

REPUBLIC OF KENYA

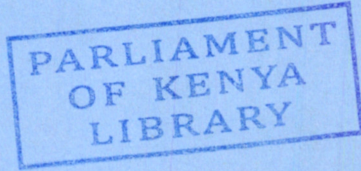


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT



PAPERS LAID	
DATE	04.12.2025
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COMMITTEE	-
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OF

THE AUDITOR-GENERAL

ON

**KAPENGURIA WATER AND SEWERAGE
SERVICES COMPANY LIMITED**

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

WEST POKOT COUNTY



Revised on 30th June 2025



*KAPENGURIA WATER AND SEWERAGE SERVICE
LIMITED*
P.O. BOX 651-30600, KAPENGURIA KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

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

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

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1. Acronyms and Glossary of Terms

A. Acronyms

<i>CEO</i>	<i>Chief Executive Officer</i>
<i>DG</i>	<i>Director General</i>
<i>IAS</i>	<i>International Accounting Standards</i>
<i>IASB</i>	<i>International Accounting Standards Board</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>ICS</i>	<i>Institute of Certified Secretaries</i>
<i>MD</i>	<i>Managing Director</i>
<i>NT</i>	<i>National Treasury</i>
<i>PFMA</i>	<i>Public Finance Management Act.</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

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2. Key Entity Information

Background information

The Kapenguria Water and sewerage company Ltd was established by the 2002 Act of Parliament on 29th March 2006. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya.

Principal Activities

The principal activity of the Company is provision of safe, efficient and affordable water and sewerage services.

Vision

To be the leading and most sustainable water service provider in Rift Valley and area of coverage.

Mission

To provide reliable, affordable and safe water and sewerage services in an efficient and effective way to the customers in the defined areas through continuous improvement of the company.

Core values

Values are an integral part of any organisation culture which in turn creates a sense of identity, belonging, direction and purpose. In our quest for timely provision of quality services. We shall be guided by the following core values;

- Integrity
- Gender sensitivity
- Efficiency and effectiveness
- Accountability
- Innovativeness
- Customer focused

Core Functions

To Provide water and sewerage services within Kapenguria municipality and West Pokot County at large as per our Mission statement.

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Directors

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

1. HARON RUTO KORTOME Ag. MANAGING DIRECTOR - Appointed on22nd October 2024
2. JAMES PYATICH LOPORNA MANAGING DIRECTOR - Appointed on 1ST FEBRUARY 2024 and Left on

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Registered Office

Kapenguria Water and Sewerage Company Limited
Makutano- Kapenguria Road,
P.O. Box 651-30600
Kapenguria.

Corporate Headquarters

Kapenguria Water and Sewerage Company Limited
Makutano- Kapenguria Road,
P.O. Box 651-30600
Kapenguria.

Corporate Contacts

Telephone: Email: *TEL: +2540111951483.*
EMAIL: kawases002@gmail.com
Website: www.kawases.co.ke

Corporate Bankers

Kenya Commercial Bank
Kapenguria Branch
P.O Box 396-30600
Kapenguria.

Independent Auditor




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

Principal Legal Adviser




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

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3. The Board of Directors




	Directors	Details
	DR. NELLY CHEROP ANDIEMA	<p>ACADEMIC QUALIFICATION:</p> <ul style="list-style-type: none"> • DOCTOR OF PHILOSOPHY DEGREE IN EARLY CHILDHOOD AND PRIMARY EDUCATION <p>AGE:50 YEARS</p> <p>WORK EXPERIENCE:</p> <ul style="list-style-type: none"> • SHE IS THE CHAIRPERSON OF THE BOARD OF DIRECTORS.
	PRISCILLAH CHEBBET MUNGO	<p>ACADEMIC QUALIFICATION:</p> <ul style="list-style-type: none"> • MASTER IN BUSINESS ADMINISTRATION (MBA) WITH EMPHASIS IN FINANCE-HONOR STUDENT. • BACHELOR OF SCIENCE DEGREE IN BUSINESS ADMINISTRATION WITH EMPHASIS IN INTERNATIONAL BUSINESS. – HONOR STUDENT INDUCTED INTO THE HONOR SOCIETY OF PHI KAPPA PHI <p>AGE:47YEARS</p> <p>WORK EXPERIENCE:</p> <ul style="list-style-type: none"> • OPERATIONS MANAGER AT A PERFECT PLAN - FOR LIFE INC 2001-2004. • MARKETING AND SAIES ADMINISTRATOR AT APRISO (CIM VISION INTERNATIONAL) INC. 2004-2008. • MANAGING DIRECTOR AT RHEMA FINANCIAL GROUP, INC. 2008-2011. • MARKETING CONSULTANT AT PHOENIX PROCUREMENT(K) LTD, 2012. • HEAD OF BUDGET, COUNTY GOVERNMENT OF WEST POKOT 2014 TO CURRENT. • SHE IS CHIEF OFFICER, FINANCE DEPARTMENT 2022 TO DATE.
	Ag. MANAGING DIRECTOR HARON RUTO KORTOME	<p>ACADEMIC QUALIFICATION</p> <p>BACHELOR OF SCIENCE IN MECHATRONIC ENGINEERING</p> <p>AGE:30 YEARS</p> <p>WORK EXPERIENCE:</p> <ul style="list-style-type: none"> • SERVICE ENGINEER , HEDELBERG SOLUTIONS NAIROBI. 2019 - 2021 • OPERATION ENGINEER, ZENITHCREST PRINTING COMPANY, 2021 -2022 • WORKSHOP TECHNICIAN , JKUAT ENGINEERING WORKSHOP. • RESIDENT ENGINEER, MTEMBUR KITALAKAPEL WATER SUPPLY PROJECT • TECHNICAL MANAGER KAWASES

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	<p>JACOB TINGAA</p>	<p>ACADEMIC QUALIFICATIONS</p> <ul style="list-style-type: none"> • CERTIFICATES IN ACCOUNT RELATIONSHIP MANAGEMENT <p>AGE: 62 YEARS</p> <p>WORK EXPERIENCE</p> <ul style="list-style-type: none"> • ADVERTISING SALES EXECUTIVE AT KENYA TIMES NEWS PAPERS 1985-1999 • MARKETING OFFICER AT THE PEOPLE DAILY 2000-2004 • SENIOR SALES EXECUTIVE AT RADIO AFRICA GROUP LTD. 2005-2022
	<p>CHRISTINE YORI KOMOLE</p>	<p>ACADEMIC QUALIFICATIONS</p> <ul style="list-style-type: none"> • DIPLOMA IN COMMUNITY DEVELOPMENT • CERTIFICATE IN VOCATIONAL REHABILITATION TRAINING <p>AGE: 53 YEARS</p> <p>WORK EXPERIENCE</p> <ul style="list-style-type: none"> • NOMINATED MCA 2013 – 2017 • TEACHER AT ST FRANCIS SCHOOL FOR THE BLIND KAPENGURIA
	<p>LEONARD RUTTO MERIARENG KAMSAIT</p>	<p>ACADEMIC QUALIFICATION</p> <ul style="list-style-type: none"> • BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT • AGE 40 YEARS <p>WORK EXPERIENCE</p> <ul style="list-style-type: none"> • CHIEF OFFICER IN THE MINISTRY OF WATER AND NATURAL RESOURCES WEST POKOT COUNTY GOVERNMENT.

