,068 |
| | Total General & Operations Expenses | 134,488,374 | 104,324,530 |

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

| 10 | BOARD EXPENSES | | |
|-----------|-------------------------|------------------|------------------|
| | | 2025 | 2024 |
| | | Kshs | Kshs |
| | Board Honorarium | 152,000 | 158,268 |
| | Board Allowances | 4,173,976 | 2,856,039 |
| | Board Capacity Building | 770,000 | - |
| | Board Facilitation | 906,230 | - |
| | | 6,002,206 | 3,014,307 |

| 11 | MAINTENANCE EXPENSES | | |
|-----------|-----------------------------------|-------------------|-------------------|
| | | 2025 | 2024 |
| | | Kshs | Kshs |
| | Plant and Equipment's | 3,730,273 | 2,462,248 |
| | Buildings and Stations | 1,756,900 | 458,018 |
| | Water Infrastructural Networks | 9,911,353 | 13,441,762 |
| | Grounds Maintenance | 421,012 | 1,096,540 |
| | ICT | 748,574 | 686,226 |
| | Planning and Design | 1,042,580 | 380,000 |
| | Office Repairs & Maintenance | 100,050 | 99,314 |
| | Maintenance of Sewerage Works | 628,822 | 59,278 |
| | Motor Vehicle | 2,677,385 | 1,623,883 |
| | Grant Expenses - people's Park | 0 | 3,568,968 |
| | Grant Expenses - Rengutti Project | - | 2,510,221 |
| | | 21,016,949 | 26,386,458 |

| 12 | DEPRECIATION AND AMORTIZATION EXPENSES | | |
|------------|---|------------------|------------------|
| (a) | | 2025 | 2024 |
| | | Kshs | Kshs |
| | Property, Plant and Equipment | 9,729,784 | 8,919,166 |
| | Intangible Assets | 82,261 | 122,785 |
| | | 9,812,045 | 9,041,951 |

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Notes to the financial statements (continued)

12. (b) Property, Plant and Equipment

| Description | Motor vehicles, including, motor cycles | Office equipment, furniture & fittings | Computers & related equipment | Plant and machinery | Pipes & Water Meters | Buildings & civil works | Tools | Capital work in progress | Total |
|--|---|--|-------------------------------|---------------------|----------------------|-------------------------|------------------|--------------------------|--------------------|
| Depreciation rate | 25% | 10% | 33% | 10% | 10% | 2.50% | 33% | | |
| | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| As At 1July 2023 | 5,089,300 | 1,430,461 | 6,650,548 | 39,362,599 | 36,349,638 | 3,514,215 | 336,424 | 14,947,364 | 107,680,549 |
| Additions | - | - | 415,420 | 8,298,818 | 12,383,862 | 3,251,090 | 497,367 | - | 24,846,557 |
| Transfers | | | | | | 14,947,364 | | - 14,947,364 | - |
| As at 30th June 2024 | 5,089,300 | 1,430,461 | 7,065,968 | 47,661,417 | 48,733,500 | 21,712,669 | 833,791 | - | 132,527,106 |
| Additions | - | - | 875,995 | 10,880,357 | 12,757,552 | 1,189,000 | 1,405,517 | 2,031,690 | 29,140,111 |
| Disposals | - | - | - | - | - | - | - | - | - |
| Transfer/Adjustments | - | - | - | - | - | - | - | - | - |
| Revaluation Adjustments | - | - | - | - | - | - | - | - | - |
| As at 30th June 2025 | 5,089,300 | 1,430,461 | 7,941,963 | 58,541,774 | 61,491,052 | 22,901,669 | 2,239,308 | 2,031,690 | 161,667,217 |
| Depreciation And Impairment | | | | | | | | | |
| At 1July 2023 | 4,074,785 | 741,547 | 4,037,138 | 15,316,958 | 8,462,875 | 149,832 | 113,667 | - | 32,896,802 |
| Depreciation | 253,629 | 68,891 | 926,802 | 2,747,217 | 4,534,134 | 205,310 | 183,182 | | 8,919,165 |
| Impairment | - | - | - | - | - | - | - | - | - |
| Transfers/ Adjustments | - | - | - | - | - | - | - | - | - |
| As At 30th June 2024 | 4,328,414 | 810,438 | 4,963,940 | 18,064,175 | 12,997,009 | 355,142 | 296,849 | - | 41,815,967 |
| Depreciation | 190,222 | 62,002 | 813,858 | 3,612,865 | 4,220,226 | 548,801 | 281,810 | | 9,729,784 |
| Disposals | - | - | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - | - | - |
| Transfer/Adjustment | - | - | - | - | - | - | - | - | - |
| Accumulated DepreciationAs at 30th June 2025 | 4,518,636 | 872,440 | 5,777,798 | 21,677,040 | 17,217,235 | 903,943 | 578,659 | - | 51,545,751 |
| NBV As at 30th June 2024 | 760,886 | 620,023 | 2,102,028 | 29,597,242 | 35,736,491 | 21,357,527 | 536,942 | - | 90,711,139 |
| NBV As at 30th June 2025 | 570,664 | 558,021 | 2,164,165 | 36,864,734 | 44,273,818 | 22,063,650 | 1,660,649 | 2,031,690 | 110,187,391 |

