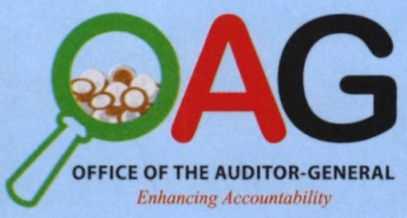
REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

NAIROBI CITY WATER AND SEWERAGE COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDING

JUNE 30, 2025

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

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

Table of Contents

1. Acronyms and Glossary of Terms

A. Acronyms

ARGC	- Audit, Risk & Governance Committee
AWWDA	- Athi Water Works Development Agency
BOD	- Board of Directors
BOM	- Board of Management
BPO	- Business Process Owner
CBOs	- Community Based Organizations
CCO	- County Chief Officer
CECM	- County Executive Committee Member
CMS	- Customer Management System
CIS	– Customer Identification Survey
CLSG	- Conditional Liquidity Support Grant
CRA	- Corruption Risk Assessment
CSR	- Corporate Social Responsibility
DESTW	– Dandora Estates Treatment Works
EAC	- The East African Community
EMDEs	- Emerging Markets and Developing Economies
GDP	- Gross Domestic Product
HRACC	- Human Resource, Administration & Communication Committee
IFRS	- International Financial Reporting Standards
ISO	- International Organization of Standardization
ITA	- Income Tax Act
KPI	- Key Performance Indicators
KRA	- Kenya Revenue Authority
KFS	- Kenya Forest Service
MBA	- Master of Business Administration
MFA	- Mobile Field Assistant
NCCG	- Nairobi City County Government
NCWSC	-Nairobi City Water and Sewerage Company
NRW	- Non Revenue Water
OVIs	-Objectively Verifiable Indicators

OSHA	- Operational, Health and Safety Act
PC	- Performance Contract
PFM	– Public Finance Management
TAT	-Turn Around Time
UM	-Utility Master
WARIS	- Water Regulatory Information System
WASREB	- Water Services Regulatory Board,
WaSSIP	-Water and Sanitation Services Improvement Project
WSTF	- Water Sector Trust Fund
WHO	- World Health Organisation

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Entity Information

Background information

The Nairobi City Water and Sewerage Company Ltd is incorporated in Kenya under the Companies Act of the Laws of Kenya. It is a private limited liability Company domiciled in Kenya. It is wholly owned by the Nairobi City County Government.

Principal Activity

The Company provides water and sewerage services in Nairobi and its environs.

Our Vision

To be a world-class provider of water and sewerage services.

Our Mission

To provide sustainable reliable quality water and sewerage services that delight customers in Nairobi City County and its environs.

Our Core values

- I- Integrity
- A- Accountability
- C – Customer Centric
- T- Teamwork
- I- Innovation

DIRECTORS

The Board of Directors who served during the period were as is listed below;

	Name	Title	Remark
1.	Arnold Karanja	Chairperson	Appointed on 26th April 2023
2.	Beryl Lillian Okumu Odinga	Vice-Chairperson	Appointed on 26th April 2023
3	CEC Member – Finance & Economic Planning, Nairobi City County Government.(Charles Kerich) **Alternate**: County Chief Officer – Finance, Nairobi City County Government (Asha Abdi)	Member	Appointed on 26th April 2023
4	CEC Member – Green Nairobi (Environment, Water, Food and Agriculture), Nairobi City County Government (Maureen Njeri) **Alternate:** County Chief Officer, Water & Sewerage, Nairobi City County Government (Oscar Omoke)	Member	Appointed on 13th August 2024
5.	Cedric Alaro	Member	Appointed on 26th April 2023
6.	Johnstone A.Mukabwa	Member	Appointed on 26th April 2023
7.	Robow Hassan Mohamed	Member	Appointed on 26th April 2023
8.	Emmah Mukuhi Muthoni	Member	Appointed on 26th April 2023
9	Rose Esther Muthoni Wamuiya	Member	Appointed on 26th April 2023
10	Eng. Nahason M.Muguna	Managing Director	Appointed 27th May 2020

Company Secretary

Ms. Assumpta Mbesa
P.O. Box 30656 – 00100
NAIROBI

Principal Place of Business & registered Office

Kampala Road, Industrial Area
P.O. Box 30656 – 00100, Nairobi, Kenya
Email: info@nairobiwater.co.ke
Website: www.nairobiwater.co.ke

Bankers

Co-operative Bank of Kenya ltd
Enterprise Road Branch
P.O. Box 67881– 00200, Nairobi, Kenya.

Equity Bank (K) Limited
Equity centre, Hospital road, upper hill
P.O Box 75104-00200 Nairobi, Kenya

Absa Bank of Kenya PLC
Absa Headquarters, Waiyaki Way
P.O Box 30120-00100, Nairobi Kenya

Citibank N.A
Citibank House, Upper Hill Road
P.O Box 30711-00100, Nairobi, Kenya

NCBA Limited
NCBA Centre, Mara & Ragati Road
P.O Box 44599-00100 Nairobi, Kenya

Sidian Bank Limited
K-rep Centre, Kilimani Road
P.O Box 25363-00603 Nairobi, Kenya

Kenya Commercial Bank Ltd
KICC Branch

Family Bank
Kenyatta Avenue Branch

Bankers (Continued

Diamond Trust Bank Limited
Diamond Trust House, P.O Box -00100
Nairobi,

I& M bank Ltd,
One park (Parklands)

Housing Finance
Rehani House, Kenyatta Avenue P.O Box
30088-00100 Nairobi, Kenya

Principal Legal Advisor

Attorney General

Auditor

Auditor General
Office of the Auditor General
12th Floor, Anniversary Towers
University Way
P.O Box 30084-00100, Nairobi,
Kenya.

3. The Board of Directors

The Board of Directors are appointed by the shareholder NCCG (Nairobi City County Government).

	NAME	Qualifications and experience	Status
1	Arnold Karanja Chair (DoB 1988) 	Master of Laws (LLM) in International Commercial Law, IT Governance(UK):International Board for IT Governance Qualifications for EU GDPR, LLB, Post graduate Diploma in Law	Appointed on 26th April 2023
2	Beryl Lillian Okumu Odinga Vice-Chair (DoB 1953) 	**Academic/Professional Qualifications:** LLB, Post graduate diploma in Law **Work Experience:** Chair - Kenya Railways Staff Retirement Benefit Scheme Deputy Town Clerk -City of Mutale, Zimbabwe Legal Advisor - Urban Development Corporation (Harare Zimbabwe) Deputy CEO - Chitugwiza Town Council (Zimbabwe) Board Chair-NCWSC	Appointed on 26th April 2023
3	Charles K.Kerich (DoB 1974) 	CEC Member – Finance & Economic Planning, Nairobi City County Government **Academic/Professional Qualifications** Bachelor's Degree in communication- Daystar University Masters in International Studies – UoN PhD Communication (Ongoing -UoN) Member Kenya Institute of management	Appointed 26th April 2023
4	Maureen Njeri (DoB 1981) 	Msc. Environmental Management CEC Member – Green Nairobi (Environment, Water, Food and Agriculture), Nairobi City County Government	Appointed on 13th August 2024

	NAME	Qualifications and experience	Status
	Asha Abdi (DoB 1988) 	**Academic/Professional Qualifications:** • Executive MBA – Program for Leadership Development • Masters of Arts in Project Planning and Management • Bachelor of Economic • Diploma in International Studies **Work Experience:** • Chief Officer – Finance & Economic Planning December 2023 to Date - NCCG • Chief Officer - Finance & Economic Planning February 2018 to November 2022 – MSA County Government • Chief Officer – Trade, Tourism & Investment - MSA County Government • CEC Member – Health Services – Isiolo County Government – March 2015 to July 2017 • CEC Member - Finance & Economic Planning - Isiolo County Government – June 2013 to March 2015	Appointed 26th April 2023
	Oscar Omoke (DoB 1976) 	**Academic/Professional Qualifications** Bachelor of Arts, Political Science **Work Experience:** • County Chief Officer, Water & Sewerage, Nairobi City County Government • Managing Director – Cylscar Logistics • Deputy Branch Manager, Nairobi Area, NHIF – February 2015 to February 2017 • Head of Compliance, Nairobi Area, NHIF – December 2007 to January 2015	Appointed 26th April 2023
5	Johnstone A. Mukabwa (DoB 1969) 	Bachelor of Science in Public Management Chair HRAC Committee (NCWSC)	Appointed on 26th April 2023

	NAME	Qualifications and experience	Status
6	Emmah Mukuhi Muthoni (DoB 1983) 	**Academic/Professional Qualifications** • BCOM, Business Administration • DIP **Work Experience:** • County Executive Committee Member -Nairobi City County Government • Head of corporate services - Toddy Civil Engineering Chief Financial Controller- Toddy Civil Engineering • Chair-Human Resource, Administration & Communication Committee at NCWSC • Chair Finance Committee	Appointed on 26th April 2023
7	Cedric Alaro (DoB 1980) 	**Academic/Professional Qualifications** • MBA (Strategy & Marketing), • BSc. Civil Engineering, • Diploma in Management of Information Systems (IMIS), • Certificate in Construction Project Management **Work Experience:** Chair TC & ICT Committee (NCWSC)	Appointed on 26th April 2023
8	Robow Hassan Mohamed (DoB 1977) 	**Academic/Professional Qualifications** • Diploma in Business Administration • Diploma in Community Development and Project Management • Degree in Development Studies • Masters in Public Administration & Management **Work Experience:** • Councillor, MCA and Majority Leader Mandera County Government	Appointed 26th April 2023
9	Rose Esther Muthoni Wamuiya (DoB 1985) 	LLB, Post graduate Diploma in Law Chair ARGC Committee	Appointed on 26th April 2023

	NAME	Qualifications and experience	Status
10	Eng Nahason M. Muguna (DoB 1965) 	Managing Director Msc-Eng, MBA, Bsc.(Mechanical Eng) Registered Engineer Member – Institute of Engineers Kenya	Appointed May 2020
	Assumpta M. Reuben (DoB 1984) 	Ag. Company Secretary MBA (Strategic Management), LLB(Hons), Post Graduate Diploma in Law, Higher Dip in (HRM), CPS(K)	Wef 1st July 2022

4. Key Management Team

In line with the Company's governance documents, the Board delegates the day to day operations and management of the Company to the Managing Director.

Structurally, the Managing Director, who reports to the Board of Directors, heads the Company. The Managing Director provides overall leadership and chairs the Board of Management, which comprises all heads of directorates of the company as follows;

Name	Title	Qualification
Eng. Nahason M. Muguna 	Managing Director Retired on 26th September 2025	Managing Director Msc-Eng, MBA, Bsc.(Mechanical Eng) Registered Engineer Member – Institute of Engineers Kenya
Monica N. Tuli 	Director Human Resources and Administration	Msc (HRM), Bachelor of Arts , Higher Dip (HRM),CHRP
Paul Evans Omondi 	Director Financial Services & Strategy	MBA (Strategic Management),B.Com (Finance), CPA(K)
Josiah W. Gitu 	Ag. Director Commercial services	Master of Arts (Project Planning and Management), Bachelor of Education (Science)

Eng.David M. Manore 	Ag. Director Technical Services	Bsc. (Civil Engineering), Registered professional Engineer
Martin W. Nangole 	Director Information & Communications Technology Appointed Acting Managing Director on 26th September 2025	Masters in IT, Bsc.(Computer science), CISCO,MCP
Martha Kibui 	Ag .Director Internal Audit & Risk Management	MBA (Strategic management), BA. (Economics in Accounting), CPA (K), Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA), Diploma in Forensic Accounting.
Assumpta M. Reuben 	Ag. Company Secretary	MBA (Strategic Management), LLB(Hons), Post graduate diploma in Law, Higher Dip in (HRM), CPS(K)

Under the above named directorates, the company structure is reinforced by several business process units which are headed by respective managers with a mandate of overseeing actualization of the company mission.

5. Chairperson's Statement

Analysis of Water and Sanitation Sub Sectoral Performance:

Kenya's average annual rainfall in 2025 is projected at approximately 1,050 millimeters, marking a notable decline from 1,126 mm in 2024. This short-term reduction may intensify pressure on surface water sources, particularly in densely populated and water-stressed regions. Moreover, long-term climate patterns point to increasingly erratic and unreliable rainfall, exacerbating the vulnerability of the water sector. These trends underscore the urgent need for investment in climate-resilient water infrastructure including Wastewater recycling and reuse systems; Aquifer recharge and groundwater management; Smart, digitally monitored water distribution networks. Such innovations are particularly critical for urban centers like Nairobi, where rapid population growth continues to strain already limited water resources. Thus, proactive investment in adaptive water management will be essential to mitigate future shortages and safeguard Kenya's water security.

Nairobi City County Initiatives

Nairobi City County's Water and Sanitation Services Policy is being revised to harmonize with the National Water Policy (2021) and Water Act (2016) and strengthen governance, oversight, and service delivery frameworks. Further, the policy is geared towards promotion of Water, Sanitation and Hygiene (WASH) programs through school-based hygiene campaigns, Community-led total sanitation (CLTS) programs and Support for women-led water enterprises.

The Northern Collector Tunnel Phase One (NCT I) with a designed capacity of 140 million liters/day was commissioned and became operational in November 2024. The objective of this project is to reduce water rationing in key urban zones in Nairobi (Eastlands, Embakasi, and parts of Westlands). The expansion of Dandora Sewage Treatment Plant in Ruai is 90% complete and will double capacity from 160,000 m^3/day to 320,000 m^3/day, treating up to 80% of Nairobi's wastewater.

To augment Climate Resilience & Water Security, the NCCG has allowed installation of rainwater harvesting systems in public schools, markets, and selected health facilities. Further, the County undertaken the development of flood-resilient sanitation systems in vulnerable flood-prone neighborhoods like Kariobangi and Mukuru.

The second phase of the Nairobi Rivers Programme, supported by African Development Bank (AfDB), includes the development of 440 kilometers of primary and secondary sewers, 38 km of tertiary sewers, and over 4,000 household connections serving about 250,000 people in informal settlements such as Kahawa West, Githurai, Mwiki, and Clayworks.

On Public-Private Partnerships (PPPs), partnered with Grundfos, Sanergy, and local SACCOs to improve decentralized sanitation services and waste reuse systems. Sanergy-led programs expanded the "Fresh Life Toilets" network in informal settlements.

Nairobi City Water and Sewerage Company's Medium Term Plan

During the financial year under Nairobi City Water and Sewerage Company successfully developed its sixth Strategic Plan for the period 2024/25 to 2028/29. The strategic plan has six critical themes highlighted below.

i. To increase water production capacity from 525,600m3/day to 1,200,000m3/day and potable water coverage from 79% to 92%
ii. To Increase sewerage coverage from 49 % to 70% and sewage treatment capacity from 194,000m3/day to 675,000m3/day
iii. To reduce Non-Revenue Water from 48% to 30%
iv. Enhance Corporate Governance and Institutional Capacity
v. Enhance climate change adaptation, mitigation and resilience
vi. Enhance sustainability and revenue growth from Ksh.10.95Bn to Ksh.24.41Bn

Conclusion and Way Forward

The Company is operating under tight resource constraints amidst significant expenditure demand in order to progressively accelerate achievement of Sustainable Development Goal Six - universal water coverage by the year 2030. The Company is pursuing a tariff that fully covers the cost of operations and investment required to deliver on the Strategic Plan 2024/2025 to 2028/2029.

As the Company puts all concerted efforts for sustainable provision of water and sewerage services, I wish to express my appreciation to our esteemed customers for their continued trust and support, which motivate us to achieve even greater heights. Furthermore, I wish to thank our key stakeholders including our principal,

Nairobi City County Government, the National Government including the relevant agencies like Water Services Regulatory Board (WASREB), Water Sector Trust Fund (WSTF) and Water Resources Authority (WRA) and all international and local development partners for their unwavering support, guidance, and collaboration.

Last but not least, I would like to extend my heartfelt gratitude to our dedicated management and staff for their tireless efforts and commitment to our mission. Together, we will continue to work towards improving water and sanitation services for the people of Nairobi and contributing to the overall development of our city.

Arnold Karanja

Chairman, Board of Directors

6. Report of the Managing Director

During the financial year 2024/2025 the Company developed its sixth strategic plan, for the period 2024/25 – 2028/29. Throughout this financial year, our Company remained steadfast in its commitment to advancing both international and domestic water and sanitation goals, specifically aiming to ensure adequate and quality water access for all by 2030. In particular, the Company enhanced its efforts towards realization of Nairobi City County Government's water and sanitation goals in the 2023-2028 County Integrated Development Plan (CIDP) and H.E. The Governor's Vision of being "A City of Order, Dignity, Hope and Opportunities for All." Below are overviews of our performance during the review period, highlighting both our achievements and the challenges we have faced.

Water production and distribution

The agility of the company to harness raw water for quality production, distribution, and eventual collection, treatment, and discharge of resultant wastewater defines our core existence. Acknowledging the critical nature of these operations, the company has implemented strategic measures to address both reactive and planned maintenance of water treatment plants and associated appurtenances. These measures ensure the provision of seamless services to our customers, contributing to the overall sustainability and operational efficiency of the company.

During the financial year 2024/2025, the company sustained high production levels by adhering to rigorous maintenance schedules and responding promptly to reactive maintenance needs. Our activities included:

- Pipeline Maintenance: Both raw and treated water supply pipelines were maintained consistently to ensure uninterrupted water supply.
- Intake Screens and Desilting: Regular cleaning of intake screens and desilting were performed to maintain optimal water flow and quality.
- Equipment Maintenance: Reactive maintenances were carried out on timely basis, and preventative maintenance schedules for plant and equipment were strictly followed to sustain optimal performance.

Further, to enhance water and sewerage access, infrastructure in formal areas and informal settlements within the city was expanded through extensions and rehabilitations and building of water kiosks, boreholes

and ablution blocks. Details of these are contained in the sub section highlighting Key Performance Indicators during the year

The company set an ambitious target of reducing Non-Revenue Water (NRW) to 30% for the year. However, the NRW performance during the review period stood at 49%. Recognizing this challenge as a chronic issue, the company is fully focusing on this. Indeed, one of the six thematic areas in the sixth strategic plan is on management of NRW.

Ensuring the quality of treated water remained a top priority. The company took several steps to maintain and improve water quality:

- Laboratory Stocking: Laboratories were adequately stocked with necessary detergents and chemicals.
- Quality Monitoring: Regular sampling and testing of both pre-treated and post-treated water were conducted as per the established schedule.

As a result, the water quality produced during the period under review achieved 96% compliance with both World Health Organization (WHO) and Kenya Bureau of Standards (KEBS) requirements.

To address the ever-growing demand for water, which exceeds daily optimal production levels, the company enhanced its equitable distribution program. This program involved the monitoring of the four major corridors of water supply. During the review period, an average water supply constancy of 17.9 hours was achieved per supply-demand estimates, representing 107% of the target 16.75 hours. The surpassing of the target is attributed to the additional bulk water the Company started receiving from Kigoro and Karemenu in October 2024.

The company remained committed to environmental protection, with continued efforts in tree planting and heightened security surveillance along the catchment areas. These activities are crucial for maintaining the ecological balance and ensuring the sustainability of our water sources

Customer engagement

During the period under review, the company fully adhered to the customer service charter, mainly due to diligent follow-ups on customer complaints, ensuring resolution within the stipulated Turn Around Time (TAT). In response to the dynamic operational environment, the company continued to identify and implement suitable service delivery innovations. Significant efforts were made to leverage emerging technologies and innovations. The commercial functions were continuously enhanced and updated, allowing the company to engage with customers electronically via mobile phones for sending bills, disconnection notices, and facilitating bill settlements.

In the perspective of the performance metrics, the company also monitored its operational efficiencies. The meter reading and billing efficiencies during the period under review stood at 83.6% and 82.1% respectively. The shortfall suggests areas for improvement, particularly in the accuracy and timeliness of billing and meter reading operations.

Staff productivity

The company is committed to a program of staff development based on a goal of creating a conducive climate of professional growth and improving company operations efficiency by investing in staff competences. To create supportive work environment and ensure compliancy to Operational, Health and Safety Act (OSHA) 2007, the company procured and issued Personal Protective clothing to all eligible staff accordingly. In addition, the company fleet was regularly maintained per schedule and fuelled to sustain effective service delivery.