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4. Key Management Team

Manager	Details		
PASSPORT	NAME	ACADEMIC QUALIFICATION	AREA OF RESPONSIBILITY
	HARON RUTO KORTOME	BACHELOR OF SCIENCE IN MECHATRONIC ENGINEERING	Ag. MANAGING DIRECTOR, TECHNICAL MANAGER
	ESTHER ARENGWONY CHELELE	BACHELOR OF COMMERCE ACCOUNTING OPTION /CPA K	SENIOR ACCOUNTANT
	JACOB KAMANTICH	BACHELORS DEGREE IN SUPPLY CHAIN MANAGEMENT	COMMERCIAL MANAGER

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5. Chairman's Statement

On behalf of the Board of Directors, I am honored to present the Kapenguria Water and Sewerage Company Annual Report and Financial Statements for the financial year ended 30th June 2025.

This past year has been one of both strategic progress and operational resilience. The company has continued to build on its mission of providing reliable, safe, and affordable water and sanitation services to the residents of West Pokot. Our performance is the result of collective commitment and support from our valued customers, dedicated employees, the County Government of West Pokot, the National Government, development partners, and all our stakeholders. We are deeply grateful for your unwavering support.

I am especially thankful to my fellow Board Members for their guidance and steadfast oversight, and to the Senior Management and entire staff of the company for their hard work, professionalism, and dedication. Your efforts have been central to the successes recorded in the year under review. During the 2024–2025 period, the company made notable strides in institutional strengthening and infrastructure development and despite these positive developments, we continue to face challenges, particularly the rising electricity costs, which place financial pressure on the company's operations.

Addressing these costs remains a key priority, and we are exploring alternative energy solutions and operational efficiencies to reduce our overheads. The broader economic environment and the water sector continue to evolve, and so must we. As we look to the future we remain committed to compliance with statutory requirements, transparency, and good governance practices. As a Board, we will continue working closely with management and stakeholders to ensure that the company remains responsive to emerging challenges and opportunities.

With your continued support, we are confident that Kapenguria Water and Sewerage Company will achieve even greater progress in the 2025–2026 financial year and beyond.

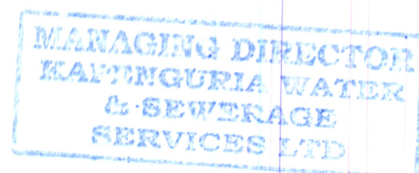
Thank you, and may God bless you all.



Nelly Andiemba
Board Chairperson



Haron Kortome Ruto
Ag. Managing Director



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6. Report of the Managing Director

This report provides a performance overview of Kapenguria Water and Sanitation Company (KAWASES) Limited for the financial year ended 30th June 2025.

Despite ongoing challenges, particularly related to inadequate funding, the company remained committed to its core mandate — the provision of reliable, safe, and sustainable water supply and sewerage services to Kapenguria town and its surrounding areas.

During the year under review, KAWASES continued to make important strides in service delivery. The company ensured consistent supply of treated water, extended and maintained pipeline networks, and provided sewerage services aimed at meeting the growing needs of our customers. KAWASES has remained focused on aligning its operations with national service delivery benchmarks while working towards achieving and surpassing the minimum industry standards set by sector regulators.

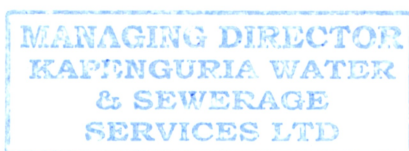
Since 2016, the Management has pursued well-structured strategic plans with full commitment, aimed at positioning KAWASES as the primary Water and Sanitation Service Provider in West Pokot County. These initiatives are firmly rooted in key legal and policy frameworks including the Constitution of Kenya (2010), the Water Act (2016), Vision 2030, and other relevant legislation and guidelines. The realization of these strategies hinges on robust human resource and institutional capacity. In 2024–2025, the company strengthened its workforce by recruiting skilled professionals in critical areas to enhance operational efficiency and service delivery. Moving forward, management remains committed to ensuring the company is staffed optimally — with personnel who possess the right skills, values, and attitude.

The focus remains on training, motivating, and retaining competent staff, while promoting a positive, safe, and enabling work environment. Upholding the company’s core values and fostering both strong internal cohesion and excellent customer relationships will remain central to achieving KAWASES’s strategic objectives. We extend our appreciation to all stakeholders for their continued support and partnership. With collective effort, we are confident that KAWASES will continue to grow in both capacity and impact, fulfilling its mission to deliver quality water and sanitation services across the region.

Thank you, and may God bless you



Haron Kortome Ruto
Ag Managing Director



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

Kapenguria Water has 3 strategic pillars and objectives within the current Strategic Plan for the FY 2024-2025 These strategic pillars are as follows:

Pillar 1: Water Supply Reliability and Expansion

Pillar 2: Revenue Generation and Sustainability

Pillar 3: Customer Service and Stakeholder engagement

KAWASES develops its annual work plans based on the above 3 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2024/2025 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Water Supply Reliability and expansion	Average hours of supply per day	Extend pipeline networks to underserved areas and rehabilitation of existing infrastructure	-Repaired and Rehabilitated the existing pipeline networks to maintain supply of water to our customers.
Pillar 2:	Revenue Generation and Sustainability	Monthly revenue collection efficiency %	Strengthen debt collection strategies and reduce non-revenue water	-Reduced existing debts. -Reduced the % of non- revenue water
Pillar 3:	Customer Service and Stakeholder Engagements	Average complaint resolution time.	Upgrade complaint tracking system	Reduced time taken to identify and repair leakages and address customer complaints

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8. Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage the business affairs of the Company towards enhancing prosperity and corporate accounting with the ultimate objective of realising shareholders' long-term value while considering the interest of other stakeholders. Directors are responsible for corporate governance practices of the Company. This statement sets out the main practices in operation during the year under review, unless otherwise indicated.

Directors and Management of the Company regard corporate governance as pivotal to the success of the business and are unreservedly committed to ensuring that good governance is practiced so that the company remain sustainable and viable business of the community stature. As part of this commitment, the Board fully supports best practices in corporate governance and has adhered to the Guideline Governance.

Board of Directors

The Board consists of five Directors and a Managing Director. The Directors' biographies are on page vi & vii. Directors possess a broad range of skills, qualifications and experience required to direct the Company.

At least one third of the Board members are required to submit them for re-election each year during the Annual General Meeting. Any Director appointed by the Board during the year is required to retire and seek re-election at the next Annual General Meeting.