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Notes to the financial statements (continued)

| 13 (a) | FINANCE COSTS | 2025 | 2024 |
|--------|---|------|---------------|
| | | Kshs | Kshs |
| | Interest Expense Overdrafts & Commissions | - | 25,249 |
| | Total | - | 25,249 |

| 13 (b) | INCOME TAX COMPUTATION | |
|--------|---|-------------------|
| | PIN: P051185406T | |
| | For the year ended 30/6/2025 | |
| | | Kshs |
| | Operating Profit/Loss as per financial statements | 41,772,297 |
| | ADD BACK: | |
| | Provision for bad debts | 4,502,389 |
| | Depreciation/ Amortization | 9,812,045 |
| | Total | 56,086,731 |
| | Adjusted Operating Profit | 56,086,731 |
| | DEDUCT: | |
| | Industrial Building Allowances | - |
| | Wear and tear Allowance | 9,683,861 |
| | Donations from county govt/WSTF/ other donors not subject to tax | 19,571,080 |
| | Adjusted Business Profit | 26,831,850 |
| | Adjusted Business Profit/loss BF | (36,375,011) |
| | Tax on business income: @ 30% | 8,049,555 |
| | ADD | |
| | Tax on interest income: @ 30% | - |
| | Total Tax Liability | (28,325,456) |
| | Less: paid | - |
| | Tax Credit C/F | (28,325,456) |

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| 14 | Property, Plant and Equipment at Cost | | | |
|----|---------------------------------------|--------------------|--------------------------|--------------------|
| | | Cost | Accumulated Depreciation | NBV |
| | | Kshs | Kshs | Kshs |
| | Motor Vehicle/Cycles | 5,089,300 | 4,518,636 | 570,664 |
| | Office Furniture and Fittings | 1,430,461 | 872,440 | 558,021 |
| | Computer and Equipment and Phones | 7,941,963 | 5,777,798 | 2,164,165 |
| | Plant and Equipment | 58,541,774 | 21,677,040 | 36,864,734 |
| | Pipes and Water Meters | 61,491,052 | 17,217,235 | 44,273,818 |
| | Land and Building & Civil Works | 22,901,669 | 903,943 | 20,889,513 |
| | Tools | 2,239,308 | 578,659 | 1,660,649 |
| | Work in Progress | 2,031,690 | - | 2,031,690 |
| | Total | 161,667,217 | 51,545,751 | 110,187,391 |

| 15 | Intangible Assets | 2025 | 2024 |
|----|------------------------------------|----------------|----------------|
| | | Kshs | Kshs |
| | Cost | | |
| | At July 1 st | 1,680,000 | 1,680,000 |
| | Additions | | |
| | At June 30 th | | |
| | | 1,680,000 | 1,680,000 |
| | Amortization | | |
| | At July 1 st | 1,430,710 | 1,307,925 |
| | Charge for the year | 82,266 | 122,785 |
| | At July 30 th | 1,512,976 | 1,430,710 |
| | | | |
| | Net Book Value at 30th June | 167,024 | 249,290 |

| 16 | INVENTORY | | |
|----|----------------|------------------|----------------|
| | | 2025 | 2024 |
| | | Kshs | Kshs |
| | Stationery | 167,356 | 132,110 |
| | Electricals | - | 145,200 |
| | Water Fittings | 629,375 | 645,430 |
| | Water Meters | 546,860 | - |
| | Chemicals | - | 15,000 |
| | Total | 1,343,591 | 937,740 |

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Inventory of water

The water inventory was not included in the closing stock as at 30th June 2025 reason being the uncertainty of determinability of the actual volume of water in the pipeline distribution system as we do not have water reservoirs in our water system.

Not factored in the valuation of inventory of water is the differences in customer categories in the customer tariff, this includes domestic, commercial, institutions, water kiosks as well as schools, all of which have different tariffs.

Also, the impairment of the water volume lost as non-revenue water would hinder the accurate valuation of the water held in the distribution system and tanks. The non-revenue water is contributed by both physical and commercial losses which are not quantifiable at this point.

However, to this end, we have a calculated estimated volume of **16,891.93M³** valued at **Kshs 2,533,7890**.

| 17 | TRADE AND OTHER RECEIVABLES | | |
|-----------|--|-------------------|--------------------|
| | | 2025 | 2024 |
| | | Kshs | Kshs |
| | Trade Receivables | 90,047,779 | 119,026,749 |
| | Other Receivables (WASREB Performance Guarantee and Staff Debtors) | 2,471,141 | 2,527,789 |
| | Gross Trade and Other Receivables | 92,518,920 | 121,554,538 |
| | Provision for Bad and Doubtful Receivables | 30,762,185 | 26,259,797 |
| | Total Trade and Other Receivables | 61,756,735 | 95,294,741 |

| 18 | CASH AND CASH EQUIVALENT | | |
|-----------|---------------------------------------|------------------|------------------|
| | | 2025 | 2024 |
| | | Kshs | Kshs |
| | Commercial Banks | | |
| | KCB - Main Revenue A/C 110265811 | 311,006 | 21,394 |
| | Equity - | 261,436 | 14,520 |
| | KCB - Expenditure A/C 1102947962 | -4,082,598 | 230,831 |
| | KCB - Customer Deposit A/C 1102639648 | 11,361,957 | 4,226,134 |
| | Post Bank Kenya | 23,115 | 22,415 |
| | Family Bank 102000004731 | 67,759 | 541 |
| | Mpesa – Pay-bill No 810100 | 461,732 | 476,603 |
| | Family Bank WSTF Expense 102000035220 | 331 | 331 |
| | Family Bank WSTF Kanjeru 102000038542 | 401,582 | 472,907 |
| | | | |
| | TOTAL | 8,806,320 | 5,465,676 |