Revenue generation and financial stewardship

The company demonstrated a steady increase in revenue increasing from Kshs 10.77 billion in 2023/24 to Kshs 11.89 billion in 2024/25. This consistent improvement highlights the company's robust billing mechanism.

During the financial year 2024/2025, the company demonstrated a commitment to prudent financial management by implementing robust budgeting and expenditure control measures. These measures ensured that financial expenditures were planned and executed in alignment with the approved annual

budget. The company maintained stringent controls over the safekeeping and retrieval of financial documents, ensuring the effective utilization of company funds and assets. The collection efficiency remained commendable at 98.84% in 2024/25. This reflects the company's effective strategies in minimizing revenue losses. The Company is engaging the Water Services Regulatory Board (WASREB) on a responsive tariff with indexation to ensure sustainable water service provision.

Planning and implementation efforts were bolstered through the annual monitoring and evaluation of various business units against set targets, as outlined in the company's annual plans. During the review period, NCWSC successfully compiled and submitted Quarterly Performance Contract data, Water, and Sanitation Services Improvement Project (WaSSIP) reports. Additionally, the company ensured timely submission of the annual Water Regulatory Information System (WARIS) data.

Information Communication and Technology

To enhance service delivery and operational efficiency, the company significantly invested in the acquisition and upgrading of computer hardware and software. This investment facilitated the enhancement of ICT usage and uptake across the organization. During the review period, the company continued with user training for BASIS II, ensuring that employees were well equipped to leverage this technology effectively.

During the period under review, the Company launched a new USSD Code *260# with a view of continuous improvement of service delivery. In addition, operations in Utility Master (UM), an ICT application, were sustained, contributing to improved meter reading efficiency. This reflects the company's commitment to integrating advanced technologies into its operational processes to enhance accuracy and efficiency.

Recognizing the critical importance of data security, the company maintained robust measures for Offsite Backup, Data Replication (DR), and Cloud Backup implementation. These measures were essential in safeguarding sensitive information and ensuring business continuity in the event of a disaster.

In line with its commitment to continuous improvement, the company upheld its Research and Development (R&D) activities during the period. These efforts were geared towards exploring innovative solutions and best practices that could further enhance service delivery and operational efficiency, ensuring that Nairobi City Water and Sewerage Company remains at the forefront of the water and sanitation sector.

Quality Management System (ISO 9001:2015)

In maintaining the ISO 9001:2015 certification, the company continued to uphold stringent internal quality management audits throughout the year. Regular training sessions were conducted to ensure staff were well-versed with quality management documentation procedures as stipulated by ISO 9001:2015 standards. This commitment to quality ensured that the company's operations met international standards, contributing to its overall efficiency and effectiveness. During the period under review, surveillance audit was done by the certifying body; Kenya Bureau of Standards (KeBS).

Risk Management

The Company reviewed its Corporate Risk Framework which was incorporated in the sixth Strategic Plan for the period 2024/25 to 2028/29. Further, to sustain corporate governance, the company enhanced Corruption Risk Assessment (CRA) during the year under review. Additionally, the Company intensified efforts to raise awareness of integrity among staff members, coupled with capacity-building initiatives, ensuring that the entire Nairobi City Water and Sewerage Company (NCWSC) workforce moved in unison towards upholding corporate governance principles.

Conclusion

In conclusion, I would like to appreciate and acknowledge the unwavering and continuous support the Company received from all internal and external stakeholders led by the Ministry of Water, Sanitation, and Irrigation whose leadership and vision have been crucial in guiding our efforts to meet both national and international water and sanitation goals. I am also deeply grateful to the Water Services Regulatory Board (WASREB) for its oversight and guidance. Their role in regulating our operations has been invaluable in maintaining the standards of service delivery that our customers expect and deserve. Similarly, special thanks go to the County Government of Nairobi for its collaboration and support in our efforts to improve water and sanitation services for the residents of Nairobi. Our partnership remains vital as we work together to address the growing demand for these essential services.

Internally, I would like to express my sincere appreciation to the Board of Directors for their strategic guidance and steadfast support. Their leadership has been critical in steering the company through a complex operational environment, ensuring that we continue to deliver on our mandate. Further, I would like to extend

my heartfelt gratitude to all my members of Board of Management and our entire dedicated staff, whose commitment and hard work have been instrumental in navigating the challenges and achieving the successes of the financial year 2023/2025. Our combined resilience and determination have enabled us to maintain our course towards our strategic goals.

Lastly, I wish to thank our invaluable customers whose trust and confidence in our services drive us to strive for excellence every day. We remain committed to improving our services and ensuring that their needs are met with the highest levels of quality and reliability.

As we move forward, I am confident that with the continued support of all our internal and external stakeholders, Nairobi City Water and Sewerage Company will not only meet but exceed the expectations of the communities we serve, contributing to a more sustainable and equitable future for all.

Martin W. Nang'ole

Ag. Managing Director

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

NCWSC pursued Six strategic thematic areas from the Strategic Plan for the period 2024/2025 – 2028/29. The Strategic Plan has Strategic goals and various key activities in every KRA and in whose implementation is assessed objectively. These strategic objectives are implemented through the annual performance contracts and work plans for each year.

The current Strategic Plan focuses on six key thematic/KRAs areas with the objectives to be progressively achieved by June 2029:

1. Increase water production capacity from 525,600m³/day to 1,200,000m³/day and potable water coverage from 79% to 92%
2. Increase sewerage coverage from 49% to 70% and sewage treatment capacity from 194,000m³/day to 675,000m³/day
3. Reduce Non-Revenue Water from 48% to 30%
4. Enhance corporate governance and institutional capacity
5. Enhance climate change adaptation, mitigation, and resilience
6. Enhance sustainability and revenue growth from Ksh.10.95bn to Ksh.24.41bn annually

In financial year 2024/2025, the Company embarked on the first year of its sixth five-year rolling of its Strategic Plan 2024/2025 to 2028/2029. Guided by this plan, the company aspires to contribute effectively to both international and domestic water and sanitation goals of provision of adequate and quality water for all by the year 2030. Albeit a host of sporadic and frequent challenges, such as climatic change, low water sector investment and high operational costs, the company has continuously evaluated its strategies to respond and align its business approaches to forestall the adverse water and sewerage services interruptions within the city of Nairobi.

The company anchored its plans on these themes to enhance service delivery and operational efficiency despite various challenges. During the period under review, Strategic Plan implementation was internally estimated at 61% as highlighted in the table below. Key impediments to full realization of the Strategic Plan targets included the negative effects Gen z's unrest after June 2024 National Budget review stalemate, low water investment for development of water sources and complimentary transmission and distribution infrastructure.

Table XXX: Internal estimates of implementation of 2024/25 – 2028/29 Strategic Plan

KRA	YEAR 1 (2024/25) Fy Estimated Implementation	Overall Remarks
KRA 1: Water Supply Management	53%	-All the internal and external funds allocated fully utilized. Kima, Kimakia & Kiburu desilted -Various projects are still in different stages of completion.-

KRA	YEAR 1 (2024/25) Fy Estimated Implementation	Overall Remarks
		Lack of power supply at the at some operation areas such as Mwagu and Matara.
KRA 2: Waste Water Management	82.63%	- There was delayed approvals from the oversight agencies such as AWWDA - External funding challenges
KRA 3: Non Revenue Water Management	39%	- Delay of CKE 1135 AFD funded NRW Management which aimed at reducing commercial losses by 20% in two regions and overall NRW by 6% - Increase in NRW can also be attributed to increased water pressure due to additional AWWDA Bulk water supply leading to yielding of dilapidated infrastructure hence increased physical losses.
KRA 4: Governance, Institutional Capacity, Technology And Research	68%	This performance was largely Affected by financial constraints
KRA 5: Climate Change And Future Proofing	36%	47,547 trees planted against annual target of 100,000. TORs drafted for feasibility studies on Carbon footprint and green energy was done. Other activities for this KRA were not implemented, as they had not been factored in the 2024/25 budget.
KRA6:Finance & Resource Management	89.01%	This performance has been assessed from Q1 Performance Contract achievements and the Strategic Plan (KPIS) performance assessment, which encompasses broader organizational goals beyond the PC targets. On PC, the average of revenue collection (3,190/4,620)=**69.03%** and budget compliance levels derived as the weighted average of OPEX (Declining variable) and CAPEX (Increasing variable) OPEX = (Budget/Actual)*100= (3,636mn/3,292mn)=110.4%. CAPEX = (Actual/Budget)*100= (351mn/1,423mn) =24.7%. The weighted Budget Compliance is given as (OPEX Budget/Total Budget)*OPEX % Performance) + (CAPEX Budget/Total Budget)*CAPEX % Performance) which becomes

KRA	YEAR 1 (2024/25) Fy Estimated Implementation	Overall Remarks
		(3,636Mn/5,059Mn)*110.4%+(1,423Mn/5,059Mn)*24.7%=**88.88%** Where 5,059Mn is total Quarterly Budget. Therefore the overall PC Quarterly Financial Performance becomes (69.03+88.88)/2= **78.96%.**
Overall Implementation Estimates. (%)	**61%**	The Overall organizational performance on the Strategic plan implementation during the reporting period was **61%.** This performance was largely affected by late development and approval of Strategic plan (2024-29). Further, financial challenges affected projects implementation. Low revenue collection due to political unrest-Finance Bill 2024. .

Source: NCWSC SP 2024/25-2028/29

8. Corporate Governance Statement

The Company is committed to the standards of good corporate governance. The following disclosures aim at emphasizing this commitment.

Role of the Board

The Board is responsible for:

- Establishing the strategic plan and guiding its implementation.
- Ensuring that appropriate management structures and policies are in place.
- Approving performance targets including budgets and monitoring their achievements.
- Ensuring preparation and presentation of the annual financial statements in accordance with International Financial Reporting Standards and disclosures of other relevant information to shareholders.
- Identifying and mitigating risks and overseeing the implementation of governance processes that promote compliance with legislation, professional standards and the best corporate governance practices promulgated by relevant authorities.

Composition of the Board

The Board is composed of nine non-executive Directors who are appointed by the shareholder in line with applicable provisions. The Board members elect the Chairman. The Managing Director is ex-officio member of the Board with no voting rights. All the non-executive Directors are independent of management.

Roles of the Chair and the Managing Director

The roles of the Chair and the Managing Director are separate, with each holder having distinct and clearly defined duties and responsibilities.

The Chair is responsible for leadership of the Board and ensuring its effectiveness while safeguarding the interests of the shareholder and other stakeholders. On the other hand, the Managing Director has overall responsibility for the performance of the business and provides leadership to management to facilitate successful planning and execution of the objectives and strategies agreed by the Board.

Board meetings/activities

The Board and its committees meet once every quarter as scheduled, but special meetings may be called when need arises. The members are given notices and agenda for all meetings, which are circulated on a timely basis together with the respective documents for discussion. Members of the Board are required to declare any conflict of interest on issues for deliberation and are disqualified from participating in deliberations where such conflict exists.

Board remuneration

i. The directors are entitled to a sitting allowance, lunch allowance and transport allowance for attending a duly convened and constituted meeting of the Board meeting, meeting of committees or of any official event/duties.

ii. The chairperson receives a monthly honorarium.

iii. Sustenance and sitting allowance is paid to non-executive directors for any day of travel from regular station in order to attend to duties of the company.

iv. Medical insurance cover is provided to all non-executive directors for their individual medical requirements for both inpatient and outpatient.

Number of meetings held during the period

S/No.	Board	Meetings held while in office	No. of meetings attended
1.	Arnold Karanja	9	9
2.	Beryl L. Okumu	9	3
3.	CEC/CCO - Finance	9	7
4.	Emmah M. Mukuhi	9	9
5.	Robow Mohamed	9	9
6.	CEC/CCO - Water	9	9
7.	Cedric K. Alaro	9	9
8.	Johnstone A. Mukabwa	9	9
9.	Rose E. Wamuiya	9	9
10.	Erick Omondi (Co-opted member ARGC)	9	1

S/No.	Technical Commercial and ICT Committee	Meetings held while in office	No. of meetings attended
1.	Cedric K. Alaro	4	4
2.	CEC/CCO - Water	4	4
3.	Robow Mohamed	4	4

S/No.	Finance Committee	Meetings held while in office	No. of meetings attended
1.	Emmah M. Mukuhi	8	8
2.	CEC/CCO - Finance	8	1
3.	CEC/CCO - Water	8	8
4.	Erick Omondi (Co-opted member ARGC)	8	2
5.	Phares Chege (Co-opted member ARGC)	8	1

S/No.	Human Resource Administration & Communication Committee	Meetings held while in office	No. of meetings attended
1.	Johnstone A. Mukabwa	4	4
2.	CEC/CCO - Water	4	3
3.	Robow Mohamed	4	4
4.	Emmah Mukuhi	4	1

S/No.	Audit Risk & Governance Committee	Meetings held while in office	No. of meetings attended
1.	Esther Wamuiya	6	5
2.	Beryl Okumu	6	3
3.	Eric Omondi	6	6
4.	Phares Chege	6	6

Board Induction and development

Each director is provided with a comprehensive and tailored induction covering the Company's business and operations; the applicable legal and regulatory obligations; and special focus on corporate governance. In addition, other workshops/trainings were held on corporate governance, Mwongozo, etc.

Board Committees

The Board appoints committees to assist in executing its mandate. The board has four committees as follows;

i) Audit, Risk and Governance Committee

The committee is comprised of three (3) board members, 2 *Co–opted* members, and the Director Internal Audit and Risk Management who serves as the secretary to the committee.

The Committee reports to the Board of Directors: It is responsible for assisting the Board to discharge its corporate governance responsibilities as follows:

- Internal Control and risk management including reviewing the risk philosophy, strategy and policies recommended by the Company. The Committee ensures compliance with such policies and with the overall risk profile of the Company.
- Reviewing financial information in particular annual financial statements to ensure compliance with accounting standards, legislation and other disclosure requirements.
- Reviewing the external auditors' proposed audit scope and approach and ensuring no unjustified restrictions or limitations have been placed on the scope.

  Reviewing the function, operations and reports of the Internal Audit Directorate.

ii) Finance committee

The committee is composed of 3 board members. The Committee assists the Board in discharging its responsibilities as follows:

- To consider and recommend for Board approval the financial services policies and legal services policies for the Company.
- To receive and consider progress reports on financial services and legal matters.
- To consider and recommend for Board approval the financial budgets and financial statements for the Company.
- To receive and consider periodic financial performance and legal services reports of the Company.
- To adjudicate any financial or legal policy matters referred to it by the management.
- Ensure compliance with the provisions of the Companies Act under which the company is registered, Company's Articles of Association and any other applicable provisions of law.
- Advise the Board on measures to be taken in order to comply with legal provisions as provided for by various pieces of legislation.

iii) Human Resource, Administration and Communication Committee (HRA&CC)

a) Human Resource & Administration

The committee is composed of Three (3) board members. It is responsible for assisting the Board to discharge its responsibilities as follows:

- Review and recommend for approval terms and conditions of service for Company employees;
- Handle policy issues and strategies on human resource and administration;
- Assist and support the Board in the recruitment of senior management staff;
- Assist the Board in fulfilling its obligations relating to human resource and compensation matters and establish a plan for continuity and development of staff;
- Recommend a performance evaluation process for the Chief Executive Officer and, when approved, lead the process in conjunction with the Board Chair;
- Review and recommend the Company's compensation philosophy, strategy, and guidelines;
- Recommend for approval the design of, and determine targets for, any performance related pay schemes operated by the Company;
- Review major changes in the organization structure of management as proposed by the CEO and/or the Committee;
- Ensure that policies are developed and implemented to comply with all human resource-related standards, laws and regulations;
- Ensure that the Company has adequate policies with regard to salary administration;
- Receive, consider, adopt and present progress reports on human resource and administration issues to the Board;
- Keep the Board updated on fundamental human resource and administration issues affecting the Company;
- Oversee the right sizing and structuring of the organization in line with the Company's business processes;
- Spearhead the creation of a long-term human resource skills and competency reservoir;
- Oversee management succession planning processes;
- Review the standards and practices established by the Company for the safety and physical working conditions of staff to ensure they are sufficient and well maintained;

- Determine the policy for, and scope of, pension arrangements for staff;
- Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company and that failure is not rewarded;
- Oversee any major changes in employee benefits structures throughout the Company;
- Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

b) Communication

- To ensure effective company communication with the public.
- To ensure establishment of correct corporate image and good stakeholders' relations.
- To advise on available publicity opportunities on various issues including exhibitions and handling technical conferences.
- In charge of Company's publications and documentaries.

iv) Technical, Commercial and ICT Committee (TC&ICTC)

This is composed of Three (3) non-executive directors. It is responsible for assisting the Board to discharge its responsibilities as follows:

- Prepare and table reports on its deliberations to the Board through the Committee Chair or any nominated member of the committee.
- Carry out any special responsibility as may be delegated to it by the Board.
- Work closely with other relevant committees so as to promote the objectives as set out in the Company's business plan.
- Review all ICT, technical and commercial proposals from the management team that focus on improving water and sewerage services that would require Board's approval for implementation.
- Subject to all applicable laws, review all proposals for procurement of infrastructure, development and support whose procurement is subject to approval by the Board prior to tendering.
- Receive and deliberate on the progress reports for all projects being implemented by the NCWSC with a view to providing guidance to the management and the Board.

- Consider and recommend for full Board approval ICT, technical and commercial services policies of the Company.
- Receive and consider periodic progress reports on technical, commercial and ICT-related activities and report on the same to the full Board on quarterly basis.
- Give guidelines/opinions to the management on areas of improvement as far as ICT, technical and commercial activities are concerned.
- Oversee, on behalf of the Board, that the Company achieves the set annual targets in water production, water distribution, revenue generation, market growth and customer satisfaction.
- Review the performance of the ICT, Technical and Commercial Directorates and recommend action to be taken for improvement and enhancement of the performance.
- Make periodic visits to the Company's installations and evaluate reports on the dams, treatment works as well as on the networks of water pipelines and sewer lines on a quarterly basis.

9. Management Discussion and Analysis

The Company's operations are guided by the Strategic Plan 2024/25-2028/29 and a Business Plan 2024/25-2026/27 anchored in the Constitution of Kenya 2010, Kenya Vision 2030, the Bottom-Up Economic Transformation Agenda (BETA), and the Fourth Medium-Term Plan (MTP IV). It is also aligned with relevant sectoral policies and legislation, including the Water Act 2016 (amended 2024), the National Water Policy 2021, the Sanitation Management Policy (2024), and the Environmental Management and Coordination Act (EMCA) 1999. With a projected budget of KES 107.763 billion, this plan reaffirms the Company's unwavering commitment to delivering high-quality and reliable water and sewerage services. It outlines critical infrastructure and facility developments necessary to support implementation across the six thematic areas or Key Result Areas (KRAs).

The six KRAs are Water Supply Management with an aim of increasing daily water production capacity from 525,600 m3 to 1,200,000 m3 and expand potable water coverage from 79% to 92%; Wastewater Management targets expanding sewerage coverage from 49% to 70% and increasing sewage treatment capacity from 194,000 m3/day to 675,000 m3/day. The third KRA aims at improving Non-Revenue Water losses from 48% to 30% while the fourth one aims at strengthening corporate governance and enhancing institutional effectiveness. The fifth KRA focuses on Climate Change and Future Proofing issues for Company's adaptation, mitigation, and resilience strategies to address climate risks while the last KRA targets to improve financial sustainability and enhance revenue growth mechanisms.

The Company's annual performance is monitored and evaluated quarterly through a Performance Contract (PC) signed between NCWSC and its principal, ensuring that the company remains on track to achieve its strategic objectives while delivering essential services to the residents of Nairobi City County.

NCWSC's Key Completed and On-Going Projects

The table below summarizes the projects' progress performance for on quarterly basis and during FY2024-25 against the Performance Contract key performance indicators. The projects' overall implementation status improved progressively from 66% in quarter one to 198% in quarter for and averaged 108% for the financial year.

