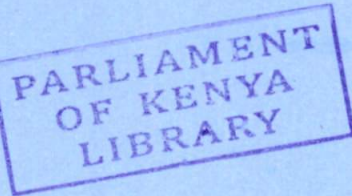
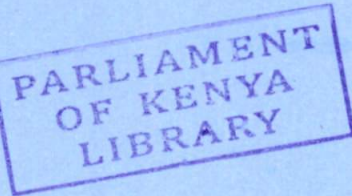


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

38

OF

THE AUDITOR-GENERAL

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NAIVASHA WATER AND SANITATION
COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025

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Revised on 30th June 2025



NAIVASHA WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

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

Naivasha Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025
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1. Acronyms and Glossary of Terms

A. Acronyms

ICPAK	<i>Institute of Certified Public Accountants of Kenya</i>
IFRS	<i>International Financial Reporting Standards</i>
MD	<i>Managing Director</i>
PFM	<i>Public Finance Management</i>
PSASB	<i>Public Sector Accounting Standards Board</i>
WASREB	<i>Water Services Regulatory Board</i>
NAIVAWASCO	<i>Naivasha Water and Sanitation Company Limited</i>
WSTF	<i>Water Sector Trust Fund</i>
VEI	<i>Vitens Evides International</i>
CRVWWDA	<i>Central Rift Valley Water Works Development Agency</i>
WRA	<i>Water Resources Authority</i>
NRW	<i>Non-Revenue Water</i>
FY	<i>Financial Year</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.

2. Key Entity Information

Background information

The Naivasha Water and Sanitation Company Ltd (NAIVAWASCO) was established by the Water Act 2016 of Parliament on the 13th September, 2016. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company.

NAIVAWASCO is domiciled in Kenya.

Principal Activities

The principal activities of NAIVAWASCO are;

- a) Abstraction, treatment and distribution of water
- b) Collection, transmission, treatment and disposal of sewage to the prescribed service and quality
- c) Maintenance and repair of assets for water and sanitation
- d) Establishing connections to expand service area coverage

Directors

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

- | | | | |
|----|-----------------|-----------|-------------------------------|
| 1. | Rachel Mathenge | Chairlady | - Appointed on March, 2024 |
| 2. | Pius Langat | Member | - Appointed on July 2019 |
| 3. | Tabitha Kamau | Member | -Appointed on July 2021 |
| 4. | Paul Gichimu | Member | - Appointed on March, 2024 |
| 5. | Salome Gikonyo | Member | - Appointed on March, 2024 |
| 6. | Kennedy Mungai | Member | -Appointed on September, 2024 |
| 7. | Alice Abuki | Member | -Appointed on April, 2025 |
| 8. | Evelyn Kakai | Member | - Left on April, 2024 |

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Company Secretary

CPS Gikuhi Kiana
P.O. Box 1271-10100
Nyeri, Kenya

Registered Office

Water Works Office
Kenyatta Avenue
P.O. Box 321-20117
Naivasha, Kenya

Corporate Headquarters

P.O. Box 321-20117
Water Works Office
Kenyatta Avenue
Naivasha, Kenya

Corporate Contacts

Telephone: (254) 705877770
E-mail: info@naivashawater.co.ke
Website: www.naivashawater.co.ke

Corporate Bankers

1. Kenya Commercial Bank
P.O. Box 130-20117
Naivasha Branch, Kenya

2. Co-operative Bank of Kenya
P.O. Box 1180-20117
Naivasha Branch, Kenya

3. Family Bank
P.O. Box 1614-20117
Naivasha Branch, Kenya

4. Kenya Post Office Savings Bank
P.O. Box 4199-20117
Naivasha Branch, Kenya

5. Equity Bank Limited Naivasha
PO BOX 653-20117
Naivasha Branch, Kenya

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Independent Auditor

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

Principal Legal Advisers

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

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

Directors	Details
 <p data-bbox="167 795 470 840">Mrs. Rachel Mathenge</p>	<p data-bbox="821 392 1460 649">Mrs Rachel Mathenge was born on 20th December 1974 and serves as the Board Chairperson. She holds a Degree of Master of Business Administration. She represents the Commercial Consumers</p>
 <p data-bbox="167 1249 438 1288">Mrs. Everlyne Kakai</p>	<p data-bbox="821 929 1460 1243">Ms Everlyne Kakai was born on 7th May 1972. Director Kakai previously represented the County Government of Nakuru in the finance department up to April, 2024. She was replaced by Ms. Alice Abuki as the new county government (finance) representative to the board.</p>
 <p data-bbox="159 1803 375 1841">Ms. Alice Abuki</p>	<p data-bbox="813 1400 1460 1769">Ms. Alice Abuki was born 26th Feb 1985, she serves as the Chief Officer Resource mobilization in the county government of Nakuru. She is an executive director representing the County Government of Nakuru and sits in Finance and Administration Committee and the Audit Committee.</p>

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Mr. Pius Langat

Mr. Pius Langat was born on 15th August 1948 and holds a higher national diploma in Automobile Engineering. He currently serves as the Chairperson of the Technical Committee.



Mrs. Tabitha Kamau

Tabitha Wangari Kamau was born on 20th October 1966. She has a bachelor of Arts in Counselling Psychology and Professional Qualification as an Associate Counsellor. She currently serves as a member in the Finance Committee.



Mr. Paul Gichimu

Mr. Paul Gichimu was born on 29th November 1983 and holds a Diploma in Procurement and Logistics. He represents the Profession organizations in the Board. He currently serves as the Chairperson of the Finance Committee.

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Ms. Salome Gikonyo

Ms. Salome Gikonyo was born on 4th May 1996. She has a Bachelors in Environmental Science. She currently serves as the Chairperson of the Audit Committee and a member in the Technical Committee



Mr. Kennedy Mungai

Mr. Kennedy Mungai was born on 21st January, 1989 and serves as the Chief Officer Environment, Energy, Climate Change, water and sanitation and Natural Resources in the county government of Nakuru. He serves as a member of both the Audit Committee and the Technical Committee.



CPS Gikuhi Kiana

CPS Gikuhi is the company secretary. He is a member of the Fellow of institute of Certified Public Secretaries of Kenya (FCPSK), Member of Kenya Institute of Management (MKIM), Member of Audit Risk and Governance Committee -KIM having pursued an MBA (Strategic Management) from Moi University. He has a rich employment record in various institutions within the country and thus a vast experience in company secretarial duties. He joined the company in 2015.

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Eng. Nahashon Wahome

Eng. Nahashon Wahome was born on 09th April 1987. He has been the Managing Director since July 2018 having joined the company in November 2014 and serves as the secretary to the board. He has a BSc. in Water Engineering and currently pursuing MSc. Soil and Water Engineering. He is a registered member of Institute of Engineers Technologists (IET) and has a wide experience in project management.

4. Key Management Team

Managers	Details
 <p data-bbox="164 920 488 954">Eng. Nahashon Wahome</p>	<p data-bbox="759 510 1453 931">Eng. Nahashon Wahome was born on 09th April 1987. He has been the Managing Director since July 2018 having joined the company in November 2014 and serves as the secretary to the board. He has a BSc. In Water Engineering and currently pursuing MSc. Soil and Water Engineering. He is a registered member of Institute of Engineers Technologists (IET) and has a wide experience in project management.</p>
 <p data-bbox="164 1473 440 1507">CPA Winnie Karanja</p>	<p data-bbox="759 1010 1453 1480">CPA Winnie Karanja is the Finance Manager having joined the company in June 2019 and serves as the secretary to the Finance and Administration Board Committee. She has a bachelor's degree in Finance and Masters in Business Administration. She is a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) and currently pursuing Association of Chartered Certified Accountants.</p>
 <p data-bbox="164 1995 368 2029">Felix Mwarema</p>	<p data-bbox="759 1659 1453 1906">Mr Felix Mwarema joined the company in June 2019 and has broad experience in water systems. He holds a bachelor's degree in Agricultural Engineering and a diploma in Management. He serves a secretary to the Technical Committee.</p>

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Margaret Nyaruai Njeri

Ms Margaret Nyaruai Njeri joined the company in February 2017 and was promoted to head of Distribution and Sales department in March 2023. She has a BSC in Mathematics and a Diploma in Project Management. She is also a Young Experts Programme (YEP) Alumni.



CPS Gikuhi Kiana

CPS Gikuhi is the company secretary. He is a member of the Fellow of institute of Certified Public Secretaries of Kenya (FCPSK), Member of Kenya Institute of Management (MKIM), Member of Audit Risk and Governance Committee -KIM having pursued an MBA (Strategic Management) from Moi University. He has a rich employment record in various institutions within the country and thus a vast experience in company secretarial duties. He joined the company in 2015.

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5. Chairlady's Statement

On behalf of the Board of Directors, it is my privilege to present the Chairlady's Report for the financial year ended 30th June 2025. This year marked a pivotal stage in the transformation journey of Naivasha Water and Sanitation Company (NAIVAWASCO), as we consolidated the foundations for strategic growth, institutional resilience, and enhanced service delivery.

Strategic Direction and Governance

A landmark achievement during the year was the launch of the Company's Five-Year Strategic Plan (2024–2029), officially unveiled in April 2025. This blueprint sets out clear priorities that address both internal realities and external challenges, align with the national development agenda, and contribute to the Sustainable Development Goals (SDGs).

The plan is anchored on three core pillars:

- **Financial Sustainability** – targeting an Operation and Maintenance (O&M) cost coverage ratio above 125%.
- **Service Expansion** – aiming to reach 96% water coverage and 56% sanitation coverage, while improving customer satisfaction and stakeholder engagement.
- **Institutional Capacity Building** – strengthening governance, workforce skills, and operational efficiency.

