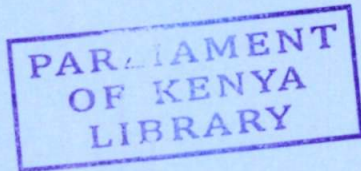


REPUBLIC OF KENYA



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REPORT



OF

THE AUDITOR-GENERAL

ON

KERICHO WATER AND SANITATION  
COMPANY LIMITED

FOR THE YEAR ENDED  
30 JUNE, 2025

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**KERICHO WATER AND SANITATION COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

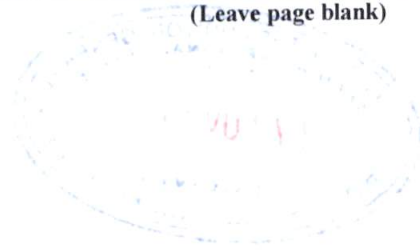
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Prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting Standards

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

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**Kericho Water and Sanitation Company Ltd**  
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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.

**Kericho Water and Sanitation Company Ltd**  
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## **2. Key Entity Information**

### **Background information:**

Kericho Water and Sanitation Company Ltd (KEWASCO) was established by the Kenyan Company's Act and incorporated on 15<sup>th</sup> October 1997. It is a wholly owned entity of the County Government of Kericho. It has a nine-member board who are responsible for the general policy and strategic direction of the Company.

KEWASCO took over the operations of Tililbei Water and Sanitation Company on 2<sup>nd</sup> of November 2018 operating in the rural cost centre.

### **Principal Activities**

The company continues to provide water and sanitation services within the licensed service area of Kericho County and its environs.

### **Directors**

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

1. Mr Sir Kelly Cheruiyot	- Chairman	-Appointed on 6 <sup>th</sup> September 2024
2. Mr Alphonse Rotich	- Member	- Appointed on 6 <sup>th</sup> September 2024
3. Mr Richard Mitei	- Member	-Appointed on 6 <sup>th</sup> September 2024
4. CPA David Kurgat	- Member	-Appointed on 6 <sup>th</sup> September 2024
5. Mrs Ruth Chelule	- Member	-Appointed on 6 <sup>th</sup> September 2024
6. Mr. Arnold Rotich	-Member	- Appointed on 6 <sup>th</sup> September 2024
7. Mr Edgar Mutai	- Member	-Appointed on 6 <sup>th</sup> September 2024
8. Mr. Oscar Cheruiyot Kechei	- Member	- Appointed on 6 <sup>th</sup> September 2024
9. Ms Vicky Betty Chepkorir	- Member	- Appointed on 6 <sup>th</sup> September 2024
10. Mr. Kibii Chepkwony Siele	- Member	-Appointed on 1 <sup>st</sup> July 2020

### **Corporate Secretary**

Equity Registrars and Secretaries,  
P.O. Box 18-40107,  
Muhoroni

### **Registered Office**

Kericho Water and Sanitation Company Limited  
P O Box 1379-20200,  
KERICHO.

### **Corporate Headquarters**

KEWASCO PLAZA,  
Duka Moja, Off Kericho – Nakuru Highway  
P O Box 1379-20200,  
KERICHO.

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**Corporate Bankers**

- |  |   |
|--|---|
| <p>1. <b>Cooperative Bank of Kenya,<br/>Kericho Branch,<br/>P o Box 1742-20200,<br/>Kericho</b></p> <p>3. <b>Family Bank<br/>P o Box 1376,<br/>Kericho</b></p> <p>5. <b>Posta<br/>Kericho Branch</b></p> | <p>2. <b>Kenya Commercial Bank,<br/>P o Box 1742-20200,<br/>Kericho</b></p> <p>4. <b>Equity Bank<br/>Kericho Branch<br/>Kericho</b></p> |
|--|---|

**Independent Auditors**







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

**Principal Legal Advisers**




The County Attorney,  
County Government of Kericho,  
Kericho, Kenya

**Kericho Water and Sanitation Company Ltd**  
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**3. The Board of Directors**

Name	Profile
 Mr. Sirkelly Cheruiyot	<p>SirKelly is the Board chair representing civil society organizations at the Board.            He holds MBA in corporate management and leadership and Bachelor of Education (English and literature).</p> <p>He has more than 20 years' experience in leadership and management.</p>
 Mr. Alphonse Rotich	<p>Mr. Alphonse represents the CEC Finance at the Board.</p> <p>He is the Chief Officer Economic planning at the County government of Kericho.</p>
 Mr. Edgar Mutai	<p>Mr. Edgar represents Business/Commercial sector at the Board.</p> <p>He holds a Bachelor of Science Degree. A major in agriculture and a post graduate diploma in Human Resources management.</p> <p>He has more than 20 years' experience in senior management in both International and national organizations. Has held various leadership positions.</p>
 Ms. Ruth Chelule	<p>Ms. Ruth Chelule represents Urban Consumers/Resident Associations at the Board.</p> <p>She holds a masters in community development studies and Bachelor of Agriculture and human ecology.</p> <p>She has over 40 years' experience in agriculture extension.</p>
 CPA David Kurgat	<p>CPA Kurgat represents public and private institutions at the board.</p> <p>He holds master's degree in business administration and CPA(K). He has more than 20 years' experience in financial management.</p>
 Eng. Oscar Kechei	<p>Eng. Oscar represents Youth and persons with disabilities at the Board.</p> <p>He holds bachelor's degree in civil engineering and more than two years professional engineering experience.</p>




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 <p>Eng. CPA Arnold Rotich</p>	<p>Eng. CPA Arnold represents industry/manufacturing sector at the Board.</p> <p>He is a project management professional with a Master of Arts (project planning), MBA (operations management), Bachelor of Science Degree in Mechanical and manufacturing engineering and CPA (K).</p> <p>He has more than 11 years' experience in projects management.</p>
 <p>Ms. Vicky Betty Chepkorir</p>	<p>Ms. Vicky represents professional bodies in the Board.</p> <p>She has a Doctor of Philosophy in environmental governance and management. MSc. In Agricultural and environmental science and BSc in environmental science.</p> <p>She has more than 12 years' experience in environmental and community development.</p>
 <p>Eng. Kibii C. Siele</p>	<p>Eng. Kibii is the Managing Director and Secretary to the Board. He holds a Bachelor of science degree in Agricultural Engineering (Egerton University) and a Master of Science in Agricultural Engineering (Egerton University).</p> <p>He has over 10-year work experience in the water sector.</p>

**4. Key Management Team**

<p>1. Eng. Kibii Chepkwony Siele</p> 	<p>Eng. Kibii is the Managing Director and Secretary to the Board. He holds a Bachelor of science degree in Agricultural Engineering (Egerton University) and a Master of Science in Agricultural Engineering (Egerton University). Prior to his appointment as an MD, he served as Regional Manager for KEWASCO rural. His work experiences spans from being a part time lecturer at Egerton University, a research assistant on climate change and a lead researcher on renewable energy with Africa Centre of Technology Studies (ACTS) and East Africa Regional Climate Innovation Network Egerton chapter (EARCIN). He has over 10-year work experience in the water sector.</p>
<p>2. CPA Philis Chelangat</p> 	<p>CPA. Philis Chelangat joined KEWASCO as Commercial and Finance Manager on 2<sup>nd</sup> October 2017 and Currently she is the Internal Audit Manager. She holds MBA Finance Option (KU), bachelors in business management accounting option (Moi) and a Diploma in Business Management (KIM). CPA-K and a member of ICPAK. She possesses over 10 years' experience in financial management and 2 years in internal auditing.</p>
<p>3. Mr. Vincent Kiprono</p> 	<p>Mr. Vincent Kiprono joined KEWASCO as a Technical Services Manager on 13<sup>th</sup> January 2025. He holds a BSc. in Civil Engineering -Dedan Kimathi University of Technology and is currently pursuing a Master of Business Administration in Strategic Management at Kabarak University. A registered graduate engineer with the Engineers Board of Kenya (EBK) and a member of the Institution of Engineers of Kenya (IEK).</p>
<p>4. Mr. Amos Kiprotich Tanui</p> 	<p>Mr. Amos Kiprotich joined Kewasco on 13<sup>th</sup> January 2025 as the ICT Manager. He holds a BSC in Computer Science from Kisii University, CPA part 1 and is a member of Computer Society of Kenya, HCNA. Currently pursuing a master's in information technology. He has over 8 years' experience in ICT having worked with OS-Labs limited, Dovey Pharma limited, the Kyaka Hotel and the management University of Africa.</p>

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<p>5. CPA. Mercy Cherotich</p> 	<p>CPA. Cherotich joined KEWASCO on 1<sup>st</sup> August 2014 as Internal Audit Manager, and is currently the Finance Manager. She holds a master's in business administration-Finance (Kenyatta University), Bachelor of Arts (Economics and Sociology) – University of Nairobi and a Certified Public Accountant of Kenya (CPA-K). Mercy has over 10 years' experience as internal Audit manager and previously worked with Aga Khan University Hospital as an Internal Audit Officer.</p>
<p>6. Mr. Patrick Korir</p> 	<p>Patrick Korir was appointed Procurement Manager on 1st September 2015. He holds bachelor's degree in Purchasing and Supplies Management from European Business School, Cambridge, England and master's in business management (Strategic Mgt option) from University of Kabianga and member of Kenya Institute of Supplies Management.</p>
<p>7. Ms. Caroline Chepkoech</p> 	<p>Ms. Caroline Chepkoech joined Kewasco on 13<sup>th</sup> January 2025 as the Human Resource and Administration Manager. She holds a Master of Business Administration (Human Resource), Bachelor of Business Management HRM and a Diploma in HRM. Ongoing CHRP.</p>

## **5. Chairman's Statement**

I am pleased to present our annual financial report for the 2024/2025 fiscal year. Despite facing significant challenges during the reporting period, our institution has made remarkable progress. Notably, we realised an improvement in billing (income) of **9.2%** during the financial year 2024/2025 (an increase from **Kshs 240.2 million** for the previous year to **Kshs 262.8 million**) and net working capital from **Kshs - 36 million** to **Kshs - 6 million**. In addition, the company realized a surplus of **Kshs 19,965,931** during the year compared to **Kshs 6,989,913.00** the previous year, an improvement of **Kshs 12,976,018**.

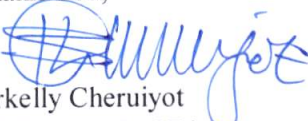
As the Board Chair, I have prioritized having a competent and experienced Core Management Team (CMT) and the establishment of policies that foster a supportive and tranquil working environment for KEWASCO management and staff. I am also proud to highlight that the recently released Water Services Regulatory Board (WASREB) impact report number 17, reflects an improvement of our service provision notably in water quality and revenue collection efficiency and metering ratio among others, these are key indicators on commercial viability. Building on this positive momentum, KEWASCO has attracted several partners willing to invest in our initiatives.

However, our rural cost centre continues to face challenges, including low water flow from Bomet and frequent interruptions due to disconnection of bulk water supply by Bomet Water Company. The same has often hindered us from meeting our budgetary targets.

The company has identified key areas for intervention, including reduction of high Non-Revenue Water (NRW), high personnel expenditures relative to operations and maintenance (O&M), and low water coverage. Currently, NRW averages 58%, primarily due to physical losses from road construction, aging infrastructure, and illegal connections. To address these issues, KEWASCO has developed a comprehensive roadmap targeting NRW reduction. Our interventions will include enhanced surveillance of pipelines and improved response times for leakages and bursts. In addition, the Board has approved a new area management structure for enhance management of field commercial and technical activities.

KEWASCO is committed to our core values of Transparency, Integrity, Professionalism, Innovativeness, and Customer Focus, which drive us toward our vision of becoming '*a leading and self-sustaining water and sanitation service provider in Kenya*'.

Thank You,

  
Sirkelly Cheruiyot  
**Chair Board of Directors**

## **6. Report of the Managing Director**

It is with great pleasure that I present the financial statement of Kericho Water and Sanitation Company (KEWASCO) for the year ended 30<sup>th</sup> June 2025.

KEWASCO operates two cost centers: Urban and Rural cost centers. While each cost center is responsible for its operational and maintenance costs, the rural center heavily relies on subsidies from the County Government of Kericho for bulk water payments from Bomet, electricity bills, and salary harmonization. In the FY 2024/2025, KEWASCO received considerable investments from shareholders and strategic partners, including the Embassy of Japan, SK Kawanishi and the Water Fund. These investments have greatly improved both the quantity and quality of our services, particularly in water infrastructure, as evidenced by the annual impact reports from WASREB.

Customer satisfaction and perception of our services have also improved significantly. However, we still face challenges, including an aging workforce and high-water losses. To address these issues, we have identified three key areas of focus: Non-Revenue Water (NRW), personnel expenditure as a percentage of operational and maintenance (O&M) costs, and water coverage. By concentrating on these themes, we aim to achieve greater commercial viability soon.

These priorities of intervention require substantial investment. Addressing NRW requires a clear and actionable roadmap, which we have developed, and we are actively seeking partners to assist in tackling this challenge. Reducing personnel expenditure relative to O&M costs remains complex, but we anticipate that the full utilization of Duka Moja Project will help reduce this percentage. For low water coverage, several expansion projects are underway, with the Water Sector Development Program expected to improve urban coverage from the current 65% to 85% in the next 2 years.

Our revised strategic plan emphasizes several key areas, including infrastructure improvement, increased water coverage, enhanced collection efficiency, prompt response to leaks and bursts, increased metering ratios, upgrading raw water schemes to treated water systems, and improved sanitation coverage. These initiatives will support our five thematic areas: (i) Water and Sanitation Provision, (ii) Operational Efficiency, (iii) Financial Sustainability (iv) Collaboration with Sector Players, and (v) Customer Service.

### **1. Staff Establishment**

Currently, our staff establishment comprises 184 employees (126 male and 58 female), with a significant portion of 75 staff being within 51 – 59 years age bracket, highlighting an aging workforce. We strive to comply with the third gender rule which currently stands at 68% and 31% male to female ratios respectively, and to address the aging workforce challenges, we have contracted 43 members to support the company business.