Water Pipeline Extension/Rehabilitation

In the formal areas, 20.42 kms of pipeline was extended or rehabilitated, surpassing the quarterly target of 11.4 km by 9.02km and thus translating to 178% performance achievement. Commensurately, in informal settlements, progress was above target by 0.16km with 2.16km completed against a 2km target which represents 108% performance. In total, 68.52km in formal areas and 4.4Km in Informal areas were extended/rehabilitated with overall performances at 151% and 58% respectively. The works included rehabilitation of water pipelines at Mirema area (Roysambu), relocation of water pipeline along Dandora dump site, relocation of Gatina water Rising main (DN225), Langata Bomas Water Extension, and assorted in-house works in informal settlements

Borehole Drilling/Rehabilitation

The quarterly target of drilling/rehabilitating and equipping five boreholes in quarter four was fully achieved as a total of five boreholes were successfully drilled/rehabilitated and equipped. During the 2024/25 FY, a total of 21 boreholes were done against the target of 20, resulting to 117% performance. The boreholes were done at Toi, Tassia Ndege, Kariobangi, Utawala (2No.), Kayole (2No.), Komorock, Makongeni, Kibera Primary, Korogocho, Lucky Summer, Olympic, Karen C, Mlango Kubwa, Biafra, Ngara health Center & Mukarara Primary. Two of the boreholes (Kibera & Canon Apollo) have already been commissioned.

Sewer Line Extension/Rehabilitation

In the formal areas, 9.75km of sewer lines were extended or rehabilitated, exceeding the 4.58 km quarterly target by 5.17Km. This translates into 213% performance achievement. During the 2024/25 FY, a total of 23.54 kms of sewer lines extension/rehabilitation were completed against a target of 20.7kms translating to 114% annual achievement. The works were implemented at Mowlem – Nairobi River Trunk Sewer, Mowlem Super-loaf, Shauri Moyo (Eastleigh, 1st Avenue), Kariobangi South River Bank, Lenana, Processional way, Dandora, Kasarani Mwiki, Clay City, and Njiru.

In the informal settlements, 4.55 km of sewer lines were extended or rehabilitated, above the 1.58 km target for the quarter translating to 288% Quarterly performance and 8.05km (128% annually). These were done at Kayole South, Lower Savannah, Nyama Villa area, Huruma Ngei phase 2, Huruma Ngei Sokoni, and Ngei ward (Mundika, Mbuthia junction & Metameta),

Ablution Block Construction

During April – June 2025 period, three(3No.) ablution blocks construction were completed in Ngei Ward Ablution Block and Kayole North against a target of one resulting to 300% performance. Cumulatively, during the 2024/25 FY, four ablution blocks were realized against a target of five resulting to 80% performance. Other ongoing projects are at Umoja 1 Primary and Dedan Kimathi.

Table 1: 2024/25 Projects Progress Analysis

SNo.	Performance Indicators	Weight	Unit	Baseline (2023-2024) Performance	FY 2024/25 performance	2024/25 % Performance
1.	Water pipeline extension/ rehabilitation in the formal areas	4	Kms	44.2	68.52	**151%**
2.	Water pipeline extension/ rehabilitation in the informal areas	3	Kms	8.3	4.64	**58%**
3.	Drilling/Rehabilitation of boreholes	2	No.	4	21	**117%**
4.	Length of sewer line extensions and rehabilitation in formal areas	4	Kms	8.8	23.54	**114%**
5.	Sewer pipeline extension/rehabilitation in the informal settlement	3	Kms	1.76	8.05	**128%**
6.	Construction of Ablution blocks	2	No.	2	4	**80%**
7.	Programme/ project Completion Rate	2	%	**85%**	**108%**	**108%**

Overview of NCWSC's Operational and Financial Performance

The analysis below focuses on NCWSC's performance for the period April to June 2025 and cumulatively for 2024/25 FY. For comparison purposes, performances for the periods Quarter four of prior year (April – June 2024) and prior period Quarter Three (Jan. - March 2025) are included.

Own Water Production, Bulk Water Purchases, Billed Volume and NRW

Figure **1** below provides a comparative analysis in volumes of water production, bulk water purchases, water billed and Non-Revenue Water (NRW) performances for the targeted periods. The fourth quarter (April – June 2025) saw the rise of water production to 45.24Mn m3 in April June 2025 quarter, from 45.13 Mn m3 in the third quarter (Jan – Mar 2025), and 45.78 Mn M3 in Q2 (Oct – Dec 2024). In the year 2024/25, water production continued to be robust 183 million cubic meters, maintaining a level similar to the 2023/24 the highest production ever of 185 Mn m3/year.

The total Bulk Water purchase volumes were; 12.44Mn m3 in April June 2025 quarter, from 11.71Mn m3 in the third quarter (Jan – Mar 2025), and 7.51Mn M3 in Q2 (Oct – Dec 2024) as Kigoro WTP and Karimenu additional bulk water supplies stabilized. A total of 31.73 million cubic meters of water were received from Kigoro and Karimenu as bulk purchases from AWWDA

The total volume supplied to Nairobi City 57.69Mn m3 in April-June 2025 quarter, from 56.84Mn m3 in the third quarter (Jan – Mar 2025), and 53.29Mn M3 in Q2 (Oct – Dec 2024) as Kigoro WTP and Karimenu additional bulk water supplies stabilized. A total of 215.29 Mn m3 water supply was realized in FY 2024/25 The volume of water billed over the four quarters saw an increase from 23.04 Mn m3 in April June 2024 quarter, 25.73 Mn M3 in Q2 (Oct – Dec 2024) to 29.67 Mn M3 in Q3 (Jan – Mar 2025) and 26.0Mn m3 in Q4 (Apr – Jun 2025). The volume billed was 110 Mn M3 in 2024/25. The upward trend could be attributed to a combination of the increase in water supply and improvements in metering or billing processes.

Non-Revenue Water (NRW), which represents water produced but not billed (due to leaks, theft, or inefficiencies), has averaged 50.5% for Q4 (Apr – Jun 2025). Concerted efforts to reduce the losses have seen it managed at an average of 49.6% in FY 2024/25.

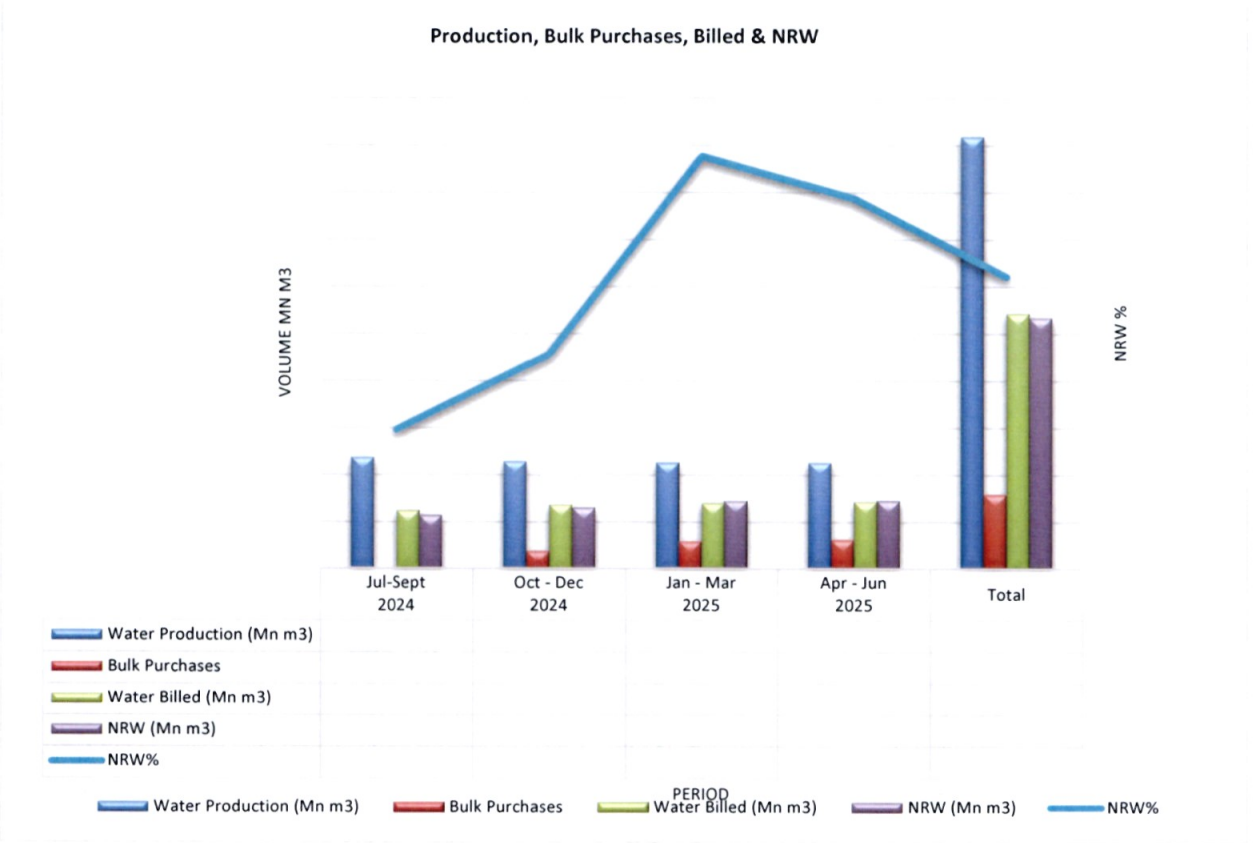

Figure 1: Production, Bulk Water Purchases, Billing and NRW

Billed Amount, Collection and Collection Efficiency

Figure 2 below shows NCWSC's performance on the billed amount, the collected amount and the collection efficiency for the respective quarters and 2024/25 FY. Overall, there was an upward trend in the amounts billed and that collected. This is an indication of increased efficiency in the billing and revenue collection processes, and could as well reflect the increased water supply in the latest period Q4 (Apr– Jun 2025) and FY 2024/25

The billed amount stood at KShs. 3,157million in Q4 (Apr– Jun 2025) an increase from KShs. 2,727million Q1 (Jul -Sept 2024). The annual billed amount rose from Kshs 10.77 billion in 2023/24 to Kshs 11.89 billion in 2024/25 The Collected amount rose from Kshs 10.75 billion in 2023/24 to Kshs 11.74 billion in 2024/25. The collection efficiency oscillated from 98.8%% in Q4 (April – June 2024) down to 98.5% in Q2 (Oct-Dec 2024, then up to 99.86% in Q3 (Jan – Mar 2025) and closed at 97.22% in Q4. The overall CE for the 2024/25 FY was 98.9%.

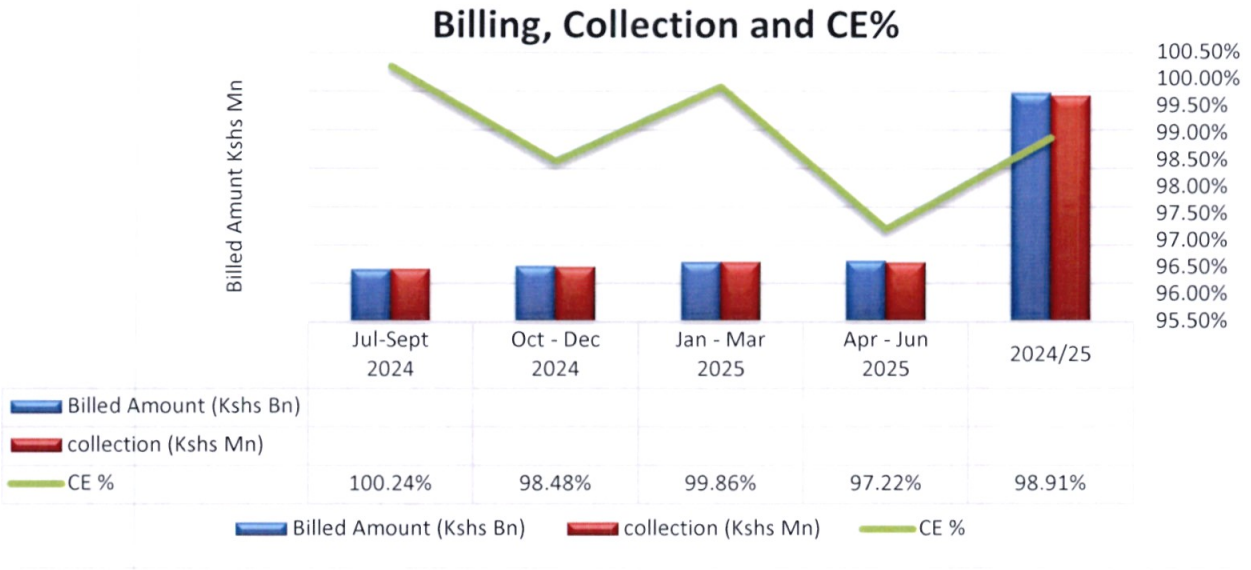

Figure 2: Billing, Collection and CE%

Customer Growth

Figure 3 below is an overview of the customer base of Nairobi City Water and Sewerage Company during the period under review.

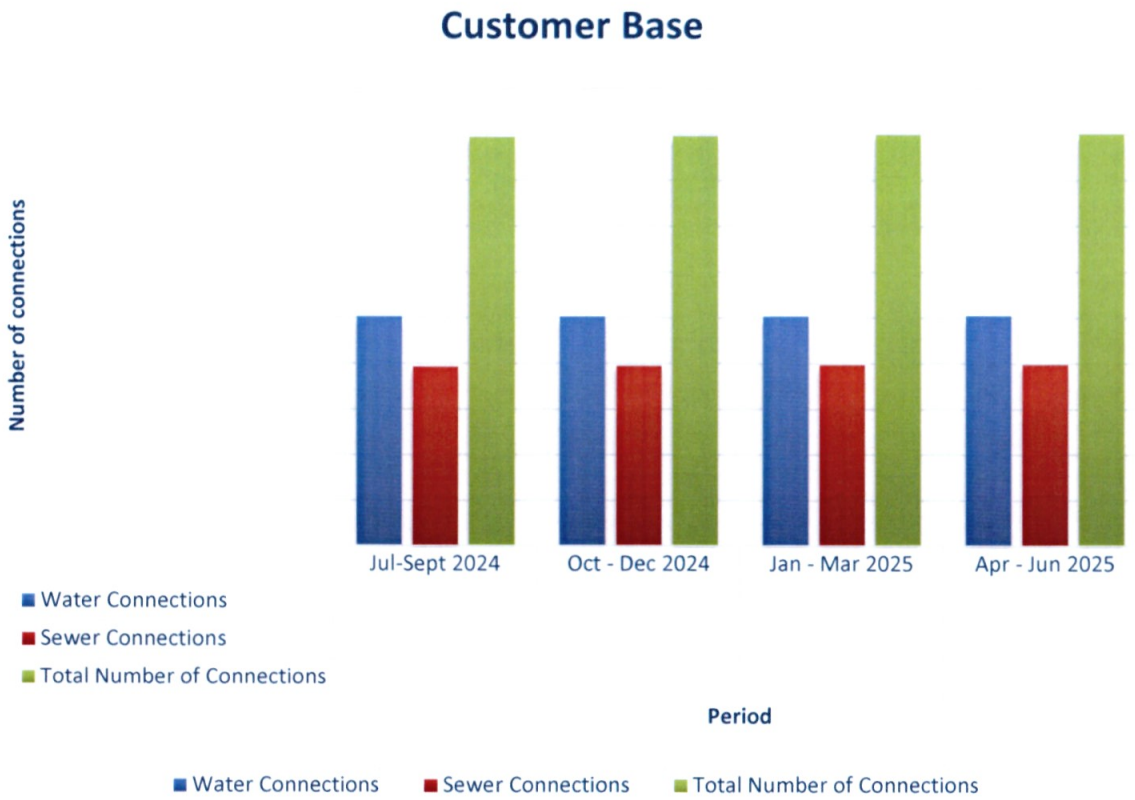

Figure 3: Number of Connections

The combined total water and sewer connections demonstrated a general positive trajectory between the period Jan – Mar 2025 (449,551) and Apr – Jun 2025 (450, 668). As at June 2025, there were 251,985 water and 198,683 sewer connections respectively, a growth from 250,667 water and 195,473 sewer connections as at June 2024. This increase in the number of customers is indicative of business growth and increased efforts towards increasing access to the unserved and underserved customers.

Remittance of Statutory Deductions

During the period under review as the table below indicates, the overall compliance rate to statutory deduction for the fourth quarter and 2024/25 FY stood at 88%. The company achieved 100% compliance rate for key statutory deductions, including VAT, Housing Levy, PAYE, NHIF, NSSF, SACCOs, NITA and Pension Contributions. This reflects a strong commitment to statutory obligations and effective payroll administration.

Major Challenges and Corporate Risks

Nairobi City Water and Sewerage Company (NCWSC) has identified six major high corporate risks that could impact its ability to effectively deliver on its mandate. The Company, in collaboration with key stakeholders, is working to mitigate these risks. The risks are highlighted below;

A primary concern is the inadequate development and maintenance of water and sewer infrastructure. This includes the risk of inadequacy in expanding and upgrading existing systems, leading to capacity constraints and potential service disruptions. Compounding this is the aged/aging infrastructure that affects effective transmission and distribution of water to customers.

The Company also faces the risk of loss of revenue due to high Non-Revenue Water that is higher than the regulator (WASREB's) recommended benchmark of 25%, either through physical or commercial losses. The net effect of this is ineffective service delivery to customers, leading to dissatisfaction, and reputational damage.

Inadequate capacity to collect, convey and treat sewer and waste water due to constraints on the existing sewer infrastructure that has not been developed to meet the demands of the growing population for sewerage services. This also culminates in loss of revenue in sewer and wastewater services as residents use unconventional means to manage their sanitation needs thereby posing public health and safety challenges.

10. Environmental and Sustainability Reporting

Nairobi City Water and Sewerage Company Ltd has integrated Environment, Sustainability and Governance (ESG) principles across its operations—delivering climate-resilient water management, inclusive services, and transparent governance tied to sustainable development and county accountability frameworks.

NCWSC exists to positively impact the lives of the people it serves. Our strategy and guiding policies are driven by the desire to provide quality water and sewerage services in an environmentally friendly manner that delights our customers. This motivates us to create an enabling environment that integrates marketplace, workplace, environment and community concerns with business operations. Below is an outline of the organization's policies and activities that promote sustainability.

(i) Environmental, Sustainability and Governance(ESG) Reporting

Nairobi City Water & Sewerage Company Ltd (NCWSC) has anchored Climate Change and Future Proofing as one of its six thematic areas in the 2024/25 – 2028/29 Strategic Plan. The theme aims at enhancing mitigation and resilience strategies to address climate risks through five strategic objectives;

i. Develop and implement a comprehensive climate change framework by Dec 2026
ii. Improve energy consumption and transition to renewable energy sources by at least 75% over the next four years
iii. To implement sustainable waste water reuse and recovery projects
iv. Implement sustainable climate change Corporate Social Responsibility (CSR) programs in neighboring communities
v. Develop and implement a funding strategy for future-proof projects.

(i) Environmental performance

NCWSC participates in community-driven initiatives—such as the Future Design Basecamp and riparian-zone reforestation along the Thika River—to reduce sediment loads by planting trees, and launching erosion-reduction schemes. In 2024/25 NCWSC undertook CSR activities and Community engagements to enhance its stakeholder management, improve on its social impact within the catchment community and various wards within the city. The main focus on CSR is based around the water cycle, addressing issues on climate change, diversity and inclusion.

The aim of the Company is to responsibly:

- Minimize our impact on the environment through sustainable practices.
- Impact the communities we work and live in positively.
- Build positive relationships with stakeholders and partners.
- Provide sustainable benefits for our stakeholders

Through collaboration with WaterWorX, NCWSC and Water Resources Authority (WRA) trained local WRUAs on river and groundwater monitoring (e.g., mobile water-level monitoring, river health assessments) and rehabilitated a groundwater gauge station, bolstering early warning and adaptive management.
In early 2025, NCWSC, with support from World Waternet experts, piloted an onsite electrolyser to generate sodium hypochlorite — a safer method for water treatment that reduces reliance on chlorine gas and enhances operational safety.