Our renewed **Mission** is “To provide sustainable water and sanitation services for a healthier, contented, and thriving community”, while our **Vision** is “A model of excellence in the provision of water and sanitation services that customers trust.”

Board Composition and Policy Oversight

In line with sound corporate governance practices, the Board welcomed two new non-executive members – Madam Alice Abuki and Mr. Kennedy Mungai – nominated by the County Government of Nakuru. Since my appointment as Chair in April 2024, the Board has met quarterly, maintaining a clear focus on policy oversight, fiduciary responsibility, and strategic direction.

During the year, we reviewed and approved several key policies to strengthen operational and governance frameworks:

- **ICT Policy** – updated to reflect emerging technologies and regulatory requirements.
- **Debt Collection Policy** – to improve recovery strategies and reduce receivables.
- **New Water Connection Policy** – revised to assign excavation responsibilities to applicants, improving turnaround times and service quality.
- **Collective Bargaining Agreement (CBA) renewal** – with the County Government Workers Union, securing employee welfare and operational stability for the next two years.

Stakeholder Engagement and Tariff Review

In November 2024, NAIVAWASCO held a comprehensive public participation forum to solicit customer feedback on a proposed tariff adjustment. The strong, constructive engagement demonstrated the value of transparency and inclusivity in decision-making.

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Following the consultations, the tariff proposal was submitted to the Water Services Regulatory Board (WASREB) and subsequently approved. This adjustment will enable NAIVAWASCO to sustainably finance infrastructure expansion, improve operational efficiency, and deliver service quality improvements in line with our Strategic Plan.

Operational and Financial Performance

Despite challenging macroeconomic conditions – including increased power tariffs, regulatory changes, reduced consumption from key commercial clients, and acts of vandalism – the Company delivered commendable results.

Revenue grew by 15%, driven by service improvements, enhanced billing efficiency, and successful public awareness initiatives on responsible water use.

Several strategic water and sanitation projects were completed during the year, delivering tangible benefits to communities:

Project	Scope	Beneficiaries	Financier
Rwanyaga–Githarane, Ngeya Water Project	14.838 km network at Longonot Town	1,800	County Government
Upgrade of CCCR Sewer Project Phase 2	0.82 km sewer line at CCCR	200	County Government
Kamuchira–Mogas Water Project	15.85 km network at Mai-Mahiu Town	900	County Government
Canaan–Naikware Water Project	11.3 km network at Mai-Mahiu Town	600	County Government
London–Rale Water Project	4.1 km network at Mai-Mahiu Area	800	County Government
Kabati Sewer Project Phase 1	2 km sewer line, 14 MHs, 31 chambers	2,000	WSUP
Kabati Sewer Project Phase 2	1 km sewer line at Kabati Mosque	1,000	County Government

Outlook and Strategic Focus

Looking forward, the Board will continue to support Management in delivering on the priorities of the 2024–2029 Strategic Plan. In the 2025–2026 planning cycle, we will maintain focus on:

- Addressing infrastructure and technology gaps.
- Ensuring financial prudence and sustainability.
- Responding to evolving regulatory requirements.
- Strengthening environmental stewardship.
- Enhancing stakeholder partnerships and community engagement.

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Appreciation

On behalf of the Board, I express sincere gratitude to all stakeholders – including the County Government of Nakuru, development partners, customers, and regulators – for their unwavering support. I also thank my fellow Board Members, the Managing Director, the Management Team, and all staff for their professionalism, commitment, and dedication to service excellence.

Together, we remain steadfast in our vision of a future where every household and business in Naivasha enjoys safe, reliable, and affordable water and sanitation services.

Sign. Rachel Mathenge

Rachel Mathenge
Chairlady, Naivasha Water and Sanitation Company Ltd

6. Report of the Managing Director



It is with great pride and gratitude that I present the financial statements for the year ended 30 June 2025. This year has been marked by significant operational gains, strategic project delivery, and notable recognition from our regulator. Despite a challenging macroeconomic environment, we remained steadfast in delivering on our mandate—providing safe, reliable, and affordable water and sanitation services to our customers while advancing the company’s financial sustainability.

Operational Performance

During the year under review, the Company achieved a 15% increase in operating revenue, closing at KSHS 244 million compared to KSHS 212 million in the previous year. This growth was driven by the expansion of our distribution network to new areas in Mai-Mahiu—namely London Rare, Canaan, Muthaiga, and Kamuchira—which created additional demand for water services, increased service demand, implementation of the reviewed tariff among other things.

Water production volumes reached 2,750,060 m³, representing a 30% increase from last year. All water produced met the required >95% compliance rate for both physicochemical and biological parameters, in line with WASREB quality guidelines.

A key highlight was our ability to reduce and maintain Non-Revenue Water (NRW) at 24%, a figure well below WASREB’s performance benchmark. Persistent losses along the National Industrial Park line remain a priority, with ongoing interventions to improve efficiency. Collaboration with the Water Sector Trust Fund (WSTF) has been instrumental in implementing NRW reduction projects in high-loss areas such as the CBD and Lakeview, with ongoing works expected to deliver further improvements.

The reviewed water tariff, implemented during the year, contributed significantly to revenue growth. This cost-reflective tariff has enhanced operational sustainability by covering the rising costs of water treatment, pumping, distribution, and maintenance. Importantly, the removal of the standing charge has ensured billing fairness by charging customers only for the water they consume.

Customer connections grew from 13,443 to 14,335, demonstrating steady progress towards expanding water and sanitation coverage in line with Sustainable Development Goal (SDG) 6—ensuring availability and sustainable management of water and sanitation for all.

Financial and Cost Management

Operating expenses rose by **12%**, primarily due to:

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- A 14% increase in electricity costs following higher production volumes.
- Significant rises in chemical costs, abstraction fees, and travel/meeting expenses.
- Maintenance costs, which more than doubled ($\uparrow 102\%$), reflecting major repairs at the Sewage Treatment Plant, broader system maintenance, and office upgrades.

Loan servicing costs were impacted by fluctuating interest rates during the year, while abstraction fees surged due to regulatory changes in the abstraction tariff from KSHS 0.50/m³ to KSHS 2.00/m³.

In response to these cost pressures, the Company has continued to pursue operational efficiencies and cost-saving initiatives, including:

- **Maximizing Solar Energy Usage** – Leveraging the solar panels installed in previous years to offset rising electricity costs, particularly for high-consumption pumping stations.
- **Austerity Measures** – Reducing discretionary expenditure through paperless operations to cut stationery costs, optimizing procurement, and closely monitoring departmental budgets.
- **Vehicle and Fuel Management** – Implementing strict vehicle allocation controls, scheduled maintenance to enhance lifespan, and measures to improve fuel efficiency across the fleet.

These initiatives have helped to mitigate the impact of rising input costs, and their continued implementation remains a priority in the coming financial year.

Compliance and Regulatory Achievements

Our commitment to regulatory compliance yielded outstanding results. In the WASREB Impact Report for 2023/2024, the Company was recognised as the **Most Improved Utility** nationwide. Additionally, we emerged as the **Best Performer in the Pro-Poor Assessment**, a testament to our dedication to mobilising resources for initiatives that benefit low-income communities. These accolades reinforce our governance, planning, and financing capabilities, and our commitment to inclusive service delivery.

Strategic Projects

The year saw the successful completion of multiple water and sewer projects, significantly expanding service coverage and improving infrastructure resilience. Notable completed projects include:

- Rwanyaga-Githarane, Ngeya Water Supply – 14.8 km network benefiting 1,800 residents.
- Kabati Sewer Projects (Phases 1 & 2) – Enhancing sanitation services for over 3,000 residents.
- London-Rale, Canaan-Bakeware, and Kamuchira-Mogas Water Projects – Extending networks to underserved areas in Mai-Mahiu.
- Ihindu Water Project – Borehole drilling, tank rehabilitation, and a 31.9 km distribution network benefiting 1,000 people.

In addition, major ongoing works such as the CLSG II Water Project, KISIP Phase 2, and CBD Sewer Parallel Project are progressing well, with completion rates ranging from 55% to 95%. These investments reflect our strategic vision of sustainable infrastructure development that meets current demand and anticipates future growth.

Looking Ahead

As we move into the next financial year, our priorities will remain firmly anchored on:

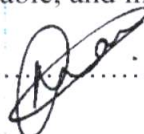
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- Reducing Non-Revenue Water below 24%.
- Expanding access to both water and sanitation services.
- Strengthening operational efficiencies to mitigate rising input costs.
- **Leveraging Strategic Partnerships** – We will continue to work closely with key partners such as the **Water Sector Trust Fund (WSTF)**, **Water & Sanitation for the Urban Poor (WSUP)**, **Vitens Evides International (VEI)**, and the **County Government of Nakuru**. These partnerships will be instrumental in mobilising resources, implementing innovative projects, and ensuring sustainable service delivery.

We remain committed to delivering on our mandate with professionalism, integrity, and innovation, ensuring that every shilling entrusted to us is used to improve the quality of life for our customers.

Acknowledgements

I extend my sincere gratitude to our Board of Directors for their strategic guidance, to our dedicated staff for their hard work and resilience, to our partners for their collaboration, and most importantly, to our customers for their trust and continued support. Together, we will continue building a reliable, sustainable, and inclusive water and sanitation service for Naivasha and its surrounding communities.

Sign.....