Business transactions with all parties, Directors or their related parties are carried out at arm's length.

Responsibilities

The primary responsibilities of the Board include: establishment of short and long-term goals of the Company and strategic plans to achieve those goals; ensuring preparation of the annual financial statements; approval and review of the annual budgets; setting and periodically reviewing key performance indicators and management performance; managing risks by ensuring that the Company has adequate systems of internal controls together with appropriate monitoring of compliance activities; and working with management to realise shareholders' value.

To enable the Board to function effectively the Board is given full and timely access to relevant information. New Directors are also inducted through provision of necessary information pertinent to the Company's business, meetings with Management and training so as to enhance their understanding of the Company's legislative framework, its governance processes and the nature of the business and operations of the Company. Continuous training is provided. Towards this, nine Directors have been

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trained on corporate governance by the Rift Valley Water Services Board. The Board meets at least once a quarterly or more often in accordance with requirements of the business

Board Work Plan and Meetings

The Board work plan and calendar of meetings is prepared annually in advance. Adequate notice is given for each Board meeting and Directors receive detailed papers on issues to be discussed in good time before the meeting. The Board held a total of 4 meetings during the year, which were very well attended.

Board Committees

A number of standing committees exist in order to assist the Board and management fulfil their responsibilities. Each committee operates within the ambit of defined terms of reference assigned to it by the Board.

Corporate Social Responsibility Statement

In recognition of its obligations as a responsible corporate entity, the Board of Directors and management sustained the Company's participation in corporate activities that enhance the social, economic and environmental interests that affect its internal stakeholders.

The Environment Our business has been a major beneficiary of wood products. We have, therefore, undertaken to contribute towards national a forestation initiative in collaboration with the Forest Department. Since 2012, the Company has sustained a tree-planting programme at Kaposi's water catchment area, Kapkoris catchment and kamaruny area. Also, further encouragement to individual farmers to planted trees along the upstream.

Stakeholder Awareness

Operate and, consequently, we have endeavoured to contribute to initiatives that impact on improvement of their social well-being.

In order to facilitate awareness and understanding of various aspects and nature of our service, we carried out various awareness campaigns through print and electronic media and also organised face-to-face meetings with a view to reach a wide cross section of our customers and other stakeholders.

Our Human Capital

It is in our interest to continue investing in the development of our human capital as a prerequisite to meeting expectations of our employees and customers. Consequently, we continued to offer various groups of our employees training opportunities to learn new skills and develop careers, locally. All

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employees also undergo an annual performance appraisal, which includes identification of training and development needs.

Stakeholders

As a service provider that is well aware of its obligations to its customers, we drafted a Customer Charter detailing our obligations to them. We invited customers under the umbrella of resident associations and other interest groups to a meeting to debate and suggest how to enhance our services. Consequent to this interaction and in recognition of the value of partnerships and dialogue in order to better understand the needs of our customers.

Education

Our support to education-related initiatives stems from the fact that the pool of skilled manpower that help to drive the success of our Company are a product of the country's education system. We therefore, continued to provide opportunities for attachment for Kenya Water Institute students and those from tertiary institutions, to enable them acquire a hand- on experience and fulfil a requirement for graduation. We also provide positions every year for internship. During the year under review, students went through the attachment programme at KAWASES.

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:

- I. Establishing the strategic plan and guiding its implementation.
- II. Ensuring that appropriate management structures and policies are in place.
- III. Approving performance targets including budgets and monitoring their achievements.
- IV. Ensuring preparation and presentation of the annual financial statements in accordance with International Financial Reporting Standards and disclosures of other relevant information to shareholders.
- V. 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.

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Composition of the Board

The Board is composed of three non-executive Directors and three executive Directors who are appointed by the shareholder in line with applicable provisions. The Chairperson is elected by the Board members. 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 or of any of the committees
- II. A sitting allowance is paid to non-executive directors for attending a duly convened and constituted meeting of the Board or of any of the committees.
- III. A 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.

Board Induction

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

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Board Committees

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

i) Audit, Risk Management Committee

The committee is comprised of three (3) board 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:
- Ensures internal controls. That the committee oversees the company's system of internal controls over financial reporting and its disclosures controls and procedures, including the processes for producing the certifications required of the managing director and principal financial officer.
- Ensures there is risk assessment and management.

ii) Technical Committee

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

- To ensure network expansion and rehabilitation
- To ensure that there is water quality and effluent.
- To pay attention to customer complaints.
- To ensure that there is sewerage connection and waste sludge management
- To ensure the implementation of strategic plan, monitoring and evaluation.

iii) Finance and Administration Committee

This is composed of three directors. It is responsible for assisting the board to discharge the following:

- They ensure that there are strong internal controls systems
- They ensure that there are skilled finance and technical officers.
- They ensure that the accounting reports are prepared as per the accounting standards.

They ensure that there is prudent use of the company finances and resources

9. Management Discussion and Analysis

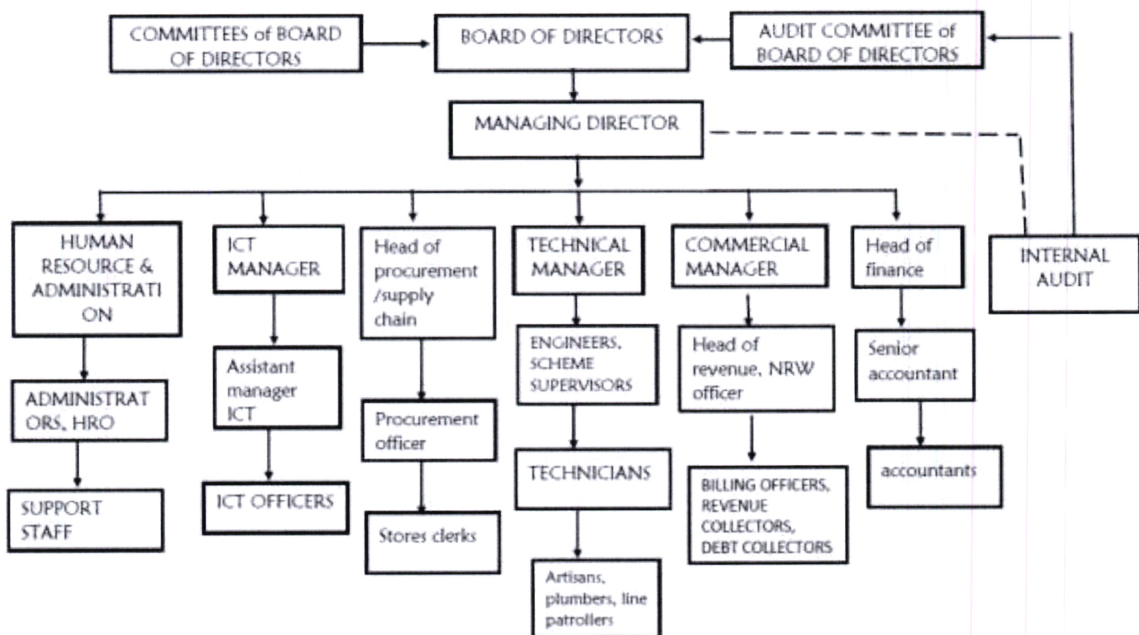
Company Background

Kapenguria Water and Sewerage Services Company Ltd (KAWASES) was formed and registered in 2006 and officially issued with a Certificate of Incorporation on 26th May 2006. The company became fully operational in 2008, with the mandate to provide water supply and sewerage services to urban centres across West Pokot County.