In addition, NCWSC received the Environment for Development (EfD) Policy Impact Award 2024 for joint research on tariffs and consumer behavior, which shaped company's financial sustainability strategies and deepened institutional expertise in climate-resilient service delivery.

(ii) Employee welfare

During the period under review, NCWSC submitted the annual performance contract to the Nairobi County Government with proposed targets. Based on the cascaded corporate performance contract, appraisals are done bi-annually to evaluate employees' performance . Further, employees who improve their skills are rewarded through promotions and basic salary increment in accordance to HR Policy and Procedure Manual. Employees registered with professional bodies are facilitated to earn their annual Continuous Professional Development (CPDs) points in order to keep up with the emerging issues and the best practices in the job market. In addition, function specific trainings are carried out as per identified gaps and as approved in the corporate training plan.

Further, the Company subscribes to the doctrine of Equal Employment opportunities for qualified personnel, both female and male regardless of ethnicity, race, culture, disability and religion or relationships. In addition, Occupational Safety and Health (OSHA) is handled as regulated in the occupational safety and health act 2007.

(iii) Responsible supply chain and supplier relations

Adhering to the Public Procurement and Disposal Act 2015, all procurement activities were conducted with the highest levels of transparency and accountability. Tender applications were subjected to rigorous scrutiny by the tender opening committee, followed by thorough evaluations to ensure conformity with the required specifications. To maintain the integrity of the procurement process, the Procurement and Disposal Committee met periodically to determine the best methods for disposing of idle assets, ensuring optimal resource utilization.

(iv) Responsible marketing and advertisement

The Company is committed to ethical marketing practices and has embraced its core values which include and not limited to customer focus, accountability and integrity. During the last year, this was mainly driven through technology where, information on services and products of the Company and various campaigns were channeled.

A multi-channel approach was utilized which included various social media platforms and traditional media outlets to ensure that every stakeholder was reached and a feedback mechanism identified to ensure that information flowed to and from the stakeholders in an effective and efficient manner.

(v) Product stewardship

In our effort to ensure that our products and services are consumer friendly and in tandem with our vison and mission, the Company has embraced ISO standards which ensure that our products are of the highest quality. The Company is currently ISO certified which sets standards for quality management system based on ISO 9001:2015. In the last year, our services met the recommended portable water standards.

(vi) Corporate Social Responsibility(CSR) / Community Engagements

The CSR activities are aligned to the 2024/25 – 2028/29 Strategic Plan theme targeting to enhance climate change adaptation, mitigation, and resilience while investing in the future of the communities and residents we serve. For the Year ended 2024/2025, the Company evidently undertook the following activities:

In collaboration with County Government of Nairobi and various partners, the company marked 2025 World Water day, World Environment day as well as a corporate tree planting day at the surrounding catchment where our facilities are located; that is Thika (Ndakaini), Ruiru & Sasumua Dam catchment and at Karagita

stadium, Mihango ward in Nairobi. The partners that came on board for the activities are BAT (K), Kenya Forest Service, Equity Bank, Gatanga Women (CBO), Dedan Kimathi Foundation, Kenya Defense Forces, FreshLife Initiative, ShoFCO & Osho Chemicals. The efforts cumulatively saw over 47,457 tree seedlings planted.

Corporate Tree Planting Exercise at Karagita Stadium,

Mihango Ward on 22nd March, 2025.

In addition, through the Company's Community outreach program and in collaboration with the Nairobi County Assembly Members, the Company provided 149 No. 10,000-litre water tanks to various Community Based Organizations (CBOs) and schools within the informal settlements to ensure provision of clean water to the communities we serve.

Corporate Tree Planting Exercise in Sasumua Dam

11. Report of Directors

The Board of Directors submits the report for the year ended 30th, June 2025, which shows the state of the Company's affairs.

i. Principal activity

The Company provides water and sewerage services in Nairobi and its environs.

ii. Results

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

	2025	2024
	KSHs	KSHs
		Restated
Loss for the Year	**(236,496,853)**	**(47,088,768)**

iii. Dividends

The Company does not recommend the payment of a dividend in respect of the year ended 30th June 2025 as per the provisions of the Water Act 2016, section 131(3); which stipulates that payments shall not be paid to the owners of public water services providers as long as the universal rights of access to safe and clean water have not been achieved in the designated service areas;

iv. Directors

The members of the Board of Directors who served during the year are shown on page (vii)

v. Independent Auditors

The Auditor-General is the independent auditor in accordance with Article 229 of the Constitution of Kenya, the Public Audit Act, 2015 section 35 and the Companies Act and continues in office.

By order of the Board

Assumpta M. Reuben
Ag. Company Secretary
Date:

12. Statement of Directors' Responsibilities

The Kenyan Companies Act 2015 Section 147 and The Public Finance Management Act (PFM), 2012 section 164 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, as at the end of the financial year and of its operating results for the year. It also requires the Directors to ensure that the Company keeps proper accounting records, which disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (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 accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards 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 financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approval of the financial statement

The Company financial statements were approved by the Board of Directors on 27th August 2025 and signed on its behalf by;

A. Karanja
Chairperson Of The Board

Martin W. Nang'ole
Ag. Managing Director

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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 the 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 the Nairobi City Water and Sewerage Company Limited set out on pages 1 to 58, 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 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 Nairobi City Water and Sewerage Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1 Variances Between the Financial Statements and the Trial Balance

The following variances were noted between the financial statements and the trial balance;

Component	Trial Balance (Kshs.)	Financial Statements (Kshs.)	Variances (Kshs.)
Travelling and Subsistence – External (Note 12)	62,943,181	64,053,182	1,110,000
Uniforms and Protective Clothing (Note 12)	29,940,715	28,830,715	(1,110,000)

1.2 Variances in Trade and Other Payables

The following variances were noted between the Company's financial statements and other entities' financial statements;

Entity	NCWSC Financial Statements (Kshs.)	Other Entities Financial Statements (Kshs.)	Variance (Kshs.)
Office of the Auditor-General	24,947,021	24,195,727	751,294
Commissioner of Income Tax	9,763,044	9,524,700	238,344
Machakos University	1,208,069	1,479,000	(270,931)

1.3 Variances in Operating 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.12,125,961,035. However, analysis of invoices/bills revealed an amount of Kshs.11,882,959,639 resulting to an unreconciled variance of Kshs.243,001,396.

1.4 Variances and Inaccuracies in Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.3,744,229,008 as disclosed in Note 21 to the financial statements. However, the following variances were noted between the Company's financial statements and other entities' financial statements;

Entity	NCWSC Financial Statements (Kshs.)	Other Entities Financial Statements (Kshs.)	Variance (Kshs.)
Githunguri Water and Sanitation Company Limited	217,572,790	209,277,506	8,295,284
Kiambu Water Sewerage Company Limited	154,394,836	153,288,363	1,106,473

In addition, review undertaken to confirm the accuracy of debtors disclosed in the financial statements revealed inconsistencies between balances reported in the Oracle Financial ERP and those derived from Basis 2, the Company's billing system. Further, Note 21(a) to the financial statements reflects gross trade receivables balance of Kshs.9,704,571,162 as at 30 June, 2025. However, re-computation of the balance based on invoices, receipts, and prior year balances extracted from Basis 2 indicated a balance of Kshs.9,843,117,888 resulting to an unexplained and unreconciled variance of Kshs.138,546,726.

1.5 Casting Errors

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects general and operational expenses amount of Kshs.4,860,384,030 which further includes bank charges of Kshs.4,600,258. However, re-computation of the supporting documents revealed an amount of Kshs.4,937,264 resulting to an unreconciled variance of Kshs.337,006.

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

2. Unsupported Balances

2.1 Local Travel Expenditure

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflect general and operational expenses amount of

Kshs.4,860,384,030 which further includes local travelling and subsistence of Kshs.289,052,319. However, review of sampled expenditure records provided for audit amounting to Kshs.32,962,472 on venue for trainings and catering services revealed that the travel expenditure was not supported with work tickets and fuel receipts. Further, other expenditure amounting to Kshs.2,896,000 for local travels also lacked transport receipts, work tickets, fuel receipts and back to office reports.

In the circumstances, the accuracy and value for money for the total expenditure amount of Kshs.32,962,472 could not be confirmed.

2.2 Bulk Water Supplies

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects general and operational expenses amount of Kshs.4,860,384,030 which further includes bulk water purchases of Kshs.951,869,402 supplied by Athi Water Works Development Agency from Karimenu II and Northern Collector Tunnel. However, review of documents provided for audit revealed that there were no binding contracts between the Agency and the Nairobi City Water and Sewerage Company Ltd and therefore, the quality and quantity of water to be supplied could not be determined. Further, records provided for audit review revealed credit adjustments amounting to Kshs.43,529,770 that were not supported with approved Journal entries vouchers and credit memos.

In the circumstances, the accuracy and completeness of the bulk water purchases of Kshs.951,869,402 could not be confirmed.

3. Unsupported Expected Credit Loss

The statement of financial position reflects a balance of Kshs.3,744,229,008 in respect to trade and other receivables, as detailed in Note 21 to the financial statements. The balance excludes an allowance for credit loss of Kshs.7,567,280,307 against gross trade receivables of Kshs.9,704,571,162. However, no evidence was provided to demonstrate that the computation of the Expected Credit Loss (ECL) was performed in accordance with IPSAS 41, which requires a structured Expected Credit Loss (ECL) model incorporating forward-looking information. While Management has provided a reconciliation of allowance for trade receivable, this is not the basis for the ECL calculation.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.3,744,229,008 could not be confirmed.

4. Trade and Other Receivables

4.1 Long Outstanding Trade and Other Receivables

Note 21 to the financial statements reflects gross trade receivables balance of Kshs.9,704,571,162 out of which Kshs.8,852,712,740 or 91% was outstanding for more than one hundred and twenty (120) days. However, Management has not provided

information on steps taken to recover the long outstanding receivables and there is no evidence of demand notes issued to customers with long outstanding water bills. Further, review of the finance policy provided revealed that the Director of Financial Services and Strategy needs to update the Board on steps taken to recover water debt. However, the reports have not been provided for audit.

4.2 Unmigrated Receivables – Jisome System

Note 21 to the financial statements reflects gross trade receivables balance of Kshs.9,704,571,162. Review of the debtors' listing as at 30 June, 2025 revealed receivables totalling Kshs.3,902,250 arose from the unmigrated Jisome System. The Company lacked adequate data and information on the customers recorded on the Jisome System, creating a significant risk of unrecoverable debts. Further, the Company lacked adequate data on the Jisome System receivables as the accounts were still being verified.

4.3 Receivable from the Ministry of Water and Sanitation for the Nairobi Sanitation OBA Project

The statement of financial position reflects trade and other receivables balance of Kshs.3,744,229,008 which as disclosed in Note 21 to the financial statements reflects gross receivables balance of Kshs.9,704,571,162. However, an amount of Kshs.11,005,000 withdrawn from the special accounts and transferred to the Ministry of Water and Sanitation in relation to Nairobi Sanitation Output Based Aid Project (OBA) - (IDA grant No.TF014251 and No.TF0A5607 was not received by the Company and has not been included in the receivables balance. In addition, although Management of the Company which was the implementing agency of the Project explained that the Project was closed, no evidence from the Resource Mobilization Department and the Central Bank of Kenya was provided to confirm the closure.

In the circumstances, the accuracy and recoverability of the long outstanding accounts receivable balance Kshs.9,704,571,162 could not be confirmed and it was not possible to confirm the current status of the Project.

5. Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 22 to the financial statements reflects cash and cash equivalents balance of Kshs.476,956,192. However, review of the Company's bank accounts list provided for audit revealed that Guaranty Trust Bank was listed as a collection agency, however, the cash book, bank statements and bank confirmation certificate were not provided for audit. Further, the bank account was not included in the Company's cash and cash equivalents in the financial statements.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance Kshs.476,956,192 could not be confirmed.

6. Unsupported Finance Income

The statement of financial position and as disclosed in Note 22 to the financial statements reflects cash and cash equivalents balance of Kshs.476,956,192 which further includes two call deposit bank accounts with a total balance of Kshs.27,743,923. However, there was no evidence provided to show that Management had negotiated interest terms for the deposits. Further, the fixed deposit receipts, fixed deposits register and a schedule of interest earned was not provided for audit.

In the circumstances, the accuracy and completeness of the finance income could not be confirmed.

7. Unsupported Customer Deposits

The statement of financial position and as disclosed in Note 27 to the financial statements reflects customer deposits balance of Kshs.1,309,078,313 which includes accrued interest of Kshs.29,323,702 calculated at 3% per annum. However, it was not possible to verify the basis of the interest accrual, as the Company did not provide evidence of investments or an interest-bearing account to support the reported accrued interest. Further, the actual customer deposits balance as at June, 2025 could not be determined since the Company did not maintain a separate bank account designated for customer deposits.

In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.1,309,078,313 could not be confirmed.

8. Customers with Credit Balances

The statement of financial position and as disclosed in Note 30 to the financial statements, reflects customers with credit balances of Kshs.292,495,041. This balance relates to customers whose accounts were overpaid and issued with credit notes due to previous overbilling. This was attributed by incorrect meter readings, wrong customer classification, errors in calculating charges and duplicate line-item charges. However, no explanation was provided on the measures Management has put in place to avert the overbilling and recurrence.

In the circumstances, the accuracy, completeness and occurrence of the balance of Kshs.292,495,041could not be confirmed.

9. Obsolete and Slow-Moving Stock

The statement of financial position and as disclosed in Note 20 to the financial statements reflects inventories balance of Kshs.504,991,351. However, the stock count report of 30 June, 2025 indicated that there were obsolete and slow-moving stock with a balance of Kshs.11,496,345. Further, the stock take report indicates that 1,476 water meters 1/2" prepaid amounting to Kshs.3,638,340 have been in stock for a long period of time without utilization. The inventories had been valued at cost price which did not reflect the correct current value of the obsolete and slow-moving stock.

In the circumstances, the accuracy of the inventories balance of Kshs.504,991,351 could not be confirmed and it was not possible to determine the effectiveness of controls implemented in the stores department to guard against losses.

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

The statement of changes in equity reflects a loss of Kshs.236,496,853 and prior year adjustment of Kshs.118,101,768 which decreased the revenue reserves from a negative balance of Kshs.3,291,513,005 as at 30 June, 2024 to a negative balance of Kshs.3,646,111,645 as at 30 June, 2025. Further, the Company's current liabilities balance of Kshs.7,199,336,525 exceeded current assets balance of Kshs.4,726,176,551 resulting to a negative working capital of Kshs.2,473,159,974. The material uncertainty relating to going concern was not disclosed in the financial statements.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi City Water and Sewerage 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 receipts budget and actual on comparative basis of Kshs.19,894,580,639 and Kshs.12,683,920,391 respectively, resulting to under collection of Kshs.7,210,660,248 or 36% of the budget.

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

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 report, several issues were raised under the Report on the 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 Nairobi City Water and Sewerage Company Limited in 2024/2025 revealed that the following matters remained unresolved;

	Financial Year	Audit Issue
1	2023/2024	Inconsistencies in Operating Revenue
2	2023/2024	Long Outstanding Trade and Other Payables
3	2023/2024	Property, Plant and Equipment – Unvalued and Ownership
4	2023/2024	Trade and Other Receivables
5	2023/2024	Unsupported Prior Year Adjustments
6	2023/2024	Receivables from the Ministry of Water and Sanitation for Nairobi Sanitation OBA Project
7	2023/2024	Unsupported Statement of changes in Equity
8	2023/2024	Material Uncertainty in Relation to Going Concern
9	2023/2024	Unaccounted for Non-Revenue Water
10	2023/2024	Ethnicity Diversity
11	2023/2024	Unsustainable Wage Bill
12	2023/2024	Staff on Acting Capacity Beyond the Stipulated Period
13	2023/2024	Staff Earning Below a Third of Basic Pay
14	2023/2024	Irregular Procurement and Implementation of Oracle Human Capital Management (HCM) Licenses
15	2023/2024	Non-Compliance with the Persons with Disability Act, 2003
16	2023/2024	Use of End of Life (EoL) Microsoft Operating Systems

Other Information

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

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

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

REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregularities in Procurement

1.1 Irregularities in Procurement of Proposed Njiru Sewer Extension Works

Review of records provided for audit revealed that the Company entered into a contract for proposed Njiru Sewer Extension Works at a contract sum of Kshs.35,214,128. However, the tender advertisement, bid opening, bid evaluation, tender award, notification of award and contract signing were conducted outside of the procurement plan timelines. This was contrary to Section 176. (1) (C) Public Procurement and disposal Act 2015, which provides that a person shall not delay without justifiable cause the opening, evaluation of tenders, and the awarding of contract beyond the prescribed period or payment of contractors beyond contractual period and contractual performance obligations.

Further, no post qualification due diligence was conducted by the evaluation committee to verify the tenderer who submitted the lowest bid. In addition, the monthly progress reports of the procurement contract were not provided for audit review.

1.2 Proposed Drilling of Boreholes and Installation of Elevated Tanks Within Nairobi City County

Review of records provided for audit revealed that the Company entered into a contract for the drilling of boreholes and installation of elevated tanks within Nairobi City County at a contract sum Kshs.56,357,411. Although expenditure records were provided, there was no detailed breakdown of goods, works or services relating to the elevated tanks within Nairobi County in the procurement plan as required by Regulation 41 of the Public Procurement and Asset Disposal Regulations, 2020 Which provides that the annual consolidated procurement plan for each procuring entity shall include a detailed breakdown of the goods, works, or services required.

1.3 Proposed Construction of Kariobangi Combined Overflow Box Culvert

Review of records provided for audit revealed that the Company entered into a contract for the proposed construction of Kariobangi Combined Sewer Overflow Box Culvert at a contract price Kshs.107,830,932. Although expenditure records were provided, the procurement documents revealed that there was no detailed breakdown of goods, works or services relating to the construction of the Sewer Overflow Box Culvert in the procurement plan as required by Regulation 41 of the Public Procurement and Asset Disposal Regulations, 2020 which provides that the annual consolidated procurement plan for each procuring entity shall include a detailed breakdown of the goods, works, or services required.

Further, no post-qualification due diligence was conducted by the evaluation committee to verify the tenderer who submitted the lowest bid.

In the circumstances, Management was in breach of the law and the regularity, completeness and value for money of the sewer works and boreholes could not be confirmed.

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 29 to the financial statements reflects trade and other payables balance of Kshs.5,858,016,648. However, included in the balance are trade and other payables and long outstanding audit fee balances of Kshs.4,385,877,249 and Kshs.21,316,980 which had been outstanding for more than one hundred and eighty (180) days and over six (6) years respectively.

Failure to settle bills in the year to which they relate adversely affects the implementation of the subsequent year's budgeted programmes as the pending bills form a first charge to that year's budget provision. 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 is not able to meet its short-term obligations as and when they fall due and is exposed to loss of funds as a result of fines and interest.

3. Property, Plant and Equipment

The statement of financial position and as disclosed in Note 18 to the financial statements reflects property, plant and equipment net book balance of Kshs.3,656,625,986. Review of records provided and physical verification caried out revealed the following;

3.1 Grounded Vehicles

The property, plant and equipment balance of Kshs.3,656,625,986 includes fully depreciated assets valued at Kshs.2,986,900,297. However, no evidence was provided

to show the Company intends to carry out valuation for the assets many of which are still in use. Further, documents provided by Management revealed that the Company had four hundred and seventy-eight (478) vehicles out of which thirty-six (36) had been grounded and damaged for a long time and whose value was undetermined. Management has not provided inspection report for the grounded vehicles recommending disposal and the process of disposal had not commenced. This was contrary to Section 162(3) of the Public Procurement and Asset Disposal Act, 2015 which privides that stores, inventory and assets that are procured by a public entity shall not be allowed to suffer deterioration from any preventable cause and overstocking of any particular item shall be avoided.

In addition, the grounded and damaged motor vehicles are depreciating and deteriorating in value, and have not made any contribution towards the achievement of service delivery objectives of the Company.

Value for money on grounded and damaged vehicles could not be confirmed.

3.2 Idle Motor Vehicles

Review of records provided indicate that the Company had four hundred and seventy-eight (478) motor vehicles during the year. However, the Company's human resource records provided as at 30 June, 2025 revealed that the Company had a total of one hundred and twenty-eight (128) drivers and thirty-six (36) plant operators. This is an indication that three hundred and thirteen (313) Company vehicles may not have been in operation, even though listed as in service.