Eng. Nahashon Wahome

Managing Director, Naivasha Water and Sanitation Company Ltd

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

NAIVAWASCO has three strategic pillars and objectives within the Strategic Plan for the FY2020-2024. These strategic pillars are as follows:

Pillar 1: Increased Water and Sanitation Coverage

Pillar 2: Improved Customer Satisfaction

Pillar 3: Strengthened Financial Sustainability

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar1: Increase Water and Sanitation Coverage	➤ Expansion of water network infrastructure	➤ New main lines and sub main lines	<ul style="list-style-type: none"> ➤ Kamuchira Water Supply Project Completed construction of 15.5km distribution system ➤ London Rare Water supply 	<ul style="list-style-type: none"> ➤ New water distribution network completed and clean and affordable water for residents of Kamuchira-Maimahiu ➤ Construction of 16.1km distribution system. project is 99% complete

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			<ul style="list-style-type: none"> ➤ Canaan and Naikware ➤ Kenya Informal Settlement Improvement Program 2 (KISIP 2) 	<ul style="list-style-type: none"> ➤ Construction of 15.8km distribution system. The project is 99% complete. ➤ Laying of HDPE Pipeline & installation of 2 deflouridation system.
	<ul style="list-style-type: none"> ➤ Increase access to improved sewer coverage to 30% and decent onsite sanitation for all in the service area 	<ul style="list-style-type: none"> ➤ New sanitation projects 	<ul style="list-style-type: none"> ➤ Upgrading of CCCR sewer Phase 2 ➤ Kayole-Camadee Simplified Sewer 	<ul style="list-style-type: none"> ➤ Construction of 810m sewer network and rehabilitation of manholes. The company has achieved 14 new sewer connections. ➤ Construction of 2km sewer network, 10 manholes and 35 inspection chambers. The company has attained 24 new sewer connections.
Pillar 2:Improved customer satisfaction	<ul style="list-style-type: none"> ➤ Increase and maintain 	<ul style="list-style-type: none"> ➤ Enhancement of customer relations 	<ul style="list-style-type: none"> ➤ Undertaking continuous customer 	<ul style="list-style-type: none"> ➤ Conducted water clinics in all regions i.e. Central, Eastern and Southern

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	satisfaction level	through effective communication	engagement and awareness creation	regions taking note of challenges being faced by customers and creating awareness of service offered by the company and modes of payment for services offered.
➤ Pillar 3: Increased Financial Sustainability	➤ Increased sales income to KSHS 275 Million per annum by 2024	➤ Increase in water and sewer sales	➤ Increasing the number of active customer connections	➤ Increased new water connections by 800 and sewer new connections by 282.



8. Corporate Governance Statement

A. Board Composition and Appointment

The Board of Directors is composed of seven Board members representing different stakeholders. The County Government of Nakuru is represented by two Directors while the other five Directors represent stakeholders within our area of service delivery.

Vacant board positions are advertised in the media, company’s website and the county Government. An ad hoc nominating committee of the board of directors assesses applications and ensure that not only is the Leadership and Integrity criteria met but shall perform a background check to ensure the candidates add value to the company. The Report of the selection committee is submitted to the shareholder to ensure that only persons who add value to the company are appointed. A letter of appointment issued by the CECM in Charge of Water Affairs is issued after ratification of names of the accepted directors at annual general meeting by the shareholder. Before a board member begins to serve, he/she is inducted in governance training customized for the water services sector and sign a code of ethics based on the Leadership and Integrity Act 2012 and the Public Officer Ethics Act 2003. Every year, two directors retire in succession to ensure retention of institutional memory.

During the year, four members retired and three Board members were appointed including the Board Chair. The due processed of their appointment was followed to the letter. Additionally, the Board Charter was also reviewed.

B. Full Board Meetings and Board Committee Meetings

To support the business of the Board, there are three committees namely, Finance and Administration Committee, Audit Risk and Governance Committee and Technical Committee. The three Committees meet every quarter and the Full Board meets once every quarter as illustrated in the below table showing attendance by Directors;

Full board Meetings					
Name	23/08/2024	12/09/2024	28/11/2024	13/03/2025	09/06/2025
Everlyne Kakai	✓	✓	✓	✓	✗
Tabitha Kamau	✓	✗	✓	✓	✓
Pius Langat	✓	✗	✓	✓	✗
Rachel Mathenge	✓	✓	✓	✓	✓
Paul Macharia	✓	✓	✓	✓	✓
Kennedy Mungai	✗	✗	✓	✓	✓
Salome Gikonyo	✓	✓	✓	✓	✓
Alice Abuki	✗	✗	✗	✗	✓

Finance Committee				
Name	7/08/2024	19/11/2024	27/02/2025	29/05/2025
Tabitha Kamau	✓	✓	✓	✓
Everlyne Kakai	✓	✓	✓	✗

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Paul Macharia	✓	✓	✓	✓
Technical Committee				
Name	15/08/2024	12/11/2024	21/02/2025	27/05/2025
Pius Langat	✓	✓	✓	✗
Kennedy Mungai	✗	✓	✓	✓
Salome Gikonyo	✓	✓	✓	✓
Audit Committee				
Name	14/08/2024	13/11/2024	25/02/2025	29/05/2025
Kennedy Mungai	✗	✓	✓	✓
Evelyne Kakai	✓	✓	✗	✗
Salome Gikonyo	✓	✓	✓	✓

The roles and functions of the Board Chairperson, the Committees, the Directors and the Managing Director are well documented in the Board Charter and are adhered to.

Through the involvement of the County Government of Nakuru and supporting donor agencies, the members are put through a training process and they sign a code of conduct for Board Members.

C. Remuneration of the Board Members

The remuneration of the Board is guided by the WASREB Corporate Governance Guidelines and the resolution of the shareholders. The following is a breakdown of the company's board remuneration policy;

- ❖ During full board and board committee meetings directors are entitled to a sitting allowance, transport allowance and lunch allowance
- ❖ The Board Chairperson is entitled to a monthly honorarium
- ❖ Medical cover is provided to all directors comprising of both inpatient and outpatient services

Below is a schedule of the board member allowances for the FY2024/2025;

	Gross Allowance (KSHS)	Sitting Allowance (KSHS)	Transport Allowance (KSHS)	Lunch Allowance (KSHS)
Chairperson Honoraria	34,000	30,000	2,000	2,000
Chairperson Full Board Allowance	26,857	22,857	2,000	2,000
Director's Allowance for Full Board and Board Committees	19,714	15,714	2,000	2,000
Director's Allowance- Other meetings	15,429	11,429	2,000	2,000

9. Management Discussion and Analysis

This report complements the audited financial statements by providing a narrative review of the Company's performance, highlighting key operational achievements, financial results, investment priorities, compliance with statutory and regulatory frameworks, major risks, and the strategic outlook.

The MD&A is intended to give stakeholders—including customers, regulators, financiers, and development partners—a comprehensive understanding of the progress NAIVAWASCO has made in delivering on its mandate of providing sustainable water and sanitation services, while building resilience for the future.

Financial and Operational Performance

In FY 2024/25, the Company recorded total revenue of KSHS 249.4 million, compared to KSHS 267.90 million in FY 2023/24. While this represents a 7% decline, the drop is attributable to a sharp fall in grant income. Encouragingly, operating revenue grew strongly by 15% (KSHS 244.09 million vs. KSHS 212.74 million in FY 2023/24), reflecting enhanced demand, network expansion, and the tariff review implemented in April 2025.

Total expenses rose by 5% to KSHS 250.25 million, driven mainly by electricity, maintenance, and operational costs. The Company posted a manageable net deficit of KSHS 0.85 million, compared to a surplus of KSHS 30.32 million in FY 2023/24. This small deficit highlights the strength of the Company's core business, given the exceptional drop in grant income.

Revenue Analysis

- Water Sales: Increased by 24.84%, supported by network expansion in London Rare, Canaan, Muthaiga, and Kamuchira, and implementation of the new tariff.
- Sewerage Revenue: Grew by 5.67%, rebounding in the second half of the year as commercial consumption recovered.
- Other Income: Declined slightly (reconnection fees, standing charges, and exhaustor services) but was partly offset by the sanitation levy
- Overall: Revenue base became more diversified and resilient.

Expenditure Analysis

- Staff Costs: Declined by 1%, managed prudently despite higher temporary staffing costs.
- General and Operational Costs: Increased by 12%, largely electricity (+14%), chemicals, and abstraction fees due to higher production.
- Maintenance Costs: Rose by 102%, reflecting proactive system and STP repairs and office upgrades.
- Depreciation and Provisions: Declined by 33%, easing the cost burden.

Statement of Financial Position

The Company's asset base expanded by Kshs 23.7 million to Kshs 893.8 million, reflecting ongoing infrastructure investment. Non-current assets stood at Kshs 647.81 million, while current assets remained stable at Kshs 246.00 million. Equity improved to Kshs 754.53 million, while liabilities increased modestly to Kshs 139.30 million, however some of the payable are staff cost that were paid

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in the first week on the following month. Liquidity pressures experienced during the year have already eased since July 2025, as supplier and employee settlements improved.

Ratio Analysis

a) Profitability Ratios:

- Net Profit Margin: -0.35% (vs. 11.3% in FY 2023/24) – decline driven by reduced grant income.
- Operating Margin: -0.35% (vs. 14.25%) – operating costs marginally exceeded revenues.

b) Liquidity Ratios:

- Current Ratio: 1.86 (vs. 2.25) – remains healthy and above benchmark.
- Quick Ratio: 1.86 (vs. 2.24) – stable without inventory reliance.
- Cash Ratio: 0.48 (vs. 0.66) – shows reduced liquidity, but within sustainable levels.

c) Efficiency Ratios:

- Receivables Turnover: 1.34 (vs. 1.21) – improvement in collections.
- Asset Turnover: 0.27 (vs. 0.24) – better utilization of assets.

d) Leverage Ratios:

- Debt-to-Equity Ratio: 0.18 (vs. 0.16) – low leverage, indicating financial stability.