KAWASES serves an estimated population of approximately 620,000 people, with the goal of ensuring access to clean, safe, and reliable water and sanitation services. At the time of its operationalization, the Rift Valley Water Services Board handed over eight water supply schemes to the company, which formed the initial service areas. These included: Kapenguria, Makutano, Tartar-Keringet, Kacheliba, Ortum, Chepareria, Karas, Muruny/Chepareria and Sigor. Since then, KAWASES has continued to expand its service coverage, improve infrastructure, and strengthen its operational capacity in line with national water sector reforms and regulatory standards.

Management Structure of the Company

Below is the ideal and desired management structure of the company. The current status comprises of all the departments and committees:



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Board of Directors

The last board's term expired in 2016, The Company has been operating with a slim board of directors up to September 2019 that comprised of the CEC and CO department of Water and one representative of consumers until recently when a new board of directors was appointed which comprises of five (5) members.

Water Supply

No	Water Supply	Source	Mode Of Supply	Water Production per day. M³	Water Demand Per Day. M³	Remarks
1	Kapenguria	Surface water-river	-Pumping 6 pump sets 3 pumping station	360	700	Operational
2	Makutano	„	Pumping 6 pump sets 2 pumping stations	360	6,000	operational
3	Tartar-Keringet	„	Pumping 3 pumps 2 pumping stations	270	550	operational
4	Karas	„	Pumping	130	500	operational
5	Chepareria	„	Gravity	3,000	5,000	Operational /managed by the Muruny WUA
6	Ortum	„	Gravity	480	500	Operational
7	Mtembur Kitalakapel	„	Gravity	600	800	Operational
8	Kacheliba	borehole	Pumping	200	500	Operational
	TOTAL			5,400	14,550	

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Total registered water connections are 4,670 out of which 684 are active. (Metered 1626 and 757 on average and 1979 under disconnection)

Sewerage Services

We exhaust sewage from our clients in west Pokot County and the exercise is not very economical because of the costs involved i.e. tare and wear, fee and labour charges etc.

Administration/ Human Resources

The company has a total of 58 staff on contract. Some of the personnel that we are lacking are: - Internal auditors, legal officers, ICT officer, human resources and finance officer etc. We are unable to recruit them because of our financial limitation.

Transport

- Two Motorbikes-grounded
- Two exhauster trucks – serviceable but one needs replacement of steering pump

A REPORT ON THE FINANCIAL PERFORMANCE FOR THE YEAR 2022-2025.

There has been an increase in collection of revenue in the past three years leading to the last year as the graph below illustrates:



COMPLIANCE.

KAWASES is compliant with the companies Act of 2015, filing of annual returns and payment of all other statutory deductions as required.

MAJOR RISKS FACING THE COMPANY.

Despite the company's best efforts to provide quality service some risks still hinder the company in achievement of these objectives and they include:

1. High non-revenue water
2. Low metering connections
3. High operation and maintenance costs
4. Rapid Population growth

MITIGATION OF RISK

1. Ensuring closer supervision to the laid pipelines to reduce and control water leakages and illegal connectivity to reduce high non-revenue water.
2. Issuing new and functional meters to ensure accuracy in data collection of water use.
3. Ensuring proper management and accountability of funds to facilitate proper allocation to ensure quality service delivery with efficiency.
4. Development and construction of water pans and projects to help cover the demand due to the rising population of the county.

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10. Environmental and Sustainability Reporting

KAWASES exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the Customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability

i) Sustainability strategy and profile

The company has put in place procedures to ensure there is total efficiency in use of company resources while working to offer quality services and goods to the public, for example proper fuel management and vehicle servicing to ensure our vehicles are ready to transport and offer service to all stakeholders

ii) Environmental performance

The company has in place policies that guide environmental conservation and preservation. They include, setting up a waste treatment facility to properly dispose and treat waste from the town, Recycling and reuse of plastics to reduce environment pollution and lastly working with the public through creating awareness for the need of environment conservation for sustainability

iii) Employee welfare

In regards to employee welfare the company has policies in recruitment retention and management of all employees. The company conducts proper research on all applicants, and conducts interviews where they are vetted and engaged. The process is fair and diversified to ensure we recruit the right people. Employees also receive on the job training to instil current working practices to help improve motivation and productivity.

iv) Market place practices-

a) Responsible competition practice.

The company has in place procedures to ensure fair competition with other service providers like ensuring we offer quality services and goods at affordable costs in relation to market price and economic factors.

b) Responsible supply chain and supplier relations

The company has taken steps to ensure better supply chain relations with our suppliers which include, loyalty to our best suppliers and on time payments for services and goods procured which has set a long-standing relationship with them.

c) Responsible marketing and advertisement *or Responsible engagement with the citizens.*

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

The company always aims to be honest and transparent with marketing of our products and services to the public whilst showing respect to all persons from all backgrounds.

d) Product stewardship *or* Awareness creation

The company aims to ensure our customers rights and interests are observed by providing quality goods and services to the public at affordable costs.

v) Corporate Social Responsibility / Community Engagements

KAWASES engaged in corporate social responsibility by way of contributions made to the Ministry of Water for tree planting activities.

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

11. Report Of the Directors

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

i) Principal activities

The principal activities of the Company are water service provision and sewerage services.

ii) Results

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


iii) Directors

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

iv) Auditors

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

By Order of the Board


.....
Name *Haron Ruto Karome*
Secretary to the Board
Date: *28/10/2025*



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

12. Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are 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 responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015)

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

In preparing the financial statements 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.

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

Approval of the financial statements

The company financial statements were approved by the Board on 28/10/ 2025 and signed on its behalf by:

NP
.....
Name Nelly Cheep Audienis
Chairperson of the Board

(HS)
.....
Name Haron Ruto Kerteme
Ag. Managing Director



REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON KAPENGURIA WATER AND SEWERAGE SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025 – WEST POKOT COUNTY

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.