### **2. Water Distribution and Maintenance**

#### **Bulk Water Supply**

During the 2024/2025 financial year, the bulk water supply from Bomet faced numerous Challenges, including disconnections due to non-payment and low flows, resulting in decreased billings. This decline directly affects our revenue collection, leading to delays in salary payments.

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A joint interim committee was formed to address these challenges, but infrastructure improvements require a budget of over Kshs 60 million, which is yet to be sourced.

These issues have hindered our rural cost center's ability to meet operational minimums and to ensure timely salary payments.

**3. Non-Revenue Water Management**

The Non-Revenue Water (NRW) level remains high at 58% this financial year. High NRW significantly impacts the commercial viability of the company by reducing the water available for sale. KEWASCO recognizes this as a critical area for intervention, and we have developed a robust roadmap/strategy to address it with stakeholder support.

Physical Losses - strategies	Commercial Losses - strategies
i. Intensive patrols,	i. Intensive patrols,
ii. Leak detection- using flow meters,	ii. Minimal night flow measurements,
iii. Pressure management using PRV's & BPT	iii. Use of quality materials/pipes and fittings e.g. HDPE, PPR
iv. Minimal night flow measurements,	iv. Formation of zones & DMAs for easy monitoring,
v. Quick Response to Bursts And leaks,	v. Enhanced community sensitization
vi. Use of quality materials/pipes and fittings e.g., HDPE,	vi. Locating meter at a strategic position to minimize the risk of being tampered with.
vii. Use of GIS for mapping and reporting of leaks,	vii. Punitive penalties to those involved in illegal activities.
viii. Formation of zones & DMAs for easy monitoring,	viii. Choice of meter selection and installation standards,
ix. Formation of NRW unit,	ix. Regular/Rotational meter reading
x. Budget support on NRW activities.	x. data analysis of consumption patterns
	xi. Sealing of all customer meters.

**Other Key Company Achievements**

- **ISO certification:** The Company attained ISO 9001:2015 Quality Management System (QMS) and ISO 55001:2014 Asset Management System (AMS) certifications, demonstrating adherence to international standards in quality service delivery and sustainable asset management

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- **Safe Quality Water:** Continuous provision of safe drinking water has been maintained, with drinking water quality consistently meeting WASREB and WHO standards.
- **Finance Department:** Integration of staff from both cost centers has strengthened our finance department, and we are working on integrating accounting and billing software.
- **Human Resources:** Recruitment for vacancies is timely, with regular performance appraisals conducted.
- **Audit:** We have developed and implemented a risk-based audit strategy in line with best practices, ensuring that audits cover all company systems and processes.
- **ICT:** We have established a Wide Area Network (WAN) for rural connectivity, automatic M-PESA integration, acquired a new server, upgraded accounting software, enhanced GIS utilization, and established a mobile meter reading system.

#### 4. Development Projects

The following table highlights ongoing and recently completed development projects:

Projects	Major Scope	Progress
Water Sector Development Program (WSDP-LVS) (Kericho, Kisii, Nyamira, Litein)	Long-term expansion works: New Kimugu Treatment Works	Completed and operational
Water Sector Trust Fund Projects a) Kapsoit-Sosiot Water Project	i. Pipeline Extension by 8.65km ii. Storage Tank 150m3 (Masonry Tank) iii. Purchase of customer Metering 250 no.	Completed and operational
b) Kapkatet Public Sanitation Facility (PSF) project	Public sanitation facility	85% done
Embassy of Japan - Belgut Water Project	Pipeline extension by 7.7km	95% Done

#### 5. Strategies, Plans, and Future Outlook

To enhance the company's performance, we will implement the following mid-term and long-term strategies:

**a) Last Mile Connectivity:**

Following the completion of the Duka Moja expansion project, we anticipate additional customers through a last-mile connectivity strategy. Funding proposals have been submitted to connect approximately 3,000 new customers, enhancing billing and financial sustainability without increasing personnel expenditure.

**b) K-WASH Program:**

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The company is currently working on a performance implementation action plan (PIAP) for financing under pforR which is a world bank funded program.

#### **6. Challenges Facing the Company**

To enhance our delivery service, we are addressing the following challenges:

a) **High Non-Revenue Water:**

This leads to significant water losses. A Performance Improvement Plan (PIP) is being developed to address both commercial and physical losses over the next five years.

b) **Bulk Water Disconnections from Bomet:**

Disconnections significantly impact on the revenue of our rural cost center, which relies heavily on bulk water.

c) **Low Water Coverage:**

The average water coverage across the company is only 37%, indicating a substantial unmet customer base that requires infrastructural development.

d) **High Personnel Expenditure Relative to O&M Costs:**

While reducing this fixed cost is challenging, we expect O&M costs to rise with new projects, allowing us to maintain constant personnel expenditure.

e) **Outstanding Debts:**

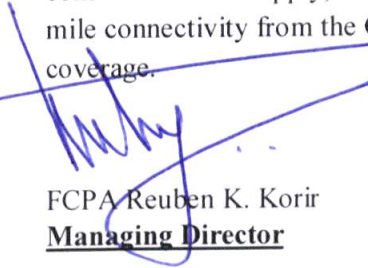
The County Government of Kericho's unpaid bills hinder our ability to meet financial obligations.

f) **Outstanding Creditors:**

Pension dues for staff remain a significant challenge.

#### **Conclusion**

Continued subsidy support from the County Government is essential for bulk water costs, electricity, and salary harmonization for the rural cost center. With the additional volumes from the recently completed New Kimugu Treatment plant, the urban cost center is expected to maintain a consistent water supply, addressing low volumes during dry periods. Additional support for last-mile connectivity from the County Government and development partners will further enhance our coverage.

  
FCPA Reuben K. Korir  
**Managing Director**

**Kericho Water and Sanitation Company Ltd**  
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**7. Statement of Performance against Predetermined Objectives for FY 2024/25**

KEWASCO had 8 themes that formed the core focus within the Reviewed Strategic Plan 2017-2023, these were:

- 1 Non- Revenue Water Management.
- 2 Water and wastewater Infrastructure Development.
- 3 Operational Efficiency.
- 4 Customer Service.
- 5 Pro-poor initiatives.
- 6 Financial Sustainability.
- 7 Institutional Strengthening.
- 8 Corporate Governance

These 8 themes were further grouped into 4 perspectives for the purpose of tracking them in a balanced scorecard.

- a) Financial perspective.
- b) Customer Perspective.
- c) Internal (process) perspective.
- d) Learning and growth (People) perspective

The Company developed its annual work plans based on the above Themes. Assessment of the Board's performance against its annual work plan is done on a half-year basis. To deliver on these strategic themes, KEWASCO identified the following key specific objectives:

- i. To Increase access to water by improving coverage from 55 % in 2019 to 64% in 2025 for urban and 25% in 2018 to 35% in 2025 for rural cost centre.
- ii. To increase number of active connections from 13,539 in 2019 to 15,825 in 2025 for urban and 5,868 in 2019 to 7,215 in 2025 for rural.
- iii. To increase water production from 12,600 m<sup>3</sup> /day in 2019 to 25,600 m<sup>3</sup> /day in 2025 for urban and 3,640 in 2019 to 4,650 in 2025 for the rural cost centre.
- iv. Increase sewered sanitation access from 17% to 40% by 2025.
- v. To Increase Billing and revenues from Kshs.17 million per month in 2019 to Kshs.21 million per month in 2025 for urban and Kshs 2.6 million in 2019 to 4 million in 2025 for rural.
- vi. To Increase collection efficiency from 60% in 2019 to 90% in 2025 for both urban and rural.
- vii. To Improve O&M cost coverage from 83% in 2019 to 100% in 2025 for urban and 83% in 2019 to 93% in 2025 for rural.
- viii. To reduce NRW from 56% in 2019 to 45% in 2025 for urban and 56% in 2019 to 48% in 2025 for rural.
- ix. To reduce personnel expenditure as a percentage of O&M costs from 65 % in 2019 to 60 % in 2025.
- x. To improve level of corporate governance performance from 75% in 2019 to 100% by 2025 and pro-poor from 68% in 2019 to 75% in 2025.

The Company achieved some of its performance targets set for the FY 2024-2025 period for its strategic Table 1: Perspective Areas and Strategic Objectives perspectives, as indicated in Table 1

<b>Strategic Perspective</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Financial Perspective	Improve water coverage from 55% to 64% for	Water Coverage	Construction of new treatment plants, timely	Construction of 13,000M <sup>3</sup> plant for Urban.

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	urban and 25% to 35% for rural cost centre.		payments of bulk water and electricity bills	
Pillar/ theme/ issue 1:	Increase sewered sanitation access from 17% to 40%.	Sewerage Coverage	Construction of at least 5 DTFs, Expansion of Sewer network and connectivity	Construction of Kapsoit DTF
	To Increase Billing and revenues from Kshs.17 million per month to Kshs.21 million per month for urban and Kshs 2.6 million to 4 million for rural.	Billing (Kshs)	Rationing program, last mile connectivity, restoration of water supply, timely payment of bills	Ainamoi project, Seretut water supply, kenegut water supply projects completed. These last mile connection projects have increased the number of water connections
	Increase collection efficiency	Collection Efficiency	Part payment agreements, mass disconnections, mass SMSs	Rapid Result Initiatives to collect revenues conducted
	To increase O&M cost coverage to 100%	O & M cost coverage	Increase billing	Construction of 13,000M <sup>3</sup> plant for Urban.
	Reduce Non-Revenue Water (NRW) to 45%	NRW	Meter servicing, Relocation and replacement. Pipeline replacement with HDPE, Smart metering.	145 Meters were relocated and 250 replaced. Procurement of 1100 No water
	Increase the number of active connections	Metering Ratio	Encourage part payment to discourage disconnections, enhance last mile connections	The number of active connections has increased by about 800 over the last financial year and also due to increased water volumes from the New Duka Moja Project
Customer perspective	Increase Hours of Supply	Hours of supply	Adhere to rationing programs, timely payments of electricity and bulk water bills, restoration of disconnected areas	Construction of 13,000M <sup>3</sup> plant for Urban. Electricity and bulk water bills paid.
	Improve Drinking water Quality	Drinking water quality	Adhere to sampling	Sampling program developed. DWQ

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			programs, carry out disinfection	increased from 90% to 93%.
	Timely customer complaint resolution	Customer satisfaction	System reporting and resolution to enhance follow up.	Customer satisfaction at 68%.
Internal (process) perspective	Improve regulatory compliance	Governance	Statutory deductions, licences and permits	Obtained required licences and permits from WASREB, WRA, and NEMA
	Integrate ICT in processes	Billing	Use job cards, cashless system	Use of GIS, and billing system, MPESA.
	Develop policy documents	Corporate Governance	Develop Disaster management plan, Strategic Plan, Business Plan, Metering Policy etc.	Strategic Plan, Metering policy, HR manual. Developed Standard Operating Procedures for all the departments
Learning and Growth Perspective	Develop and implement communication policy	Staff productivity	Formulate communication committee	Communication committee in place
	Establish Performance management plan	Staff productivity	Carry out performance appraisal	Performance appraisals done.
	Continuous staff training	Staff productivity	Develop training plan	Staff trained through project accompanying measures

Each strategic perspective summarized from the strategic themes has objectives and KPIs and are they are tied into implementing actors who are mostly the management team. The performance targets for each member of the management are drawn from the strategic perspectives as per the implementing actors as shown in Table 2. Performance contracts are practised at all levels of the Company. The Managing Director signs performance contract with the Board of Directors and then all Heads of Department sign with the Managing Director. This is then cascaded to the second line managers and the lower cadre of employees. The objectives of the performance contracts are in line with the Company's strategic Plan.

**Table 2:** Example showing how strategic perspectives are linked to performance management system.

<b>Strategic Perspective</b>	<b>Objective</b>	<b>Performance Target</b>	<b>Implementing Actors</b>
Financial Perspective	Increase Water Coverage	Last mile connectivity to target areas.	Board of Directors & Managing Director

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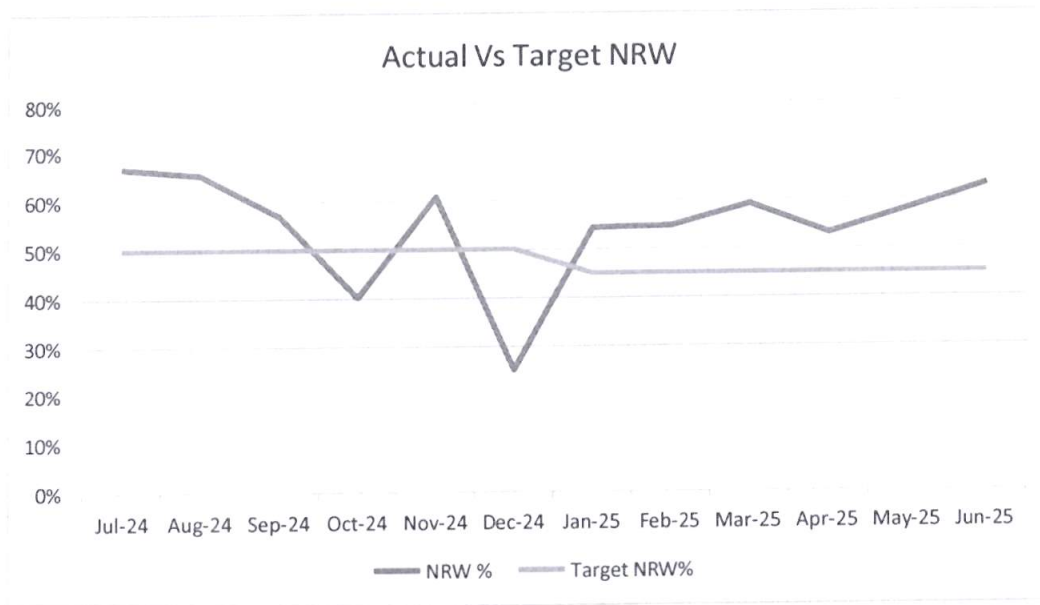
		Restoration of water supply infrastructure.	Commercial and Finance Manager & Technical Services Manager
		Adherence to rationing programs	Technical Services Manager

For the financial year 2024/2025 the Company had focused on three key areas and set some targets to achieve and a Performance Improvement Plan focusing on the Urban Cost Centre was developed. The Plan intended to focus on these Key Performance Indicators (KPIs):

- a. Non-Revenue Water (NRW).
- b. Water Coverage.
- c. Personnel expenditure as a percentage of Operation and Maintenance Cost.