Outlook

Looking forward, NAIWASCO is well-positioned for stronger performance in FY 2025/26. With the full impact of the tariff review, expanded network, and continued focus on efficiency, revenues are expected to rise. Key strategies include:

- Sustaining revenue growth by expanding coverage and optimizing billing.
- Containing operational costs through efficiency initiatives and energy management.
- Strengthening collections to further improve liquidity.
- Leveraging low debt levels to explore commercial financing opportunities.
- Accelerating CAPEX implementation, especially under CLSG, to boost infrastructure capacity.

Management is confident that these measures will drive a return to surplus, improve financial sustainability, and enhance service delivery for customers.

Compliance with Statutory and Regulatory Requirements

NAIWASCO maintained strong compliance with applicable legal and regulatory frameworks during FY2024/25. Notable milestones included:

- Successful tariff review submission to WASREB and subsequent approval, ensuring financial sustainability and alignment with service delivery goals.
- Data Protection Act compliance, with registration as a Data Controller achieved and progress made toward Data Processor certification.
- Renewal of the Collective Bargaining Agreement (CBA) with the County Government Workers Union, securing industrial harmony and workforce stability.

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- No material arrears in tax, pension, or statutory obligations, reflecting prudent financial management.

Major Risks and Mitigation

NAIVAWASCO faced several risks in FY2024/25, including:

- High energy tariffs → mitigation through investment in solar energy solutions.
- Infrastructure vandalism → addressed via community policing and digital monitoring.
- Reduced commercial demand → mitigated through customer diversification and awareness campaigns.
- Climate variability affecting raw water sources → countered by investing in resilient infrastructure and watershed protection.
- Evolving regulations → proactive engagement with WASREB and policymakers to adapt to emerging frameworks.

Economic and Sector Review

The Kenyan economy in FY2024/25 was characterized by inflationary pressures, rising energy costs, and tighter credit conditions. For the water sector:

- Tariffs are increasingly cost-reflective, enabling utilities to sustain operations.
- Private sector participation is being encouraged to complement public financing.
- Regulatory oversight by WASREB has intensified, with utilities expected to improve their OCCR, reduce Non-Revenue Water (NRW), and enhance creditworthiness.
- Sector focus remains on expanding access to underserved areas, strengthening climate resilience, and aligning with the Sustainable Development Goals (SDGs).

10. Environmental and Sustainability Reporting

Naivasha Water and Sanitation Company Limited (NAIVAWASCO) is mandated to provide safe, reliable, and sustainable water and sanitation services to the people of Naivasha Sub-County and its environs. Sustainability, for the Company, means maintaining the capacity to deliver essential services today and in the future while safeguarding natural resources, protecting the environment, and fostering inclusive socio-economic growth. Guided by Kenya's Vision 2030, the Sustainable Development Goals (particularly SDG 6 on clean water and sanitation, SDG 13 on climate action, and SDG 12 on responsible consumption and production), and the Company's own Strategic Plan, NAIVAWASCO continues to mainstream sustainability across operations, governance, and service delivery.

i) Sustainability Strategy and Profile

NAIVAWASCO recognizes that global issues such as climate change, water scarcity, population growth, and economic shocks directly affect its ability to deliver sustainable services. In response, the Company has adopted a Sustainability Policy Framework anchored in:

- Climate resilience and adaptation – improving infrastructure to cope with droughts, floods, and changing water patterns.
- Resource efficiency – promoting non-revenue water reduction, energy efficiency, and sustainable procurement.
- Inclusive development – aligning with Kenya's public procurement requirements to allocate at least 30% of contracts to special groups (Youth, Women, and PWDs).

Achievements in FY 2024/2025:

- Expanded coverage of safe drinking water to underserved communities, reducing reliance on unsafe water sources.
- Enhanced community engagement in water point maintenance and water governance committees.
- Allocated 59% of the total procurement contracts to special groups, including youth and women enterprises which is in accordance to Section 53(6) of the Public Procurement and Asset Disposal Act, 2015 which states that, "all state organs and public entities during their procurement and disposal planning are required to reserve a minimum of 30% of the budgetary allocations to enterprises owned by women, youth and person living with the disabilities.

Challenges and Mitigation:

- Rising energy costs increased operational expenditure. Mitigation: gradual adoption of **solar-powered pumping systems** and energy audits.
- Climate-related risks (droughts and heavy rains) disrupted service in some areas. Mitigation: investment in water storage, distribution redundancy, and early warning systems.

ii) Environmental Performance

NAIVAWASCO has adopted an Environmental Policy that emphasizes conservation, pollution control, and responsible use of natural resources.

Key Actions & Achievements:

- Biodiversity Management: Partnered with community groups for catchment protection and tree planting initiatives along Lake Naivasha basin.
- Waste Management: Introduced waste segregation bins within offices, implemented recycling of plastic pipes, and piloted a “paperless office” through digitized billing and e-payments.
- Carbon Footprint Reduction: Initiated vehicle maintenance programs to reduce CO₂ emissions, and piloted solar-powered systems at strategic pipping sites.
- Green Innovations: Introduced energy-saving water pumps and encouraged use of biodegradable materials in office packaging and supplies.

Mitigation Measures:

- Shortcomings included limited financial resources to fully automate operations. To address this, NAIVAWASCO is seeking Public–Private Partnerships (PPPs) and donor collaborations for green technology investment.

iii) Employee Welfare

NAIVAWASCO believes that a motivated workforce is central to sustainability.

- Inclusive Hiring: Recruitment policies ensure gender balance, youth employment, and inclusion of Persons with Disabilities. Currently, 38% of staff are female, with targeted improvements underway.
- Capacity Development: Employees underwent training on ERP systems, customer service, occupational health & safety, and climate-smart water management.
- Appraisal and Reward: Performance appraisal systems were strengthened to align staff growth with Company goals.
- Health & Safety: The Company complies with the Occupational Safety and Health Act (2007), maintaining safe workplaces. During the year, two minor workplace injuries were reported, both addressed with improved training and workplace audits.

iv) Marketplace Practices

a) Responsible Competition

- All procurement follows the Public Procurement and Asset Disposal Act to ensure fairness, transparency, and anti-corruption safeguards.
- Introduced cashless payment systems to enhance accountability and reduce fraud risks.
- Service automation and the customer service charter improved turnaround time and citizen trust.

b) Responsible Supply Chain

- Contracts are honored within stipulated timelines, with deliberate prioritization of local suppliers.
- Fair competition is ensured through open tendering processes and transparent supplier engagement forums.

c) Responsible Marketing & Engagement

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- NAIVAWASCO emphasizes transparency in communication, avoiding exaggerated promises.
- Customer engagement is conducted via community forums, SMS updates, and an updated website, ensuring citizens have accurate and timely information.

d) Product Stewardship & Citizen Awareness

- Consumer rights are protected through accessible complaints redress systems.
- Customer data privacy policies were strengthened during the ERP rollout.

v) Corporate Social Responsibility (CSR) and Community Engagement

As part of its community-centered mandate, NAIVAWASCO continued to support initiatives that align with its service delivery role.

CSR Activities in FY 2024/2025:

- Tree Planting Campaigns: Over 500 trees planted in collaboration with schools, local CBOs, and environmental groups.
- Community Health and Sanitation Drives: Conducted hygiene campaigns in informal settlements to reduce waterborne diseases.
- Youth and Women Empowerment: Partnered with youth groups in meter reading and billing distribution, providing employment opportunities.

These initiatives have not only reinforced the Company's social license to operate but also built stronger community partnerships in protecting water resources and ensuring equitable access to services.

11. Report of the Directors

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

i) Principal activities

The principal activities of NAIVAWASCO is the provision of affordable clean water and sanitation services to the residents of Naivasha Sub-county and its environs.

ii) Results

The results of the company for the year ended June 30, 2025 are set out on page 1.

iii) Dividends

NAIVAWASCO has not declared dividends for the year ended 30th June 2025

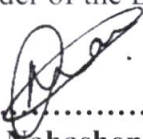
iv) Directors

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

v) Auditors

The Auditor General is responsible for the statutory audit of NAIVAWASCO in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....
Eng. Nahashon Wahome
Secretary to the Board

Date:

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

12. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year 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 NAIWASCO's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015).

The Directors are of the opinion that NAIWASCO's financial statements give a true and fair view of the state of NAIWASCO's transactions during the financial year ended June 30, 2025, and of NAIWASCO'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. 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.

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

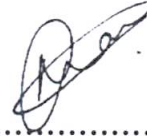
Approval of the financial statements

The company financial statements were approved by the Board on 26th August 2025 and signed on its behalf by:

.....*RK Mathenge*.....

Rachel Mathenge

Chairperson of the Board



.....
Eng. Nahashon Wahome

Managing Director

REPUBLIC OF KENYA



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NAIROBI

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

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure that 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 Naivasha Water Sewerage and Sanitation Company Limited set out on pages 1 to 54, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a

summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Naivasha Water Sewerage 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 Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Refundable Customer Deposits

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.30,325,942 as disclosed in Note 25 to the financial statements. Included in the balance are customer deposits amounting to Kshs.24,362,306. However, the amount is at variance with the fixed customer deposit account held at a local bank which reflects a balance of Kshs.10,977,147, resulting in an unexplained variance of Kshs.13,385,159. Further review of records revealed that Management spent an amount of Kshs.13,385,159 from the customer's deposits account without approval from the Board of Directors contrary to clause 75 of the Articles of Association of the Company. Further, included in the balance of Kshs.30,325,942 is an amount of Kshs.2,828,090 in respect of prepayments by customers. However, Management did not provide the supporting invoices and evidence of prepayments for audit verification.

In the circumstances, the accuracy and completeness of the refundable deposits and prepayments balance of Kshs.30,325,942 could not be confirmed.

2. Misclassification and Unaccounted for Customer Deposits

The statement of financial position and Note 25 to the financial statements reflect refundable deposits and prepayments amounting to Kshs.30,325,942, which includes customer deposits amount of Kshs.24,362,306.