The excess motor vehicles may continue to incur maintenance costs and further deterioration with no value addition to the Company. This was contrary to Section 149 (1) of the Public Finance Management Act, 2012 which provides that an Accounting Officer is accountable for ensuring that the resources of the entity for which the officer is designated are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

3.3. Stalled Projects

Review of the project implementation global matrix for projects undertaken in the financial year ended 30 June, 2025 revealed that several projects worth Kshs.851,734,987 had surpassed their completion dates and had stalled. Management did not provide explanation for the delays or stalling. Failure to complete projects within the agreed timelines poses a risk of cost escalations, wastage of public resources and denies the public the intended benefits and services. This was contrary to Section 151(2) of the Public Procurement and Asset Disposal Act, 2015 which provides that the contract implementation team shall be responsible for monitoring the performance of the contractor to ensure that all delivery or performance obligations are met or appropriate action taken by the procuring entity in the event of obligations not being met and ensure that there is right quality and within the time frame, where required.

3.4. Delayed Project Completion

Review of the global matrix for projects undertaken during the financial year ended 30 June, 2025 revealed significant delays in project completion as detailed below;

i. Projects relating to sewer works amounting to Kshs.1,171,406,180 have exceeded their scheduled completion dates and remain incomplete.
ii. Projects relating to contracted water supply totalling Kshs.630,973,242 have surpassed their deadlines and are yet to be finalized.

iii. Projects concerning contracted waters and boreholes amounting to Kshs.9,920,778 have also gone beyond the agreed completion periods.

The delays in completing these projects adversely affect service delivery to the stakeholders. This was contrary to Section 151(2) of the Public Procurement and Asset Disposal Act, 2015 which provides that the contract implementation team shall be responsible for monitoring the performance of the contractor to ensure that all delivery or performance obligations are met or appropriate action taken by the procuring entity in the event of obligations not being met and ensure that there is right quality and within the time frame, where required.

In the circumstances, value for money for the expenditure incurred on projects and property, plant and equipment could not be confirmed and Management was also in breach of the law.

4. Staff Costs

4.1. Lack of Proper Salary Remittance to Non-Deposit Taking SACCO (NACIWASCO)

Review of the monthly bank remittances revealed that an amount of Kshs.5,861,306 relating to staff net pay, was wired to Nairobi City Water Sacco (NACIWASCO) account through the practice of net sharing. The Nairobi Water SACCO is classified as a Non-Deposit Taking SACCO (BOSA) which is regulated by the SASRA and does not operate as a deposit-taking SACCO (FOSA).

NACIWASCO is therefore, not authorized or operationally equipped to receive full net salary payments from employees and distribute them. Such salary channeling and disbursement activities are typically handled by FOSA SACCOs.

4.2. Non-Remittance of Retirement Benefits

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects staff costs amount of Kshs.6,965,434,797 which further includes an amount of Kshs.770,758,128 relating to retirement benefits in respect to National Social Security Fund, Provident Fund/Pension Fund and Gratuity. No evidence was provided to show that the amounts were remitted to the respective schemes. This was contrary to Section 19(4) of the employment Act, 2007 which provides

that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) should pay the amount so deducted in accordance with the time period and other requirements specified in the law.

4.3 Irregular Acting Appointment Beyond Six Months

Review of the staff Bio Data provided revealed that one hundred and forty-four (144) officers were in acting capacities. Further, review of the monthly payrolls revealed that the majority of these staff had acted for more than the statutory six (6)months and earning an acting allowance. In addition, the positions have not been substantially filled. This was contrary to Section 34 (3) of the Public Service Commission Act, 2017 states that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding a period of six months.

4.4 Irregular Payment of Management Allowances

Review of the payroll data revealed that officers in job groups 1 to 5 received allowances that were not provided for in the Collective Bargaining Agreement (CBA) document. In addition, the approved documentation specifying the entry and exit points for these allowances was not provided for audit review. Further, no evidence was provided to show that these allowances were authorized or endorsed by the Salaries and Remuneration Commission (SRC).

Further, there was no evidence that the salary structure in place and the allowances negotiated through CBA were endorsed/approved by the Salaries and Remuneration Commission (SRC).

4.5 Unsustainable Wage Bill

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.6,965,434,797 and total revenue of Kshs.12,729,863,859. The Company's salaries were at 55% of the total revenue which is way above the allowed percentage of 35% by 20% contrary to Regulation 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the County Government's expenditure on wages and benefits for its public officers, shall not exceed thirty-five (35) per cent of the county government's total revenue. Had the Company followed the 35% requirement of the revenue generated, staff cost would have been at Kshs.4,455,452,350 resulting to a saving of Kshs.2,509,982,446 which would be used to settle other Company's obligations.

In the circumstances, Management was in breach of the law and inconsistencies in human resource management exposes the Company to loss of funds.

5. Unaccounted for Non-Revenue Water (NRW)

During the year under review, the Company produced a total of 215,292,106 cubic metres (m^3) of water. However, only 108,383,164 m^3 were billed to customers. The unbilled volume of 106,908,942 m^3, representing 50% of the total water produced, with a sale

value of Kshs.11,961,024,350 (at an average price of Kshs.111.88 m^3), constitutes Non-Revenue Water (NRW). This level of NRW is significantly above the allowable limit of 25% provided in Schedule E of the Water Services Regulatory Board (WASREB) guidelines. Consequently, the Company exceeded the allowable loss by 26%, equivalent to approximately Kshs.8,566,579,601. This high level of NRW undermines the Company's profitability and threatens its long-term financial sustainability.

In the circumstances, the Company possibly lost an estimated amount of Kshs.11,961,024,350 or 50% Non-Revenue Water.

6. Duplication of Oracle ERP Support Payments

The statement of profit or loss and other comprehensive income reflects general and operational expenses amount of Kshs.4,860,384,030 as disclosed in Note 12 to the financial statements. It was established that the Company operates an Oracle ERP System that integrates financial, procurement and human resource modules within a single database. Review of records revealed that the Company procured and paid separately for support services of the financial module and procurement module at a cost of Kshs.2,862,055 and Kshs.2,980,867 respectively, vide two payment vouchers. Both payments were made to the same vendor. However, since the ERP modules operate on one database, it was not possible to separate support and maintain individual modules. The arrangement therefore, resulted in duplication of payments for services that ought to have been covered under one consolidated contract. The duplicated cost amounted to Kshs.5,842,922. This was contrary to Article 227 (1) of the Constitution of Kenya (2010) which provides that, when a state organ or any other public entity contracts for goods or services, it shall do so in accordance with a system that is fair, equitable, transparent, competitive and cost effective.

In the circumstances, the propriety and value for money for the expenditure amount of Kshs.5,842,922 could not be confirmed.

7. Non-Submission of Data Protection Impact Assessments (DPIAs) Prior to Implementation of the USSD Service

It was established that the Company recently implemented a USSD service to facilitate customer access to billing and account management. The service processes significant amounts of Personal Identifiable Information (PII), including customer names, account numbers, contact details, and billing data. However, while Management conducted an internal DPIA, there was no evidence that the report was submitted to the ODPC for review and approval prior to implementation, contrary to Section 31(2) of the Data Protection Act, 2019, and Regulation 40 of the Data Protection (General) Regulations, 2021,which require data controllers or processors to conduct and submit a Data Protection Impact Assessment (DPIA) to the Office of the Data Protection Commissioner (ODPC) where the nature of processing is likely to result in high risk to the rights and freedoms of individuals. DPIAs must be submitted before commencing or implementing high-risk data processing operations.

Failure to submit the DPIA undermines regulatory oversight, creates gaps in the independent review of high-risk processing activities, and exposes the Company to potential non-compliance with the Data Protection legal framework.

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

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

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the 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. Lack of an Approved Staff Establishment

During the year under review, the Company incurred an expenditure of Kshs.6,965,434,797 on staff costs. However, the Company lacked an approved staff establishment.

In the circumstances, it was not possible to confirm whether the Company was operating with optimal staffing levels.

2. Promotions More Than One Job Group Higher

During the year under review, seventy-six (76) officers were promoted. However, review of the records revealed that thirty-six (36) of these promotions were irregular since the officers were promoted more than one job group higher. Further, the Company lacked a staff establishment and career progression guidelines to regulate such promotions and ensure they were based on transparent and standardized criteria.

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

3. Staff with Multiple Salary Pay Points

Review of the bank remittances provided revealed that numerous staff had multiple salary pay points where their net pays were distributed through various banks and SACCO

accounts. Specifically, staff net salaries totalling Kshs.90,298,934 were disbursed under this arrangement. This net sharing practice lacks Management approval, was not incorporated in the Company's official policies, and presented significant challenges in reconciling bank remittance records with the payroll. Further, the Company had no formal checkoff agreements regulating these multiple pay points. This fragmented salary distribution increases the risk of payment discrepancies, weakens internal controls over payroll disbursements, and poses a risk of breaching the statutory "one-third rule".
In the circumstances, the effectiveness of controls on salary pay points could not be confirmed.

4. Lack of Land Ownership Documents

As previously reported, the statement of financial position reflects property, plant and equipment net book value of Kshs.3,656,625,986 as disclosed in Note 18 to the financial statements. However, the following issues were noted;

i. One parcel of land at Kariobangi Sewerage and two (2) parcels of land at Ruai Sewerage measuring 90 hectares and 1,272.90 hectares had no ownership documents.

ii. The Company has parcels of land meant for expansion, storage, water and sewerage treatment works. However, the ownership and other records of the parcels of land were not provided for audit.

In the circumstances, the ownership of the parcels of land could not be confirmed.

5. Active Customer Accounts with Zero Billing

Review of billing records revealed that 30,687 active customer accounts, representing about 12% of the average monthly customer base of 247,000, recorded zero bills throughout the year ended 30 June, 2025. The meter readings for these accounts remained unchanged during the entire period, suggesting that the meters may have been faulty, bypassed, or that there could have been collusion between staff and customers. Further analysis revealed that 6,681 of the 30,687 accounts had estimated readings throughout the year. In the absence of corrective action, such accounts remain susceptible to illegal water drawing and unrecorded consumption.

Failure to address this anomaly undermines the accuracy of billing, exposes the Company to revenue leakage, and compromises the integrity of customer account management.

In the circumstances, the effectiveness of internal controls on revenue losses and effeciency in water management meters could not be confirmed.

6. Customer Accounts with Consecutive Billing Estimates

Review of billing estimates data for the period 1 July, 2024 to 30 June, 2025 revealed that 22,646 customer accounts had their bills estimated consecutively for six (6) months amounting to Kshs.179,858,004, while 14,316 accounts were estimated consecutively for

twelve (12) months amounting to Kshs.713,041. Continuous use of estimated billing for extended periods undermines the accuracy of reported revenues, as the actual value of consumption for these accounts could not be determined.

The practice is inconsistent with the requirements of IFRS 15, compromises the reliability of the financial statements and exposes the Company to revenue misstatement and disputes with customers.

In the circumstances, the effectiveness of controls on meter readings could not be confirmed.

7. Accounts Billed and not Paid Throughout the Year

Review of water meter billing and payments reports revealed that 51,212 accounts were billed an amount of Kshs.307,806,530. However, the accounts did not have a corresponding payment. It was not clear how the accounts were billed for the whole year and yet they did not have corresponding payments.

The lack of payments for the accounts represents a significant loss of potential revenue for the Company and continuous offering services to non-paying customers.

In the circumstances, the effectiveness of controls on optimal revenue collection could not be confirmed.

8. Use of Unsupported Oracle 11g Database System

It was established that the Company continues to operate its Oracle ERP System on Oracle 11g database, which has reached End-of-Life and is no longer supported by the vendor. The unsupported status exposes the system to potential security threats, lack of bug fixes, and incompatibility with modern applications. Further, the reporting functionality of Oracle 11g is limited as it only generates outputs in Microsoft Excel 1997–2003 format. These reports are bulky in size and rigid to use, leading to inefficiencies in data analysis and decision-making. Modern reporting capabilities such as dynamic dashboards, flexible export options and integration with newer applications are therefore not available.

In the circumstances, the compatibility of the systems could not be confirmed.

9. Use of Unsupported and End-of-Life Operating Systems

Review of the ICT environment at the Company revealed that the Company operates a total of 1,237 computers with different Windows Operating Systems. Analysis of their lifecycle status revealed that 131 devices or 11% are running on unsupported systems that have already reached End-of-Life, including Windows XP Professional, Windows Server 2003, Windows Server 2008 R2, Windows 8, and Windows 8.1 versions. In addition, 883 devices or 71% are running on Windows 10 variants which are scheduled to reach End-of-Support by October, 2025. Only 223 devices or 18% are operating on currently supported systems such as Windows 11 and Windows Server 2016/2022 as tabulated below;

Status of Licenses

EoL Status	Operating Systems	Devices	% of Total
Unsupported (EoL)	Windows XP Professional, Windows Server 2003, Windows Server 2008 R2, Windows 8, Windows 8.1	131	11%
Nearing EoL (2025)	Windows 10 Education, Enterprise, Pro, Pro Education, Pro for Workstations, Pro N	883	71%
Supported	Windows 11 Pro, Windows 11 Pro for Workstations, Windows Server 2016, Windows Server 2022	223	18%
Total	–	**1,237**	**100%**

In the circumstances, the efficiency of the systems could not be confirmed.

10. Use of End-of-Life and Unsupported Network Devices

Review of the ICT infrastructure at the Company revealed that the Company continues to operate Cisco Catalyst 2950 series switches which reached End-of-Support in October, 2013. These devices have therefore, remained obsolete for more than ten years without access to vendor security patches, bug fixes or technical support. Further, it was noted that the Cisco Catalyst 2960-XR series, which is in use at the Company, reached End-of-Support on 31 July, 2025. After this date, the equipment will no longer be supported by the manufacturer.

In the circumstances, the relevance of the devices in the long run could not be determined.

11. Weaknesses in the Imprest Management System

Review of sampled imprest surrenders totalling Kshs.50,621,971 revealed that Management did not maintain an imprest register or issue serialized imprest warrants. Consequently, the authenticity and completeness of imprest issued and committed during the year under review could not be established. In addition, the imprest control ledgers from the Oracle system were not provided for audit. Further, Management did not provide a comprehensive ledger detailing imprest movements, including issuance and accounting, for the period under review. Without the imprest register and the serialized imprest warrants, it was not possible to confirm that staff were not holding multiple imprest or to identify any imprest outstanding at year-end.

In the circumstances, authenticity of imprest issued or committed during the year could not be confirmed

12. Weaknesses in Inventory System

The statement of financial position and as disclosed in Note 20 to the financial statements reflects inventories balance of Kshs.504,991,351. Discussions with Management

revealed that the Company received the inventory system as donation from Athi Water Works Development Agency in 2023. However, the System is not fully implemented to date and lacks certain important modules including reporting, asset management and order management modules. Further, the System did not provide for ways of determining utilizations, reorder levels and obsolete inventory held in the store and the Company maintained manual stores records through the use of stock cards.

In the circumstances, the effectiveness of the donated system could not be confirmed.

13. Weak Internal Controls in Inventory Management

The statement of financial position and as disclosed in Note 20 to the financial statements reflects an inventory balance of Kshs.504,991,351 as at 30 June, 2025, which includes balances in respect of water fittings and accessories, office supplies, water treatment chemicals and lab equipment, tyres and accessories, motor spares, uniform and protective clothing, and water meters. However, the Board of survey report was not provided for the audit.

In the circumstances, the effectiveness of the internal controls on inventory management 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

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 pages xlv to xlvi is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration on page 20 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 Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and 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

18 December, 2025

14. Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30th June 2025

	Note	2025	2024
			Restated
REVENUE		**Kshs**	**Kshs**
Operating Revenue	6	12,125,961,035	10,949,295,622
Grant Income	7	245,306,186	378,031,043
Other Income	8	353,173,502	372,363,646
Finance Income	9	5,423,136	44,538
Total Revenue		**12,729,863,859**	**11,699,734,849**
EXPENSES			
Staff costs	10	6,965,434,797	7,100,920,698
Board Expenses	11	84,277,001	89,520,112
General & Operational expenses	12	4,860,384,030	3,592,195,167
Maintenance expenses	13	448,167,624	331,591,718
Depreciation & Amortization	14	556,755,568	571,663,886
Finance costs	15	51,341,692	60,932,036
Total Expenses		**12,966,360,712**	**11,746,823,617**
Loss before tax	16	(236,496,853)	(47,088,768)
Loss for the year		**(236,496,853)**	**(47,088,768)**

15. Statement of Financial Position As at 30th June 2025

ASSETS	NOTE	2025	2024
			Restated
NON- CURRENT ASSETS		**Kshs**	**Kshs**
Property, plant and equipment	18	3,656,625,986	3,241,899,806
Intangible assets	19	31,422,252	4,522,209
TOTAL NON-CURRENT ASSETS		**3,688,048,238**	**3,246,422,015**
CURRENT ASSETS			
Inventories	20	504,991,351	438,796,447
Trade and other receivables	21	3,744,229,008	3,777,119,443
Cash and Cash equivalents	22	476,956,192	338,424,822
TOTAL CURRENT ASSETS		**4,726,176,551**	**4,554,340,712**
TOTAL ASSETS		**8,414,224,789**	**7,800,762,727**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share Capital	23	100,000	100,000
Revenue Reserve	24	(3,646,111,645)	(3,291,513,005)
Capital Grant	26	1,025,675,973	1,247,906,054
CAPITAL AND RESERVES		**(2,620,335,672)**	**(2,043506,951)**
TOTAL NON – CURRENT LIABILITIES			
Customer deposits	27	1,309,078,313	1,229,417,698
Borrowings	28	28,549,798	97,069,348
Amounts due to related parties	32	2,497,595,825	2,501,564,982
TOTAL NON – CURRENT LIABILITIES		**3,835,223,936**	**3,828,052,028**
CURRENT LIABILITIES			
Trade and Other payables	29	5,858,016,648	5,344,030,050
Customers with Credit balances	30	292,495,041	298,185,811
Provision for Leave	31	339,696,200	305,482,235
Borrowings	28	68,519,554	68,519,554
Amounts due to related parties	32	640,609,082	-
TOTAL CURRENT LIABILITIES		**7,199,336,525**	**6,016,217,650**
TOTAL EQUITY AND LIABILITIES		**8,414,224,789**	**7,800,762,727**

The financial statements were approved by the Board of Directors on 27th August 2025.