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Customers Deposit Account Disclosure

| | |
|--|--------------------------|
| Opening Balance | 4,226,134 |
| Bank Charges | (90,110) |
| Borrowing Repayments | 4,200,000 |
| Customer Receipts for the year | 3,025,934 |
| Closing Balance as of 30th June 2025 | <u>11,361,958</u> |

| 19 | ORDINARY SHARE CAPITAL | 2025 | 2024 |
|----|---|---------|---------|
| | | Kshs | Kshs |
| | Authorized | | |
| | 5,000 Ordinary Shares of Kshs 20 par value each | 100,000 | 100,000 |
| | Issued and fully Paid: | | |
| | 5,000 Ordinary Shares of Kshs 20 par value each | 100,000 | 100,000 |

20 Capital reserves

Capital reserve; the initial capital as shown is equal to the debtors inherited during the formation of KWCL

21 Retained Earnings

The retained earnings represent amounts available for distribution to the KWCL shareholders, undistributed retained earnings are utilized to finance the KWCL business activities

| | 2025 | 2024 |
|--|----------------------------|--------------------------|
| Opening Balance | 12,940,009 | 14,227,772 |
| Surplus for the Period | 41,772,297 | (1,287,763) |
| Adjust for Whole Billing Prior Years (2019-2024) | (64,909,349) | |
| Closing Balance | <u>(10,197,043)</u> | <u>12,940,009</u> |

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| 22 | TRADE AND OTHER PAYABLES | | |
|-----------|---------------------------------|--------------------|--------------------|
| | | 2025 | 2024 |
| | | Kshs | Kshs |
| | Trade Payables | 43,714,902 | 12,306,559 |
| | Accrued Expenses | 104,419,489 | 124,265,177 |
| | | 148,134,391 | 136,571,736 |

| 23 | CUSTOMERS DEPOSIT | | |
|-----------|------------------------------------|-------------------|-------------------|
| | | 2025 | 2024 |
| | | Kshs | Kshs |
| | Opening Customers Deposit Balances | 29,534,324 | 26,188,424 |
| | Deposits Received from Customers | 3,008,434 | 3,345,900 |
| | Closing Balance | 32,542,758 | 29,534,324 |

| 24 | Deferred Income | | |
|-----------|---|-------------------|-------------------|
| | | 2,025 | 2,024 |
| | | Kshs | Kshs |
| | Opening Balance | 13,160,483 | |
| | Annual Utilization | 1,828,521 | 13,160,483 |
| | Deferred Income - Rengutti Project | 11,331,962 | 13,160,483 |

Other Disclosures

Related Party Disclosures

County Government of Kiambu

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

Other related parties include:

- Athi Water Works Development Agency
- County Government of Kiambu
- WASREB (Water Services Regulatory Board)
- WARMA (WRA)
- Board of Directors

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(a) Athi Water Services Board

Athi water Services board is a state corporation under the ministry of water, environment and natural resources incorporated under state corporation act Cap (446) with the mandate of asset development within Nairobi and Kiambu counties. Kikuyu Water Company was appointed as an appointed agent of AWWDA as one of the Water service providers (WSPs) tasked with the management of asset and liabilities as negotiated through a services provision agreement (SPA). The company was supposed to pay a fixed administration levy to AWWDA as indicated in the regular tariff which was approved by the Regulator (WASREB). The amount owed to AWWDA was as follows;

| | 2,025 | 2024 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Athi Water Works Development Agency | | |
| Balances brought Forward | 24,106,488 | 24,106,488 |
| Administrative fee Payable to AWWDA | - | - |
| Balances Carried down as at 30th June | 24,106,488 | 24,106,488 |

(b) County Government of Kiambu

The company is wholly owned by the County Government of Kiambu which owns 100% of the company's shares. The County of Government of Kiambu has provided full guarantees to all long-term lenders of the Company, both domestic and external.

| | | |
|---|----------------|----------------|
| County Government of Kiambu | | |
| Balances brought Forward | 168,000 | 168,000 |
| Amount payable to County Government of Kiambu | - | 0 |
| Balances Carried down as at 30th June | 168,000 | 168,000 |

(c) Water Services Regulatory Board

The company operates under water sector regulator that is Water services regulatory board. The Company is regulated by WASREB and its supposed to pay a monthly levy of 4% of all the revenue generated.

| Water services Regulatory Board | 2025 | 2024 |
|--|-------------------|-------------------|
| Balances brought Forward | 29,405,272 | 23,625,715 |
| Regulatory Levy Payable to WASREB | 11,001,680 | 5,918,405 |
| Payments during the Year | (2,000,000) | (138,848) |
| Balances Carried down as at 30th June | 38,406,952 | 29,405,272 |