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not 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

Adverse Opinion

I have audited the accompanying financial statements of Kapenguria Water and Sewerage Services Company Limited set out on pages 1 to 45, which comprise of the

Report of the Auditor-General on Kapenguria Water and Sewerage Services Company Limited for the year ended 30 June, 2025 – West Pokot County

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kapenguria Water and Sewerage Services 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 do not comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Variances between the Financial Statements and the Supporting Schedules

Review of the financial statements revealed significant and unexplained variances when compared with the supporting schedules as detailed below:

Component	Financial Statements Amount Kshs.	Supporting Schedule Amount Kshs.	Variance Kshs.
Operating Revenue	32,319,738	0	32,319,738
Grant Income	15,361,906	0	15,361,906
Refundable Deposits and Prepayments	1,973,400	0	1,973,400
Trade and Other Receivables	33,906,685	0	33,906,685
Property, Plant and Equipment	172,832,549	172,232,549	600,000
Capital Grant	202,186,076	200,936,076	(1,250,000)
Trade and Other Payables	15,737,572	17,710,972	(1,973,400)

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

2. Variances between the Financial Statement and Trial Balance

Review of the financial statements revealed significant and unexplained variances when compared with the trial balance as detailed below:

Component	Financial Statements Amount Kshs.	Trial Balance Amount Kshs.	Variance Kshs.
Opening Bank Balance	1,665,016	223,422	1,441,594
Closing Bank Balance	3,358,486	545,703	2,812,783
Operating Revenue	32,319,738	14,589,350	17,730,388

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

3. Variances between the Financial Statement Amounts and the Notes

The statement of financial position reflects trade and other payables balance of Kshs.15,737,572. However, the corresponding Note 20 to the financial statements reflects a balance of Kshs.17,710,972 resulting in an unreconciled variance of Kshs.1,973,400.

In the circumstances, the accuracy and completeness of the statement of financial position of the Company could not be confirmed.

4. Non-Installation of Meters to Registered Customers

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.32,319,738 which includes water sales revenue amount of Kshs.28,122,645 as disclosed in Note 6 to the financial statements. However, review of records revealed that out of the 4,067 registered customers, only 1,626 (40%) were fitted with water meters. The remaining 2,441 customers (60%) lacked meters, with 754 being billed at a flat rate of Kshs.500 monthly. This was contrary to Schedule E of the WASREB Model Service Provision Agreement, which establishes that service coverage with less than 80% metering is unacceptable.

In addition, the Company operated eight production zones but bulk meters were not operational in three (3) critical production zones. This failure to implement required bulk metering infrastructure made it impossible to establish the total volume of water produced in cubic meters.

In the circumstances, the accuracy and completeness of the operating revenue amounting to Kshs.32,319,738 could not be confirmed.

5. Unsupported Staff Costs

The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.12,012,994 as disclosed in Note 8 to the financial statements. However, review of personnel files, payroll records, and payment vouchers revealed that, the Company does not maintain muster roll data, duly filled and approved leave movement

forms, approved salary structures, career progression guidelines and policy documents on the engagement of intern staff.

In the circumstances, the accuracy and completeness of the staff costs amount of Kshs.12,012,994 could not be confirmed.

6. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant, and equipment balance of Kshs.172,832,549 as detailed in Note 14 to the financial statements. However, valuation and ownership of a parcel of land purchased at Kshs.650,000 could not be confirmed as it lacked a title deed. Further, the office block building is neither valued nor disclosed in the financial statements while the value of six (6) motor vehicles was not disclosed in the financial statements and lacked logbooks.

In the circumstances, the accuracy and completeness of the property, plant, and equipment balance of Kshs.172,832,549 could not be confirmed.

7. Unsupported Customer Deposits

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.1,973,400 as disclosed in Note 21 to the financial statements. However, Management failed to provide customer deposit agreements and deposit movement schedules for audit. Further, customer deposits amounting to Kshs.1,701,243 were erroneously included in the operating revenue amount of Kshs.32,319,738.

In the circumstances, the accuracy and completeness of refundable deposits and prepayments balance of Kshs.1,973,400 could not be confirmed.

8. Inaccuracies in the Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects actual receipts totalling Kshs.17,382,549 while the statement of profit or loss and other comprehensive income reflects total receipts amounting to Kshs.47,681,644 resulting in an unreconciled variance of Kshs.30,299,095. Similarly, the statement reflects actual payments totalling Kshs.14,328,299 while the statement of profit or loss and other comprehensive income reflects total expenses amounting to Kshs.59,043,733 resulting in an unreconciled variance of Kshs.44,715,434.

In the circumstances, the accuracy and completeness of the statement of comparison of budget and actual amounts could not be confirmed.

9. Undisclosed Shareholding of the Water Company

Review of the Company's Memorandum and Articles of Association (2020) confirmed its registration as a Public Company Limited by shares. However, the statement of financial position did not disclose any share capital. The financial statements failed to indicate

whether the share capital has been issued or paid up, as required for entities with this corporate form.

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

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kapenguria Water and Sewerage Services 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 adverse opinion.

Key Audit Matters

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

Other Matters

Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2024 highlighted several issues were raised under the report on financial statements and lawfulness and effectiveness in use of public resources and effectiveness of internal controls, risk management and governance. Review of the status during the 2024/2025 audit revealed that the matters listed below remained unresolved.

	Financial Year	Audit Issue
1	2023/2024	Un-Metered Water Production Zones
2	2023/2024	Non-Installation of Meters to Registered Customers
3	2023/2024	Use of Expired Tariffs
4	2023/2024	Lack of Non-Revenue Water Management Unit

Other Information

Management is responsible for the Other Information set out on page iii to xxvi which comprise of key entity information, the board of directors, key management team, chairman's statement, report of the managing director, statement of performance against predetermined objectives, corporate governance statement, management discussion and analysis, environmental and sustainability reporting, report of the directors and statement

of directors' responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of a License from Water Services Regulatory Board

Review of the Company's operations for the year under review established that the entity conducted its water service provision activities without a valid operating license from WASREB. This was contrary to Section 72(c) of the Water Act, 2016 that mandates the Water Services Regulatory Board (WASREB) to set license conditions and accredit all water service providers.

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

2. Use of Unapproved Water Tariff

Review of the water tariffs applied by the Company revealed no evidence that the tariffs were evaluated, recommended and approved by Water Services Regulatory Board (WASREB) as required by Section 72(1)(b) of the Water Act, 2016 which mandates the Board to evaluate, recommend and approve water and sewerage tariffs for county water service providers.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Poor Management of Non-Revenue Water and Water Production Data

The Company had not established a Non-Revenue Water (NRW) Unit, resulting in the absence of Non-Revenue Water reduction measures and monitoring mechanisms. Further, the Company had not metered water from all the production zones and hence did not maintain adequate water production data. This contravened Chapter 3, Paragraph 3.1 of the Non-Revenue Water Management Standards, 2022, which requires establishment of a dedicated NRW Unit within an organizational structure and developing a comprehensive NRW policy.

In the circumstances, the effectiveness of the Management in the control and efficient use of the scarce water resources could not be confirmed.