Arnold Karanja
Chairman

Martin W. Nang'ole - Ag. Managing Director

ICPAK No.3647
CPA Paul E. Omondi

Finance & strategy Director

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

	Note	Share	Revenue	Capital	Restated
		Capital	Reserve	Grant	Total
		Kshs	Kshs	Kshs	Kshs
As at 30th June 2023		**100,000**	**(2,788,895,138)**	**1,470,778,880**	**(1,318,016,258)**
Prior year adjustments	34	-	(455,529,099)	-	(455,529,099)
Restated balance		100,000	(3,244,424,237)	1,470,778,880	(1,773,545,357)
Amortization		-	-	(227,684,636)	(227,684,636)
Additions for the year		-	-	4,811,809	4,811,809
Loss for the year	16	-	(47,088,768)	-	(47,088,768)
As at 30th June 2024		**100,000**	**(3,291,513,005)**	**1,247,906,054**	**(2,043,506,951)**
Prior year adjustments	34		(118,101,786)		(118,101,786)
Restated balance		100,000	(3,409,614,791)	1,247,906,054	(2,161,608,738)
Amortization		-	-	(231,636,201)	(231,636,201)
Additions for the year		-	-	9,406,120	9,406,120
Loss for the year	16	-	(236,496,853)	-	(236,496,853)
As at 30th June 2025		**100,000**	**(3,646,111,645)**	**1,025,675,973**	**(2,620,335,672)**

17. Statement of Cash Flow for the Year Ended 30 June 2025

	NOTE	2025	2024
Cash flows from Operating activities:		**Kshs**	**Kshs**
Cash generated from operations	35	1,247,436,887	542,583,308
Interest paid	15	(51,341,692)	(60,932,036)
Net cash generated from operating activities		**1,196,095,195**	**481,651,272**
Cash flow from investing activities:			
Purchase of property, plant and equipment	18	(965,037,378)	(385,549,319)
Purchase of intangible assets	19	(33,344,413)	-
Net cash used in investing activities		**(998,381,791)**	**(385,549,319)**
Cash flow from financing activities:			
Proceeds from long-term borrowings		-	-
Proceeds from financing assets	26	9,406,120	4,811,809
Repayment of long-term borrowings		(68,588,154)	(150,296,528)
Net cash generated from financing activities		**(59,182,034)**	**(145,484,719)**
Net increase/(decrease) in cash and cash equivalents		**138,531,370**	**(49,382,766)**
Movement in cash and cash equivalents:			
As at 1st July		**338,424,822**	**387,807,587**
Decrease/Increase		138,531,370	(49,382,766)
As at 30th June	**22**	**476,956,192**	**338,424,822**

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

	Original Budget	Adjustments	Adjusted budget	Actual on comparable basis	Performance 2023/2024	%
REVENUE						
Water	11,284,934,220	0	11,284,934,220	6,741,437,984	(4,543,496,236)	-40%
Sewerage	7,307,517,184	0	7,307,517,184	5,177,043,347	(2,130,473,837)	-29%
Meter Rent	0	0	-	3,929,033	3,929,033	100%
Other income	950,129,235	0	950,129,235	747,840,041	(202,289,193)	-21%
Operating Income	**19,542,580,639**	**0**	**19,542,580,639**	**12,670,250,406**	**(6,872,330,233)**	**-35%**
Grant Income	352,000,000	0	352,000,000	13,669,985	(338,330,015)	-96%
Total Revenue	**19,894,580,639**	**0**	**19,894,580,639**	**12,683,920,391**	**(7,210,660,248)**	**-36%**
EXPENDITURE					-	
Staff Costs	7,460,008,000	160,000,000	7,620,008,000	6,965,434,797	654,573,203	9%
Board Expenses	85,000,000	0	85,000,000	84,277,001	722,999	1%
Operations	5,557,221,595	(35,600,000)	5,521,621,595	4,860,384,030	661,237,565	12%
Maintenance	839,600,000	38,500,000	878,100,000	448,167,625	429,932,375	49%
Financing Costs	318,000,000	(162,900,000)	155,100,000	51,341,691	103,758,309	67%
Other Expenses	1,000,374,000	0	1,000,374,000	556,755,568	443,618,432	44%
Total Operating Exp	**15,260,203,595**	**0**	**15,260,203,595**	**12,966,360,712**	2,293,842,883	**15%**
Net Income	**4,634,377,044**	**-**	**4,634,377,044**	**(282,440,321)**	4,916,817,365	**106%**

Budget Variance Analysis

Item Description	% Variance	Reason
REVENUE		
Water sales	-40%	Expected Income from bulk water sales did not materialize due to high NRW, in addition actual NRW averaged 49% compared to budget NRW target of 30%
Sewerage	-29%	Expected Income from bulk water sales did not materialize due to high NRW, in addition actual NRW averaged 49% compared to budget NRW target of 30%
Meter Rent	100%	Meter rent was disallowed in the new tariff, the amount is due to billing recoveries for consumption under previous tariff.
Other income	-21%	Other income e.g. sales of sludge, reconnection etc depend on the operational activities on the company.
Operating Income	**-35%**	
Grant Income	-96%	Out of the budgeted Kshs 4 million and kshs 312 million expected to be received from Kenha & NRW respectfully. Only kshs 13,669,985 was received comprising of Fund (Kshs 3,537,750) for Non-Revenue water interventions, kshs 8,939,813 for Kenya Slum Upgrading from Low Cost Housing Infrastructure Trust Fund and kshs 1,192,422 from Unicef for operations support
Total Revenue	**-36%**	
EXPENDITURE		
Staff Costs	9%	
Board Expenses	1%	
Operations	12%	Cost cutting measures undertaken to match revenue and expenditure.
Maintenance	49%	Cost cutting measures undertaken to match revenue and expenditure.
Financing Costs	67%	The envisaged loan was not acquired; hence, no new interest costs were incurred.
Other Expenses	44%	Less assets were acquired compared to the budget, attributable to cash flow constraints, leading to less depreciation.
Total Operating Exp	**15%**	
Net Income	-40%	

19. Notes to the Financial Statements

1. General information

Nairobi City water and sewerage Company Ltd is established by and derives its authority and accountability from water Act and the companies act laws of Kenya. The entity is wholly owned by the Nairobi City County Government and is domiciled in Kenya. The entity's principal activity is provision of water and sewerage services. 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 are prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost basis of accounting except for the measurement at re-valued amounts of certain items of property, plant and equipment and presented in the functional currency, Kenya Shillings (Kshs) rounded to the nearest Shilling. The preparation of financial statements in conformity with IFRSs allows the use of estimates and assumptions. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment and complexity, or where assumptions and estimates are significant to the financial statements are disclosed in note 4 below.

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

i. Going Concern

The financial performance of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in in respect of risk management are set out in note 40.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable

future and as a result the financial statements are prepared on a going concern basis. In making this assessment, the Directors consider a wide range of information relating to present and anticipated future conditions, including future projections of profitability, cash flows and other resources.

3. Application of new and revised international financial reporting standards (IFRS)

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

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

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

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January2027.Earlier application is permitted.

Based on Directors' assessment of the potential impact of application of the above, we do not expect that there will be a significant impact on the company's financial statements.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2024/2025

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied over the years unless otherwise stated:

a) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the entity's activities. The following specific recognition criteria must be met before revenue is recognized.

i) Provision of water and sewerage services

Revenue from provision of water and sewerage services is recognized when these services are delivered to customers and billed by the Company. The billing is done on monthly billing cycle based on the units consumed as read on the customer water meters and as per approved consumer tariff. If the meter reading is not available, the consumption between the last meter reading and the end of billing cycle is estimated.

ii) Meter rent income

Meter rental income is recognized on monthly basis after water meters are installed at the customers' premises. This is based on the approved tariff by water services regulatory board.

iii) Other income

This includes sale of, exhauster services, effluent discharge fees, sale of sludge, fraud charges, claims compensation, survey fees etc. Other income is recognized when the service has been provided and billed.

iv) Finance Income

Finance income comprises interest receivable from bank deposits, and is recognized in profit or loss on a time proportion basis using the effective interest rate method

v) Grants

Income grants are recognized in the statement of comprehensive income in the year in which the entity actually receives such grants.

vi) Rental Income

Rental income is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

vii) 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.

b) Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value. Subsequent costs are included in the assets' carrying amount or recognized as separate assets as appropriate, only where it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance costs are charged to the income statement in the financial year in which they are incurred.

Property, plant and equipment acquired under hire purchase agreements and finance lease hire arrangements are capitalized at the date of the agreement. The interest element of each installment is charged to the income statement at the time each installment falls due.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use.

If any such indications exist and where the carrying values exceed the recoverable amount, property, plant and equipment are written down to their recoverable amounts.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus / (deficit).

c) Depreciation and impairment of property, plant and equipment

Depreciation is calculated on the straight line basis, at annual rates estimated to write off carrying values of the property, plant and equipment over their expected useful lives. Depreciation charge is prorated from the date of purchase and recognized both in the year of asset purchase and in the year of asset disposal. The rates used are:

Asset Class	Years	Rate
Buildings & civil works	40	2.5%
Plant & Machinery	8	12.5%
Motor Vehicles, including motorcycles	4	25%
Equipment	8	12.5%
Computer & Related Equipment's	3	30%
Furniture & Fittings	8	12.5%

Freehold land and capital work in progress/Construction in progress are not depreciated.

d) Intangible assets

The costs incurred to acquire and bring to use specific computer software licenses are capitalized. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. 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.

e) Amortization and impairment of intangible assets

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

f) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

g) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Provisions are made for all anticipated inventory losses and charged to the income statement. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

h) Foreign currency transactions

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions during the year are converted into Kenya Shillings at rates ruling at the transactions dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income statement in the period in which they arise.

i) Trade and other receivables

Trade and other receivables are recognized at anticipated realizable value less an allowance for any uncollectible amounts.

General provisions are made based on directors' valuation of the trade receivables and other exposure in respect of losses, which, although not specifically identified, are known from experience to be present in the trade receivables.

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

j) Taxation

Current 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. 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.

No tax will be provided in view of the nature of the company's business as explained in note 17.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

l) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Borrowing costs are expensed as finance costs.

m) Trade and other payables

Trade and other payables are stated at their nominal value as adjusted for interest on overdue accounts.

n) Employee benefits Obligations

i) Pension obligations

The Company operates a defined contribution retirement benefit scheme for employees on permanent terms of service administered in three different forms: National Social Security Fund, a Provident Fund and a pension fund. These schemes are funded by contributions from both the Company and employees.

The Company's contributions to the schemes are charged to the income statement in the year to which they relate.

ii) Other employee entitlements

Employee entitlements to gratuity are recognized when they fall due. These entitlements are provided for on annual basis in accordance with the annual contracts.

o) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue. The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

p) Capital grant

Grants received for capital assets are credited to the capital grant account net of amortization, which is released to the income statement over the expected useful life of the relevant asset on a straight-line basis.

q) Provisions

Provisions are recognized when the Company has legal or constructive obligations as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognized in the balance sheet but are disclosed unless they are remote.

r) Leases

Operating lease payments for use of assets belonging to the Nairobi City County Government payable to the Athi Water Works Development Authority are recognized as an expense in the income statement and are based on the guidelines from Water Service Regulatory Board. Rental payments are recognized as expenses in the income statement when they are incurred.

s) Revenue reserve

Surpluses / (deficits) from the statement of comprehensive income are accumulated in the revenue reserve account on an annual basis.

t) Customer deposits

Deposits from customers are recognized when received. Interest on the deposits is accrued at 3% per annum.

u) Related parties

In the normal course of business the Company enters into transactions with related parties. The related party transactions are at arm's length.

v) Provision for overtime

The Company provides for overtime payment for hours worked in excess of those specified in the terms of contracts for employees in grade 6 -9. This is computed at a rate of one and half times for normal working

days and twice for a normal rest day or a gazetted public holiday. Overtime expense is recognized when claimed and approved.

w) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of budget following the Board of directors's approval. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. 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. 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 budget comparison of these financial statements.

x) Comparative figures

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

y) 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.

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

i) Critical accounting estimates and assumptions

Property, plant and equipment; Intangibles and Capital grant and amortization of intangibles and capital grant. Critical estimates are made by Directors in determining depreciation and amortization rates for property, plant, equipment, intangibles and capital grant. The rates used are set out in note 4(b), 4(c) 4 (d) and 4 (e) above.

ii) Critical judgments in applying the entity's accounting policies

In the process of applying the Company's accounting policies, Directors have made judgments in determining:

- The classification of financial assets and leases.
- Whether assets are impaired.
- Provisions and contingent liabilities.
- Presentation of financial statements.

6. Operating Revenue

	2025	2024
	Kshs	Kshs
Water sales	6,741,437,984	6,095,639,003
Sewer services	5,177,043,347	4,675,299,201
Meter rent	3,929,033	3,243,416
Billing for other services	203,550,671	175,114,002
Total	**12,125,961,035**	**10,949,295,622**

Other billing services income comprises income from exhauster services rendered, survey fees, sale of sludge, sale of water by tanker, fraud charges, bad debts recoveries, reconnection fee, effluent discharge license fee, chemical analysis fee, sewer connection charges.

7. Grant Income

	2025	2024
	Kshs.	Kshs
Operational grants from other agencies	13,669,985	150,346,407
Capital grants amortized/Grant Amortization	231,636,201	227,684,636
Total	**245,306,186**	**378,031,043**

The Company received grant/funding from Water Services Trust Fund (Kshs 3,537,750) for Non-Revenue water interventions, kshs 8,939,813 for Kenya Slum Upgrading from Low Cost Housing Infrastructure Trust Fund and kshs 1,192,422 from Unicef for operations support.

Entity sending the grant	Recognized in the Statement of Income	Deferred income KShs	Under capital fund. KShs	Total grant income KShs	2024-2025
KENHA	-	-	9,406,120	-	9,406,120
Total	**-**	**-**	**9,406,120**	**-**	9,406,120

8. Other Income

	2025	2024
	Kshs	Kshs
Insurance compensation	94,645,782	73,571,777
Bad debts recovery	213,449,387	283,664,494
Rental income	53,376	101,130
Leave days provision	0	12,509,772
Other non-billing income	45,04,957	2,516,473
Total	**353,173,502**	**372,363,646**

9. Finance Income

	2025	2024
	Kshs	Kshs
Interest from commercial banks and financial institutions	5,423,136	44,538
Total	**5,423,136**	**44,538**

10. Staff Costs

	Note	2025	2024
		Kshs	Kshs
Basic Salary		3,374,24,156	3,481,299,781
Casual workers' Wages		53,016,330	51,733,352
House allowances		748,903,058	803,504,131
Leave allowances		227,063,582	235,321,672
Bonus		20,508,616	21,350,428
Overtime		505,901,885	478,368,289
Retirement benefits	34	770,558,128	797,430,745
Other allowances		658,288,323	673,810,158
Medical expenses		447,589,390	446,765,562
Leave pay provision		34,213,965	-
Welfare		46,182,221	46,797,461
Housing Levy		78,967,143	64,539,119
		6,965,434,797	**7,100,920,698**

The number of employees at the end of the financial year was 2816, (2024:2930). The number per category is indicated below;

Grade	Category	Number	
		2025	**2024**
1	Managing Director	1	1
2	Functional Directors	3	3
3	Departmental/Regional managers	27	26
4	Co-ordinators	105	109
5	Officers	233	225
6	Supervisors	613	605
7	Assistants	559	604
8	Support I	1,177	1,256
9	Support II	98	101
Grand Total		**2816**	**2930**

11. Board Expenses

Description	2025	2024
	KShs	KShs
Chairman Honoraria	1,042,695	1,044,000
Sitting allowances	15,380,273	18,013,282
Medical Insurance	912,277	1,191,383
Induction and Training	8,697,895	6,880,581
Travel and accommodation	57,272,459	60,096,035
Other Allowances	971,402	2,294,831
Total Board Expenses	**84,277,001**	**89,520,112**

12. General and operational expenses

	2025	2024
		Restated
	Kshs	Kshs
Chemicals	393,923,628	478,378,251
Office supplies	48,577,607	30,825,023
Tyres and related accessories	21,395,750	14,141,255
Fuel, oil and lubricants	149,253,661	215,081,780
Uniforms and protective clothing	28,830,715	29,326,100
Electricity	587,394,090	523,610,929
Telecommunications	101,506,642	70,367,719
Postal and couriers	173,860	332,248
Water and conservancy	22,797,549	8,843,156
Insurance	120,649,044	158,662,374
Rent and rates	90,214,143	98,275,743
Hire of equipment and Vehicles	8,454,190	616,540
Claims, damages and compensation	59,282,954	37,177,648
Traveling and subsistence- local	289,052,319	322,094,500
Bank charges	4,600,258	4,935,075
Traveling and subsistence- External	64,053,182	66,936,412
Staff training and development	317,519,842	296,759,234
Security	96,439,645	94,448,280
Commissions	31,620	289,117
Publicity and advertising	20,123,059	12,236,918
Donations/Corporate Social Responsibility	786,782	2,914,880

Sports and recreation		52,242,990	34,608,552
Corporate year end party		8,203,435	7,204,600
Library		7,440	27,000
Audit fees		4,121,283	4,121,283
Legal fees		25,726,616	26,746,403
Consultancy		17,720,523	5,690,460
Licensing and levy	12(a)	594,128,697	585,538,423
Bulk Water Purchase		951,869,402	-
Stakeholders expenses		107,591,614	81,490,048
Provision for bad and doubtful debts		673,711,492	380,515,216
Total		**4,860,384,030**	**3,592,195,167**

12(a) Licensing & Levy

Name	2025	2024
	Kshs	Kshs
Water services regulatory Board	486,752,627	432,015,909
Water resources Authority	100,095,850	99,197,353
Others	7,280,220	54,325,161
Total	**594,128,697**	**585,538,423**

13. Maintenance Expenses

	2025	2024
	Kshs	Kshs
Ground	3,016,511	18,861,225
Wayleaves & Catchment areas	3,345,952	-
Plant and machinery	116,980,856	58,819,605
Buildings	6,256,419	10,061,136
Equipment	39,845,734	15,403,058
Motor vehicles	55,828,590	31,215,557
Furniture and fittings	2,809,970	232,044
Software	98,049,284	62,435,397
Water fittings and accessories	103,390,965	104,649,661
Water meters	18,643,343	29,914,034
Total	**448,167,624**	**331,591,718**

14. Depreciation and amortization

	Note	2025	2024
		Kshs	Kshs
Depreciation of property, plant and equipment	18	550,311,198	527,507,642
Amortization of intangible assets	19	6,444,370	44,156,244
Total		**556,755,568**	**571,663,886**

15. Finance Costs

	2025	2024
	Kshs	Kshs
Interest on loan	22,017,990	32,728,533
Interest on Customer deposits	29,323,702	28,203,503
Total	**51,341,692**	**60,932,036**

16. Loss before Tax

	2025	2024
	Kshs	Kshs
		Restated
Loss for the year	(236,496,853)	(114,265,040)
The loss before tax is stated after charging:		
Depreciation of property, plant and equipment	550,311,198	527,507,642
Amortization of intangible assets	6,444,370	44,156,244
Directors' emoluments:		
-Fees	84,277,001	89,520,113
-Other emoluments	14,396,592	14,409,062
Auditors' remuneration	4,121,283	4,121,283
Retirement benefits	770,558,128	797,430,745
Interest expense	51,341,692	60,932,036
And after crediting:		
Other income	353,173,502	372,363,646

17. Taxation

As earlier reported in the previous years, the Directors in terms of IAS 1 declare that the financial statements present a fair view of the Company's financial position; financial performance and cash flows and that they have complied with applicable International Accounting Standards and interpretations. However, the Company has in terms of IAS 1 paragraphs 13 to 22 departed from the requirements of IAS 12 in order to have a fair representation of its tax liability status for the following reasons:

The Company is wholly owned by Nairobi City County, a County Government. The Company Operations are under the County Government and as per the provision of the Constitution **FOURTH SCHEDULE** *(Article 185 (2), 186 (1) and 187 (2))*. It is principally a vehicle used by Nairobi City County to deliver services as per the county government Act. According to the 1st schedule paragraph 8 of the Income Tax Act (ITA), the income of a County Government is exempted from the provisions of ITA. Any surplus arising thereon is re-invested in the water services infrastructure for development and enhancing sustainability as provided in water act 2016.