A number of activities were proposed and a budget for the same drawn. Out of these three, the Company managed to meet the short-term target for Water Coverage in the urban cost centre. However, NRW and Personnel expenditure as a percentage of Operation and Maintenance Cost were not achieved. These have since been planned for the long-term basis.

**Figure 1: NRW Trend for the 2024/2025 Financial Year.**



**8. Corporate Governance Statement**

KEWASCO operates within good corporate governance standards as stipulated in the Water Services Regulatory Board (WASREB) corporate government guidelines for the water services sector. These guidelines are in line with ‘MWONGOZO’-The Code of Governance for State Corporations. The latest Corporate Governance Assessment done by WASREB ranked the Company among the top three water Companies in Kenya. The Characteristics of KEWASCO Board is explained by the following sub-headings:

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**Number of Board Meetings and Attendance**

The Board of Directors meet at least four times a year. These full board meetings are each held on quarterly basis to discuss Company performance reports and minutes as presented by each of the three Board Committees. The Committees meet four times to discuss departmental reports and make recommendations for the Full Board's considerations. At times the Chair of the Board may convene some special Full Board meetings to discuss urgent company issues or to recruit some members of the management. Board meetings cannot proceed without quorum and for those members who are not able to attend send apologies. For cases of the County Government representative, if the County Executive Committee Member (CECM) is not able to attend, he or she sends the Chief Officer (CO) to attend on behalf as per the guidelines.

**Succession plan**

To ensure institutional memory the company has tried to avoid a one off retirement of board of directors. One third of the Members other than those from the County are allowed to retire from office by rotation every year starting from the third year after appointment. Currently the Board is fully constituted.

**Board Charter**

The Charter has been adopted by the Company's Board of Directors, to assist the Board and its commitment in exercising their responsibilities. The Board of Directors review the Charter every three years and if appropriate revise it from time to time.

The Charter spells out the following:

- The Purpose of the Board
- General roles and mandate
- The Composition
- Meetings
- Board Calendar of meetings (ALMANAC)

**Process of Appointment and Removal of Directors**

The process of appointment of directors has been transparent and competitive. Advertisement are usually made in print media and the Company website.

**Roles and functions of Board**

The roles and functions of the Board of Directors are stipulated in the Code of Ethics signed by each Board Member. The Board of Directors exercises all the powers of the company subject only to the limitations contained in the law and the Memorandum and Articles of Association. Some of the functions that the Board of Directors fulfils include:

- Ensure that through a managed and effective process, board appointments are made that provide a mix of proficient director, each of whom is able to add value and bring independent judgment to bear on the decision- making process.
- Monitor and evaluate the implementation of strategies, policies, management business plans.
- Ensure that company complies with all the relevant laws, regulations and Codes of best business practice.
- Serve the legitimate interests of the shareholders and other stakeholders and agree on a policy, or policies determining how the corporation should relate to them.

**Kericho Water and Sanitation Company Ltd**  
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- Regularly review processes and procedures to ensure the effectiveness of its internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.
- Regularly assess its performance and effectiveness as a whole, and that of the individual Directors, including the CEO/MD.
- Appoint the CEO/MD and at least participate in the appointment of senior management, ensure the motivation and protection of intellectual capital intrinsic to the company, ensure that there is adequate training in the company for management and employees, and a succession plan for senior management.
- Identify key risk areas and key performance indicators of the business and monitor these factors.

**Induction and Training**

All Company Directors receive formal training on their roles, duties, responsibilities and obligations as well as Board practices and procedures. There are also subsequent trainings involving understanding water service sector operations, deepening oversight skills in financial management different compliance requirements that are critical to the company's business.

**Board Member performance**

Board Members evaluate themselves through self-evaluation once every year in three sections:  
Section A: Contains evaluation of the Board by all members and includes: Board responsibility, Board Operations, Board Effectiveness  
Section B: Contains and evaluation format of the Chairperson by other members of the Board.  
Section C: Contains an evaluation format of individual members of the Board by the Chairman.

**Conflict of Interest**

Each Board member is expected to declare conflict of interest if any on company matters according to Chapter six of the Constitution. A Conflict-of-Interest Book is signed at every time the Board convenes to conduct the Company Business.

**Board Remuneration**

For efficiency and act as an incentive to improve performance at oversight level, KEWASCO Board allowances and remuneration do not exceed 2.8 % of the total costs.

**Ethics and Conduct**

Each Board member signs Code of Ethics stipulating responsibilities of each Board Member in ensuring good corporate governance in the Company. These include setting and evaluation of performance targets of management and approve all organizational systems, policies and procedures that are in line with the set organizational goals. Each Board Member signs the Code having read, understood the Code of ethics and undertake to be bound by the Ethics in his or her performance of duties as a director

**Governance audit**

The Company plans to conduct governance audit in the next financial years. However, the Company has been participating in the Champions of Governance organised by Institute of Certified Public Secretaries for two years now and it has performed very well.

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**9. Management Discussion and Analysis**

**SECTION A:**

**The company's operational and financial performance.**

The volume of water produced for the financial year 2024/2025 was 4,799,035 cubic meters which was an increase from 3.8 million cubic meters in 2023/2024.

The average Non-Revenue Water (NRW) remained at 58%, still off the target of 45% for the next five years. Huge investment is needed to fund the activities proposed in the Company's NRW Reduction Plan.

In terms of Drinking Water Quality (DWQ), the Company managed to increase the number of tests to surpass the required number of test based on the water produced. This was to ensure that the DWQ compliance tends towards 100%.

In terms of Revenues, the Company had projected a billing of Kshs235million in consideration that the new tariff will be fully effective in the year

With this low revenue collection, the Company was not able to meet some of the budgetary obligations like the need to reduce on creditor balances especially those related to staff. Therefore, payment of statutory deductions i.e. PAYE, Pension, lease fees continue to be a challenge. Furthermore, the County Government of Kericho has not been able to fully honour subsidy support agreement for the rural cost centre for salary harmonization, payment of bulk water supply and electricity bills.

**SECTION B:**

**Company's compliance with statutory requirements**

The company strives to ensure that it has fully complied with all the statutory requirements. The Company has applied for a licence and tariff renewal in order to comply with WASREB guidelines.

**SECTION C:**

**Key projects and investment decisions the entity is planning/implementing**

The continuing projects are:

- Belgut Water Supply Project (95% complete). This water project upon completion is expected to serve 400 household connections.
- Kapsuser- Cheromit-Kabartegan-Tulwet-Roret project. (Tendering in progress) This project is expected to serve 1,600 Household connections upon completion.
- Kabianga water supply – capacity 200m<sup>3</sup> per day. The project will serve Kabianga fraternity – Kabianga University, Kabianga High school, Kabianga primary school, Kapmaso, Taplotin, Kabianga market, Kabianga girls, Kapcheluch, Kibingei. This project will increase coverage.
- Extensions from Kapsoit, Sosiot, Taplotin, Kiptere & Environs. The project will improve on water coverage

Some of the upcoming projects that the Company and other development partners are planning to implement include, wastewater.

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**SECTION D:**

The company's operations expose it to the following types of risk

**Operational Risk**

This is the risk faced in the normal operations when carrying out business. The major risks include high NRW, unreliable water sources due to climate change, and power cut/outage, dilapidated infrastructure and high cost of chemicals. Other risks in this category include inadequate Human Resource Integrated, and personnel safety risk, machine safety risks.

**Financial Risk**

The major financial risk is the **debt default** by our customers, loss of revenue through illegal connections, bursts and leakages leading to high non-revenue water.

Lastly is the **legal risk**. This is the risk that creditors may take the company to court for non-payment.

**SECTION E**

**Material Arrears in Statutory/Financial obligations**

The company faces financial challenges such that it has not been able to clear its outstanding debts. The statutory obligations relates to

- Retirement Benefit Obligations
- Pay As You Earn
- Payments to Lake Victoria South Water Works Development Agency.
- Payments to Water Resource Management
- Payments to Water Services Regulatory Board
- Timely payment of Staff salaries and deductions

**SECTION F**

**The company's financial probity and serious governance issues**

Currently the Company has complied with the corporate governance guidelines as set out by the Water Services Regulatory Board and Mwongozo.

**10. Environmental and Sustainability Reporting**

Kericho Water and Sanitation Company endeavors to transform lives through provision of safe drinking water and proper/improved sanitation services. Our core business is the supply of safe drinking water and provision of proper and improved sanitation services. The mission of the Company is to efficiently provide sustainable water and sanitation services to the customers in a safe, reliable, adequate and affordable manner. This is our purpose and driving force in everything we do. Customer focus is one of our five core values. As a Company and a business, our services directly affect the lives of the people who are our customers. Any activity that we undertake therefore put the customers' needs and expectations first into consideration. This principle of customer focus is what guides us to deliver our mandate; putting the customer first in supplying water and sanitation services and improving operational excellence. Below is a brief highlight of our achievements in this regard:

**i. Sustainability strategy and profile -**

The Company strives to meet the water demand of the population in service provision area though with the insufficient supply from an environment facing challenges of degradation and pollution caused by climate change as well as human activity. We abstract a portion of

**Kericho Water and Sanitation Company Ltd**  
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raw water for treatment not to disadvantage others downstream and to sustain the flora and fauna. The infrastructural losses are minimized to ensure maximum available supply for optimal revenue for realization of financial obligations avoiding dependence on donations and subsidies. Most importantly we have ensured through compliance monitoring that our overall activities do not adversely affect the environment.

The top management of the company especially the accounting officer ensures that sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements don't affect the ecosystem. **Environmental performance**

Though the Company does not have its own environmental policy, it is being regulated by Water Resources Authority and National Environmental Management Authority. These two entities issue annual licences only after certain requirements are met by the Company. For instance to get an Effluent Discharge Licence the Company must conduct Environmental Impact Assessment and demonstrate that its system is able to treat wastewater to discharge standards which will not cause pollution to the receiving environment. The Company has a valid Effluent Discharge Licence which is renewed annually. One of the major challenges with regard to management of wastewater is absence of pre-treatment system to handle waste from industries, hospitals and other premises as requirement by National Environmental Management Authority. This presents negative effects to the performance of the sewerage system thus may lead to pollution of the environment by effluent not meeting discharge requirements. The advantage of our sewerage system is that it has a tertiary treatment stage involving lagoons just to improve the quality of effluent to meet the standards.

**ii. Employee welfare**

KEWASCO is one of the Companies in the Country whose employees are better paid and have substantively good packages and rewards. The Company implements negotiated Collective Bargaining Agreements every two years.

The hiring process takes into account qualifications, experience and gender ratio as per its Human Resource manual which is reviewed once every five years. Promotions from one scale to the other and other rewards are done based on performance appraisal system.

In an effort to improve skills of its employees, the Company has developed a training calendar of its staff to attend trainings, workshops and benchmarking exercises both locally and internationally. Training Needs Assessment is conducted annually to establish gaps in skills and knowledge among employees. The Company also has Safety Committee that ensures compliance on safety as per Occupational Safety and Health Act of 2007,

**iii. Market place practices-**

The Company practices best market practices through the following efforts:

*a) Responsible competition practice.*

- For all entrepreneurs that seek to provide similar services within the Company's Service Provision Area, the Company gives them a letter of 'no objection' as per Water Resources Authority requirements.
- The Company has anti-corruption policy and whistle-blower policy to ensure best practices in the market.
- The Company does not involve itself in political activities and the County Government being the owner, does not interfere with the affairs of the Company. However, from time to time is summoned by the County Government or the

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

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County Assembly to respond to no-political queries pertaining to its performance.

**b) *Responsible Supply chain and supplier relations-***

All procurement procedures in the Company are done as per Public Procurement and Asset Disposal Act 2015, its regulations, Constitution of Kenya 2010 and relevant legal frameworks. These stipulated practices ensure that the Company maintains good business practices and relationship with all the suppliers and contractors. In terms of honouring payments to suppliers, the Company strives to promptly pay them even in the midst of cash flow challenges.

**c) *Responsible marketing and advertisement-***

The Company source for advertising firms competitively. The Company promotes its goods, services and activities in a responsible manner and customers get full information. Advertisement and marketing is usually done through print media, Company website, and open days among others. Water Services Regulatory Board (WASREB) regulates water and Sanitation Services. Additionally, the Company involve its stakeholders in all major decisions that will affect them.

**d) *Product stewardship-***

The Company strives to ensure that all its products and services meet the consumer standards by customers. This is the reason why there is regulation by WASREB to ensure that whatever the customers receive at the line of the supply pipe is of good quantity and quality since it's their right enshrined in article 43 of the Constitution and stipulated in the Sustainable Development Goal number 6

**iv. *Corporate Social Responsibility/Community Engagements-***

The Company usually engages the Community in several ways:

- Training-the Company offers free training to primary school, high school and tertiary institutions students who visit its facilities to learn.
- The Company also offers industrial attachment to the students in colleges and universities. These trainings equip the beneficiaries with the hands-on experience required for employment.
- The Company also offer technical advice to community development water projects like river springs and boreholes.

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- The Company also offer technical advice to community development water projects like river springs and boreholes.

## **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 activity of the Company is to provide water and sewerage services within Kericho County.

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

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**ii) Results**

The results of the company for the year ended June 30, 2025 are set out on page 1-7. Below is summary of the profit or loss made during the year.

**iii) Dividends**

As provided for in the Water Act 2016, no dividends shall be paid by a WSP until universal coverage is met.