2. Ineffectiveness of Board of Directors

Review of records revealed that the Board of the Company that the Board failed to conduct its mandatory annual performance evaluation during the review period, contrary to Section 4.10.2 of the WASREB Corporate Governance Guidelines. Further, the Audit and Risk, Finance and Administration and Technical Committees did not convene any meetings throughout the financial year contrary to the requirements for regular meetings. In the circumstances, the effectiveness of the Board in providing strategic direction and oversight to the Company could not be confirmed.

3. Lack of a Strategic Plan

The Company operated without an approved strategic plan during the financial year under audit. This was contrary to Regulation 11(1) of the Public Service Commission

(Performance Management) Regulations, 2021, which requires all public bodies to develop and implement a comprehensive strategic plan.

In the circumstances, the effectiveness of the Management in the control and efficient use of the scarce water resources could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

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

Basis for Conclusion

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

Responsibilities of the Management and 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 the Management is aware of the intention to cease operations.

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the 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


20 November, 2025

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

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


	Note	FY 2024/2025	FY 2023/2024
		Kshs	Kshs
Revenue			
Operating Revenue		32,319,738	15,817,311
Grants Income Recurrent		15,361,906	1,400,001
Total		47,681,644	17,217,312
Expenses			
Staff Costs	8	12,012,994	8,519,405
General and Operations expenses	9	4,099,651	6,102,376
Board Expenses	10	443,000	1,372,550
Electricity	13	12,769,545	-
Maintenance Expenses	11	365,016	772,558
Depreciation and Amortization expenses	12	29,353,528	-
Total Expenses		59,043,733	16,766,889
Profit/(Loss) Before Taxation		(11,362,089)	450,423
Total Comprehensive Income for The Year		(11,362,089)	450,423

The financial statements were approved by the Board on 28/10/2025 and signed on its behalf by:

.....


Name
Hiron Ruto Kestome
Managing Director

Name **ESTHER OBERIE**
Head of Finance
 ICPAK M/No: **28597**

.....


Name **Nelly Chesop Anderson**
Chairman of the Board

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

15. Statement Of Financial Position As at 30 June 2025



	Note	<i>FY 2024/2025</i>	<i>FY2023/2024</i>	<i>FY2023/2024</i>
		Kshs	RESTATED	Kshs
Assets				
Non-current assets				
Property, plant and equipment	14	172,832,549	202,186,076	202,736,076
Total non-current assets		172,832,549	202,186,076	202,736,076
Current assets				
Trade and receivable	15	33,906,685	19,309,959	19,309,959
Bank and cash balances	16	3,358,486	1,665,016	1,665,016
Total non-current assets		37,265,171	20,974,975	20,974,974
Total Assets		210,097,719	223,161,051	223,711,050
Equity and liabilities				
Capital and Reserves				
Capital Grant		202,186,076	202,186,076	202,736,076
Retained earnings		(9,799,329)	1,562,760	1,562,760
Capital and Reserves		192,386,747	203,748,836	204,298,836
Current liabilities				
Trade and other payables	20	15,737,572	18,449,215	18,449,215
Refundable deposits and Prepayments		1,973,400	963,000	963,000
Total current liabilities		17,710,972	19,412,215	19,412,215

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

Total Equity and Liabilities		210,097,719	223,161,051	223,711,051
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The prior year purchase of property, plant and equipment (Purchase of Land) were restated to the correct amount kshs.202,186,156. Land had been overstated by Kshs.550,000

The financial statements were approved by the Board on 28/10/ 2025 and signed on its behalf by:

.....



Name
Hiron Ruto Kestome

Managing Director

Name ESTHER CHERIE

Head of Finance

ICPAK M/No: 28597

Name
Nelly Chesop Anderson

Chairman of the Board

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

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

1. Statement Of Changes in Equity for the Year Ended 30 June 2025				
NOTES	Ordinary share capital	Retained earnings	Capital/ Development Fund	Total
As at July 1, 2023	-	1,112,337.00	-	1,112,337.00
New capital issued	-	-	-	-
Revaluation gain	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-
Profit for the year	-	450,423.00	-	450,423.00
Capital/Development grants received during the year	-	-	202,186,076.00	202,186,076.00
As at June 30, 2024	-	1,562,760.00	202,186,076.00	203,748,836.00
As at July 1, 2025	-	1,562,760.00	202,186,076.00	203,748,836.00
Issue of new share capital	-	-	-	-
Revaluation gain	-	-	-	-
Transfer of excess depreciation on revaluation	-	-	-	-
Deferred tax on excess depreciation	-	-	-	-
Fair value adjustment on quoted investments	-	-	-	-
Profit for the year	-	(11,362,089.00)	-	(11,362,089.00)
Capital/Development grants received during the year	-	-	-	-
At June 30, 2025	-	(9,799,329.00)	202,186,076.00	192,386,747.00

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

17. Statement Of Cash Flows for The Year Ended 30 June 2025

	Note	FY2024/2025	FY 2023/2024	FY2023/2024
		Kshs	RESTATED	Kshs
Cash Flows from Operating Activities				
Receipts				
Operating Receipts	6	17,723,012	15,817,311.00	15,817,311.00
Grants Income	7	15,361,906	1,400,000.00	1,400,000.00
Total Receipts		33,084,918	17,217,311.00	17,217,311.00
Payments				
Staff Costs	8	12,012,994	8,519,405.00	8,519,405.00
General And Operation Expenses	9	4,099,651	6,072,376.00	6,072,376.00
Board Expenses	10	443,000	1,372,550.00	1,372,550.00
Electricity		12,769,545	-	-
Maintenance Expenses	11	365,016	802,558.00	802,558.00
Total Payments		29,690,206	16,766,889.00	16,766,889.00
Increase/decrease in receivables			4,706,141.00	4,706,141.00
increase/decrease in payables		(1,701,243)	1,985,637	1,985,637.00
Net Cash From/ (Used In) Operating Activities		1,693,469	7,142,102.00	7,142,102.00
Cash Flows from Investing Activities				
Purchase Of Property, Plant And Equipment (PPE)		-	202,186,076.00	202,736,076.00
Proceeds From Disposal Of PPE		-	-	-
Net Cash From/ (Used In) Investing Activities		-	202,186,076.00	202,736,076.00
Cash Flows from Financing Activities				
		-	201,621,076.00	201,621,076.00

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Net Cash From/(Used In) Financing Activities		-		-
Increase/(Decrease) In Cash and Cash Equivalents		1,693,469		-42,756.00
Cash And Cash Equivalents At Beginning of Year		1,665,016		1,707,767
Effects Of Foreign Exchanges Rate Fluctuations		-		-
Cash And Cash Equivalents At End of the Year		3,358,485.24		1,665,016.00

NOTE IPSAS 3 paragraph 54 provides for restating of the prior year error retrospectively

1.The prior year purchase of property, plant and equipment (Purchase of Land) were restated to the correct amount kshs. 202,186,156 . Land had been overstated by Kshs. 550,000