(d) Water Resources Management Authority

The company is obligated under the water act of 2002 to pay water resources management authority on monthly basis a levy of 50cts per cubic meter of water produced.

| Water Resource Authority | 2025 | 2024 |
|--|------------------|------------------|
| Balances brought Forward | 4,312,102 | 2,915,421 |
| Regulatory Levy Payable to WRA | 2,484,682 | 1,396,681 |
| Payments during the Year | | |
| Balances Carried down as at 30th June | 6,796,784 | 4,312,102 |

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(e) Remuneration for directors' and key management compensation

The remuneration for directors' and other members of key management during the year were as follows

| (E) Directors Remuneration | 2025 | 2024 |
|-----------------------------------|-------------------|-------------------|
| Board Allowances | 4,325,976 | 3,014,307 |
| Remuneration of key management | 14,975,371 | 11,408,573 |
| Total as at 30th June | 19,301,347 | 14,422,880 |

26 Financial Risk Management

The KWCL 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

KWCL is exposed to credit risk which is the risk that the debtors will cause a financial loss to the company by failing to discharge an obligation. Credit risk arises mainly from customer deposits held in the form of bank balances or short-term deposits, and the cash held at revenue collection points with various institutions like M-Pesa platform, Equity bank Ltd, Family Bank Ltd and Post bank of Kenya Ltd.

The company does not have significant concentrations of credit risk posed by collection agents or banks since the financial institutions possess high credit quality and hence the risk of default is low. Cash deposits are maintained with credible financial institutions

The company's accounts receivable is generated mainly from the water sale. Majority of these sales are in accounts receivable which generally are short term for a period not exceeding 30 days. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts

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| Credit Risk (Continued) | | | |
|--|---------------------|-------------------------|-------------------|
| | Total Amount | Fully performing | Past Due |
| | Kshs | Kshs | Kshs |
| As at June 2025 | | | |
| Receivable from billing to customer transactions | 90,047,779 | 45,206,865 | 44,840,912 |
| Receivable from other transactions | 2,471,141 | 2,471,141 | |
| Bank balances | 8,806,320 | 8,806,320 | |
| Total | 101,325,240 | 56,484,326 | 44,840,912 |
| As at June 2024 | | | |
| Receivable from billing to customer transactions | 119,024,909 | 92,765,112 | 26,259,797 |
| Receivable from other transactions | 2,527,789 | 2,527,789 | |
| Bank balances | 5,468,716 | 5,468,716 | |
| Total | 127,021,414 | 100,761,617 | 26,259,797 |

ii Market risk

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

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

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

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

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1. Incorporation

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

2. Events After the Reporting Period

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

27. Notes to The Statement of Cash Flows

| | 2024 2025 | 2023 2024 |
|---|-------------------|--------------------|
| | Kshs | Kshs |
| (a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations | | |
| Profit or loss before tax | 41,772,297 | -1,287,763 |
| Depreciation | 9,812,045 | 8,919,164 |
| Amortization | - | 122,787 |
| (Gain)/loss on disposal of property, plant and equipment | -29,209,064 | -24,843,525 |
| Operating profit /(loss) before working capital changes | 22,375,278 | -17,089,337 |
| Working capital changes: | | |
| (Increase)/decrease in inventories | -405,851 | 7,499,431 |
| (Increase)/decrease in trade and other receivables | 33,538,006 | -9,126,260 |
| Increase/(decrease) in trade and other payables | 11,562,652 | 5,869,008 |
| Increase/(decrease) in customer deposits | 3,008,429 | 3,345,900 |
| Increase/(decrease) in Deffered Income | -1,828,521 | 13,160,483 |
| | 45,874,715 | 20,748,562 |
| Cash generated from/ (used in) operation | 68,249,993 | 3,659,225 |
| Prior year Whole Bill adjustment | (64,909,349) | |
| (b) Analysis of changes in loans | 3,340,644 | |
| | | |
| Balance at beginning of the year | - | - |
| Receipts during the year | - | - |
| Repayments during the year | - | - |

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| | | |
|--|-----------|-----------|
| Repayments of previous year's accrued interest | - | - |
| Foreign exchange (gains)/losses | - | - |
| Accrued interest | - | - |
| | | |
| Balance at end of the year | - | - |
| | | |
| (c) Analysis of cash and cash equivalents | | |
| | | |
| Short term deposits | - | - |
| Cash at bank | 5,465,676 | 1,806,451 |
| Cash in hand | - | - |
| | | |
| Balance at end of the year | 8,806,320 | 5,465,676 |
| (d) Analysis of interest paid | | |
| Interest on loans | - | - |
| Interest on bank overdraft | - | - |
| Interest on lease liabilities | - | - |
| Interest on loans capitalised | - | - |
| Balance at beginning of the year | - | - |
| Balance at end of the year (note 35(b)) | - | - |
| Interest paid | - | - |
| | | |
| (e) Analysis of dividend paid | | |
| | | |
| Balance at beginning of the year | - | - |
| 20xx dividends paid | - | - |
| 20xx dividends paid | - | - |
| 20xx interim dividends paid | - | - |
| Balance at end of the year | (-) | (-) |
| Dividend paid | - | - |

• **Appendices**

Appendix 1: progress on follow up of auditor recommendations.