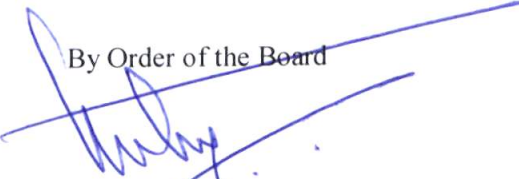
**iv) Directors**

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

**v) Auditors**

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Company for the year/period ended June 30, 2025

By Order of the Board

  
FCPA Reuben K. Korir  
Secretary to the Board  
Date: 27/11/2025

**12. Statement of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015- (*entities should quote the applicable legislation under which they are regulated*)) require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

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

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

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

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**Statement of Directors' Responsibilities (Continued)**

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

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

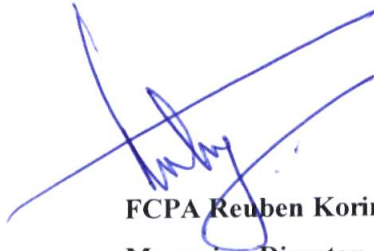
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The company financial statements were approved by the Board on 28<sup>th</sup> August 2025 and signed on its behalf by:



**Sirkelly Cheruiyot**  
**Chairperson of the Board**



**FCPA Reuben Korir**  
**Managing Director**

# REPUBLIC OF KENYA



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

## **REPORT OF THE AUDITOR-GENERAL ON KERICHO WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kericho Water and Sanitation Company Limited set out on pages 1 to 49, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or Loss and other comprehensive

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*Report of the Auditor-General on Kericho Water and Sanitation Company Limited for the Year ended 30 June, 2025*

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

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

## **Basis for Qualified Opinion**

### **1. Inaccuracy of Comparative Figures**

The statement of financial position reflects retirement benefits comparative balance of Kshs.104,212,196. However, the balance differs with the corresponding balance of Kshs.84,387,197 reflected in Note 24 to the financial statements resulting in unexplained variance of Kshs.19,824,999. Similarly, the statement reflects retirement benefits obligations comparative balance of Kshs.15,758,164. However, the balance differs with the corresponding balance of Kshs.19,824,999 disclosed in Note 24 to the financial statements resulting in another unexplained variance of Kshs.4,066,835.

In the circumstances, the accuracy and completeness of retirement benefits comparative balances could not be confirmed.

### **2. Unsupported Prepayments**

The statement of financial position reflects prepayments totalling to Kshs.430,076. However, documentary evidence in support of the prepayments was not provided for audit review. The amount has also not been explained in a Note to the financial statements.

In the circumstances, the accuracy and completeness of prepayments totalling to Kshs.430,076 could not be confirmed.

### **3. Unconfirmed Bank and Cash Balances**

The statement of financial position and as disclosed in Note 19 to the financial statements reflects bank and cash balances totalling Kshs.31,050,663. As reported in the previous year, the amount includes refuse account bank balance of Kshs.610,156, deposit bank account balance of Kshs.1,275,838, revenue account balance of Kshs.3,297,418 and expenditure bank account balance Kshs.1,096,487, all totalling Kshs.6,279,899 which were frozen due to litigations. However, the litigations have not been resolved. The

operations of the Company in the four (4) bank accounts remains hindered and the accounts remains inaccessible to date.

In the circumstances, the accuracy, completeness and existence of the bank and cash balances amounting to Kshs.31,050,663 could not be confirmed.

#### **4. Unsupported Trade and Other Receivables**

The statement of financial position reflects trade and receivables balance of Kshs.348,865,332 which includes VAT recoverable balance of Kshs.8,782,552, staff receivables of Kshs.764,603, and other receivables of Kshs.11,940,652 as disclosed in Note 17 to the financial statements. However, ledgers and ageing analyses in support of the receivables were not provided for audit review. The balance also includes receivables amounting to Kshs.282,797,140 which had been outstanding for over one hundred and twenty (120) days. No explanation has been provided for failure to recover the amounts from the debtors. In addition, the management had not made any provision for bad and doubtful debts.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.348,865,332 could not be confirmed.

#### **5. Unsupported Ordinary Share Capital**

The statement of financial position and as disclosed in Note 20 to the financial statements reflects ordinary share capital totalling Kshs.8,100,000. Review of records revealed that the Company was incorporated on 15 October, 1997 through certificate no. C.78354. However, no documentary evidence in support issuance and payment of the shares was provided. The share certificates were also not provided.

In the circumstance, the accuracy and ownership of ordinary share capital balance of Kshs.8,100,000 could not be confirmed.

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

#### **6. Material Uncertainty Related to Going Concern**

The statement of financial position reflects current assets totaling Kshs.388,877,730 against current liabilities totaling Kshs.395,257,490 resulting to negative working capital of Kshs.6,379,760. This unfavorable performance and weak financial position indicate the existence of material uncertainty on its ability to meet its financial obligations and sustainability of services. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Management to reverse the undesirable precarious situation have not been disclosed in the financial statements.

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*Report of the Auditor-General on Kericho Water and Sanitation Company Limited for the Year ended 30 June, 2025*

My report is not modified in respect of this matter.

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.369,739,345 and Kshs.262,832,505 respectively resulting to an under-funding of Kshs.106,906,840 or 29% of the budget. Similarly, the Company spent Kshs.260,419,402 against actual receipts of Kshs.262,832,505 resulting to an under-utilization of Kshs.2,413,103.

The under-funding and under-expenditure affected implementation of the planned projects and programs and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Audit Matters**

In the audit report of the previous year, twenty (20) issues were raised under the Report on Financial Statements, Material uncertainty related to going concern, Emphasis of Matter and Report on Lawfulness and Effectiveness in Use of Public Resources as shown in **Appendix I**. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

## **Other Information**

Management is responsible for the Other Information set out on page ii to xxviii 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, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### Basis for Conclusion

#### 1. Non-Remittance of Statutory Deductions

The statement of financial position reflects trade and other payables balance of Kshs.337,953,224 which includes employee payables balance of Kshs.135,865,029 as disclosed in Note 25 to the financial statements. Review of records revealed that the employee payables relate to unremitted statutory deductions totalling Kshs.104,639,553 which have been outstanding for more than one year. This was contrary to Section 19 (4) of the Employment Act, 2007 which require an employer who deducts an amount from an employee's remuneration to pay the amount so deducted in accordance with the time period and other requirements specified in law.

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

#### 2. Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.242,771,201 which includes water sales amounting to Kshs.177,230,179 as disclosed in Note 6 to the financial statements. However, review of records revealed that the Company produced 5,098,226 cubic metres of water, out of which only 2,026,668 cubic metres were billed to consumers. The balance of 3,071,558 cubic metres of water, representing 60% of the total volume produced, was not billed. This represented non-revenue water of 35% above the Water Services Regulatory Board (WASREB) Guidelines, 2014 allowable loss of 25%. The loss of 60% of the water produced at an average billing rate of Kshs.72 per cubic metres resulted in a loss of sales estimated at Kshs.221,152,176.

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

### **3. Non-Metered Customers**

Review of records revealed that two thousand four hundred and seventy-one (2,471) active water connections had not been metered. These customers were therefore not paying for water consumption and their usage was not reflected in the billing report. Consequently, the Company continued to provide water services without generating revenue from these customers. No report was made to the Water Service Board and the Water Services Regulatory Board (WASREB). This was contrary to Regulation 44 of Model Water Service Regulations developed by Water Services Regulatory Board (WASREB) which states that where consumers have an un-metered supply of water from the water service provider, the consumer shall pay the water bills charged by the water service provider in accordance with the tariffs approved by the Regulator. The water service provider shall ensure that all connections shall be metered within one year and shall provide a report to the water service board and the Regulator on the progress with the provisions of this Regulation charge.

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

### **4. Members of Staff Earning Less than a Third of Basic Salary**

Review of personnel records revealed that thirteen (13) employees received net salaries below one-third of their basic pay. This was contrary to Section C.1 (3) of the PSC Human Resource Policy and Procedures Manual, 2016 states that public officers shall not over-commit their salaries beyond two-thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

### **5. Non-Compliance with One Third Gender Rule and Law on Ethnic Diversity**

Review of personnel records revealed that the organization's gender distribution comprised 124 males and 58 females, representing 68% and 32% respectively of the total staff establishment. This was contrary to Part B.26 (2) of the Public Service Human Resource Manual May, 2023 which states that County Government shall endeavor to have non-discrimination in the County Public Service by ensuring that not more than two thirds (2/) of vacant posts are filled by either gender.

Further, the Company had one hundred and eighty-two (182) employees, out of whom one hundred and seventy-nine (179), representing 98%, were from the same ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which stipulates that no public establishment shall have more than one-third of its staff from the same ethnic community.

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 Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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 xxv to xxvi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 19 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 Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls as Management determines is necessary to

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the Company's control environment in order to give an assurance on the

effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

Nairobi

08 December, 2025

## Appendix I

### Unresolved Prior Year Audit Matters

Paragraph	Financial Year	Issue
		<b>Qualified Opinion</b>
1	2023/2024	Inaccuracy of Operating Revenue
2	2023/2024	Inaccuracy of Grants Income
3	2023/2024	Inaccuracy of Gross Salary and Allowances
4	2023/2024	Inaccuracy of Board Expenses
5	2023/2024	Inaccuracy of Infrastructural Networks
6	2023/2024	Property, Plant and Equipment
7	2023/2024	Inaccuracy of Inventories
8	2023/2024	Inaccuracy of Trade and Other Receivables
9	2023/2024	Inaccuracy of Bank and Cash Balances
10	2023/2024	Inaccuracies in the Statement of Cash Flows
11	2023/2024	Unsupported Trade and Other Payables
		<b>Material Uncertainty</b>
	2023/2024	Material Uncertainty related to Going Concern
		<b>Emphasis of Matter</b>
	2023/2024	Budgetary Control and Performance
		<b>Other Matter</b>
	2023/2024	Unresolved prior year matters
		<b>Report on Lawfulness and Effectiveness in the Use of Public Resources</b>
1	2023/2024	Non- Compliance with One third Gender Rule and Law on Ethnicity
2	2023/2024	Non- Remittance of Statutory Deductions
3	2023/2024	Non- Revenue Water
4	2023/2024	Unmetered Connections
5	2023/2024	Delayed Completion of Kapkatet Public Sanitation Facility Project
6	2023/2024	Failure to Hold Meetings

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

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

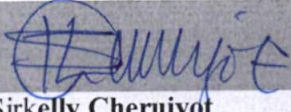
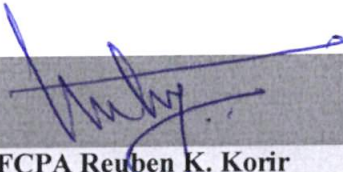
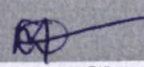
	Note	2024-2025	2023-2024
			Kshs
<b>Revenue</b>			
Operating Revenue	6	242,771,201	229,072,438
Grants Income	7	16,720,180	8,945,870
Other Income	8	3,341,124	2,151,403
Other gains/(losses)			
<b>Total Revenue</b>		<b>262,832,505</b>	<b>240,169,711</b>
<b>Expenses</b>			
Staff Costs	9	145,292,337	156,076,462
General and Operations expenses	10	76,755,314	60,308,367
Board Expenses	11	4,487,460	353,940
Maintenance Expenses	12	9,542,925	10,675,370
Depreciation and Amortization expenses	13	6,788,538	5,736,775
Finance Costs			28,883
<b>Total Expenses</b>		<b>242,866,574</b>	<b>233,179,798</b>
<b>Profit/(Loss) Before Taxation</b>		<b>19,965,931</b>	<b>6,989,913</b>
<b>Profit/(Loss) After Taxation</b>		<b>19,965,931</b>	<b>6,989,913</b>
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		<b>19,965,931</b>	<b>6,989,913</b>
<b>Surplus Or Deficit On Revaluation Of PPE</b>			
<b>Total Comprehensive Income For The Year</b>		<b>19,965,931</b>	<b>6,989,913</b>

**Kericho Water and Sanitation Company Limited.**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**15. Statement of Financial Position as at 30 June 2025**

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	89,732,317	81,112,868
Intangible assets	15	1,333,527	730,989
<b>Total Non-Current Assets</b>		<b>91,065,844</b>	<b>81,843,857</b>
<b>Current Assets</b>			
Inventories	16	8,531,659	8,094,627
Trade and receivable	17	348,865,332	249,238,257
Prepayments		430,076	
Bank and cash balances	19	31,050,663	17,087,531
<b>Total Non-Current Assets</b>		<b>388,877,730</b>	<b>274,420,415</b>
<b>TOTAL ASSETS</b>		<b>479,943,574</b>	<b>356,264,272</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	20	8,100,000	8,100,000
Revaluation reserve	21	7,665,670	7,665,670
Capital Reserve		81,613,060	67,813,648
Retained earnings	22	(127,558,634)	(147,524,564)
<b>Capital and Reserves</b>		<b>(30,179,904)</b>	<b>(63,945,246)</b>
<b>Non-Current Liabilities</b>			
Retirement Benefits	24	110,477,242	104,212,196
Provisions	23	4,388,746	5,550,465
<b>Total Non-Current Liabilities</b>		<b>114,865,988</b>	<b>109,762,661</b>
<b>Current Liabilities</b>			
Provisions	23	3,625,530	6,431,233
Retirement benefit obligations	24	20,662,759	15,758,164
Trade and other payables	25	337,953,224	254,616,332
Refundable Deposits and Prepayments	26	33,015,977	32,250,472
Deferred Income	27		1,390,656
<b>Total Current Liabilities</b>		<b>395,257,490</b>	<b>310,446,857</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>479,943,574</b>	<b>356,264,272</b>

The financial statements were approved by the Board on 28<sup>th</sup> August 2025 and signed on its behalf by:

		
<b>Sirkelly Cheruiyot</b> Chairman of the Board	<b>FCPA Reuben K. Korir</b> Managing Director ICPAK M/No:6129	<b>Mercy Cherotich</b> Head of Finance ICPAK M/No: 14317

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

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

	Ordinary share capital	Revaluation reserve	Capital Reserves	Retained earnings	Total
<b>As at July 1, 2023</b>	8,100,000	7,665,670	66,996,639	(154,514,478)	(71,752,168)
<b>Profit for the year</b>				6,989,913	<b>6,989,913</b>
Capital/Development grants received during the year			2,290,404		<b>2,290,404</b>
Transfer of depreciation/amortization from capital fund to retained earnings			(1,473,395)		<b>(1,473,395)</b>
<b>PPE</b>					
<b>As at June 30, 2024</b>	<b>8,100,000</b>	<b>7,665,670</b>	<b>67,813,648</b>	<b>(147,524,564)</b>	<b>(63,945,246)</b>
Profit for the year				19,965,931	19,965,931
Capitalized asset			13,799,412		13,799,412
Transfer of depreciation/amortization from capital fund to retained earnings					
<b>As at June 30, 2025</b>	8,100,000	7,665,670	81,613,060	(127,558,634)	(30,179,904)