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=a+b	d	e= c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Operating Revenue	26,500,000.00		26,500,000.00	17,382,549.00	9,117,451.00	66%
Grant income	39,740,000.00		39,740,000.00	-	39,740,000.00	0%
Total Receipts	66,240,000.00		66,240,000.00	17,382,549.00	48,857,451.00	26%
Payments						
DSA	1,500,000.00	-	1,500,000.00	1,484,050.00	15,950.00	99%
Maintenance	1,000,000.00	-	1,000,000.00	365,016.00	634,984.00	37%
Board Expenses	800,000.00	-	800,000.00	443,000.00	357,000.00	55%
General and operations Expenses	520,000.00	-	520,000.00	363,875.59	156,124.41	70%
Personal emoluments	12,700,000.00	-	12,700,000.00	10,060,633.00	2,639,367.00	79%
Motor vehicle maintenance and fuel	2,500,000.00	-	2,500,000.00	1,551,725.00	948,275.00	62%

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Wasreb levies	139,000.00	-	139,000.00	60,000.00	79,000.00	43%
Total Recurrent Expenditure	15,020,000.00	-	15,020,000.00	14,328,299.59	691,700.41	95%
Total Payments	15,020,000.00	-	15,020,000.00	14,328,299.59	691,700.41	95%
Capital Expenditure Payments						
Surplus	51,220,000.00	-	51,220,000.00	3,054,249.41	48,165,750.59	

19. Notes To the Financial Statements

1. General Information

Kapenguria Water and Sewerage Company Ltd is established by and derives its authority and accountability from the Water Act 2016. The Company is wholly owned by the West Pokot County Government and is domiciled in Kenya. The Company'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 have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

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

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

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Notes to the financial statements (continued)

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. 	1 January 2026

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

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impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....)

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 was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

iii. Early adoption of standards

Kapenguria Water and Sewerage Company did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

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

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the

end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. [06]

h) Right of Use Asset

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

underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Biological Assets

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

j) Fixed interest investments (bonds)

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

k) Quoted investments

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

l) Unquoted investments

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

m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost

method/ FIFO. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

n) Trade and other receivables

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

o) Taxation

i) Current income tax

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

p) Deferred tax

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

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

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tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

q) Borrowing costs

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily

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convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

Restricted cash

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

s) Borrowings

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

t) Trade and other payables

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

u) Retirement benefit obligations

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act.

v) Provision for staff leave pay

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

w) Exchange rate differences

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

x) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under these financial statements.

y) Service concession arrangements

The Company analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Company recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls,

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through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Company also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

z) Comparative figures

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

aa) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

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Notes to the financial statements (continues)

6. Operating Revenue

	<i>FY 2024/2025</i>	<i>FY 2023/2024</i>
	Kshs	Kshs
Water sales	28,122,645.00	12,500,241.00
Bulk water sales	472,950.00	663,020.00
customer deposits	1,701,243.00	-
Exhausting services	2,022,900.00	2,654,050.00
Total	32,319,738.00	15,817,311

7. Grants Income

	<i>FY 2024/2025</i>	<i>FY2023/2024</i>
	Kshs	Kshs
Operational grants from Government entities	-	1,400,000.00
In Kind contribution/donations from other agencies	15,361,906.00	-
Total	15,361,906.00	1,400,000.00

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8. Staff Costs

Description	<i>FY</i> 2024/2025	<i>FY</i> 2023/2024
	Kshs	Kshs
Gross Salary and Allowances	9,238,831.00	8,186,065.00
Medical insurance schemes	292,378.00	-
Employer's contributions to social security schemes	529,424.00	333,340.00
Salaries for Seconded staff	1,952,361.00	-
Total	12,012,994.00	8,519,405.00
The average number of employees during the year	57	57

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9. General and Operations Expenses

	<i>FY 2024/2025</i>	<i>FY 2023/2024</i>
Description	Kshs	Kshs
Vehicles maintenance, Fuel, oil, lubricants, and gases	1,551,725.00	2,113,794.00
General office expenses	363,875.75	613,804.00
Telecommunication	-	102,850.00
cleaning material	-	28,426.00
Wasreb levies	60,000	-
Hospitality expenses	-	83,930.00
Domestic Traveling and subsistence	1,484,050.00	2,982,092.00
Chemicals(in kind)	640,000.00	-
Publicity and advertising	-	177,480.00
Total	4,099,650.75	6,102,376.00

10. Board Expenses

Description	<i>FY 2024/2025</i>	<i>FY 2023/2024</i>
	KShs	KShs
Sitting allowances	443,000	1,372,550
Other allowances	-	-
Total Board Expenses	443,000	1,372,550

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11. Maintenance Expenses

	<i>FY 2024/2025</i>	<i>FY 2023/2024</i>
Description	Kshs	Kshs
Plant and Equipment	365,016	513,255
Chemicals	-	259,303
Total Maintenance Expenses	365,016	772,558

12. Depreciation and Amortization Expenses

Description	<i>FY 2024/2025</i>	<i>FY 2023/2024</i>
	KShs	KShs
Property, plant, and equipment	29,353,527.50	-
Total Depreciation and Amortization	29,353,527.50	-

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13. Electricity(subsidy)

Description	FY 2024/2025 KShs	FY 2023/2024 KShs
Electricity	12,769,545	-
Total	12,769,545	-

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14. Property, Plant and Equipment

Description	Freehold land	water and infrastructure	Total
Depreciation rate		x%	
	Kshs	Kshs	Kshs
As At 1 July 2024	1,250,000.00	200,936,076.00	202,186,076.00
Additions	-	-	-
Disposals	-	-	-
Transfers/Adjustments	-	-	-
Revaluation Adjustments	-	-	-
As at 30th June (comparative FY)	1,250,000.00	200,936,076.00	202,186,076.00
Additions	-	-	-
Disposals	-	-	-
Transfer/Adjustments	-	-	-
Revaluation Adjustments	-	-	-
As at 30th June 2025	1,250,000.00	200,936,076.00	202,186,076.00
Depreciation And Impairment			
At 1 July 2024		-	-
Depreciation	-	-	-
Impairment	-	-	-
Transfers/ Adjustments	-	-	-
As At 30th 2025		-	-
Depreciation	-	29,353,528	29,353,528
Disposals	-	-	-
Impairment	-	-	-
Transfer/Adjustment	-	-	-

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NBVAs at 30 th June 2025	1,250,000.00	171,582,549	172,832,549
As at 30 th June 2024	1,250,000.00	200,936,076	202,186,076