18. Property, Plant and Equipment

According to the Tripartite Agreement, Hand over deed, Agency Agreement and Service Provision Agreement, NCC handed over to the Company fixed or landed and other assets on lease basis for the purpose of discharging its mandate under the Water Act of 2002. However, the water Act 2016 provides the asset linked to water service provision should be vested in the company and the transfer done by CS in-charge of water. This is still pending. The Company was granted rights to carry out any capital improvements to the existing assets hence forming the basis of maintaining a dual asset register. Accordingly, the Company is a co-owner of certain assets. The property, plant and equipment schedule is shown on the next page

Property, Plant and Equipment

	BUILDINGS	PLANT & MACHINERY	MOTOR VEHICLES	EQUIPMENT	COMPUTER &RELATED EQUIPMENT	FURNITURE & FITTINGS	WIP	TOTAL
Depreciation Rate	2.5%	12.5%	25%	12.5%	3%	12.5%		
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
As at Jul 2023	**114,702,142**	**4,003,492,113**	**530,276,197**	**1,084,614,618**	**595,920,207**	**195,945,842**	**1,231,032,605**	**7,755,983,724**
Additions at cost		79,114,537		23,048,789	10,296,207	10,030,208	263,059,578	385,549,319
Reclassification	977,147	94,487,589	-	-	-	-	(95,464,736)	-
As at June 2024	**115,679,289**	**4,177,094,239**	**530,276,196**	**1,107,663,407**	**606,216,414**	**205,976,050**	**1,398,627,446**	**8,141,533,042**
Additions at cost		102,213,602	69,103,940	71,215,965	74,265,523	21,470,855	626,767,495	965,037,380
Reclassification		100,276,803					(100,276,803)	-
As at June 2025	**115,679,289**	**4,379,584,644**	**599,380,136**	**1,178,879,373**	**680,481,937**	**227,446,905**	**1,925,118,138**	**9,106,570,422**
Depreciation at 1 Jul 2023	**17,463,429**	**2,249,981,823**	**464,542,231**	**917,752,126**	**573,793,151**	**148,592,835**	**-**	**4,372,125,595**
Charge for the year	2,889,197	424,400,983	28,671,075	45,682,245	14,464,742	11,399,399	-	527,507,641
As at 30 June 2024	**20,352,626**	**2,674,382,806**	**493,213,306**	**963,434,371**	**588,257,893**	**159,992,234**	**-**	**4,899,633,236**
Charge for the year	2,891,982	435,088,460	38,640,284	44,633,661	17,678,644	11,378,168		550,311,199
As At June 2025	**23,244,608**	**3,109,471,265**	**531,853,590**	**1,008,068,032**	**605,936,537**	**171,370,402**	**-**	**5,449,944,435**
NBV AS AT 30 JUN 2024	**95,326,663**	**1,502,711,432**	**37,062,890**	**144,229,036**	**17,958,521**	**45,983,816**	**1,398,627,447**	**3,241,899,806**
NBV AS AT 30 JUN 2025	**92,434,681**	**1,270,113,378**	**67,526,546**	**170,811,341**	**74,545,400**	**56,076,502**	**1,925,118,138**	**3,656,625,986**
Value of fully depreciated Assets	**-**	**989,148,122**	**453,406,894**	**832,048,647**	**582,685,856**	**129,610978**	**-**	**2,986,900,497**

The work in progress (WIP) relates mainly to costs of ongoing but incomplete works on water pipeline network extension and sewer relief network Extension construction and other civil works and installations. Reclassification relates to transfer of completed and commissioned works from work in progress (WIP) to the respective category.

18 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Buildings	115,679,289	23,244,608	92,434,681
Plant and machinery	4,379,584,644	3,109,471,265	1,270,113,378
Motor vehicles, including motorcycles	599,380,136	531,853,590	67,526,546
Computers and related equipment	680,481,937	605,936,537	74,545,400
Equipment	1,178,879,373	1,008,068,032	170,811,341
Furniture, and fittings	227,446,905	171,370,402	56,076,502
Total	**7,181,452,283**	**5,449,944,435**	**1,731,507,848**

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost/Valuation	Normal annual Depreciation Charge
Plant and machinery	989,148,122	12.5%
Motor vehicles, including motorcycles	453,406,894	25%
Computers and related equipment	582,685,856	30%
Equipment	832,048,647	12.5%
Furniture and fittings	129,610978	12.5%
Total	**2,986,900,497**	

19. Intangible Assets

	2025	2024
Computer software:-	**Kshs**	**Kshs**
COST		
At 1 July	289,262,351	289,262,351
Additions	33,344,413	-
At 30 June	**322,606,764**	**289,262,351**
AMORTIZATION		
At 1 July	284,740,142	240,583,898
Charge for the year	6,444,370	44,156,244
At 30 June	**291,184,512**	**284,740,142**
Net book value at 30th June	**31,422,252**	**4,522,209**
Fully Amortized	**280,913,657**	**280,913,657**

20. Inventories

Inventories represent the value of water treatment chemicals and Laboratory apparatus, office supplies, tyres and related accessories, motor spares, water meters and water fittings and accessories kept at various Company stations as shown below;

	2025	2024
	Kshs	**Kshs**
Water treatment Chemicals & Lab equipment/apparatus	79,594,626	71,072,904
Office Supplies	29,663,541	23,543,652
Tyres and accessories	10,986,471	7,603,022
Motor Spares	41,920,370	21,249,987
Uniform and protective clothing	12,414,915	2,985,744
Water meters	30,867,654	37,089,495
Water fittings and accessories	299,543,774	275,251,643
Total	**504,991,351**	**438,796,447**

a) Inventory movement details

Description	2025	2024
	KShs	KShs
At the beginning of the year	438,796,447	434,672,965
Additions/Purchase during the year	794,685,503	757,642,245
Issued during the year	(728,490,599)	(753,518,764)
At the end of the year	**504,991,351**	**438,796,447**

21. Trade and Other Receivables

	2025	2024
	Kshs	Kshs
Trade receivables (note (21a))	9,704,571,162	9,282,530,928
Less: Allowance for credit loss	(7,567,280,307)	(7,107,018,203)
Net trade receivables	2,137,290,855	2,175,512,725
Other receivables	1,526,936,230	1,526,992,438
Less: Provision for bad and doubtful debts	(55,512,565)	(55,512,564)
Net other receivables	1,471,423,666	1,471,479,874
Prepayments and deposits	135,514,488	130,126,844
Total	**3,744,229,008**	**3,777,119,443**

. (a) Trade Receivables

	2025	2024
	Kshs	Kshs
Gross trade receivables	9,704,571,162	9,282,530,928
Provision for doubtful receivables	(7,567,280,307)	(7,107,018,203)
Net trade receivables	2,137,290,855	2,175,512,725
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	383,321,300	313,668,777
Between 30 and 60 days	189,384,789	152,430,297
Between 61 and 90 days	150,896,350	138,912,447
Between 91 and 120 days	128,255,983	94,299,749
Over 120 days	8,852,712,740	8,583,219,658
Total	**9,704,571,162**	**9,282,530,928**

(b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2025	2024
		Restated
	KShs	KShs
At the beginning of the year	**7,107,018,203**	**7,142,503,918**
Prior year adjustment		(132,336,437)
Additional provisions during the year	673,711,492	380,515,216
Recovered during the year	(213,449,388)	(283,664,494)
Written off during the year	**(-)**	**(-)**
At the end of the year	**7,567,280,307**	**7,107,018,203**

Specific provision has been made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The provisions relating to the reporting period are Kshs (7,622,792,871) (2024: Kshs (7,162,530,767). This is based on the provision of bad debts of beyond 480 days as per the adopted policy. This includes ksh 5,935,309 under Nairobi Water and Sewerage Institutional Restructuring project that was closed in 30 June 2008 and khs 49,577,255 for VAT claims.
Other receivables include balances claimable from Postal Corporation of Kenya, Kenya Revenue Authority (KRA), Cellulant Kenya Ltd, IDA receivables, staff salary advances ,medical excess and Travel advances. The carrying amounts of receivables approximate to their fair value.

21. (c) Staff Receivables

	2025	2024
	Kshs	**Kshs**
Gross staff advances	2,277,382	4,194,718
Provision for impairment loss	(-)	
Net staff loans	2,277,382	4,194,718
Less: Amounts due within one year	(2,277,382)	(4,194,718)
Amounts due after one year	-	-

22. Cash and Cash Equivalents

	2025	2024
	Kshs	Kshs
Cash in hand	6,963,203	353,085
Cash at bank	329,521,886	240,998,753
Mobile Money account	140,471,103	97,072,984
Total	**476,956,192**	**338,424,822**

For the purposes of the cash flow statement, the earned cash and cash equivalents comprise the above balance sheet amount. The company is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions. The cash at bank is held at Co-operative bank of Kenya, Barclays bank of Kenya ltd, Equity bank Ltd, Sidian bank, Citi bank N.A, Housing Finance, National bank of Kenya, National commercial bank of Africa (NCBA), Diamond trust bank ltd, Kenya commercial bank, I&M bank, Family bank, Stanbic bank and Mobile money held in trust account by M-pesa holding account and Airtel holding Account. The carrying amounts of the company's cash and cash equivalents are denominated in the Kenya shillings.

Detailed analysis of the cash and cash equivalents

		2025	2024
Financial institution	Account number	KShs	KShs
Current account			
Co-operative bank of Kenya			
Coop-Revenue Account	01136001361400	22,476,565	15,715,366
Coop-Payment account	01136001361401	54,903,553	104,025,187
Business Current Account	01136001361403	112,059	(68,605)
Coop-Savings account	01100001361400	13,591,632	12,060,817
Coop-Call Deposit	01150001361401	12,243,923	19,103,462
Baba Dogo water extension project account	01136001361407	-	23,098
Call Account 2	01100013614007	15,500,000	-
Mathare sustainability project account	01136001361408	251,086	255,406
Kiambiu water project Account2	01136001361410	-	1,032,534
Conditional Liquidity Support Grant (Ph1)	01100013614004	4,185	4,185
Conditional Liquidity Support Grant (Ph2)	01100013614005	3,537,750	-
Conditional Liquidity Support Grant (Ph3)	01100013614006	68,251,001	-
Absa Bank Kenya PLC	0775002360	36,772,279	925,437
Diamond Trust Bank Kenya Limited	0193004001	2,875,719	538,275
Equity Bank (Kenya) Limited	0560291999093	33,879,566	26,260,956
Sidian Bank	01006020000893	5,061,120	4,725,196

National Bank of Kenya	1020007150401	4,861,857	823,174
NCBA Bank Kenya Plc	1003088738	339,458	748
Housing Finance (HF)	200081172	552,325	530,086
Family Bank Ltd	012000057042	19,873,222	1,522,940
Stanbic Bank	0100012813583	936,220	63,776
Citi Bank NA	0300080003	-	49,808,057
Kenya Commercial Bank	1324230169	33,122,936	3,221,291
I&M Bank	01004537526350	311,072	257,946
M-Pesa Holding Ltd	444400	140,440,190	97,057,052
Airtel Holding Account	731100700	30,913	15,932
Uncredited Deposits @ Coop Bank	01136001361400	64,358	169,423
Cash at Hand	Cash count	6,963,203	353,085
Grand Total		**476,956,192**	**338,424,822**

23. Share Capital

	2025	2024
	Kshs	Kshs
Authorized, issued and fully paid:		
5,000 ordinary shares of Kshs. 20	100,000	100,000

There was no movement in the share capital during the year.

24. Revenue Reserve

		2025	2024
			Restated
	Note	**Kshs**	**Kshs**
At 1 July		**(3,291,513,005)**	**(2,788,895,138)**
Prior year adjustments	34	(118,101,786)	(455,529,099)
Restated Opening balance		**(3,409,614,791)**	(3,244,424,237)
Deficit for the year		(236,496,853)	(47,088,768)
At 30 June		**(3,646,111,645)**	**(3,291,513,005)**

Revenue reserve comprises of net worth at conversion and accumulated surpluses over the years. The prior year adjustment relates to errors in previous year Billing. The international Financial Reporting Standard No. 8, requires that this to be restated but due to difficulties in establishing the period that the error relate we have adjusted the prior year adjustment against reserve.

25. Retained Earnings

The retained earnings represent amounts available for distribution to the entity's shareholders.

Undistributed retained earnings are utilised to finance the entity's business activities.

26. Capital Grant

The capital grant represents the cost of property, plant and equipment purchased using donor funds.

	2025	2024
COST	**Kshs**	**Kshs**
As at 1st July	2,717,526,524	2,712,714,714
Additions	9,406,120	4,811,810
	2,726,932,644	**2,717,526,524**
Amortization:		
As at 1st July	1,469,620,470	1,241,935,834
Charge for the year	231,636,201	227,684,636
Accumulated Amortization	**1,701,256,671**	**1,469,620,470**
Net book value as at 30th June	**1,025,675,973**	**1,247,906,054**

27. Customer Deposits

	2025	2024
	Kshs	Kshs
Balance brought forward	**1,229,417,699**	**1,164,088,623**
Deposits received from customers	53,221,700	40,262,000
Accrued interest at 3% per annum	29,323,702	28,203,503
Deposits and interest refunded	(2,884,788)	(3,136,427)
Balance carried forward	**1,309,078,313**	**1,229,417,698**

The customer deposits balance comprises of deposits received from customers from 17 May 2004 when the Company commenced operations. The customer deposits received by the former Water and Sewerage Department of CCN have not been included in these financial statements pursuant to Article 4 (sections 3-4) of the Tripartite Agreement dated 5 April 2004, which states that CCN shall continue to hold and be responsible for deposits received from customers before the Company's formation. This Article further states that the Company shall refund deposits as and when demanded. Customer deposits are withdrawn on

demand when accounts are closed. However, as is the case with other deposits of a similar nature, customer deposits are not usually withdrawn within one year.

28. Borrowings

	2025	2024
	Kshs	**Kshs**
Bank borrowings		
Non- Current	28,549,798	97,069,348
Current	68,519,554	68,519,554
Total Bank borrowings	**97,069,352**	**165,588,902**

The Company had one (1) loan facility with the cooperative bank of Kenya during the year namely;
A term loan for financing sanitation connections in the informal settlement of kes 600 million at Co-operative Bank under the OBA project co-financed by the World Bank. The company made a drawdown of kes 529,201,331. Interest rate at 13.5% pa reducing balance.

The facility is secured by the following;

i. Existing all assets fixed and floating debenture over the company assets of kshs700 million (Seven hundred million only) with the co-operative bank of Kenya
ii. An assignment agreement of our receivables to Co-operative bank of Kenya;
iii. Daily cash/ call deposits build up in the amount of kes 2,000,000 per day via standing order;
iv. Duly executed lien and cash charge documentation to back the arrangement under items ii and iii above;
v. Executed general terms and conditions

Detailed analysis of the borrowings

Description	2025	2024
	Kshs	**Kshs**
Domestic Borrowings		
Balance at beginning of the year	165,588,906	315,884,950
Domestic borrowings during the year	-	-
Repayments during the year	(68,519,554)	(150,296,534)
Balance at end of the year	**97,069,352**	**165,588,906**

29. Trade and Other Payables

	2025	2024
	Kshs	Kshs
Trade payables	3,357,482,451	2,757,601,221
Gratuity accrued	91,205,755	79,468,050
Employee payables	2,354,838,034	2,390,033,970
Other payables	54,490,408	116,926,809
Total	**5,858,016,648**	**5,344,030,050**

In the opinion of the Directors, the carrying amounts of trade payables approximate to their fair value. The maturity analysis of trade and other payables are shown in note 40 (a) (ii).

Aging Analysis for Trade and other Payables

	2025	% of the total	2024	% of the total
1-30 Days	1,036,471,482	18%	963,085,250	18%
31-60 Days	147,311,378	3%	87,299,088	1%
61-90 Days	143,073,098	2%	47,062,729	0.5%
91-180 Days	145,283,441	2%	155,472,010	2.5%
Over 180 Days	4,385,877,249	75%	4,144,716,223	78%
Total	**5,858,016,648**		**5,344,030,050**	

30. Customers with Credit Balances

	2025	2024
	Kshs	Kshs
Customer with credit balances	**292,495,041**	**298,185,811**

The customer with credit balances are those whose accounts have been overpaid and or have been issued with a credit note due to previous overbilling. This comprises of application in process, current active and discontinued inactive.

31. Provisions for Leave Accruals

	2025	2024
	Kshs	Kshs
As at opening	**305,482,235**	**317,992,007**
Addition/Decrease for the year	34,213,965	(12,509,772)
As at closing	**339,696,200**	**305,482,235**

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

32. Amount Due to Related Party Transactions

The Nairobi City County Government owns the Company 100%. During the year the transactions conducted between these related entities were at arm's length and in the normal course of business in compliance with the Water Act 2016.The following transactions were carried out with related parties:-

Amount Due to Related Party Transactions

	2025	2024
i)Lease fees for the year payable to Athi Water Works Development Authority	Kshs	Kshs
		Restated
As at July	2,447,959,732	2,447,959,732
Bulk Water Purchase	951,869,402	9,702,720
Paid during the year	(311,260,320)	(5,899,840)
Prior Year Adjustment/Adjustment	-	(3,802,880)
Sub-total	**3,088,568,814**	**2,447,959,732**
At 30 June	**3,088,568,814**	**2,447,959,732**
ii)Inherited debts from Nairobi City County		
At 1 July	53,605,250	57,955,286
Additions/Reclassified		-
Paid during the year	(3,969,157)	(4,350,036)
At 30 June	**49,636,093**	**53,605,250**
Grand Total	**3,138,204,907**	**2,501,564,982**
Classification of related party payables		
Non- current	2,497,595,825	2,501,564,982
Current	640,609,082	
Total	**3,138,204,907**	**2,501,564,982**

iii)Billing of Water services to NCC		
At 1 July	618,757,815	549,666,944
Billing for the year	76,850,169	64,794,130
Paid during the year	(10,522,373)	(8,880,280)
Adjustment	13,236,957	13,177,021
At 30 June	**698,322,568**	**618,757,815**

The tariffs applicable to Nairobi City County are the same as those charged to other customers.

33. Management Staff Compensation

Key management compensation:	2025	2024
	Kshs	Kshs
Salaries and other short term benefits	1,595,267,314	1,634,025,561
Termination benefits	223,747,393	230,795,856
Post-employment benefits	13,344,480	6,706,800
Total	**1,832,359,187**	**1,871,528,217**
Director's remuneration:		
-Fees for services as Directors	84,277,001	89,520,113
-Other emoluments - Chief executive (included in key management compensation above)	14,396,592	14,409,062
Total	**98,673,593**	**103,929,175**

A listing of the members of the Board of Directors who served is shown on page 5 of these financial statements.

34. Prior Year Adjustments

Prior year adjustments comprise the following:		2025	2024
To revenue reserve		Kshs	Kshs
Trade Receivables	(i)	(118,101,786)	(583,247,540)
Provision for bad and doubtful debts	(ii)		132,336,438
Other income	(iii)	-	(4,617,997)
Total		**(118,101,786)**	**(455,529,099)**

Sub-notes:

(i) Correction of prior period trade receivable balances due to errors in billings.

(ii) Restatement of provision for bad debts on government trade receivables

(iii) Interest income erroneously credited reversed

35. Cash Generated from Operations

Reconciliation of surplus before tax with cash generated from operations:		2025	2024
			Restated
	Notes	**Kshs.**	**Kshs.**
Deficit /Surplus for the year before tax		(236,496,853)	(47,088,768)
Adjustment for :			
Revenue reserve	**24**	(118,101,786)	(455,529,099)
Depreciation of property, plant and equipment	**18**	550,311,198	527,507,641
Amortization of intangible assets	**19**	6,444,370	44,156,244
Amortization of grant asset	**26**	(231,636,201)	(227,684,636)
Interest expense	**15**	51,341,692	60,932,036
Operating surplus before working capital changes		21,862,420	(97,706,582)
Decrease in Trade and other receivables		27,268,269	269,405,135
Increase in Inventories		(66,194,904)	(4,123,481)
Increase in Trade and other payables		513,986,597	326,538,968
Increase/Decrease in Provisions		34,213,965	(12,509,772)
Increase in Customer deposits		79,660,614	65,329,076
Increase/Decrease in Amount due to related parties		636,639,925	(4,350,036)
Cash generated from operations		**1,247,436,887**	**542,583,308**

36. Employee Retirement Benefits Expense

The employee retirement benefits expense comprises:

	2025	2024
	Kshs	Kshs
National Social Security Fund	104,726,847	54,688,252
Provident fund/pension fund	442,083,888	511,946,637
Gratuity	223,747,393	230,795,856
	770,558,128	**797,430,745**

37. Capital Commitments

	2025	**2024**
	Kshs	Kshs
Amounts authorized and contracted for	1,838,454,521	1,194,424,873
Amount authorized but not contracted for	-	912,457,928
Total	**1,838,454,521**	**2,106,882,802**

The capital commitments relate to contracts awarded to various vendors, primarily for works involving the extension of water and sewer networks within Nairobi, as well as for the supply and delivery of goods and services. These contracts have been authorized and entered into but are either ongoing or yet to be executed. The company does not anticipate any cancellations of these commitments, and therefore no penalties are expected.

38. Future Rental Commitments Under Operating Leases

This relates to leases for operational buildings at various centers at Enterprise centre- Addis Ababa Rd Industrial Area, CPA Centre along Thika road, Parklands Plaza Westlands, Cameo building –Town centre, National water plaza (Dunga Road), Shujaa mall along Spine Road, Hazina Trade Center along Monrovia street. The lease terms are for six (6) years, and the majority of the lease agreements are renewable at the end of the lease period at market rates.