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

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

	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>OPERATING ACTIVITIES</b>			
<b>Cash generated from/(used in) operations</b>	28	31,515,960	6,831,337
Net cash generated from/(used in) operating activities		<b>31,515,960</b>	<b>6,831,337</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	14	(16,616,909)	(5,427,315)
Purchase of Intangible Asset	15	(935,920)	
Net cash generated from/(used in) investing activities		<b>(17,552,828)</b>	<b>(5,427,315)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issues of new share capital			
Proceeds from borrowings			(1,577,458)
Repayment of borrowings			
Net cash generated from/(used in) financing activities			<b>(1,577,458)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>13,963,132</b>	<b>(173,436)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	19	17,087,531	17,260,967
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	19	<b>31,050,663</b>	<b>17,087,531</b>

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

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2024/2025	2024/2025	2024/2025	2024/2025		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
<b>Revenue</b>						
Operating Revenue	252,759,000		252,759,000	242,771,201	9,987,799	96
Grants Income	113,980,345		113,980,345	16,720,180	97,260,165	15
Other Income	3,000,000		3,000,000	3,341,124	- 341,124	111
<b>Total Revenue</b>	<b>369,739,345</b>		<b>369,739,345</b>	<b>262,832,505</b>	<b>106,906,840</b>	<b>71</b>
<b>Expenses</b>						
Staff Costs	161,633,669		161,633,669	145,292,337	16,341,332	90
General and Operations expenses	105,580,800		105,580,800	76,755,314	28,825,486	73
Board Expenses	4,792,000		4,792,000	4,487,460	304,540	94
Maintenance Expenses	14,849,000		14,849,000	9,542,925	5,306,075	64
Depreciation and Amortization expenses	-		-	6,788,538	- 6,788,538	
Finance Costs	-		-	-	-	
<b>Total Recurrent Expenditure</b>	<b>286,855,469</b>		<b>286,855,469</b>	<b>242,866,574</b>	<b>43,988,895</b>	<b>85</b>
Profit or Loss	82,883,876		82,883,876	19,965,931	62,917,945	24
	-		-	-	-	
Capital Expenditure	33,439,678		33,439,678	17,552,828	15,886,850	52
	-		-	-	-	
<b>Total Expenditure</b>	<b>320,295,147</b>		<b>320,295,147</b>	<b>260,419,402</b>	<b>59,875,745</b>	<b>81</b>

**Budget notes:**

- Operating revenue was not achieved due to bulk Water Supply disconnection and power disconnections in the rural cost centre during the financial year
- Grant income was not achieved due to non-remittance of bulk water supply, electricity and salary arrears for the rural cost centre.
- General operations and maintenance expenses were also not achieved because of the disconnections that affected water supply.

## **19. Notes to the Financial Statements**

### **1. General Information**

Kericho Water and Sanitation Company Ltd is established by and derives its authority and accountability from Companies Act Cap 486. The Company is wholly owned by the County Government of Kericho and is domiciled in Kenya. The Company's principal activity is to provide water and Sanitation 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, are disclosed in *Note 5*.

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.

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

**Notes to the financial statements (continued)**

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

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

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
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"> <li>i. When a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>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</li> <li>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.</li> </ul>	1 January 2026

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

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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*

The company did not early – adopt any new or amended standards in year under review.

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**Notes to the financial statements (continued)**

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

**d) Depreciation and impairment of property, plant and equipment**

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

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

Item	Rates
Buildings and civil works	10%
Infrastructure works	2.5%
Plant and machinery	20%
Motor vehicles, including motorcycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

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

**e) Intangible assets**

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

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

**f) Amortization and impairment of intangible assets**

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

**g) Inventories**

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

**h) Trade and other receivables**

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

**i) 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

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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.

**j) Deferred tax**

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

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

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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.

**k) 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.

**l) Cash and cash equivalents**

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

**m) 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.

**n) 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

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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.

**o) 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.

**p) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 20XX. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1080 per employee per month.

**q) 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.

**r) Budget information**

The original budget for FY 2024/2025 was approved by the Board of Directors on 23<sup>rd</sup> October 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company did not record additional appropriations. 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

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and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 18 of these financial statements.

**s) Service concession arrangements**

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

**t) Comparative figures**

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

**u) 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

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Statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**b) Useful lives and residual values**

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

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

**c) Provisions**

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

**6. Operating Revenue**

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	177,230,179	173,063,982
Sewerage Services	52,125,252	44,708,495
Billing for other services*	13,415,770	11,299,961
<b>Total</b>	<b>242,771,201</b>	<b>229,072,438</b>

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

**7. Grants Income**

	2024-2025	2023-2024
	Kshs	Kshs
Operational grants from Government entities		
Recurrent/operational grants from other agencies		364,045
Capital grants amortized		1,473,395
Subsidy from County Governments	16,720,180	7,108,430
<b>Total</b>	<b>16,720,180</b>	<b>8,945,870</b>

A detailed analysis of grants received from the Government in the table below:

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Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2024-2025 KShs
County Government of Kericho	16,720,180				16,720,180
<b>Total</b>	<b>16,720,180</b>				<b>16,720,180</b>

**8. Other Income**

	2024-2025	2023-2024
	Kshs	Kshs
Fine and penalties	2,824,324	2,008,603
Rental income	516,800	142,800
<b>Total</b>	<b>3,341,124</b>	<b>2,151,403</b>

**9. Staff Costs**

Description	2024-2025	2023-2024
		Kshs
Gross Salary and Allowances	114,678,989	123,124,881
Casual workers' Wages	5,362,370	4,925,742
Medical insurance schemes	2,296,762	6,657,572
Employer's contributions to social security schemes	3,853,556	2,537,161
Employer's contributions to pension scheme	8,902,421	10,764,380
Employer's contributions to Housing Levy	1,652,909	1,775,999
Internship/Attachment allowance	381,000	437,000
Gratuity provisions	3,725,530	3,125,324
Salary Arrears	4,004,700	1,263,182
Staff welfare	434,100	463,519
Other allowances		1,001,702
<b>Total</b>	<b>145,292,337</b>	<b>156,076,462</b>
The average number of employees during the year	<b>184</b>	<b>163</b>

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**10. General and Operations Expenses**

	2024-2025	2023-2024
Description	Kshs	Kshs
Chemicals	2,470,194	778,310
Electricity	5,702,385	5,895,796
Fuel, oil, lubricants, and gases	6,981,565	9,297,582
Bulk water Costs	18,433,620	7,184,370
Office supplies	1,472,309	1,069,843
Uniform and protective clothing	74,070	90,698
Telecommunication	1,092,500	2,086,602
Postage and courier	93,590	94,210
Insurance	1,009,575	1,268,755
Rent and Rates		
Domestic Traveling and subsistence	4,435,130	5,274,020
Staff training and development	623,078	528,550
Bank Charges	577,892	669,423
Security services	11,532,734	8,711,245
Publicity and advertising	204,161	233,763
Audit fees	580,000	580,000
Legal fees	1,450,000	
Consultancy fees	2,132,800	162,235
Licensing and levies	10,247,411	8,795,853
Sports and recreation	779,475	473,800
Stakeholders' expenses	375,060	562,816
Donations/CSR	15,000	5,000
Hospitality expenses	2,961,267	3,259,080
Increase in Provision for doubtful debts		
Training Levy	92,250	24,500
Christmas Awards	1,577,200	1,948,760
Subscriptions	469,700	132,300
Quality Testing	1,334,824	816,810
WSTF Expenses	37,524	364,045
<b>Total</b>	<b>76,755,314</b>	<b>60,308,367</b>

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**11. Board Expenses**

Description	2024-25	2023-2024
	Kshs	Kshs
Chairman Honoraria	480,000	
Sitting allowances	2,015,400	166,600
Induction and Training	420,000	
Travel and accommodation	1,425,200	150,000
Other allowances	146,860	37,340
<b>Total Board Expenses</b>	<b>4,487,460</b>	<b>353,940</b>

**12. Maintenance Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Plant and Equipment	245,902	846,870
Buildings	80,640	351,642
Infrastructural networks	5,455,350	4,400,662
Grounds	27,467	67,600
Motor vehicles	1,857,681	2,689,798
Software	1,329,721	1,769,736
ICT	434,952	310,623
Water Meter		
Access roads	111,212	238,440
<b>Total Maintenance Expenses</b>	<b>9,542,925</b>	<b>10,675,370</b>

**13. Depreciation and Amortization Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Property, plant, and equipment	6,455,156	5,554,028
Intangible assets	333,382	182,747
<b>Total Depreciation and Amortization</b>	<b>6,788,538</b>	<b>5,736,775</b>

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**14. Property, Plant and Equipment**

2023/2024	Land	Buildings	Plant Machinery and equipment	Computer & Related Equipment	Motor Vehicles	Furniture and fittings	Water Supply Infrastructure				Capital Work In progress	Total
							Meters	Tank	DIF	Water /Sewer Pipeline		
		0.1	0.20	0.3	0.25	0.125	0.025	0.025	0.025			
As at 1 July 2023	800,000	8,855,637	1,203,758	8,179,735	29,381,463	28,677,598	31,681,605	4,363,853	9,845,399	5,256,050		128,245,099
Additions				117,411			3,253,500			9,323,545	2,056,404	14,750,860
Transfers												
Revaluation												
As at 30 <sup>th</sup> June 2024	800,000	8,855,637	1,203,758	8,297,146	29,381,463	28,677,598	34,935,105	4,363,853	9,845,399	14,579,595	514,101	141,453,656
Additions		1,542,303		1,702,497			1,115,000	894,745		11,362,364		16,616,909
Transfers												
Revaluation												
As at 30 <sup>th</sup> June 2025	800,000	10,397,940	1,203,758	9,999,643	29,381,463	28,677,598	36,050,105	5,258,598	9,845,399	25,941,959	514,101	158,070,565
DEPRECIATION												
At July 1, 2023	-	3,032,932	321,002	7,622,900	16,056,694	22,953,437	4,645,887	480,221	720,099	495,891	-	56,329,063
Acc depreciation												
Charge for the year		582,270	80,251	202,274	2,945,501	715,520	438,794	97,091	228,133	264,195		5,554,028
Impairment loss												
As at 30 <sup>th</sup> June 2024	-	3,615,203	401,253	7,825,174	19,002,195	23,668,957	5,084,681	577,311	948,231	760,086	-	61,883,091
At July 1, 2023												
Acc depreciation												
Charge for the year		678,273.67	160,501.03	652,340.77	2,594,817.05	626,080.10	774,135.61	117,032.18	222,429.21	629,546.82		6,455,156
Impairment loss												
As at 30 <sup>th</sup> June 2025	-	4,293,477	561,754	8,477,515	21,597,012	24,295,037	5,858,816	694,344	1,170,660	1,389,633	-	68,338,247
NET BOOK VALUE												
At June 30, 2025	800,000	6,104,463	642,004	1,522,128	7,784,451	4,382,561	30,191,289	4,564,255	8,674,739	24,552,326	514,101	89,732,317
At June 30, 2024	800,000,00	5,240,434.00	802,505.00	471,972.00	10,379,268.00	5,008,641.00	29,850,425.00	3,786,542.00	8,897,168.00	13,819,509.00	2,056,404.00	81,112,868.00

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**15. Intangible Assets**

<b>COST</b>	
As at 1st July 2023	9,199,172
Additions	
Disposals	
At June 30 2024	9,199,172
Additions	935,920
Disposals	
At June 30 2025	10,135,092
<b>AMORTISATION</b>	
As at 1st July 2023	8,285,436
Charge for the year	182,747
Prior Year adjustment	
Disposals	
Impairment loss	
At June 30,2024	8,468,183
Charge for the year	333,382
Prior Year adjustment	
Disposals	
Impairment loss	
At June 30,2025	8,801,565
<b>NET BOOK VALUE</b>	
<b>At June 30, 2025</b>	<b>1,333,527</b>
<b>At June 30,2024</b>	<b>730,989</b>

The Computer Software consists of software for payroll, meter reading, fleet management.