Review of records revealed that the Company collected customer deposits of Kshs.4,586,000 during the financial years 2023/2024 and 2024/2025. However, it was observed that the customer deposit account only increased by an amount Kshs.136,502 over the two years from Kshs.10,840,645 to Kshs.10,977,147 resulting in an unexplained discrepancy.

Management attributed the discrepancy to the use of a fixed deposit account where no transactions can be processed until maturity. However, the funds remained outside the designated customer deposit account and could not be traced to the revenue accounts, raising concerns of misclassification and improper accounting.

The fixed deposit account balance of Kshs.10,977,147 remained unchanged over the two (2) years, with no indication of interest income being earned, recorded, or disclosed, despite the nature of fixed deposits typically generating interest.

The meter deposit schedule provided for audit reflected a block amount of Kshs.4,293,150 without customer-level detail such as customer names, account numbers, deposit dates or amounts or information on adjustments or refunds.

In the circumstances, the accuracy, completeness and classification of customer deposits balance of Kshs.24,362,306 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.290,803,041 and Kshs.249,401,424 respectively, resulting to underfunding of Kshs.41,401,617 or 14% of the budget. Further, the statement reflects that the Company spent Kshs.290,433,763 against the actual receipts of Kshs.249,401,424 resulting to over absorption of Kshs.41,032,339 or 16% of the actual receipts.

The under-funding and over absorption constrained execution of planned activities of the Company 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 matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance.

However, Management has not explained how the issues were addressed or resolved. **See the table below**

No.	Financial Year	Audit Issue
1	2023-2024	Underbilling of Exhauster Services
2	2023-2024	Unsupported Payment of Internship Stipend
3	2023-2024	Unsupported and Long Outstanding Trade Receivables
4	2023-2024	Long Outstanding Accounts Payables
5	2023-2024	Unsupported Refundable Customer Deposits
6	2023-2024	Non- Revenue Water
7	2023-2024	Security Expenses
8	2023-2024	Qualification of Directors
9	2023-2024	Lack of Safe and Secure Storage of Company Inventories and Assets

Other Information

Management is responsible for the Other Information set out on page iii to xxxi which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairlady'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-submission of Quarterly Financial Reports

During the year under review, Management presented the first, second, and third quarter financial reports for the financial year 2024/2025. These reports included details on the statement of profit and loss, statement of financial position, statement of net assets, opening statement of financials, statement of cash flows, statement of comparison of budget and actual amounts for the three quarters, as well as a summary of payroll earnings and deductions. However, there was no evidence that the quarterly financial reports were submitted to the County Treasury or within fifteen days after the end of each quarter.

This was contrary to Section 166 (1) of the Public Finance Management Act, 2012 which states that an Accounting Officer for a County Government entity shall prepare a report for each quarter of the financial year in respect of the entity. Further, Sub-section 3 states that not later than fifteen days after the end of each quarter, the Accounting Officer shall submit the quarterly report to the County Treasury.

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

2. Irregular Engagement of Casual Employees

Review of the Company's twelve (12) month payroll summaries for the year under review revealed that thirty-four (34) casual employees were engaged by the Company for periods exceeding three (3) months without being offered contracts of service. This is contrary to Section 37 (1) of the Employment Act, 2007 which states that notwithstanding any provisions of the Act, where a casual employee - works for a period or a number of continuous working days which amount in the aggregate to the equivalent of not less than one month; or performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and section 35(1)(c) shall apply to that contract of service.

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

3. Irregular Payment of Acting Allowances

Review of payroll and personnel records revealed that eight (8) officers were paid acting allowances totaling Kshs.692,350 during the financial year 2024/2025. However, an amount of Kshs.242,966 was irregularly paid to five (5) officers who had acted in various positions for periods exceeding the stipulated period of six (6) months. This is contrary to Section 34(3) of the Public Service Commission Act, 2017 which stipulates that an officer may be appointed in an acting capacity for a period of at least thirty days but not exceeding six months.

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

4. Non-Compliance with the Law on Staff Ethnic Composition

Review of the payroll and human resources records revealed that the Company has eighty-six (86) employees out of which fifty-three (53) or 62% of the staff are from one ethnic community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 which stipulate that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

5. Non-Compliance with Law on Recruitment of Staff Living with Disabilities

Review of the human resources records revealed that the Authority had eighty-six (86) employees out of which none were persons living with disabilities. This is contrary to Article 54 (2) of the Constitution of Kenya which provides that the State shall ensure the progressive implementation of the principle that at least five percent of the members of the public in elective and appointive bodies are persons with disabilities.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Long Outstanding Trade Receivables Balance

The statement of financial position reflects trade and other receivables balance of Kshs.182,654,369 as disclosed in Note 18 to the financial statements. The balance comprised of amounts of Kshs.198,346,107 and Kshs.15,691,738 in respect of gross trade and other receivables and provision for bad and doubtful debts respectively. Review of the ageing analysis revealed that out of the total gross trade receivables balance of

Kshs.185,345,912, an amount of Kshs.153,303,629 (or 83% of the receivables) has been outstanding for more than ninety (90) days with a balance of Kshs.147,219,510 outstanding for more than 120 days. There was no evidence provided to indicate that Management has implemented effective measures to recover these long-outstanding debts.

In the circumstances, the recoverability of the trade and other receivables balance Kshs.182,639,369 is doubtful.

2. Long Outstanding Trade and Other Payables

The statement of financial position and Note 24 to the financial statements reflect trade and other payables totaling Kshs.98,862,523 which includes employees' payables (unpaid statutory deductions) balance of Kshs.21,497,890. Review of the ageing analysis of the trade and other payables revealed that an amount of Kshs.32,771,538 (or 48% of total payables) had been outstanding for over one (1) year and a balance of Kshs.28,336,143 (42%) had been outstanding for over three (3) years. Management did not provide an explanation for the failure to settle the long outstanding payables.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.98,862,523 could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on page xxix is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page xxii 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 the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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


Auditor-General's Responsibilities for the Audit

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

and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 December, 2025

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

	Notes	Year ended	Year ended
		Jun-25	Jun-24
		2025	2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	244,086,779	212,737,909
Grants Income	7	282,250	51,432,950
Other Income	8	4,034,326	2,593,593
Finance income	9	998,068	1,136,280
Total Revenue		249,401,424	267,900,731
Expenses			
Staff Costs	10	87,784,909	88,467,043
General and Operations expenses	11	127,183,915	113,234,341
Board Expenses	12	4,546,759	4,513,431
Maintenance Expenses	13	13,673,660	6,759,516
Depreciation, Amortization and Provision expenses	14	14,975,899	22,418,518
Finance Costs	15	2,087,299	2,184,797
Total Expenses		250,252,440	237,577,645
Profit/(Loss) Before Taxation		(851,016)	30,323,086

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

15. Statement of Financial Position as at 30 June 2025

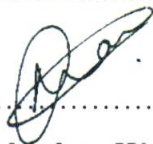
	Note	FY2024/2025 As At	FY2023/2024 As At
		30th June 2025	30th June 2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	16	647,813,913	620,586,985
Intangible assets	17	(0)	1,197,372
Total non-current assets		647,813,913	621,784,357
Current assets			
Trade and receivable	18	182,654,369	175,125,476
Bank and cash balances	19	63,363,031	73,250,009
Total current assets		246,017,400	248,375,485
Total assets		893,831,313	870,159,842
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	20	100,000	100,000
Capital grants and reserves		714,433,851	708,460,438
Retained earnings	21	39,994,346	40,845,361
Capital and Reserves		754,528,197	749,405,800
Non-current liabilities			
Borrowings	22	6,876,068	10,210,273
Total non-current liabilities		6,876,068	10,210,273
Current liabilities			
Borrowings		3,238,583	2,541,534
Trade and other payables	24	98,862,523	84,377,764
Refundable deposits and Prepayments	25	30,325,942	23,624,472
Total current liabilities		132,427,049	110,543,769
Total equity and liabilities		893,831,313	870,159,842

Naivasha Water and Sanitation Company Ltd.

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

The financial statements were approved by the Board on 26th August 2025 and signed on its behalf

by:



.....
Eng. Nahashon Wahome
Managing Director



.....
CPA Winnie Karanja
Head of Finance
ICPAK M/No:20778



.....
Rachel Mathenge
Chairlady of the Board

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

	Notes	Ordinary share capital	Capital Reserves	Retained earnings	Capital Grants/ Development Fund	Total
As at July 01st,2023		100,000	56,581,095	10,522,276	615,257,894	682,461,265
Adjustment to retained earnings		-	-	-	-	-
New capital issued		-	-	-	-	-
Profit for the month		-	-	30,323,086	-	30,323,086
Capital/Development grants received during the Year		-	-	-	36,621,450	36,621,450
As at June 30,2024		100,000	56,581,095	40,845,362	651,879,344	749,405,801
As at July 1,2024		100,000	56,581,095	40,845,362	651,879,344	749,405,801
Adjustment to retained earnings						
Issue of new share capital		-	-	-	-	-
Revaluation gain		-	-	-	-	-
Profit for the Year		-	-	(851,016)		(851,016)
Capital/Development grants received during the period		-	-	-	5,973,412	5,973,412
As at June 30,2025		100,000	56,581,095	39,994,346	657,852,756	754,528,197