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status: | Timeframe |
|--|--|--|--|----------------|------------------|
| Unsupported Trade and Other Receivables | <i>The statement of financial position and as disclosed in Note 17 to the financial statements reflects net trade and other receivables balance of Kshs.95,294,741. However, the supporting schedules including debtors listing, aging analysis and provision for bad and doubtful receivable were not provided for audit. Further, Management has not shown efforts made to recover the outstanding amounts. In the circumstances, the accuracy, completeness and recoverability of the trade and other receivable balance of Kshs 95,294,741 could not be confirmed.</i> | <p>Part of the receivables that the company expected to collect during the year under review included public institutions such as the County Government, National Government Institutions, Learning Institutions that pay over longer periods.</p> <p>We have furthermore provided the listing of the account's receivables</p> <p>We have engaged customers with outstanding balances with Part-Payment agreements as attached, SMS reminders, Demand Notices and Physical visits to customer premises.</p> | Financial Manager | Resolved | Resolved |
| Inconsistencies in Customer Billing and Meter Reading | <i>The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating</i> | All Customers in the system are metered. However, over the years the company has inherited over 17 Community Water projects with about 3,400 customers. Since these | Commercial Manager | In Progress | In Progress |

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| | | | | | |
|--|---|---|---------------------------|--------------------|--------------------|
| | <p>revenue amount of Kshs.147,960,140. However, review and analysis of the billing report revealed that one thousand and nineteen (1019) customers were billed a total amount of Kshs.3,611,466, however, review of the billing report revealed that details of customer meter number were not included in the report. In addition, analysis of the billing report provided for audit revealed that customers were billed a total amount of Kshs.7,351,427 despite their current meter reading for water reading zero</p> | <p>Community projects relied on manual record keeping, most of the inherited customers lacked meter reference number owing to lack of meter details in the shared documents.</p> <p>However, out the 3,400 customers inherited, the company has managed to either replace or capture their meter serial numbers and only meter details for 1,019 customers are still missing.</p> <p>Notably, the exercise of capturing and replacing such meters is still ongoing.</p> | | | |
| <p>Constant Consumption Throughout the Year</p> | <p>The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue totalling to Kshs.147,960,140. However, analysis of water billing for the financial year ended 30 June, 2024 identified five hundred and four (504) ordinary water accounts which had same consumption throughout the year under review. This was</p> | <p>This is also occasioned by inaccessibility of the customer meter. When a customer meter is inaccessible within the billing cycle, the company bills said customer on their historical average consumption which is a relatively constant value for each consumer.</p> <p>If this happens for 3 billing cycles, the reflection is a constant consumption.</p> <p>The billing system in place is however able to self-adjust when</p> | <p>Commercial Manager</p> | <p>In Progress</p> | <p>In Progress</p> |

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|-------------------------------------|---|--|-----------------|----------|----------|
| | <i>due to estimation which is based on previous consumption. Therefore, in the long run the amounts read remain the same throughout. The billing for the accounts totalled to Kshs.2,646,300.</i> | <p>an actual reading has been captured.</p> <p>The company is also taking steps to ensure customers provide access or relocate their meters to accessible areas.</p> <p>The Company has also rolled out a self-reading meter reading system where the customers are able to send their accurate meter readings to the company for billing.</p> | | | |
| Variances in Revenue | <i>The statement of profit or loss and other comprehensive income for the year ended 30 June 2024 reflects operating revenue totalling to Kshs.147,960,140. Included in amount is water sales and sewerage services amounting to Kshs.139,503,846 as disclosed in Note 6 to the financial statements. Review of supporting schedules and water bill schedule provided for audit reflected water sales and sewerage services totalling to Kshs.138,548,067 resulting in an unexplained variance of Kshs.955,779.</i> | <p>The variance was brought about by absence of the Meter Rent Ledger.</p> | | | |
| | <i>amount is water sales and sewerage services amounting to Kshs.139,503,846 as disclosed in Note 6 to the financial statements. Review of supporting schedules and water bill schedule provided for audit reflected water sales and sewerage services totalling to Kshs.138,548,067 resulting in an unexplained variance of Kshs.955,779.</i> | <p>This was provided to the Auditor for reference.</p> | Finance Manager | Resolved | Resolved |
| Variances in Water Inventory | <i>Note 16 to the financial statements reflects disclosure of water inventories. However,</i> | <p>The quoted Amount of 14,411.14m3 represents amounts in the pipe network that has been</p> | | | |