**16. Inventories**

	<b>2024-2025</b>	<b>2023-2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Cleaning Materials	141,189	230,456
Uniforms and protective Clothing	0	12,760
Computer Consumables	519,683	656,745
Pipes and Fittings	5,201,597	4,489,076
Stationery and general stores	313,840	350,321
Tools	164,239	54,035
Water Chemicals	223,647	350,679
Water Meters	1,941,556	1,950,555
Electrical appliances	25,908	
<b>Total</b>	<b>8,531,659</b>	<b>8,094,627</b>

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**17. Trade and Other Receivables**

	2024-2025	2023-2024
	KShs	KShs
Trade receivables (note (17a))	327,377,525	225,857,549
Deposits and prepayments		449,980
VAT recoverable	8,782,552	8,782,552
Staff receivables	764,603	2,207,525
Other receivables	11,940,652	11,940,652
Gross trade and other receivables	348,865,332	249,238,258
Provision for bad and doubtful receivable		
<b>Net trade and other receivables</b>	<b>348,865,332</b>	<b>249,238,257</b>

**18. Trade Receivables**

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	348,865,332	249,238,258
Provision for doubtful receivables		
<b>Net trade receivables</b>	<b>348,865,332</b>	<b>249,238,258</b>

As at June 30, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	31,436,551	22,450,908
Between 30 and 60 days	14,948,763	10,675,895
Between 61 and 90 days	11,947,571	8,532,546
Between 91 and 120 days	7,862,151	5,614,879
Over 120 days	282,670,296	201,964,030
<b>Total</b>	<b>348,865,332</b>	<b>249,238,258</b>

**19. Bank and Cash Balances**

	2023-2024	2023-2024
		Kshs
Cash at bank	29,269,444	15,319,074
Mobile money account	1,781,219	1,768,457
	<b>31,050,663</b>	<b>17,087,531</b>

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**Detailed analysis of the cash and cash equivalents**

		2024-2025	2023-2024
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
Co-operative Bank of Kenya - Revenue Account	01136053726801	156,376	448,003
Co-operative Bank of Kenya - Deposit Account	01136053726800	9,048,325	6,082,891
Co-operative Bank of Kenya - GIZ funding Account	01136053726803	211	2,042
Co-operative Bank of Kenya-8TH CALL KAPSOIT SOSIOT	01136053726810	135,542	77,659
Co-operative Bank of Kenya-8TH CALL KAPKATET PSF	01136053726809	451,297	1,303,500
Family Bank Limited - Exhauster Account	220000004636	249,626	63,025
Kenya Commercial Bank Limited - Refuse Account	01103618563	610,156	610,156
KCB - KCB Deposit	01104926946	1,275,838	1,275,838
KCB Revenue	01104927179	3,297,418	3,297,418
KCB Expenditure	01108396682	1,096,487	1,096,487
Post Bank Collection A/c	74413011171	284,096	188,980
Posta Collection A/c	KCHO-001		
Equity Bank - Holding A/c	0280299023589	627,024	300,959
Equity Bank-Revenue	0530199886550	10,000	10,000
Equity Bank-Deposit	0530199886579	697,086	539,586
Equity Bank-Expenditure	0530299886559	182,047	13,032
Equity Bank-CLSG	0280280626407	9,497	9,497
NCBA Bank - GGP	4761590197	11,138,417	
<b>Sub- total</b>		<b>29,269,444</b>	<b>15,319,074</b>
<b>d) Others(specify)</b>			
MPESA Collection-Urban	803600	218,132	1,513,556
MPESA A/c charges	803600		
Mpesa MMF	803600	319,390	226,722
MPESA Collection Kericho Rural	830590	1,243,697	28,179
<b>Sub- total</b>		<b>1,781,219</b>	<b>1,768,457</b>
<b>Grand total</b>		<b>31,050,663</b>	<b>17,087,531</b>

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**20. Ordinary Share Capital**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Authorized:</b>		
<b>405,000 ordinary shares of Kshs20 par value each</b>	8,100,000	8,100,000
<b>Issued and fully paid:</b>		
<b>All shares were issued and not paid</b>		

**21. 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.

**22. Retained Earnings**

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

**23. Provisions**

Description	Leave Provision	Bonus Provision	Gratuity provisions	Total
	KShs		KShs	KShs
Balance at the beginning of the year	1,490,031		9,861,666	11,351,697
Additional Provisions	3,991,652		3,625,530	7,617,182
Provision utilised	(3,991,652)		(5,472,921)	9,464,573
Change due to discount and time value for money				
<b>Balance at the end of the year</b>	<b>1,490,031</b>		<b>8,014,275</b>	<b>9,504,306</b>

**Provisions details**

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Portion of Provisions	3,625,530	6,431,233
Long-term portion of Provisions	4,388,746	5,550,465
<b>Total</b>	<b>8,014,275</b>	<b>11,981,698</b>

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**24. Retirement Benefit Obligations**

Description	Defined benefit plan	2024-2025	2023-2024
	Kshs	Kshs	Kshs
Current benefit obligation	20,662,759	20,662,759	19,824,999
Non-current benefit obligation	110,477,242	110,477,242	84,387,197
<b>Total</b>	<b>131,140,001</b>	<b>131,140,001</b>	<b>119,970,360</b>

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund, Lap fund and National Water Pension Fund. Employees contribute 7.5% while employers contribute 7.5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

**25. Trade and Other Payables**

	2024-2025	2023-2024
		Kshs
Trade payables	60,121,598	48,900,618
Accrued expenses	569,187	569,187
Revenue received in advance		
Retention/ contract monies		
Employee payables	135,865,029	105,747,937
Other payables	141,397,410	99,398,591
<b>Total</b>	<b>337,953,224</b>	<b>254,616,332</b>

**Aging Analysis for Trade and other Payables**

	2024-2025	% of the total	2023-2024	% of the total
<b>0-30 days</b>	3,665,647	-1%	27,654,908	10.86%
<b>31-90 days</b>	6,937,869	2%	18,717,009	7.35%
<b>91-150 days</b>	7,200,905	2%	9,898,765	3.89%
<b>Over 150 days</b>	<b>320,148,803</b>	<b>95%</b>	<b>198,345,650</b>	<b>77.90</b>
<b>Total</b>	<b>337,953,224</b>	<b>100%</b>	<b>254,616,332</b>	

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**26. Refundable Deposits and Prepayments**

	2024-2025	2023-2024
	Kshs	
Customer deposits	33,015,977	31,112,477
Prepayments by customers		
Retention/Contract deposits		1,137,995
<b>Total</b>	<b>33,015,977</b>	<b>32,250,472</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	2024-2025	% of the total	2023-2024	% of the total
0-30 days	466,865	1.41	456,040	1.41
31-90 days	334,327	1.01	326,575	1.01
91-150 days	1,695,204	5.13	1,655,900	5.13
Over 180 days	30,519,581	92.44	29,811,957	92.44
<b>Total</b>	<b>33,015,977</b>		<b>32,250,472</b>	

**27. Deferred Income**

Description	2024-2025	2023-2024
	KShs	
Water fund		1,390,656
<b>Total deferred income</b>		<b>1,390,656</b>

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**28. Notes to The Statement of Cash Flows**

	2024-2025	2023/2024
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
<b>Profit or loss before tax</b>	19,965,931	6,989,913
Depreciation	6,455,156	5,554,028
Amortization	333,382	182,747
Operating profit/(loss) before working capital changes	<b>26,754,469</b>	<b>12,726,688</b>
<b>Working Capital Changes:</b>		
(Increase)/decrease in inventories	(437,032)	(3,219,630)
(Increase)/decrease in trade and other receivables	(99,627,075)	(20,669,938)
Increase/(decrease) in capital reserves	13,799,412	817,009
Increase/(decrease) in prepayments	430,076	
Increase/(decrease) in provisions	(3,967,422)	1,082,049
Increase/(decrease) in trade and other payables	83,336,892	1,636,520
Increase/(decrease) in current benefit obligations	5,639,522	(4,066,835)
Increase/(decrease) in non-current benefit obligations	6,265,046	19,824,999
Increase/(decrease) in Refundable deposits	765,505	(2,675,717)
Increase/(decrease) in deferred Income	(1,390,656)	641,264
	<b>4,814,268</b>	<b>(5,895,351)</b>
<b>Cash generated from/(used in) operations</b>	<b>31,515,960</b>	<b>6,831,337</b>

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**Other Disclosures**

**29. Related Party Disclosures**

**County Government of Kericho**

The County Government of Kericho is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Kericho 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 Kericho
- Lake Victoria South Water works Development Agency
- WASREB (Water Services Regulatory Board)
- Water Resources Authority (WRA)
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

**Transactions with related parties**

	2024-2025	2023-2024
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Water sales to Govt. agencies	6,519,813	4,034,589
<b>Total</b>	<b>6,519,813</b>	<b>4,034,589</b>
<b>b) Purchases from related parties</b>		
Purchase of water from govt service providers	16,720,180	7,184,370
Others (specify)	-	-
<b>Total</b>	<b>16,720,180</b>	<b>7,184,370</b>
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	0	364,045
Grants from County Government	16,720,180	7,108,430
Donations in kind		
<b>Total</b>	<b>16,720,180</b>	<b>7,472,475</b>

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<b>c) Key management compensation</b>		
<b>Directors' emoluments</b>	4,972,000	353,940
<b>Compensation to key management</b>	11,414,596	10,504,596
<b>Total</b>	<b>16,386,596</b>	<b>10,858,536</b>

**30. Financial Risk Management**

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

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

	<b>Total amount Kshs</b>
<b>At 30 June 2025</b>	
Trade Receivables	337,051,524
Other Receivables	11,940,652
Bank balances	31,050,663
<b>Total</b>	<b>380,042,839</b>
<b>At 30 June 2024</b>	
<b>Receivables</b>	<b>237,297,606</b>

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<b>Other Receivables</b>	11,940,652
<b>Bank balances</b>	17,087,531
<b>Total</b>	<b>266,325,789</b>

***Credit Risk***

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

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

**ii) Liquidity risk management**

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

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.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2025</b>				
Trade payables	3,665,647	6,937,869	49,518,082	60,121,598
Current portion of borrowings				
Provisions		3,625,530	4,388,746	8,014,275
Deferred income				
Employee benefit obligation		20,662,759	110,477,242	131,140,001
<b>Total</b>	<b>3,665,647</b>	<b>31,226,158</b>	<b>164,384,070</b>	<b>199,275,874</b>
<b>At 30 June 2024</b>				
Trade payables	3,409,038	5,514,220	33,293,953	42,217,210
Current portion of borrowings		1,577,458		1,577,458
Provisions	272,399	888,930	9,738,320	10,899,649

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Deferred income	932,355			932,355
Employee benefit obligation	1,019,203	3,046,864	100,146,129	104,212,196
<b>Total</b>	<b>5,632,994</b>	<b>11,027,471</b>	<b>143,178,402</b>	<b>159,838,867</b>

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

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

**a) 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.

**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:

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	7,665,670	7,665,670
Retained earnings	(127,431,790)	(147,524,564)
Capital reserve	81,613,060	67,813,648

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<b>Total funds</b>	<b>(38,153,060)</b>	<b>(72,045,246)</b>
Total borrowings	0	0
Less: cash and bank balances	31,050,663	17,087,531
<b>Net debt/ (excess cash and cash equivalents)</b>	<b>(69,203,723)</b>	<b>(89,132,778)</b>

**31. Incorporation**

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

**32. 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.

Referen ce No. on the externa l audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timefra me: (Put a date when you expect the issue to be resolved)
	<p><b>1. Inaccuracy of Operating Revenue</b></p> <p>The statement of profit or loss and other Comprehensive income reflects operating revenues totaling Kshs.229,072,438 as further disclosed in Note 7 to the financial statements. However, the amount differs with the invoice bills generated from revenue system amounting to Ksh.220, 909,892 resulting to unexplained variance of Kshs.8,162,546.</p> <p>In the circumstance, the accuracy and completeness of the operating revenues totaling Kshs.229,072,438 could not be confirmed.</p>	<ul style="list-style-type: none"> <li>• Kericho Water and Sanitation Company operates a billing system that has two databases, one for the urban cost centre and another for the rural cost centre.</li> <li>• The Billings in a financial year is arrived after considering the adjustment and cancelled bills for water and sewer charges on a monthly basis. In the year under review <ul style="list-style-type: none"> <li>• Out of the variance of Kshs 8,162,546, Kshs 8,121,646 relates to water sales and sewerage services. The invoice amount captured by the auditor did not include the water sales for the rural cost centre database.</li> <li>• Water Connection fees, Reconnection fee invoice amounts did not include the rural cost centre amount of Kshs 27,500 and 24,000 respectively. <ul style="list-style-type: none"> <li>• Connection fee sewer Kshs 40,000, Meter Fee Kshs 4,500, turn on fee of Kshs 3,800 a prior year adjustment has been done.</li> </ul> </li> </ul> </li> </ul>	Resolved	

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		<ul style="list-style-type: none"> <li>Ledgers have been provided to support restated operating revenue figure of Kshs 230,842,286.</li> </ul> <p style="text-align: center;"><i>(Annex 1 Journals on Operating Revenues, analysis of water and sewerage billings and ledgers)</i></p>		
	<p><b>2. Inaccuracy of Grants Income</b></p> <p>The statement of profit or loss and other Comprehensive income reflects grants income totalling Kshs.8,945,870 as further disclosed in Note 8 to the financial statements. However, the amount differs with the ledger balances amounting to Ksh.12,635,704 resulting to unexplained variance of Kshs.3,689,834.</p> <p>In the circumstance, the accuracy and completeness of grants income totalling Kshs.8,945,870 could not be confirmed.</p>	<p>The subsidy from the County Government of Kericho of Kshs 3,689,834 was amount for Net pay to rural cost centre that had previously been omitted but has since been captured.</p> <p>The same has been corrected and financial statement restated.</p> <p style="text-align: center;"><i>(Annex 2 Journal on net salaries grant)</i></p>	Resolved	
	<p><b>3. Inaccuracy of Staff Costs</b></p> <p>The statement of Profit or loss and other comprehensive income reflects staff costs amounting to Kshs.156,076,462. The amount Includes gross salary and allowances amounting to Kshs 123,124,881 as disclosed in Note 10 to the financial Statements. However, the gross salary and allowances amount differs with payrolls' gross salary and allowances amounting to 121,426,767 resulting in an explained variance of Kshs.1,698,114.</p> <p>In the circumstances, the accuracy and completeness of staff costs amounting to Kshs.123,124,881 could not be confirmed.</p>	<p>Chair, we carried out an analysis of the payroll summaries and it shows that Kshs 123,124,881 is the correct figure and analysis schedule is provided to support.</p> <p style="text-align: center;"><i>(Annex 3 Gross salary and allowances Analysis schedule)</i></p>	Ongoing	
	<p><b>4. Inaccuracy in Board Expenses</b></p>	<p>We acknowledge the variance of Kshs.748,400.</p>	resolved	