Naivasha 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

	FY2024/2025 As at 30th June 2025	FY2023/2024 As at 30th June 2024
Cash Flows From Operating Activities		
Surplus for the Year	(851,016)	30,323,086
Adjustment for;		
Depreciation ,amortization	14,151,767	18,540,441
Changes in working capital		
(Increase)/decrease in receivables	(7,528,893)	(3,531,766.54)
Increase/(decrease) in trade and other payables; refundable deposits and prepayments	21,186,230	25,732,821
Net Cash From/(Used In) Operating Activities	26,958,087	71,064,580
Cash Flows from Investing Activities		
Purchase Of Property, Plant And Equipment (PPE)	(40,181,323)	(67,769,078)
Purchase Of Intangible Assets	-	-
Net Cash From/(Used In) Investing Activities	(40,181,323)	(67,769,078)
Cash Flows from Financing Activities		
Financing via equity	5,973,412	36,621,450
Long term loan	(2,637,155)	(2,610,254)
Net Cash From/(Used In) Financing Activities	3,336,257	34,011,196
Increase/(Decrease) In Cash And Cash Equivalents	(9,886,979)	37,306,698
Cash And Cash Equivalents At Beginning Of the Year	73,250,009	35,943,310
Cash And Cash Equivalents At End Of The Year	63,363,029	73,250,009

Naivasha 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	Difference	% of utilization
	Kshs	Kshs	Kshs	Kshs		xxx%
Revenue						
1.Operating Revenue						
Total operating revenue	261,383,011	-	261,383,011	244,086,779	17,296,232	93%
2.Other Incomes						
Total other incomes	49,652,071	(20,232,041)	29,420,030	5,314,645	24,105,385	18%
Total Revenue	311,035,082	(20,232,041)	290,803,041	249,401,424	41,401,617	86%
Expenses						
1.Staff Costs	91,945,197	-	91,945,197	87,784,909	4,160,289	95%
2.Board Expenses	5,369,060	-	5,369,060	4,546,759	822,301	85%
3. General and operations Expenses	206,353,556	(20,232,041)	186,121,515	155,833,474	30,288,041	84%
4.Finance costs						
Interest on loans	1,563,646	-	1,563,646	1,907,406	(343,760)	122%
Bank charges	300,000	-	300,000	179,893	120,107	60%
Total Finance costs	1,863,646	-	1,863,646	2,087,299	-223,653	112%
Total Recurrent Expenditure	305,531,459	(20,232,041)	285,299,418	250,252,440	35,046,978	88%
Profit or Loss	5,503,623		5,503,623	(851,016)	6,354,639	-15%
Capital Expenditure	64,481,054		64,481,054	40,181,323	24,299,731	62%
Total Expenditure	370,012,513	(20,232,041)	349,780,472	290,433,763	59,346,709	83%

Budget Notes

Revenue Performance

- Total Revenue: Final budget of Kshs 290.8M, actual revenue Kshs 249.4M, utilization 86%.
 - Operating revenue performed relatively well at 93% utilization, led by:
 - Water sales (95%) and Sewer sales (97%) close to target.
 - Exhauster fees exceeded target (108%).
 - Related water & sewer billing underperformed (64%).
 - Other incomes were notably low (18% utilization) mainly due to grants not realized as budgeted. However, new connections performed well above target (154%), signaling growth opportunities.

Expenditure Performance

- Total Recurrent Expenditure: Budget Kshs 285.3M, actual Kshs 250.3M, utilization 88%.
 - Staff costs were managed within budget at 95% utilization.
 - Board expenses slightly below budget at 85%.
 - General & operational expenses well managed at 84% overall, though a few items exceeded budget (e.g., abstraction costs, conferences, advertisements, and ICT expenses).
 - Finance costs slightly above budget at 112% due to higher interest charges.
- Capital Expenditure: Budget Kshs 64.5M, actual Kshs 40.2M, absorption only 62%.
This was due to delay in completion of planned capital projects.

Overall Financial Position

- The Company had budgeted for a surplus of Kshs 5.5M, but ended with a deficit of Kshs 0.85M.
- This variance is mainly attributable to the 41.4M revenue shortfall, largely from grants not materializing, and lower-than-expected collections in related water & sewer billing.

Conclusion: Despite missing revenue targets due to external funding gaps, NAIVAWASCO maintained strong cost control and operational revenue performance, ensuring financial sustainability. Improved grant management and capital project implementation will be key focus areas in the next financial year.

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

19. Notes to the Financial Statements

1. General Information

Naivasha Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act (2016). The Company is wholly owned by the County Government of Nakuru and is domiciled in Kenya. The Company's principal activity is to supply affordable, clean water and sanitation services to Naivasha town and environs. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of NAIVAWASCO. 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.

Notes to the financial statements (continued)

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024.
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.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024.

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

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

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

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

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*

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

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the NAIVAWASCO 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. However, NAIVAWASCO did not declare dividends in the FY2024/2025.
- v) Rental income** is recognized in the income statement as it accrues. NAIVAWASCO rental income is based on deductions made from staff monthly salary whom are living in the company owned houses.
- 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 NAIVAWASCO 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, NAIVAWASCO 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	Years	Rates
Freehold Land		Nil
Leasehold Land		Nil
Buildings and civil works	41	2.5%
Infrastructure works (Water distribution and Sewer Network)	41	2.5%
Plant and machinery	9	12.5%
Motor vehicles, including motorcycles	5	25%
Computers and related equipment	4	33.3%
Intangible assets	4	33.3%

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. In the FY2024/2025 NAIVAWASCO did not have any investment property.

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

h) Right of Use Asset

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

i) Biological Assets

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

j) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI). However, in the FY2024/2025 NAIVAWASCO did not have Fixed Interest Investment.

k) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value. However, in the FY2024/2025 NAIVAWASCO did not have Quoted Investments.

Notes to the financial statements (continued)

Summary of Accounting Policies

l) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL). However, in the FY2024/2025 NAIVAWASCO did not have Unquoted Investments.

m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. However, in the FY2024/2025 NAIVAWASCO did not have Inventories in its financial statements.

n) Trade and other receivables

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

o) Taxation

i) Current income tax

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

p) Deferred tax

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

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

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

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

q) Borrowing costs

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

r) Cash and cash equivalents

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

s) Borrowings

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

t) Trade and other payables

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

u) Retirement benefit obligations

The company 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 12% of the pensionable wages made up of two equal portions of 6% from the employee and 6% from the employer subject to an upper limit of KSHS 4,320 for employees earning above KSHS 72,000.

v) Provision for staff leave pay

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

w) Exchange rate differences

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

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

(x) Budget information

The original budget for FY FY2024-2025 was approved by the Board of Directors on June 25th, 2024. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section Notes to the Financial statements.

(y) Service concession arrangements

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

(z) Comparative figures

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

aa) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. 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. In the case of the provision for bad debts, NAIVAWASCO has pegged it on debts that

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have accrued for more than 120 days at a rate of 20%. The increase/(decrease) is debited/(credited) to the Statement of Profit and Loss and other Comprehensive Income.

<u>Aging accounts receivable</u>	Increase/(Decrease) in the Provision for bad debts.		
	Kshs	RATE	Kshs
Accounts Receivables Over 120 days	147,219,510	20%	29,443,902
Less opening balance			28,619,770
Increase in provision from previous year			824,132

Notes to the financial statements (continues)

6. Operating Revenue

	FY2024-2025	FY2023-2024
	Kshs	Kshs
Water sales	170,033,199	136,198,810
Sewerage Services	59,277,177	56,091,808
Billing other services		
Reconnection fees	2,864,500	6,511,000
New Connection fees	2,875,500	2,570,000
Sewer Unblockage	5,000	20,000
Sewer Penalties Charges	-	265,000
Meter Charges	91,000	74,000
Standing charge	4,783,850	5,678,850
Water Penalties	623,342	621,910
Sanitation Levy	2,477,619	
Exhauster fees	1,957,500	2,972,500
Stolen Meters	1,310,900	454,500
Statement fee	1,600	19,600
Closure of Account	4,200	600
Water kiosks renewal fees	18,000	21,000
Billing Adjustments	(2,305,758)	906,632
Miscellaneous-Billing pro	7,150	330,199
Butt welding machine	62,000	1,500
Total	244,086,779	212,737,909

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Notes to the financial statements (continued)

7. Grants Income

	FY2024/2025	FY2023/2024
Donor Agency	Kshs	Kshs
Recurrent/operational grants from other agencies		
WSUP	42,250	50,000
WSTF CLSG Grant	-	46,973,755
VEI	240,000	-
FORUM CIV	-	4,409,195
Total	282,250	51,432,950

8. Other Income

	FY2024/2025	FY2023/2024
Description	Kshs	Kshs
Material and fittings	3,794,326	2,336,316
Rental income	240,000	198,000
Staff surcharges	-	59,277
Total	4,034,326	2,593,593

9. Finance Income

	FY2024/2025	FY2023/2024
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	998,068	1,136,280
Total	998,068	1,136,280

10. Staff Costs

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Basic salaries	41,474,567	44,484,308
Temporary Short Term Contracts	9,944,725	6,935,264
Internship Stipend	1,143,920	1,281,750
Housing Levy	1,189,126	987,075
Contribution NSSF	2,996,889	1,887,981
Contribution Pension Funds	1,054,446	1,854,248
Housing allowance	10,902,930	12,254,170
Medical allowance	2,782,500	2,698,500
Entertainment allowance	540,000	570,000
Commuter allowance	6,366,250	6,864,500
Special duty allowance	104,501	81,158
Airtime	1,277,100	1,158,300
Extraneous allowance	395,150	483,376
leave allowance	1,972,280	2,283,736
Arrears	193,159	153,619
Acting Allowance	1,142,988	693,102
Hazard Allowance	437,000	33,500
Overtime / extra duty expenses	1,219	105,982
Gratuity	3,866,159	3,656,474
Total	87,784,909	88,467,043
The average number of employees during the month	72	78

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11. General and Operations Expenses