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|---|---|---|-------------------|----------|----------|
| | <p><i>the water inventory analysis provided indicates water volumes of 14,411.14 m3 as inventory for the company as at 30 June, 2024 which differs with the reported volume in Note 16 to the financial statements of 21,999.93m3 resulting to unexplained variance of 7,588.79m3. In the circumstances, the accuracy of the water inventory could not be confirmed.</i></p> | <p>digitized (GIS) by the company. This represents only 85% of the water retained in the total pipe network. The figure excludes amounts retained in the 15% pipe network that has not been digitized and the amount that is retained in our storage tank.</p> <p>A table was provided showing the tabular summary of the water inventory</p> | Technical Manager | Resolved | Resolved |
| Material Uncertainty Relating to Going Concern | <p><i>The statement of profit or loss and other comprehensive income reflects a loss of Kshs.1,287,763 (2022/2023 Loss – Kshs.21,990,251). Further, the current liabilities of Kshs.179,266,543 exceeded the current assets of Kshs.101,698,157, resulting to a negative working capital of Kshs.77,568,386. The negative liquidity position was an indication of the existence of a material uncertainty on the Company’s ability to continue as a going concern. The financial statements, however, were prepared on a going concern basis on the</i></p> | <p>The company's negative working capital of Kshs 77,567,186 in FY 23/24 resulted from the following major challenges:</p> <p>Outdated Tariff</p> <p>During the period under review, KWCL was operating using an old tariff that was gazetted in 2010/ 2011. The tariff expired in the financial year 2013. The Company applied for a new tariff in the Financial year 2014 but this did not materialize.</p> <p>However, in the fiscal year 2024/2025, the company was able to successfully apply for and implement a new consumer tariff</p> | | | |
| | | | Managing Director | Ongoing | Ongoing |

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| | | | | | |
|---|--|--|-------------------|---------|---------|
| | <p><i>assumption that the Company will continue to receive financial support from the County Government of Kiambu and its creditors. Management did not disclose the material uncertainty related to going concern or measures taken to mitigate this.</i></p> <p><i>In the circumstances, the Company is technically insolvent and may not be able to meet its current obligations as and when they fall due.</i></p> | <p>that has resulted in the reporting of Kshs 41,772,297 profit.</p> <p>Out of this, as reported in segment 18 of the Financial Statements, Kshs 31,378,476 has been utilized in settling outstanding payables.</p> | | | |
| Lack of Annual Governance Audit and Performance Evaluation | <p><i>Review of records relating to board activities revealed no evidence of the Board having undertaken an annual governance audit during the year under review. The audit is expected to address governance practices including leadership and strategic management, transparency and disclosure, compliance with laws and regulations, board independence and governance, consistent shareholder engagement and value enhancement among others. Further, the Board did not conduct self-evaluation of its</i></p> | <p>Kikuyu Water Company is a semi-autonomous body owned by the County Government of Kiambu and regulated by the Water Services Regulatory Board. Among the Governing laws are the Water Act 2016, Companies Act 2016, Water Services Regulations 2021 and the WASREB Corporate Governance Guidelines.</p> <p>The management in consultation with board of Directors and county government on the adoption of Mwongozo guidelines on governance issues.</p> | Managing Director | Ongoing | Ongoing |

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| | | | | | |
|---|---|---|--------------------------|-----------------|-----------------|
| | <p><i>performance on an annual basis as required by Mwongozo that states that the Board of Directors to carry out annual performance evaluation and file a report with the parent ministry and the State Corporations Advisory Committee. In addition, two Board Members were re-appointed without any board evaluation contrary to Paragraph 1.5(2) of Mwongozo Code of Governance for State Corporations, 2015 on Term Limits for Board Members which states that the renewal of a Board Member's tenure for a second term should be subject to a favourable evaluation. In the circumstances, Management was in breach of the law.</i></p> | | | | |
| <p>Failure to Gazette Board of Directors</p> | <p><i>Review of the Kikuyu Water Company Limited financial statements for the year ended 30 June, 2024 revealed that the Company had seven directors of which five (5) directors were appointed in the year 2022,</i></p> | <p>The Corporate Governance Guidelines outline the process for identifying members of the Board of Directors, ensuring transparency in the process. In this regard, and in accordance with the standards and regulations in the</p> | <p>Managing Director</p> | <p>Resolved</p> | <p>Resolved</p> |

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| | | | | | |
|--|--|--|-------------------|----------|----------|
| | <i>while two (2) directors were appointed in the year 2020. However, no evidence was provided indicating that the Board of Directors had been gazetted as directed by the Mwongozo Code of Governance.</i> | water sector, there is no requirement to gazette the Board of Directors | | | |
| Non-Compliance with Minimum Requirement on Employee Ethnicity Balance | <i>Review of employee records revealed that the Company had a total of ninety-seven (97) members of staff out of which 86% were from the dominant ethnic community. This is contrary to Section 7 of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.</i> | The average number of employees for FY 2023/24, according to the payroll, was 96 members. Management is also aware of the current ethnic composition and intends to consider this during new recruitments. | Managing Director | Ongoing | Ongoing |
| Unsustainable Wage Bill | <i>The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.147,960,140 while staff costs amount to Kshs.71,112,773, which was 48% of the total operating revenue of the Company. This was contrary to Regulation 26(1)(a) of the Public Finance Management (National</i> | The wage bill was initially based on the budgeted internally generated revenue of Kshs 276,641,650, which was subject to the implementation of the new tariff. This would have lowered the wage bill to 26%, well below the set limit of 35% of internally generated revenue. However, this target was not met in the year under review due to delays in the | Managing Director | Resolved | Resolved |