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	<p>The statement of profit or loss and other comprehensive income reflects board expenses totaling Kshs.353,940. However, the amount differs with the supporting schedule amount of Kshs.1,102,340, resulting in unexplained variance of Kshs.748,400.</p> <p>In the circumstance, the accuracy and completeness of board expenses amount of Kshs.353,940 could not be confirmed.</p>	<ul style="list-style-type: none"> <li>• The Chairman's honoraria for the financial year had been omitted and has been recorded as a prior year adjustment in the current financial year.</li> <li>• Additionally, board sitting allowances for the period had not been posted at the time of preparing the financial statements but has been recorded as a prior year adjustment.</li> </ul> <p style="text-align: center;"><i>(Annex 4 journal on board expenses, ledgers and board meeting attendance list)</i></p>		
	<p><b>5. Inaccuracy of Infrastructural Networks</b></p> <p>The statement of profit or loss and other comprehensive income reflects maintenance expenses amounting to Kshs.10,675,370. The amount includes infrastructural networks totaling Kshs.4,400,662 as disclosed in Note 13 to the financial statements. However, the infrastructural networks expenditure includes consumables pipeline and repairs materials and closing stock-others amounting to Kshs.11,211,381 and Kshs.2,524 respectively which are not expenditure by nature but inventories. Further, the infrastructural network's amount is net of inventory adjustments and inventory cost variance of Kshs.7,348,457 and Kshs.38,512 all respectively totaling Kshs.3,826,936 which were not supported by journal vouchers.</p> <p>In the circumstance, the accuracy and completeness of maintenance expenses amounting to Kshs.4,400,662 in respect of infrastructural networks could not be confirmed.</p>	<p>The amount of Kshs.4, 400,662 reflected in Note 13 of the financial statements as infrastructural network expenses which forms part of the overall maintenance expenses amounting to Kshs.10, 675,370.</p> <ul style="list-style-type: none"> <li>• According to the company's policy, items are expensed based on the nature of goods upon being issued from the stores to the relevant departments after authorization of requisition. The items expensed under consumables relates to pipes and fitting issued during the day to day operations.</li> <li>• The inclusion of closing stock-others amounting to Kshs.2,524 has now been corrected in the restated financial statements.</li> <li>• The inventory adjustment of Kshs.7,348,457 and inventory cost variance of Kshs.38,512 were initially included with supporting journal but posted to the wrong</li> </ul>	resolved	

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		<p>ledger account. The same has been corrected in the restated financial statements.</p> <ul style="list-style-type: none"> <li>The cost variance of Kshs.38,512 has been corrected as a prior year adjustment in the current financial year.</li> </ul> <p style="text-align: center;"><i>(Annex 5 Journal on Inventory of donated items)</i></p>		
	<p><b>6. Property, plant and Equipment</b></p> <p>The statement of financial position reflects property, plant and equipment totaling Kshs.81,112,868 as further disclosed in Note 16 to the financial statements. However, amount excludes the value of motor vehicles with a Net book value of Kshs.8, 997,382. Further, note 16 to the financial statement reflects meters net book values amounting to Kshs 29,850,425 which differs with the asset register balance of Kshs.30,218,798 resulting in unreconciled variance of Kshs 368,371. Similarly, the Note reflects water /sewer pipeline amounting to Kshs 13,819,509 which differs with the asset register balance of Kshs 29,651,815 resulting in unreconciled variance of Kshs 15,832,306.</p> <p>In the circumstance, the accuracy and completeness of the property, plant and equipment totaling Kshs.81, 843,857 could not be confirmed.</p>	<p>The Motor Vehicle net book value of Kshs 8,997,382 had been omitted because it belongs to Lake Victoria south water works development agency and not included in calculation of depreciation since it's done by LVSWWDA. It's shown as a line item in the fixed asset register.</p> <p>In the financial year 2023/2024 a financing agreement was signed between SK Kawanishi, JICA and Kewasco to pilot mechanical joints at Ainamoi Area through a grant for a pipeline and fittings. The scope of the works was a 11.2 km pipeline and 100No consumer meters. As at the end of the financial year, the project had been completed and handed over to Kericho Water thus the grant was recognized as an asset in the books. The actual grants were totaling Kshs 17,840,020 and the same has been captured in the restated financial statements.</p> <p style="text-align: center;"><i>(Annex 6 Updated Fixed Asset Register and journal vouchers)</i></p>	resolved	
	<p><b>7. Inaccuracy of Inventories</b></p> <p>The statement of financial position reflects inventories totaling Kshs.8, 094,627 as further disclosed in Note 18 to the financial statements. However, the amount differs with the annual stock</p>	<p>We acknowledge the auditors observations and the Inventory stock variance of Kshs 113,729 has now been corrected in the restated financial statements.</p> <p style="text-align: center;"><i>(Annex 7 Inventory stock take listing)</i></p>	resolved	

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taking report amount of Kshs.7,980,898 resulting in unexplained variance of Kshs.113,729 as shown below:							
Item group	Item description	Reported financial statement balances	Stock take Balance as at 30 June, 2024	Variance			
CL	Cleaning materials	230,456	55,459	174,997			
CU	Clothing and uniform	12,760	16,470	(3,710)			
CCO	Computer consumables	656,745	430,606	226,139			
PF	Pipes and fittings	4,489,076	4,295,670	193,406			
ST	Stationery and general stores	350,321	347,326	2,995			
TL	Tools	54,035	75,514	(21,479)			
WC	Water Chemicals	350,679	534,053	(183,374)			
WM	Water meters	1,950,555	2,225,800	(275,245)			
<b>TOTALS</b>		<b>8,094,627</b>	<b>7,980,898</b>	<b>113,729</b>			
In the circumstance, the accuracy and completeness of the inventories totaling Kshs.8, 094,627 could not be confirmed.							
<p><b>8. Inaccuracy of Trade and Other Receivables.</b></p> <p>The statement of financial position reflects trade and other receivables totalling Kshs 249,238,257 as disclosed in Note 19 to the financial statements. However, the amount differs with the ledger balance of Ksh.275,019,877 resulting to an unexplained variance of Ksh.25,781,619.</p> <p>Further, no provisions have been made were made or bad and doubtful debts. This was contrary to Policy of the summary of</p>					<p>We acknowledge the variance between the amount of Kshs. 249,238,257 reported under trade and other receivables in the Statement of Financial Position (Note 19) and the ledger balance of Kshs. 275,019,877, resulting in a difference of Kshs. 25,781,619.</p> <p>This variance arose after ledger reconciliation and corrections have been made in the restated financial statements</p>	resolved	

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<p>accounting policies of the financial statements which states that trade and other receivables are recognized at fair values less allowances for any uncollectable amounts.</p> <p>In the circumstances, the accuracy completeness and existence of trade and other receivables totaling Kshs.249,238,257 could not be confirmed.</p>	<p>Furthermore, provisions for bad and doubtful debts have been provided as per policy and reflected in the restated financial statements.</p> <p style="text-align: right;"><i>(Annex 8 debtors summary)</i></p>		
<p><b>9. Inaccuracy of Bank and Cash Balances</b></p> <p>The statement of financial position reflects bank and cash balances totaling Kshs.17,087,531 as further disclosed in Note 20 to the financial statements. However, the amount does not include a bank balance amounting to Kshs.10,956,353 reflected in the bank statement of a bank account held in a commercial bank.</p> <p>Further, as reported in the previous year, the bank and cash balances totaling Kshs.17,087,531 includes bank account balances totaling Kshs.5,669,743 held in three (3) bank accounts which were frozen due to litigations which have not been resolved.</p> <p>In the circumstance the accuracy, completeness and existence of bank and cash balances totaling Kshs.17,087,531 could not be confirmed.</p>	<p>The three bank accounts were dormant and were activated on 13th October 2023 and have been open and active for the past one year.</p> <p>In the financial year, the company received a conditional grant from the Embassy of Japan under the Grant Assistance for Grassroot Human Security Project (GGP) to support the company in 7.7km water pipeline extension in Belgut Area to support last mile connectivity. The bank accounts were opened in March 2024 and we were yet to fulfill other agreement conditions in regards to board of director's appointment.</p> <p>The amount in the bank currently stands at Kshs 10,897,713.75</p> <p style="text-align: right;"><i>(Annex 9 KCB Activation letter and NCBA bank statement)</i></p>	resolved	
<p><b>10. Unsupported Ordinary Share Capital</b></p> <p>The statement of financial position reflects ordinary share capital totaling Kshs.8,100,000 as further disclosed in Note 21 to the financial statements. Review of records revealed that the Company was incorporated on 15 October, 1997 through</p>	<p>The Company was incorporated on 15th October 1997 under certificate number C.78354. The 405,000 ordinary shares, each with a nominal value of Kshs. 20, were issued and the shares have not yet been paid for.</p>	Ongoing	

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	<p>certificate no. C.78354. However, no documentary evidence in support issuance and payment of the shares was provided. The share certificates were also not provided.</p> <p>In the circumstances, the accuracy and ownership of ordinary share capital totaling Kshs.8,100,000 could not be confirmed.</p>	<p>However, the County Government of Kericho has invested in infrastructure development especially last mile connectivity in Kewasco’s service area. Discussions to convert the investment to share capital is at an advanced stage with the County Government. In the meantime Kewasco will continue to follow up to ensure this process and documentation are finalized and appropriately reflected in the company’s records.</p> <p style="text-align: right;"><i>(Annex 10 Letters on share capital)</i></p>		
	<p><b>11. Unsupported Trade and other statutory Payables</b></p> <p>The statement of financial position reflects trade and other payables amounting to Kshs 254,616,332. The amount includes trade payables totaling Kshs 48,900,618 as disclosed in Note 27 to the financial statements. The trade payables amount includes outstanding electricity supply bills amounting to Kshs.7,859,459 which has accrued from Tililbei Cost Centre since 2018. However, the electricity bills were not provided.</p> <p>Further, the amount includes other payables Kshs.99,398,591 as disclosed in Note 27 to the financial statements . The other payables include refuse bills owed Kericho County Government amounting to Kshs.36,102,427 which dates back to 2002/2003 financial year. However, no contract agreement between the Kericho County government and the company was provided showing the terms and condition of billings, collection, and remittance to County Government on garbage collection.</p>	<p>The trade payables of Kshs. 48,900,618, which comprises an outstanding electricity bill of Kshs. 7,859,459 accrued at Tililbei Cost Centre. This amount relates to electricity bills accumulated during the period prior to the separation between Tililbei Water and Sanitation Company and Bomet Water Company in the year 2018.Electricity bills supporting this balance have been annexed for verification</p> <p>Additionally, other payables amounting to Kshs. 99,398,591 include refuse collection bills totaling Kshs. 36,102,427, which date back to the 2002/2003 financial year. These charges represent amounts billed to customers within the jurisdiction of the former Kericho Municipality since the Company’s establishment. While a formal contract agreement between the Company and Kericho Municipal Council regarding garbage collection was not available, the charges were implemented when Kewasco was operating as a water department within the municipal</p>	Ongoing	

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	<p>In addition, the other payables includes Kshs.20,807,326 payable to Water Services Regulatory Board (WASREB) which differs with the ledger amount of Kshs.25,186,790 resulting to unexplained variance of Kshs.4,379,464.</p> <p>In the circumstances, the accuracy, completeness and existence of trade and other payables amounting to Kshs.254,616,332 could not be confirmed.</p>	<p>Furthermore, the payable to the Water Services Regulatory Board (WASREB), the amount of Kshs. 20,807,326 reflects the outstanding balance. The ledger balance of Kshs. 25,186,790 as at 30th June 2024 includes the expense for year under review that had not been posted amounting to Kshs. 4,379,464. The same has been corrected in the restated financial statements.</p> <p style="text-align: center;"><i>(Annex 11 Kenya Power Bills Bomet and creditors ledger and WASREB workings)</i></p>		
	<p><b>12. Material Uncertainty Related to Going Concern</b></p> <p>The statement of financial position reflects current assets and liabilities totaling Kshs 274,420,415 and Kshs 310,446,857 respectively resulting in negative working capital of Kshs.36,026,442. This is an indication of the existence of material uncertainty which casts doubt on the Company's ability to continue to operate as a going concern and meet its obligations as and when they fall due.</p> <p>In the circumstances, the continued ability of the Company to continue to operate is dependent on continued County Government Support.</p>	<p>We acknowledge the negative working capital and has been working progressively to reduce the same. As compared to the previous financial year where the negative working capital was Kshs 66,818,499 the current financial year had a negative working capital of Kshs 36,026,442</p> <p>In the short term we have done the following:</p> <ul style="list-style-type: none"> <li>• We have managed to reduce trade and other payables through a grant subsidy from the County Government of Kericho totaling Kshs 12,271,659 for bulk water and electricity bills. (Annex 12 County Government Grants)</li> <li>• The current tariff has positively impacted revenues, and we aim to implement a full cost recovery tariff in the next financial year to help settle accrued liabilities</li> <li>• We have reactivated 538 previously inactive customer accounts in the urban cost centre by restoring water</li> </ul>		