Description	FY2024-2025	FY2023-2024
	Kshs	Kshs
Training	128,500	109,650
Chemicals	1,360,121	511,299
Electricity	88,986,837	78,384,357
Effluent licence	934,686	-
Abstraction cost	5,516,916	1,161,515
NAIVAWASCO Internal Water Usage	142,622	104,693
Conference and Meetings	1,641,130	751,050
Travel & Accommodation	1,611,577	624,657
Entertainment	55,660	79,105
Security	6,020,300	5,954,332
Insurance	871,930	792,579
Printing & stationary	240,818	733,458
Staff welfare	2,565,699	2,446,353
CSR Activity NAIVAWASS	99,000	131,000
Licence/Tariff Review	81,200	-
Postage & Deliveries	10,974	9,815
Modem Airtime	51,500	49,000
Mobile expenses	116,608	70,700
Internet expenses	180,480	181,798
Water theft incentive and enforcement fee	244,467	64,600
Advertisements	311,976	49,996
Billing SMS units	664,034	637,349
Marketing	197,500	46,010
Audit fees	348,000	348,000
Legal fees	315,000	42,774
Professional / consultancy fees	-	99,664
Regulatory levies	9,855,101	7,873,194
Subscription fees	-	43,950
Membership subscription	43,950	-
Motor vehicle ,motor cycle and exhauster fuel	1,362,900	1,936,185
Motor vehicle hire	80,600	40,000
Motor vehicle, motor cycle and exhauster insurance cost	265,686	443,809
Raplans donor project	-	9,221,748
CLSG Opex	2,878,143	-
Penalties and interest	-	291,701
Total	127,183,915	113,234,341

12. Board Expenses

	FY2024/2025	FY2023/2024
Description	Kshs	Kshs
Chairman Honoraria	408,000	374,000
Sitting allowances	1,158,552	1,030,676
Medical Insurance	1,191,169	1,189,685
Induction and Training	-	819,056
Travel and accommodation	328,000	304,000
Other allowances	819,458	796,014
AGM	641,580	-
Total Board Expenses	4,546,759	4,513,431

13. Maintenance Expenses

	FY2024-2025	FY2023-2024
Description	Kshs	Kshs
Water distribution networks and production sites	8,904,499	3,661,158
Motor vehicles, motor cycles and exhauster	507,894	397,053
Office Repair and Maintenance	379,758	42,285
Computer expense	3,881,509	2,659,019
Total Maintenance Expenses	13,673,660	6,759,516

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14. Depreciation, Amortization Expenses and Provisions

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
Depreciation and amortization	14,151,767	18,540,441
Provision for bad debts	824,132	2,908,077
Provision for unrecoverable vat	-	970,000
Total Depreciation and Amortization and provisions	14,975,899	22,418,518

15. Finance costs

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
Interest loans	1,907,406	1,904,577
Bank charges	179,893	280,220
Total	2,087,299	2,184,797

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Notes to the financial statements (continued)

16. Property, Plant and Equipment

Current Period	Buildings & civil works	Water & Sewer Infrastructure	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Plant and machinery	Capital work in progress	Total
Cost Or Valuation								
At July 1, 2024	279,359,345	37,685,899	12,374,808	4,235,825	3,288,308	24,154,913	361,082,356	722,181,454
Additions for the year	4,319,855	2,837,800	-	19,140	-	313,076	32,691,453	40,181,323
Transfers during the period	-	-	-	-	-	-	-	-
Disposals during the period	-	-	-	-	-	-	-	-
As at 30th June 2025	283,679,200	40,523,699	12,374,808	4,254,965	3,288,308	24,467,988	393,773,809	762,362,777
Depreciation								
At July 1, 2024	39,429,035	23,252,126	10,390,930	4,159,565	2,992,742	21,370,070	-	101,594,469
Charge For The period	7,038,876	4,855,096	413,934	67,414	31,315	547,761	-	12,954,395
Impairment Loss for the period	-	-	-	-	-	-	-	-
Eliminated On Disposal	-	-	-	-	-	-	-	-

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As at 30th June 2025	46,467,911	28,107,222	10,804,864	4,226,979	3,024,057	21,917,831	-	114,548,864
Net Book Value At 30th June 2025	237,211,289	12,416,477	1,569,945	27,986	264,251	2,550,158	393,773,809	647,813,913

Capital work in progress balance of KSHS 393,773,809 comprises of KENHA relocation project for sewer and water network and CLSG II NRW reduction project.

Notes to the financial statements (continued)

17. Intangible Assets

	Period ended	
	June	June
	2025	2024
	Kshs	Kshs
Cost		
At July 1,2024	20,582,495	20,582,495
Additions	-	-
Disposals		
As at 30th June 2025	20,582,495	20,582,495
Amortization		
At July 1,2024	19,385,123	10,802,186
Charge for the period	1,197,372	6,853,971
Disposals during the period	-	-
Impairment loss for the period	-	-
As at 30th June 2025	20,582,495	17,656,157
Net book value	(0)	2,926,338

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18. Trade and Other Receivables

	FY2024-2025	FY2023-2024
Description	Kshs	Kshs
Trade receivables	185,345,912	177,872,794
Deposits and prepayments	2,603,613	1,830,774
Accrued Interest Income (FDR)	601,488	869,250
VAT recoverable	9,105,578	9,105,578
Staff receivables	601,878	227,047
Other receivables	87,640	87,640
Gross trade and other receivables	198,346,107	189,993,082
Provision for bad and doubtful receivable	(15,691,738)	(14,867,606)
Net trade and other receivables	182,654,369	175,125,476

18. (a) Trade Receivables

	FY2024-2025	FY2023-2024
Description	Kshs	Kshs
Gross trade receivables	185,345,912	177,872,794
Gross trade receivables	185,345,912	177,872,794
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	14,621,289	11,772,046
Between 30 and 60 days	11,469,923	5,099,777
Between 61 and 90 days	5,951,071	4,681,228
Between 91 and 120 days	6,084,119	13,220,893
Over 120 days	147,219,510	143,098,850
Total	185,345,912	177,872,794

18. (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
At the beginning of the year	14,867,606	11,959,529
Additional provisions during the year	824,132	2,908,077
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	15,691,738	14,867,606

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18. (c) Staff Receivables

	FY2024/2025	FY2023/2024
	Kshs	Kshs
Gross staff loans and advances	601,878	227,047
Provision for impairment loss	-	-
Net staff loans	601,878	227,047
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

19. Bank and Cash Balances

	FY2024/2025	FY2023/2024
	Kshs	Kshs
Cash at bank	60,440,512	72,294,067
Cash in hand	87,412	12,687
Mobile money account	2,835,106	943,255
	63,363,031	73,250,009

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	FY2024/2025	FY2023/2024
		Kshs	Kshs
a) Current account			
Kenya Commercial Bank current account	1113964162	5,338,886	82,645
Cooperative bank expenditure account	01141626743801	870,820	2,765,546
Cooperative bank revenue account	01141626743800	3,310,829	1,341,076
Cooperative bank business current account	01136626743800	993,817	6,296,004
Cooperative bank Social Connection support account	01136626743801	(67)	333
Cooperative bank grant account	01141626743803	13,632,809	46,973,755
Cooperative bank Ihindu Project account	01141626743804	-	94,442
Cooperative bank Raplands Project account	01141626743805	-	-
Post Bank	0744130012413	35,845	461,912
Family Bank	053000041749	48,065	428,324
Family Bank Relocation Project A/C	053000054725	1,248,898	1,254,898
CLSG 2 Escrow Account	01106267438001	20,616,259	1,617,984.86
Security Collateral Account	01106267438002	3,366,685	-
Sanitation Account	01106267438003	520	-
Sub-total Commercial banks current accounts		49,463,365	61,316,920
Sub- total			
b) On – call deposits			
Sub- total of on-call deposit accounts			
c) Fixed deposits account			
Cooperative bank fixed deposit Account	01132626743800	-	-
Equity Bank Fixed Deposit Account	200184674701	10,977,147	10,977,147
Sub- total of fixed deposits		10,977,147	10,977,147
Sub- total		60,440,512	72,294,067
d) Others			
MPESA PAYBILL 641771	641771	2,820,013	928,840
MPESA 335450	335450	300	1,180
Prepaid Kiosk Paybill	7996151	14,793	13,235
Petty Cash (cash in hand)		87,412	12,687
Sub- total of mobile money and petty cash		2,922,518	955,942
Grand Total		63,363,031	73,250,009

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20. Ordinary Share Capital

	FY2024/2025	FY2023/2024
	Kshs	Kshs
Authorized:		
5000 ordinary shares of KSHS. 20,000 par value each	100,000	100,000

21. Retained Earnings

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

22. Borrowings

Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	12,751,807	15,362,061
Domestic borrowings during the year	-	-
Repayments during the year	(2,637,155)	(2,610,254)
Balance at end of the year	10,114,652	12,751,807
C) Total Balance at end of the period c = a+b	10,114,652	12,751,807

Notes to the financial statements (continued)

The analyses of domestic borrowings are as follows:

	FY2024/2025	FY2023/2024
	Kshs	Kshs
Domestic Borrowings		
Kenya Shilling loan from Cooperative Bank of Kenya	10,114,652	12,751,807
Total balance at end of the year	10,114,652	12,751,807

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Description	FY2024/2025	FY2023/2024
	Kshs	Kshs
Short term borrowings (current portion)	3,238,583	2,541,534
Long term borrowings	6,876,068	10,210,273
Total	10,114,652	12,751,807

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23. Retirement Benefit Obligations

NAIVAWASCO 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 12% of the pensionable wages made up of two equal portions of 6% from the employee and 6% from the employer subject to an upper limit of KSHS 2,160 for employees earning above KSHS 18,000.