	2025	2024
	Kshs	**Kshs**
Within 1 year	91,525,639	81,168,238
After 1 year but less than 5 years	229,069,631	174,478,447
	320,595,270	**255,646,685**

39. Contingent Liabilities

This comprises of (a) pending suits and disputed claims arising from debts inherited from NCC in which the Company has been enjoined as a defendant plus other pending suits instituted against the company, all amounting to Kshs 39,603,596,736 (2024:Kshs 11,392,650,944).The likely outcome of these matters cannot be determined as at the date of signing these financial statements. Based on th
e information currently available, the Directors believe that the ultimate resolutions of these legal proceedings, claims and tax exemption application are not likely to have a material effect on the results of the Company's operations, financial position or liquidity.

The Company in the year ended 30th June 2024 restated the amount due to related party that was expensed without corresponding asset derived from the loan from AWWDA as per the tariff provision. In the year ended 30th June 2025, the Company has a provision in the contingencies of Kshs 942,004,596. This will be recognized after the associated assets have been transferred to the Company.

Contingent liabilities	2025	2024
	Kshs	Kshs
Court cases against the entity	31,002,340,530	3,733,399,334
Loan repayment due to AWWDA	8,601,256,206	7,659,251,610
Total	**39,603,596,736**	**11,392,650,944**

40. Risk Management Objectives and Policies

(a) Financial risk management

The company's activities expose it to various financial risks and market risks e.g. foreign exchange risk, interest rate risk and price risk, credit risk and liquidity risk. The Company's overall risk management policies are set out by the board and implemented by management , and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Company's performance by setting acceptable levels of risk. The Company does not hedge against any risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a company-wide basis. The company does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings.

Credit Risk on trade receivables is managed through a monthly review of outstanding balances. Payments not received within the contractual credit period are enforced through disconnection. Any identified errors in billing that can delay revenue realization are adjusted on a weekly basis. The debt of over 480 days is provisioned and written back when realized.

The maximum exposure of the company to credit risk as at the balance sheet date is as follows:

	Fully Performing	Past due but not Impaired	Past due and Impaired	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2024				
Financial assets				
Trade receivables	605,011,521	1,570,501,203	7,107,018,204	**9,282,530,928**
Other receivables	4,104,718	1,597,544,053	55,512,564	**1,657,161,335**
Cash in hand &bank	338,424,822	-	-	**338,424,822**
Gross financial assets	**947,541,061**	**3,168,045,256**	**7,162,530,768**	**11,278,117,085**
As at 30th June 2025				
Financial assets				
Trade receivables	723,602,439	1,413,688,416	7,567,280,307	**9,704,571,162**
Other receivables	165,231,413	1,436,305,843	55,512,564	**1,657,049,820**
Cash in hand &bank	476,956,192	-	-	**476,956,192**
Gross financial assets	**1,365,790,044**	**2,849,994,259**	**7,622,792,871**	**11,838,577,174**

The past due debtors but not impaired continue to be paid. An impairment provision of (Kshs-7,925,111,363) (2024: (kshs7, 362,043,477) is held against the impaired receivables. The company does not hold any collateral against the past due or impaired receivables except for the nominal customer deposits. The management continues to actively follow up past due and impaired receivables.

ii) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarizes the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows presented in million Kshs.

Year ended 30th June 2025	0-1 month	1-3 months	3-12 months	over 1 year	Total
Trade & other payables	1,037	147	288	4,386	**5,858**
Payables to related parties	476	15	149	2,498	**3,138**
Loans from bank	6	12	51	28	**97**
Total	1,519	174	488	6,912	9,093
Year ended 30th June 2024					
Trade payables	371	58	264	4,643	**5,336**
Payables to related parties	0	0	4	2,501	**2,505**
Loans from bank	6	12	51	96	**165**
Total	**377**	**70**	**319**	**7,240**	**8,006**

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Interest rate risk

The company is exposed to cash flow interest risk on its variable rate borrowings because of changes in market interest rates. The company manages this exposure by maintaining a high interest cover ratio, which is the extent to which profits are available to service borrowing costs. If the interest rates on the company's borrowings at the year-end were to increase/decrease by 1% percentage points, with all other factors remaining constant, the post-tax loss/profit would be lower/higher by Kshs

Currency risk

The Company operates wholly within Kenya and its assets and liabilities are reported in the local currency.

(b) Capital management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the company consists of debt, which includes the borrowings, equity comprising issued capital, capital grant, and revenue reserve as disclosed in notes 17, 18, 19& 21. In order to improve on the capital structure, the company may replace the short term funding with long term funding and also improve on the efficient management of working capital particularly the accounts receivables.

	2025	2024
	Kshs	**Kshs**
Total Debt	97,069,352	165,588,902
Less cash and cash equivalents (Note 21)	476,956,192	338,424,822
Total Debt net of cash	379,886,840	172,835,920
Total equity	(2,620,335,672)	(2,043,506,951)
Total Capital resources	(2,286,392,299)	(1,870,671,031)
Gearing (net debt over total capital resources)	**(16.60)**	**(8.3)%**

41. Incorporation

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

42. Events After the Reporting Period

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

43. Currency

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

44. Comparatives

Comparative figures are adjusted to conform to changes in presentation in the current year where necessary.

20. Appendices

Appendix 1: Progress on Follow up of Auditor Recommendations

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	REPORT ON THE FINANCIAL STATEMENTS				
1.1	**Estimated Accounts for More than 6 Months**	The accounts are estimated due to inability to access the meter. To address this the company is sensitizing the customers on self-meter reading through SMS reminders and relocation of meters outside the gate for accessibility.	CD/CBM	Ongoing	
1.2	**Accounts Billed and not Paid for Throughout the Year**	The disconnection module of the billing system was not operational to enable tracking of disconnected accounts. The module was operationalized in the year of FY 2024/25. This will improve the disconnection of unpaid bill monitoring of disconnected accounts. Water service providers in Kiambu county was not disconnected and we communicated non-payment of WSP bills to WASREB to assist in collection of the same. We also ceded domestic accounts in Githurai and Kahawa Sukari to Kiambu county. The accounts were	FD/FMR	Ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		partly billed during the financial year.			
1.3	**Active Accounts not Billed**	The list of 10,191 accounts queried by the Auditor General included 7,031 accounts that had already been de-enrolled or discontinued (Account Status = D) and were therefore not active. In the same list, 465 accounts were in the application stage (Account Status = A), meaning they were in the process of contracting. A total of 2,695 accounts had a status of "Current" (Account Status = C) and were therefore active. Analysis of these 2,695 accounts revealed the following: • 1,149 accounts had their meters installed in the subsequent financial year, i.e., from July 2024. • 683 accounts did not have meters installed by the time of analysis (February 2025). • 863 accounts could not be billed due to various system technical controls, such as pending special work orders, which are only billed once the work order is resolved. As of February 2025, 1,938 of the 2,695 active accounts had been billed.	CD/CBM	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
2.0	**Long Outstanding Trade and Other Payables**	As observed the Company payables stood at ksh 5.3B which includes ksh 2.2B money owed to Lap trust that accumulated from Actuarial deficit and interest and the Company is pursuing for a Loan to settle this amount, kshs 1.7 billion WASREB lease fees and kshs 490 million WARMA abstraction fees. While the difference of ksh 900million relates to trade payables which is approximately or within credit period. The current Tariff is not responsive to inflation and not cost recovery. However we are engaging Wasreb for approval of a new tariff that is cost Recovery and responsive to inflation, we are also putting mechanism to improve revenue.	MD/FD/FM	Ongoing	
3.1	**Unvalued Fully Depreciated Assets Consumption Volumes**	The Company is in the process of revaluating the assets which are fully depreciated and in use. A provision in the Budget of 2024/2025 is set to undertake this exercise. Revaluation is a professional service hence the budgetary requirement for acquiring this service. NCWSC has written to the Chief Engineer – Ministry of Transport for valuation of motor vehicles.	FD/SCM/FM(E&R)	Ongoing	
3.2	**Lack of Land Ownership Documents**	The statement of Financial Position reflects property, plant and Equipment balances of the	MD/NCCG/CS/BOD	Not resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		assets acquired /owned by the Company and not all assets operated by the Company. Assets Assigned to the company for operations and not transferred are not included in the books. However the Company in Conjunction with Nairobi City County Government the Registered owner and the National Government have engaged in Titling process to ensure the assets are Titled and transferred.			
4.	**Trade and Other Receivables**	The Company has created two new regions to assist in management of the trade receivables amongst other matters and also implemented GIS platform capable of capturing billing and debt status of all accounts. This will enhance meter Management and assist in debt collection. Further, the Company is reengineering the business process to enhance debt collection. We have also tasked staff to authenticate the debt above 480 days and liaise with the legal section for issuance of demand letters as per attached sample.	FMR/RMs/FD	Ongoing	
5.	**Unsupported Prior Year Adjustments**	The prior year adjustments relate to loan repayment fees due to Athi water works Development Agency because	FD/ FM(E&R)	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		the terms and conditions referred to have not been disclosed to the Company and assets developed under these loans are not in NCWSC books. This liability if any has been disclosed under contingent liability note 39. And the prior adjustment on trade receivable are made for incorrect bills and approved. In addition, Kshs 4,617,997 related to interest income erroneously credited and later reversed by the bank.			
6.	**Receivable from the Ministry of Water and Sanitation for the Nairobi Sanitation OBA Project**	As observed in the Report the amount stated was not received in the Company and as implementing agency we closed the project, the issue of the ksh 11,005,000 is with the Ministry Water and Sanitation and we wrote to them to take the necessary action toward closure.	MD	Resolved	
7.	**Unsupported Statement of Changes in Equity**	The kshs 587,865,536 (refer to note 24 in accounts) relates to adjustments on trade receivables due to billing errors in the previous periods while the Kshs 4,811,809 relates capital grants received during the period from Kenya National Highways Authority.	FD/CD	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
8.	**Material Uncertainty in Relation to Going Concern**	The company operates and Maintains assets that are not in the Financial Statements. These asset consist of Major water installations, Dams, Water and Sewer Networks and also Lands and some Vehicles, contrary to the water Act 2016 Sec.152,153,155 and 156 where it was envisaged that the assets be transferred to water service providers but has not done to date. In addition the current tariff is not a full cost recovery tariff. The company is in the process of applying for a new tariff and is engaging WASREB for approval of a new tariff that is cost Recovery and responsive to inflation, we are also putting mechanism to improve revenue.	NCCG/AWWDA/WASREB/MD	Partially resolved	
	Emphasis of Matter				
	Budgetary Control and Performance	The budget performance in realization of revenue is dependent on the economic environment and ability of our customers to pay for water consumed. The other reason for under collection of revenue was failure to receive the Grant as budgeted and other income shortfall. Due to shortfall in Revenue the costs is marched with income/Revenue realized.	FD/FMR/FM	Resolved	
	Prior Year Issues	Prior Year Unresolved Issues	Some prior year issues within the	Partially resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template	purview of management have been addressed while others require other third parties for intervention and the Company has communicated to the relevant authorities for action		
	REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
1.0	**Unaccounted for Non-Revenue Water (NRW)**	The above total billed volume does not include billed volumes off BASIS 2 billing system such as Water Tanker Volumes, PPDs (Pre-Paid water Dispensers) volume to informal settlements and CSR (Corporate Social Responsibility) volume to the informal settlements. The below table includes these volumes and hence an annual NRW of 48%.	MD/TD/PM/NRWM/CD	Ongoing	

:3/24 WATER BALANCE ANA		
WATER TANKERS	**CSR - ISR**	**TOTAL BILLED VOLUME (m3)**

	Reference No.	Issue / Observations from Auditor	Management comments			Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
ED (m^3)	TING)				WATER ONLY			
185,822,138	90,372,733	35,934	110,880	6,714,654	97,234,251			

This status has over time been caused by having a backlog of deferred water services infrastructure improvement actions such as renewal of aged water pipelines, development of new water sources hence high-water demand gap leading to meter under-registration and irregular water practices. This is majorly due to lack of sufficient own source or GoK funding to undertake capital improvement works. Seureca Consultancy of 2016 studied Nairobi's NRW scenario and devised Regional Action Plans to reduce NRW from the then 40.35% to 18.50% at a cost of of **2,874,734,000 KShs without pipe replacement** and **5,717,734,000 KShs including pipe replacement** as tabulated below. These interventions were to be implemented between 2017 and 2022, but were not implemented owing to budget constraint. Refer to ***Seureca Consultancy Services for Baseline Study for NRW Management, Capacity Building and Preparation of***

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		Specifications of a PBC for the Reduction of NRW for Nairobi – TECH 5 Regional Action Plans of October 2016 Report **Page 104. Annex 6**			

S/No.	Region	2017 Baselin
1	Central	41.39%
2	Eastern	40.80%
3	North Eastern	41.36%
4	Northern	40.57%
5	Southern	37.97%
6	Western	39.29%
	Global	**40.35%**

Implementing the same action plans today would reduce current NRW to 29.27% at a cost of at least **9,177,879,464 KShs,** factoring in compounded inflation between 2016 to-date.

Key Challenges Accelerating NRW:

Arising from deferring implementation of NRW reduction interventions proposed in 2016, the below factors led to a NRW of 48% for the FY 2023/24.

1. ***High Demand Gap:***

During the period under review Nairobi City had a demand of

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		about **900,000m³/day** out of which NCWSC produced **509,101.75m³/day** thus meeting **56.6%** of the daily demand. This resulted in water being supplied under **intermittent water supply regime** with an **average daily supply of 15 hours a day**. 2. ***Irregular* Consumer Water Practices**: Intermittent water supply regime coupled with socio-economic factors leads to a **scarcity driven consumer culture** evident in numerous cases of **irregular water practices** such as illegal connections, by-passes, meter tampering, removal and reversal which give rise to high commercial losses. ***3. Infrastructural Strain:*** This strain arises from aged pipelines and intermittent water supply occasioning high NRW through: **Leaks and Bursts due to Aged/Dilapidated Network:** Due to lack of renewal over the years and irregular networks due to self-reticulation majorly owing to low investment, poor urban planning and unparalleled real estate			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		development within the city lead to physical losses through surface and sub-surface leaks and bursts. Most of water supply pipelines were done before 1980 with some dating back to 1934. The role of implementing upstream and downstream capital works including development of new water sources, renewal and rehabilitation of water infrastructure is with Athi Water Works Development Agency. NCWSC is only able to do small scope rehabilitation and expansion projects from its own internal budget while deferring many renewal projects owing to insufficient funding. **Meter Under-registration:** As a result of intermittent water supply, the highest infrastructural strain is induced on water meters. NCWSC uses volumetric, velocity and Woltman turbine type mechanical meters with a few smart meters at key installations. All meters, despite the type of meter technology, are manufactured to have full bore water conditions 24/7. Under intermittent water supply, meters are left to be dry, i.e., having no or little water flow during periods of no water			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		for a given supply area. This leads to silt settlement with eventual clogging of the meter that leads to fluctuating-, under- and stopped registration hence commercial losses. Further, during low flow supply periods when water flow in the meter is not full bore, water "sips" through the meter without filling the measuring chamber in volumetric meters or moving the impeller in velocity and Woltman turbine meters and hence not registered at all. This water is consumed by the customers but not billed by NCWSC and hence commercial NRW. ***4. Commercialization of Water in Informal Settlements:*** Despite the Company's efforts to subsidize water in the informal settlements, innovative water supply solutions such as Pre-Paid Water Dispensers (PPDs), cluster water meter chambers and water kiosks, water vending remains a big business. This is driven by inadequate supply infrastructure and supply shortage leading to high NRW through illegal connections, leaks and bursts. A number of major distribution pipelines crisscross Nairobi's informal			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		settlement thus accelerating NRW. 5. ***Self-reticulated Irregular Network:*** Nairobi's real estate development remains unparallelled with increased population growth and rural urban migration. Residential areas such as the vast Kasarani, Zimmerman and Ryosambu among others have their water pipeline networks done by the property owners as NCWSC is not able to develop its infrastructure as fast as the real estate is developing. This has led to irregular networks with some properties having more than one known and metered water connection giving rise to both physical losses and commercial losses. **Key Measures to Address NRW:** NCWSC continuously undertakes in-house NRW reduction measures such as replacement of malfunctioning meters, meter sealing, identification and disconnection of illegal connections, leak scouting, detection and repair and small-scale rehabilitation of dilapidated pipeline sections.			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		In addition to the above, key externally funded NRW reduction projects include; 1. ***AFD Funded CKE 1135 01H: Nairobi Water and Sanitation Project, Component 1*** Component 1 entails reinforcement and extension of the water distribution network within NCWSC's area of service. Works scope under this component includes; construction of 400km water distribution and extension pipelines including 6,943 new water connections and 1 No. storage tank of 5,500m^3. Key in NRW reduction is Works Package 3 which entails 136km pipeline rehabilitation in CBD, Industrial Area, Pumwani, Starehe, Jogoo Rd and Ngara. Feasibility study has been done for use of trenchless technology in undertaking rehabilitation in CBD. The works have already been awarded. Upon implementation, this project is expected to reduce physical losses from sub-surface leaks emanating from old pipelines. Refer *to* ***AFD Credit Facility Agreement No.: CKE 1135 01H*** **page and advertisement 47. Annex 7a and 7b**			

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		2. AFD Funded CKE 1135 01H: Nairobi Water and Sanitation Project, Component 4 This component entailed Technical Assistance in NRW Management and Procurement of NRW goods and equipment. Further interventions under this component include replacement of asbestos cement pipes in specific regions, rehabilitation of aged pipelines in selected areas and procurement of water meters. Refer *to* ***AFD Credit Facility Agreement No.: CKE 1135 01H*** **page 48 and advertisement. Annex 7a,8a and 8b**			
2.	**Ethnic Diversity**	The water sources for Nairobi are located in the area of Ethnic community with 48% where 4 No. Dams and treatments works including transmission stations are found. From the Ethnic community area where these stations are located at least 70% should come from area, hence taking this into consideration the ratio is tilted to reflect the no compliance.	MD/DHRA	Ongoing	
3.	**Unsustainable Wage Bill**	To maintain and sustain the Wage bill the Company has Frozen employment unless where there is no internal capacity/expertise ,	MD/DHRA/HRM	Ongoing	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
		realignment of operations through decentralization of services for efficiency and effectiveness of service delivery in order to increase revenue and deployed technology for efficiency and effectiveness of operations which will increase revenue and hence reduce wage bill percentage. We are also seeking Tarriff renewal as the current one expired in June 2024 and it is not cost recovery.			
4.	**Staff on Acting Capacity Beyond the Stipulated Period**	The company will strive to ensure that the staff don't act in a position beyond 6Months, this will ensure we comply with Human Resources Policies and Procedures Manual.	MD/DHRA/HRM	Ongoing	
5.	**Staff Earning Below a Third of Basic Pay**	Staff may go below a third of their basic salary due to absence deductions, those getting 75% of their basic salary due to being away for studies as well as the introduction/Increase of statutory deductions such as the housing levy, SHA, and NSSF.	MD/DHRA/HRM	Ongoing	
6.	**Irregular Procurement and Implementation of Oracle Human Capital Management**	The licenses were procured under the terms of the agreed contract and are currently in use. The company has technical support services from an oracle approved contactor. The training	ICTD/SCM	Resolved	

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe:
	(HCM) Licenses	was in the tender document and this was a specialized training which was only available in Dubai offered by oracle university in dubai or europe The Licenses were not activated and activation was done when the system went live.			
7.	Non-Compliance with the Persons with Disabilities Act, 2003	The company will strive to ensure inclusion of persons with disability during external recruitment taking into consideration minimum requirements for the advertised position.	MD/DHRA	Ongoing	
	Use of end of life	The computers are still useful and are not susceptible to cybersecurity threats and vulnerabilities.	ICTD/SCM	Resolved	

Appendix II: Projects Implemented by the Company

Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor	Consolidated in these financial statements (Yes/No)

			agreement (Yes/No)	
1. Relocation of Water & Sewerage Pipeline Along Outering Road.safe water (Mukuru & Mathare)	KURA	9,406,120	No	yes

Name MARTIN NANG'OLE

Signature

Managing Director

Date 27th August 2025