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		<p>supply through increased volumes and pipeline rehabilitation.</p> <p>In the long term we intend to do the following:</p> <ul style="list-style-type: none"> <li>• We are following up on the deed of transfer outlining asset and liability sharing between Bomet and Tililbei Water Companies. As per the deed, Bomet Water Company was to pay Kshs 25,073,379 in outstanding liabilities to Kericho Water Company. Written reminders have been sent to Bomet County regarding the unpaid trade and other payables. (Annex 13 Deed of Transfer and letters to Bomet Water )</li> <li>• We anticipate consistent bulk water supply to Bureti Sub County following the proposed handover of the Itare-Litein intake to LVSWWDA. This will support optimal operation of the treatment works at full design capacity. (Annex 14 Subsidy support agreement and Gazette notice of itare-litein water supply taskforce)</li> <li>• With the completion of the Duka Moja Project, last mile connectivity remains our priority. Funding proposals have been submitted to various development partners, including the Embassy of Japan, who are currently financing last mile connectivity in Belgut. SK Kawanishi has also supported an 11.2km network extension in Ainamoi, resulting in 159 new connections with a target of 334.</li> </ul>		
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<p><b>13. Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amounts reflects total final budget and actual on comparable basis amounting to Kshs.299,412,304 and Kshs.240,169,711, respectively, resulting in underfunding totaling Kshs.59,242,593 or approximately twenty percent (20%) of the budget. Similarly, the statement reflects total final expenditure budget and actual on comparable basis amounting to Kshs.299,412,304 and Kshs.247,930,658, respectively, resulting to under-expenditure of Kshs.51,481,646 or eighteen percent (18%) of the budget.</p> <p>The under-funding and under-expenditure affected implementation of the planned projects and programs and may have impacted negatively on service delivery to the public.</p>	<p>We acknowledge the observation on the budgetary performance for the year under review, where the final revenue budget amounted to Kshs. 299,412,304 against actual receipts of Kshs. 240,169,711, resulting in an underfunding of Kshs. 59,242,593 (approximately 20%). Similarly, the final expenditure budget was Kshs. 299,412,304 compared to actual expenditure of Kshs. 247,930,658, resulting in an under-expenditure of Kshs. 51,481,646 (approximately 18%).</p> <p>The company did not achieve its budget in the financial year in the revenue categories stated. The non-achievement of revenue receipts resulted from operating revenue and grants income that was not attained in the period. Additionally, budget deficit resulted from bulk water supply interruptions and power disconnections of the rural schemes due to delay in payment by the County Government of Kericho to Bomet water Company and Kenya Power respectively as subsidy support towards the rural cost centre. Reduction in water supply largely affects billed volumes consequently operating revenue.</p> <p>Furtherance to this, the grants anticipated were also not received during the financial year under review. The company's main grants are from the County Government of Kericho which supports the following components: Bulk water supply, electricity bills for rural water schemes and staff salary harmonization costs.</p>		
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		It is important to note that from the expenditure budget analysis, most expenses were not incurred because they are directly linked to the budgeted income, which was not fully realized.		
	<p><b>Unresolved Prior Year Matters</b></p> <p>In the audit reports of previous year, forty (40) issues were raised under the Report on Financial Statements, Emphasis of Matter, Other Matter, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to resolve the issues.</p>	Out of the 40 issues raised, 22 issues have been resolved while the remaining are work in progress. The progress on follow-up of Auditors recommendations has been updated to reflect the financial year 2022/2023 audit issues and the explanations provided. Follow-up on prior audit issues is ongoing and forms an integral part of the Internal Audit work plan (Annex 15 Prior year audit matters and Internal Audit work plan)	Ongoing	
	<p><b>Basis for Conclusion</b></p> <p><b>1. Non-Compliance with the One Third Gender Rule and Law on Ethnic Diversity</b></p> <p>Review of records revealed that the Company had one hundred and sixty-three (163) contrary to Part B.26 (2) of the County Public Service Human Resource Manual May, discrimination in the County Public service by ensuring that not more than two thirds (2/3) of vacant posts are filled by either gender in the County Public Service.</p> <p>In the circumstances, Management was in breach of the law.</p>	KEWASCO notes the non-achievement of 2/3 gender rule. Most of the staff working at the Company were staff transferred from the defunct Municipal Council of Kericho and the former National Water and Pipeline Corporation and Conservation therefore major recruitment was done before devolved units of Government came into place. Additionally, more ladies retired in the previous financial years and others resigned to pursue other interests reducing their number. Additionally, KEWASCO is working progressively towards ensuring that the two thirds gender rule is adhered to within the Company during its recruitment and selection. For example, the newspaper advertisement published on November 8, 2023, stated: "KEWASCO is an equal opportunity employer.	Ongoing	

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		<p>Women, youth, and persons with disabilities are encouraged to apply”  <i>( Annex 16 Recruitment Advert, List of female staff exited the company )</i></p>		
	<p><b>2. Non-Remittance of Statutory Deductions and Other Deductions</b></p> <p>The statement of financial position reflects trade and other payables totalling Kshs.254,616,332. The amount includes employee payables amounting to Kshs.105,747,937 as disclosed in Note 27 to the financial statements. The employee payables amount includes unremitted statutory deductions and other deductions totalling Kshs.93,141,151 which remained outstanding for more than one and half years. This was contrary to Section 19(4) of the Employment Act, 2007 which provides that, an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law. In the circumstance, Management is in breach of the law.</p>	<p>We acknowledge the audit concern regarding the outstanding statutory and other employee deductions totaling Kshs. 93,141,151, which form part of the employee payables of Kshs. 105,747,937 disclosed in Note 27 to the financial statements. It is noted that a significant portion of these amounts remained unremitted for more than one and a half years. Prolonged non-remittance is mainly due to financial constraints in rural cost centres, caused by power and bulk water supply interruptions from Bomet Water Company. These have reduced water volumes and revenue, straining cash flow and delaying statutory payments. Despite this, several short-term measures have been implemented.</p> <ol style="list-style-type: none"> <li>1. Debt Follow-Up: The Company is actively pursuing outstanding debts from government institutions and individuals, using recovered funds to prioritize statutory payments.</li> <li>2. Engagement with Statutory Institutions and Banks: Agreements have been reached with statutory bodies and banks on a payment plan to clear outstanding liabilities, and implementation is underway.</li> <li>3. Subsidy Support Follow-Up: The Company is engaging the County Government of Kericho to</li> </ol>	Ongoing	

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		<p style="text-align: center;">activate the subsidy support agreement, aimed at stabilizing rural operations through bulk water supply and salary support.</p> <p style="text-align: center;"><i>(Annex 17 letter to the county on Subsidy support, statutory payments made).</i></p>		
	<p><b>3. Non-Revenue Water</b></p> <p>The statement of profit or loss and other Comprehensive income reflects operating revenue of an amount of Kshs.229,072,438 which includes an amount of Kshs.173,063,982 in respect of water sales and as disclosed in Note 7 to the financial statements. Review of the water production records revealed that 4,799,035 cubic meters (m3) was produced but only 2,029,009 cubic meters (m 3) were billed to customers resulting to 2,770,026 cubic meters or fifty eight percent (58 % )of the produced water was not billed to customers. The unbilled water is thirty-three (33%)above the allowable loss of twenty five percent (25%). The loss of 33% of the water produced at an average billing rate of Kshs.72 per (m3) resulted in a loss of sales estimated at Kshs.199,411,872.</p> <p>Further, a review of the financial statements in respect of the Managing Director's report revealed that the company lost 2,531,230 (m3) which differed with the volume of 2,770,026 (m 3) reflected in water production statements resulting to unexplained and unreconciled variance of 238,796 (m 3) of non-revenue water.</p>	<p>We acknowledge that our Non-Revenue Water (NRW) exceeds the recommended 25% benchmark by 33%, mainly due to physical losses from an aging pipeline network and commercial losses caused by metering issues and illegal connections. We have implemented a robust set of short-term and long-term interventions as follows;</p> <p>Summary of Short-Term Interventions:</p> <ol style="list-style-type: none"> <li>1. SOPs &amp; Reduction Plan: Developed Standard Operating Procedures and a detailed NRW Reduction Plan. (Annex 18: NRW Reduction Plan and SOP on NRW)</li> <li>2. Dedicated NRW Unit: Formed a specialized unit with 20 staff, focusing on leak repairs and illegal connection enforcement.</li> <li>3. Metering Improvements: Replaced 1,200 meters in DMAs and 116 for top consumers.</li> <li>4. System Automation: Automated NRW reporting and work orders for real-time tracking. (Annex 19: NRW Reports and Work Order Reports)</li> </ol>	Ongoing	

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	<p>The large ration of the unaccounted-for water implies that the Company's water distribution system was inefficient during the year under review.</p>	<ol style="list-style-type: none"> <li>5. Interdepartmental Coordination: Established a cross-departmental committee to monitor NRW activities. . (Annex 20: NRW Committee Minutes)</li> <li>6. Law Enforcement Collaboration: Partnered with the Water Police Unit to tackle illegal connections and theft. (Annex 21 Water Police Unit report)</li> <li>7. Customer Survey: Conducting a Customer Identification Survey (CIS) to correct anomalies.</li> <li>8. Last-Mile Connectivity: Implementing 8.7 km of new HDPE pipelines and metering in Sosiot.</li> <li>9. Staff Training: Ongoing staff training and sensitization on NRW reduction.</li> <li>10. Meter Testing Bench: Acquired and operationalized a testing bench, training 20 staff to ensure meter accuracy.(Annex 22: Meter Testing Bench Report)</li> </ol> <p>Long-term Interventions</p> <p>The company aims to fully implement its NRW Reduction Plan through a series of strategic long-term interventions:</p> <ol style="list-style-type: none"> <li>1. Last-Mile Connectivity: Expansion using HDPE pipes in Belgut and Ainamoi to minimize leakages, increase water available for sale, and improve billing efficiency.</li> <li>2. Technology-Driven Projects: In partnership with the Embassy of Japan, a 7.7 km HDPE last-mile connectivity project using mechanical joints is</li> </ol>		
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		<p>underway in Belgut to combat NRW through innovative solutions.</p> <p>3. Meter Replacement Program: The Company procures 1,000 meters annually to maintain accurate metering and minimize commercial losses.</p> <p>4. Infrastructure Rehabilitation and Expansion: Under the LVSWWDA’s Waste Water Management Project (funded by KfW), aging water systems in Kericho and Litein are to be rehabilitated. This will modernize the network, reduce physical losses, and increase water service coverage and reliability across our Service Provision Areas.</p>		
	<p><b>4. Unmetered Connections</b></p> <p>The statement of profit or loss &amp; other comprehensive income for the year ended 30 June 2024 reflects operating revenue amounting to Kshs.229,072,438. The amount includes water sales totalling Kshs.173,063,982 as reflected in Note 7 to the financial statements. Review of records revealed sales amounting to Kshs.33,150,438 from unmetered connections. No report was made to the Water Service Board and the Water Services Regulatory Board (WASREB). This was contrary to Regulation 44 of Model Water Service Regulations developed by Water Services Regulatory Board (WASREB) which states that where consumers have an unmetered supply of water from the water service provider, the consumer shall pay the water bills charged</p>	<ul style="list-style-type: none"> <li>We acknowledge the audit observation on the existence of unmetered connections contributing to water sales revenue of Kshs.33,150,438, as part of the total Kshs.173,063,982 disclosed in Note 7 to the financial statements. The unmetered sales are from customers served by the rural cost centres where the water is too turbid due to the aging infrastructure hence installed meters get stuck All connections in the urban cost centre are fully metered, while the rural cost centre is not fully metered due to water turbidity.</li> </ul> <p>In the short term we have done the following,</p> <ul style="list-style-type: none"> <li>We are continuously replacing inaccurate, stuck meters in all water schemes.</li> </ul>	Ongoing	

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	<p>by the water service provider in accordance with the tariffs approved by the Regulator.</p> <p>The water service provider shall ensure that all connections shall be metered within one year and shall provide a report to the water service board and the Regulator on the progress with the provisions of this Regulation charge.</p> <p>In the circumstance, Management is in breach of the law.</p>	<ul style="list-style-type: none"> <li>Developed short term proposals for metering customers to our key stakeholders. the county Government of Kericho, Water Fund and Lake Victoria South Water Works Development Agency</li> </ul> <p>In the long term, we have developed proposals for Upgrading Water Schemes to Fully Treated Water Systems: This will enable the company to safely and effectively meter rural connections. The estimated cost of upgrading the raw water supply infrastructure—including treatment works, pumping systems, and associated reticulation is approximately Kshs.150 million.</p> <p><i>(Annex 23 Replaced meters Report and sample proposals)</i></p>		
	<p><b>5. Delayed Completion of Kapkatet Public Sanitation Facility Project</b></p> <p>Review of procurement and financial records revealed that the contract for the construction of Kapkatet Public Sanitation Facility Project at a cost of Kshs.5,398,061 was awarded on 31 March, 2023 for a contract period of four (4) months ending on 3 August, 2023. The contractor had been paid Kshs.2,056,404 or 38% of the contract sum to date. However, physical verification of the project on 25 November, 2024, approximately eighteen (18) months after the completion date revealed that electrical installation, fittings, floor tiles, water piping, door fitting, windows, toilet fittings and drainage works provided for in the Bills of Quantities were not completed and the contractor was not on site.</p>	<p>Kapkatet Public Sanitation Facility Project faced delays due to several challenges. After land was allocated for construction, the relocation of an electricity line by Kenya Power took a month despite prompt payment. These delays were reported to the Water Fund, which approved a no-cost extension. This extension allowed for the project timeline to be revised from 6th January to 31st May 2025. The contractor is currently working to complete the project, with completion expected by the end of the financial year, pending the release of funds by the Water Sector Trust Fund (WSTF). So far, 38% of payment has been made, covering completed substructure, superstructure, and partial roofing work. Additionally, delays in fund disbursement from the Water Fund have further contributed to the overall delay.</p>		

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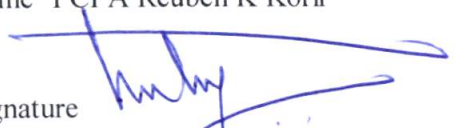

	<p>In the circumstances, value for money on the expenditure of Kshs5,398,060.59 on construction of the public sanitation facility could not be confirmed.</p>	<p>(Annex 24 support on delay of project, revised work plan and reviewed contract, request for disbursement letter to Water Fund and no cost extension letter, current Photo and Project Implementation team minutes)</p>		
	<p><b>5. Failure to Hold Meetings</b></p> <p>During the year under review, the Company did not hold an Annual General meeting contrary to Section 310(1) of the companies Act 2015, which provides that every public company shall hold a general meeting within six (6) months from and including the day following its accounting reference date in each year, whether or not it holds other meetings during that period. Further, the Board held one (1) full board meeting on 11 August, 2023 contrary to the statutory requirement to hold four (4) sittings in a year.</p> <p>In the circumstance, Management was in breach of the law.</p>	<p>The company did not hold an AGM during the financial year as the previous board's term had ended and a new board was being recruited. A new board was appointed on 15th September 2024, during which the AGM was held.</p> <p><i>(Annex 25 Recruitment Advert for directors, AGM attendance list and minutes)</i></p>	<p>Resolved</p>	

Name FCPA Reuben K Korir

Signature

Managing Director

Date

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**Appendix II: Projects Implemented by the Company**  
**Projects**

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kapkatet Public Sanitation Project		Water Sector Trust Fund (WSTF)				
Belgut Water supply expansion		Embassy of Japan				

**Status of Projects completion**

*(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)*

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

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**Appendix III- Inter-Entity Confirmation Letter**

Name of Transferring entity.....

Name of Beneficiary entity.....

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

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

**Head of Accounts Department - Disbursing Entity:**  
 Name ..... Sign ..... Date .....

**Head of Accounts Department - Beneficiary Entity:**  
 Name ..... Sign ..... Date.....

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**Appendix VI: Recording of Transfers from Other Government Entities**

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	xxx	Recurrent	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Ministry/County Department of water.	xxx	Development	xxx	xxx	xxx	xxx	xxx	xxx	xxx
USAID	xxx	Donor Fund	xxx	xxx	xxx	xxx	xxx	xxx	xxx
name of Development partner/County department etc.	xxx	Direct Payment	xxx	xxx	xxx	xxx	xxx	xxx	xxx
			xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total</b>			xxx	xxx	xxx	xxx	xxx	xxx	xxx