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| | | | | | |
|------------------------------------|---|--|------------------------|---------|---------|
| | <p><i>Government) Regulations, 2015 which provides for a maximum expenditure on compensation of employees of 35% of the organization's total revenue. The Company exceeded the set limit of 35% by 13%. In the circumstances, the sustainability of the wage bill could not be confirmed.</i></p> | <p>approval and gazettelement of the new tariff as anticipated. In the current fiscal year, upon implementation of the new consumer tariff, the company has seen a marked improvement in performance against this metric.</p> | | | |
| Long Outstanding Leave Days | <p><i>The statement of profit or loss and other comprehensive income reflects an amount of Kshs.71,112,773 in respect of employee cost. Analysis of the outstanding leave days reflected that staff had accumulated leave days of more than 100 despite the human resource polices directing 30 days leave within every financial year. This implies that the staff worked throughout the year without taking any leave, which is contrary to Chief of Staff circular that all staffs with outstanding leave should ensures that all leave days are utilized.</i></p> | <p>The management has noted that some staff members have accumulated a long- outstanding leave days and therefore it has embarked on preparation of a leave rooster.</p> | Human Resource Manager | Ongoing | Ongoing |
| | | | | | |

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| | | | | | |
|---|--|---|--------------------------|----------------|----------------|
| <p>Unaccounted for Non-Revenue Water (NRW)</p> | <p><i>During the year under review, the Company produced a total of 2,784,372 cubic meters (m3) of water. However, only 1,706,643m3 were billed to customers. The balance of 1,055,296m3, approximately 38% of the total water produced with a sale price of Kshs.94,755,027 (at Kshs.89.79 per cubic meter which is the average sale price for the year under review) represents the NRW, which is over and above the allowable loss of 25% as provided by schedule E of Water Service Regulatory Board (WASREB) guidelines. In the circumstances, Management was in breach of the law.</i></p> | <p>The company's Non-Revenue Water (NRW) level of 38% for the year ended 30 June 2024 was primarily attributed to significant water losses caused by the destruction of distribution networks during extensive road works. During the year, intensive road construction activities in Kikuyu Subcounty severely impacted the pipe network infrastructure. These works often led to water spillages and left numerous customers disconnected. To address these challenges, the company has actively engaged road agencies to mitigate pipe destruction and water spillages during future roadworks. Specifically, we are working to ensure prior notification before the commencement of new projects and have shared GIS maps of our existing pipe network to facilitate better identification and protection. Additionally, the company has adopted a proactive strategy to replace all strategic sections of the pipe network damaged during roadworks with high-density polyethylene (HDPE) pipes. These</p> | <p>Technical Manager</p> | <p>Ongoing</p> | <p>Ongoing</p> |
|---|--|---|--------------------------|----------------|----------------|

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|---|--|---|-------------------|---------|---------|
| | | <p>pipes are more durable and less prone to leakage, ensuring a timely reduction in physical water losses. Beyond addressing the impact of roadworks, the company is committed to broader NRW reduction measures. A comprehensive NRW policy and reduction plan are already in place, targeting a reduction of NRW levels to or below the sector benchmark of 25%. These efforts underscore our commitment to enhancing water efficiency and improving service delivery to our customers.</p> | | | |
| Unsupported Ordinary Share Capital Balance | <p><i>The statement of financial position and as disclosed in Note 19 to the financial statements reflects ordinary share capital of Kshs.100,000 as at 30 June, 2024 in respect of share capital which constitute 5000 authorized ordinary share capital of Kshs.20 par value each, all of which is issued and fully paid. The company is fully owned by the County Government of Kiambu However, the share certificate(s) relating to the paid-up share capital was not provided for audit verification.</i></p> | <p>The shares were created upon the formation of the company and initially held by the defunct local authority. Subsequently, following the Constitution of 2010, the defunct local authorities were transitioned to the County Governments.</p> <p>In line with section 77 of the Water Act 2016, all water service providers are owned by the County Government. To this end, we confirm that the Company is owned by the County Government of Kiambu.</p> <p>We will follow up with the County Government of Kiambu, the</p> | Managing Director | Pending | Pending |

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|--|---|--|-------------------|---------|---------|
| | | shareholder, to obtain the share certificate since the transitioning was undertaken by the then Transitional Authority. | | | |
| Long Outstanding Trade and Other Payables | <i>The statement of financial position and as disclosed in Note 22 to the financial statements reflects trade and other payables balance of Kshs.136,571,736. However, analysis of the trade payables indicates that payables amounting to Kshs.3,801,640 and Kshs92,282,731.48 for trade payables and accrued expenses respectively have been outstanding for more than one year and no plausible reason has been given on why they have not been settled. It was not clear why the payables did not form first charge contrary to Paragraph 22 of The National Treasury Circular No.7/2021 which requires accounting officers to ensure that all payments emanating from the previous periods are treated as the first charge against the current financial year budgetary allocation before entering into new commitments.</i> | The management has included in the long outstanding trade and other long outstanding balance accruals relating to Water Regulatory Authorities which include WASREB Kshs 29,405,272, AWWDA Kshs 24,106,488 and WRA Kshs 4,312,101. We could not be able to honour these payments due to the inadequate revenues from the outdated tariff. With this in consideration, the management embarked on the tariff review process with the aim of meeting operational costs and the above-mentioned institutions are stakeholders who were involved in the process of reviewing the tariff. Also included in the long outstanding payables balance is Kshs 32,442,227 owed to Kenya Power which we have continuously paid and there is no dispute as to non-payment. This has led to the reduction of the outstanding electricity bills from Kshs 49,409,576. | Financial Manager | Ongoing | Ongoing |