Description	Freehold land	water and infrastructure	Total
Depreciation rate		x%	
	Kshs	Kshs	Kshs
As At 1 July 2024	1,250,000.00	200,936,076.00	202,186,076.00
Additions	-	-	-
Disposals	-	-	-
Transfers/Adjustments	-	-	-
Revaluation Adjustments	-	-	-
As at 30th June (comparative FY)	1,250,000.00	200,936,076.00	202,186,076.00
Additions	-	-	-
Disposals	-	-	-
Transfer/Adjustments	-	-	-
Revaluation Adjustments	-	-	-
As at 30th June 2025	1,250,000.00	200,936,076.00	202,186,076.00
Depreciation And Impairment			
At 1 July 2024		-	-
Depreciation	-	-	-
Impairment	-	-	-
Transfers/ Adjustments	-	-	-
As At 30th 2025		-	-
Depreciation	-	29,353,527.50	29,353,527.50
Disposals	-	-	-
Impairment	-	-	-
Transfer/Adjustment	-	-	-
NBVAs at 30th June 2025	1,250,000.00	171,582,548.50	172,832,548.50
As at 30th June 2024	1,250,000.00	200,936,076.00	202,186,076.00

(b) Property, Plant and Equipment at Cost

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

	Cost Kshs
Land	1,250,000.00
Water Infrastructure	200,936,076.00
Total	202,186,076.00

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognized in capital fund. KShs	Total grant income during the year FY 2024/2025 KShs	FY 2023/2024 KShs
County Government of West Pokot	-	-	23,075,216.00	23,075,216.00	32,316,975.00
WSTF	-	-	-	-	168,619,101.00
Total	-	-	23,075,216.00	23,075,216.00	200,936,076.00

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15. Trade and Other Receivables

	FY 2024/2025	FY 2023/2024
	KShs	KShs
Trade receivables (a)	33,906,685.00	19,309,959.00
Net trade and other receivables	33,906,685.00	19,309,959.00
Analysed as:		
Short- Term Trade and Other Receivables	12,339,385.00	12,097,800.00
Long- Term Trade and Other Receivables	21,567,300.00	7,212,159.00

(a) Trade Receivables

	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Gross trade receivables	33,906,685.00	19,309,959.00
Provision for doubtful receivables	-	-
Net trade receivables	33,906,685.00	19,309,959.00
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,810,485.00	1,400,000.00
Between 30 and 60 days	5,778,900.00	2,776,900.00
Between 61 and 90 days	1,500,000.00	2,920,900.00
Between 91 and 120 days	3,250,000.00	5,000,000.00
Over 120 days	21,567,300.00	7,212,159.00
Total	33,906,685.00	19,309,959.00

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16. Bank and Cash Balances

	Type of Account	FY 2024/2025	FY 2023/2024
	Kshs	Kshs	Kshs
Kenya commercial bank acc no 1106207744-Kapenguria water and Sewerage	Operation	247,751	25,236
Kenya commercial bank acc no 110817584-Kapenguria water and Sewerage	Operation	545,704	223,423
kenya commercial bank acc no 1110817517	Operation	1,973,490	963,276
Mobile money account		590,996	451,306
cash in hand		545	1,776
TOTAL		3,358,486	1,665,017

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		<i>FY2024/2025</i>	<i>FY2023/2024</i>
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya commercial bank	1106207744	247,751	25,236
Kenya commercial bank	110817584	545,704	223,422.60
Kenya commercial bank	1110817517	1,973,490	963,276
Sub- total		2,766,945	1,211,934
d) Others(specify)			
Cash in hand		545	1,776
Mobile money account		590,996	451,306
Sub- total		591,541	453,082
Grand total		3,358,486	1,665,016

17. Revaluation Reserve

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

18. Fair Value Adjustment Reserve

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

19. 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.

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Notes to the financial statements (continued)

20. Trade and Other Payables

	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Trade payables	14,207,972.00	16,815,615.00
Accrued expenses	-	-
Employee payables	1,529,600.00	1,633,600.00
Other payables	1,973,400.00	963,000.00
Total	17,710,972.00	19,412,215.00

Aging Analysis for Trade and other Payables

	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Under one year	613,404	4%	1,400,000	6%
1-2 years	1,500,000	10%	2,776,900	12%
2-3 years	2,776,900	18%	2,920,900	13%
Over 3 years	12,820,668	67.50%	12,314,415	68%
Total	17,710,972		19,412,215	

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21. Refundable Deposits and Prepayments

	FY2024/2025	FY 2023/2024
	<i>Kshs</i>	<i>Kshs</i>
Customer deposits	1,973,400	963,000
Total	1,973,400	963,000

Aging Analysis for Refundable Deposits and Prepayments

	FY 2024/2025	% of the total	FY 2023/2024	% of the total
Under one year	1,000,400	6%	60,000	6%
1-2 years	273,000	7%	150,000	15%
2-3 years	200,000	11%	167000	17%
Over 3 years	500,000	74%	586000	80%
Total	1,973,400		963,000	

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21. Notes to The Statement of Cash Flows

	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	17,991,438	450,000.00
Amortization	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	-	450,000.00
Working capital changes:		
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade and other receivables	(14,596,726.00)	4,706,141.00
Increase/(decrease) in trade and other payables	(1,701,243.00)	1,985,637.00
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/ (used in) operation	1,693,469	7,142,102.00

Notes to the financial statements (continued)

Other Disclosures

22. Related Party Disclosures

County Government of West Pokot

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

Other related parties include:

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

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise

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the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

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

ii) Liquidity risk management

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

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

(iii) Market risk

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

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

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

a) Foreign currency risk

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

The Company manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

c) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

- i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

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

23. Incorporation

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

24. Events After the Reporting Period

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

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Unsupported trade and other payables	The trade payables referred to amount owed Kenya power	Resolved	
2	Un- metered water production Zones	The process of installing is ongoing	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	Non -Installation of meters to registered customers	The management is progressively fitting meters to registered customers	Resolved	
4	Unsupported exhaustor services	The board of Directors approved exhaustor charges fee.	Resolved	
REPORT ON THE LAWFUNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES				
5	Non-compliance with payment of Statutory Dues	The management is settling the accrued statutory deductions using aging method using generated revenue.	Resolved	June 2026
6	Lack of annual recruitment plan	The management has developed staff establishment which	Resolved	


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		provides the human resource needs.		
8	Use of Expired Tariffs	The management has made application for renewal of its licence and Tariffs and paid for it.	Resolved	
REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS,RISK MANAGEMENT AND GOVERNANCE				
9	Lack of Non - Revenue Water Management	The management is in the process of establishing a Non-Revenue Water Unit .	Not Resolved	December 2025
10	Poor preparation of the payroll	The management has merged the payroll in the prescribed format to include all missing fields/details.	Resolved	

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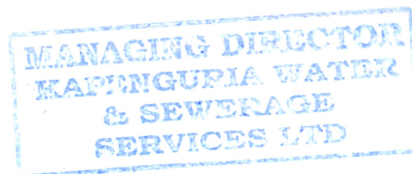
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
11	Lack of Information Technology I Internal Controls	The management is in process of forming an ICT steering committee to develop ICT Policy in order to realize the Company long term strategic goals	Resolved	
12	Lack of Disaster Recovery plan	The management is in process of developing a disaster recovery plan	Not resolved	JUNE 2026

Name *Haron Ruto Kortome*

Signature 

Managing Director

Date *28/10/2025*



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