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| | | | | | |
|---|--|---|-------------------------------|-----------------|-----------------|
| <p>Weaknesses in Payroll and HR System Integration</p> | <p><i>The Company uses a payroll processing system with a separate human resource management. The system only maintains the payment of salary. However, it is not used for leave management, contract management, and staff records maintenance. Further, review of the human resource, payroll, and related processes associated with the systems revealed the following anomalies:</i></p> <ul style="list-style-type: none"> • <i>Lack of Integration Between Systems</i> • <i>Manual Input of Earnings and Deductions</i> • <i>Absence of Automated Annual Salary Increments</i> • <i>Weak Reporting Capabilities in HR System</i> | <p>The company has been using Quest payroll system that helps Human Resources department in managing payroll calculations of salaries, wages, all staff records details and statutory deductions. The management is in the process of integrating human resources information system (HRIS) with Pastel accounting software that will be able to manage various aspects of employees' lifecycle including Leave and attendance tracking, recruitment, performance reviews, onboarding, trainings, providing a more comprehensive view of the workforce and enabling data driven decision making beyond just salary calculations</p> | <p>Human Resource Officer</p> | <p>Pending</p> | <p>Pending</p> |
| <p>Lack of Updated Asset Register</p> | <p><i>The statement of financial position reflects property plant and equipment balance of Kshs.90,711,138. However, review of the asset register provided revealed that the assets register was not up to date and did not reflect the net book value reported in the</i></p> | <p>An updated Asset register was provided for review</p> | <p>Financial Manager</p> | <p>Resolved</p> | <p>Resolved</p> |

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| | | | | | |
|--|--|--|--|--|--|
| | <i>financial statements at 30 June, 2024. In the circumstances, the effectiveness of internal controls in the management of the Company assets could not be confirmed.</i> | | | | |
|--|--|--|--|--|--|

Jane Murage
Managing Director

Signature: 

Date: 03/12/2025

Appendix II: Status of Projects Implemented by the Company Projects
Projects implemented by the Company Funded by development partners.

| No | Proposed Capital Work | STATUS | IMPACT | PROPOSED INTERVENTION | BUDGET |
|----|---|----------------|---|--|--------------------------------------|
| 1 | Drilling and equipping of a borehole at twin site and laying of pipeline to serve Kamangu area. | Complete | Increase water service levels and area of coverage. | Partner with Kiambu county government for development. | 21,000,000 |
| 2 | Kinoo- Uthiru Phase I involving pipework, 1No. 108m ³ elevated steel & metering | Ongoing | Increase water service levels and adequate storage facilities | Partner with AWWDA | Already budgeted under sewer project |
| 3 | Construction of Kikuyu Sewerage project | Ongoing | improved sanitation | Works on going, project 82% complete. | 662,000,000 |
| 4 | Non-Revenue Water Reduction Initiatives | ongoing | Increase in billing efficiency hence more revenue | Invest highly in reduction NRW and also partner with Kiambu County Government. | 13,000,000 |
| 5 | Distribution network for Uthiru ward | Ongoing | Increase in coverage | Partner with Kiambu County Government and AWWDA. 80% done. | 15,000,000 |
| 6 | Distribution network for Kinoo ward | Ongoing | Increase coverage | Partner with Kiambu County government | 25,000,000 |
| 7 | Rukubi Kanyariri water supply | Ongoing | Increase coverage | Partner with Kiambu County Government | 5,000,000 |
| 8 | Augmentation Ondiri Maaiihii water project | Complete | Improve reliability | Partner with Kiambu County Government | 4,500,000 |
| 9 | Kanjeru water project | Ongoing | Improve coverage | Partner with Water Fund (WSTF) | 16,400,000 |
| 10 | Solarization of Twin boreholes | Ongoing | Lower production cost | Partner with AWWDA | 32,200,000 |
| 11 | Rugita water supply | Ongoing | Increase coverage | Partner with AWWDA | Under sewer project |
| 12 | Rungiri Kanyongo pipeline | Design ongoing | Increase coverage | Partner with Kiambu County Government | 15,000,000 |

Appendix III: Reporting of Climate Relevant Expenditures

| Project Name | Project Description | Project Objectives | Project Activities | | | | | Source Of Funds | Implementing Partners |
|---------------------|---|--------------------|--------------------|----|----|---------|----|------------------|-----------------------|
| | | | | Q1 | Q2 | Q3 | Q4 | | |
| Ondiri Wetlands Day | Tree planting & Ondiri Wetlands Marathon on 17 th & 18 th February 2025 | Tree Planting | Tree Planting | | | 47,500 | | Operating Income | None |
| World Water Day | Tree Planting within Kikuyu Municipality | Tree Planting | Tree Planting | | | 350,800 | | Operating Income | None |

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