Other than NSSF the entity also has a defined contribution scheme operated by Local Authorities Pensions Trust (LAPTRUST). Employees contribute 12% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

24. Trade and Other Payables

	FY2024/2025	FY2023/2024
	Kshs	Kshs
Trade payables	67,596,246	61,107,680
Employee payables	21,497,890	20,394,367
Other payables	9,768,388	2,875,716
Total	98,862,524	84,377,764

Aging Analysis for Trade and other Payables

	FY2024/2025	% of the total	FY2023/2024	% of the total
0-1 years	6,488,565	10%	15,595,036	26%
2-3 years	32,771,538	48%	19,276,528	32%
Over 3 years	28,336,143	42%	26,236,116	42%
Total	67,596,246		61,107,680	

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25. Refundable Deposits and Prepayments

	FY2024/2025	FY2023/2024
	Kshs	Kshs
Customer deposits	24,362,306	21,920,806
Prepayments by customers	2,828,090	935,482
Retention/contract deposits	3,135,546	768,184
Total	30,325,942	23,624,472

26. Notes to the Statement of Cash Flows

	FY2024/2025 As at 30th June 2025	FY2023/2024 As at 30th June 2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(851,016)	30,323,086
Depreciation	12,954,395	11,686,470
Amortization	1,197,372	6,853,971
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	13,300,752	48,863,526
Working capital changes:		
(Increase)/decrease in trade and other receivables	(7,528,893)	(3,531,767)
Increase/(decrease) in trade and other payables	14,484,759	23,483,708
Increase/(decrease) in refundable deposits and prepayments	6,701,470	2,249,113
Cash generated from/ (used in) operation	26,958,089	71,064,580
(b) Analysis of changes in loans		

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Balance at beginning of the year	12,751,807	15,362,061
Receipts during the year	-	-
Repayments during the year	(2,637,155)	(2,610,254)
Balance at end of the year	10,114,652	12,751,807
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	63,275,618	73,237,322
Cash in hand	87,412	12,687
	63,363,031	73,250,009
Balance at end of the year	63,363,031	73,250,009
(d) Analysis of interest paid		
Interest on loans	1,907,406.11	1,904,576.67
Interest paid	1,907,406.11	1,904,576.67

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Notes to the financial statements (continued)

27.Related Party Disclosures

County Government of Nakuru

The County Government of Nakuru is the principal shareholder of the Company, holding 99.4% of the Company's equity interest. The rest of the equity is sub-divided amongst the following office operating under the County Government of Nakuru as follows; County Secretary 0.2%, Office of the County Executive Finance and Economic Planning 0.2% and Office of the County Executive Water Environment and Natural Resources 0.2%. The County of Government of Nakuru has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- Central Rift Valley Water Works Development Agency
- Water Services Regulatory Board (WASREB)
- Water Resources Authority (WRA)
- Ministry of Water
- Kenya National Highways Authority
- Water Sector Trust Fund (WSTF)
- Vitens Evides International (VEI)
- Water and Sanitation for the Urban Poor
- NAIVAWASCO key management
- NAIVAWASCO Board of Directors

Transactions with related parties

	FY2024/2025	FY2023/2024
	Kshs	Kshs
a) Sales to related parties		
Water sales to Government Agencies	26,130,257	27,171,405
Total	26,130,257	27,171,405
b) Purchases from related parties		
Bank charges paid to Government Commercial banks(Kenya Commercial Bank and Post Bank)	2,615	569
Abstraction fees payable Water Resources Authority (WRA)	5,516,916	1,161,515
Regulatory levies due and operational license payable to WASREB	9,855,101	7,873,194
Total	15,374,632	9,035,278

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	FY2024/2025	FY2023/2024
	Kshs	Kshs
c) Key management compensation		
Directors' emoluments	4,546,759	4,513,431
Compensation to key management	18,441,309	18,559,999
Total	22,988,068	23,073,430

28. Contingent Assets and Liabilities

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

29. 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:

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	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	185,345,912	42,032,069	7,392,128	135,921,715
Bank balances	63,363,031			
Total	248,708,943	42,032,069	7,392,128	135,921,715
At 30 June 2024 (previous Year)				
Receivables	177,872,794	38,701,164	8,026,183	131,145,448
Bank balances	73,250,009			
Total	251,122,803	38,701,164	8,026,183	131,145,448

Credit Risk (Continued)

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 above 120 days.

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.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025 current year				
Trade payables	4,860,183	521,208	62,214,855	67,596,246
Current portion of borrowings	252,120	775,105	2,211,358	3,238,583
Employee benefit obligation	21,497,890			21,497,890
Total	26,610,193	1,296,313	64,426,213	92,332,719
At 30 June 2024 previous year				
Trade payables	9,484,837	(9,021,220)	60,644,064	61,107,680
Current portion of borrowings	195,795	604,185	1,741,554	2,541,534
Employee benefit obligation	20,394,367	-	-	20,394,367
Total	30,074,999	-8,417,035	62,385,618	84,043,581

(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, increase in electricity tariff and increase in prices for supplies offered by vendors which will affect NAIVAWASCO's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

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Notes to the financial statements (continued)

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:

	FY2024/2025	FY2023/2024
	Kshs	Kshs
Ordinary Share Capital	100,000	100,000
Retained earnings	39,994,346	40,847,661
Capital reserve	56,581,095	56,581,095
Capital grants	657,852,756	651,879,343
Total funds	754,528,197	749,408,100
Total borrowings	10,114,651	12,751,807
Less: cash and bank balances	(63,363,031)	(73,250,009)
Net debt/ (excess cash and cash equivalents)	(53,248,380)	(60,498,202)
Gearing (total borrowings/total equity)	1.3%	2%

30. Incorporation

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

31. Events After the Reporting Period

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

20. Appendices

Appendix I: 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.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.Under billing of Exhauster Services	<p>The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs. 212,737,909 which include exhauster fees amount of Kshs. 2,972,500 as disclosed in Note 6 to the financial statements. Review of billing records revealed that two hundred and fourteen (214) customers were billed at a rate of Kshs. 2,500 for exhauster services amounting to Kshs. 530,000 instead of Kshs. 5,000 each as per the Approved Tariff Structure. Thus, undercharging Exhauster services by Kshs. 535,000.</p> <p>In the circumstances, the accuracy and completeness of exhauster fees amount of Kshs.2,972,500 could not be confirmed.</p>	<p>The Company has been operating the Exhauster since 2022, in order to bridge the gap in access to sanitation services. The tariff allows the company to charge less than Kshs 5,000 to the informal sector. The market rate for the other exhauster dropped to less than Kshs 2,500 therefore the company was forced to charge Kshs 2,500 to enable provide the services with approval of the Board.</p>	Resolved	
2.Unsupported Payment of Internship Stipend	<p>The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs. 88,467,043 which includes internship stipend amount of Kshs. 1,281,750 as disclosed in Note 10 to the financial statements. However, these allowances and payments could not be supported by Salaries and Remuneration Commission (SRC) Circulars or Naivasha Water & Sanitation Human Resource Policies and Procedures Manual.</p> <p>In the circumstances, the accuracy, completeness and propriety of internship stipend amount of Kshs. 1,281,750 could not be confirmed.</p>	<p>The Company has been operating the Exhauster since 2022, in order to bridge the gap in access to sanitation services. The tariff allows the company to charge less than Kshs 5,000 to the informal sector. The market rate for the other exhauster dropped to less than Kshs 2,500 therefore the company was forced to charge Kshs 2,500 to enable provide the services with approval of the Board.</p>	Resolved	

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<p>3.Unsupported and Long Outstanding Trade Receivables</p>	<p>The statement of financial position reflects trade and receivables balance of Kshs. 175,125,476 which includes deposits and prepayments balance of Kshs. 1,830,774 as disclosed in Note 18 to the financial statements. However, supporting schedules provided indicated prepayment balances of Kshs. 3,042,935 resulting in unreconciled and unexplained variance of Kshs. 1,212,161. In addition, invoices and evidence of prepayments were not provided for audit. Trade and other receivables further includes VAT (Value Added Tax) recoverable balance of Kshs. 9,105,577. However, the VAT claims were not supported with claim forms and correspondences from Kenya Revenue Authority (KRA). The statements reflect trade receivables balance of Kshs. 177,875,094. However, review of the aging analysis showed that debtors of Kshs. 151,594,282 had been outstanding for over 120 days. Management did not explain the measures being undertaken to collect the debt. In the circumstances, the accuracy and completeness of trade and other receivables balance of KSHS. 175,125,476 could not be confirmed.</p>	<p>The amount of Kshs 3,042,935 consist of deposit balance of Kshs 813,169.00 and prepayments balance of Kshs 2,229,765.92 as detailed below</p>	<p>Partly Resolved</p>	
<p>4.Long Outstanding Account Payable</p>	<p>The statement of financial position and Note 24 to the financial statements reflect trade and other payables balance of Kshs. 84,377,763 which includes employee payables balance of Kshs. 20,394,367 and trade payables balance of Kshs. 61,107,680. Review of the ageing analysis showed that trade</p>	<p>The position of the payable has been affected by the increase in power cost and inflation making the cost of good to be high hence affecting cash flow issues. For the employee payable balance of Kshs. 20,394,367, it included</p>	<p>Partly Resolved</p>	

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	<p>payables balance of KSHS. 45,512,644 had been outstanding for over one year and balance of Kshs. 26,236,116, or 42% had been outstanding for over three years.</p> <p>In the circumstances, the company may incur additional and avoidable costs of interest and penalties on delayed settlement of outstanding bills or payments.</p>	<p>the payroll cost of Kshs 6,856,750.63 for the month of June 2024, which was paid in consecutive month July 2024.</p> <p>Strategic actions have been made to clear the outstanding payables owed to suppliers, amongst them is setting standing orders to some unpaid suppliers to reduce the overdue payable amount and strengthen relationships. The company has also made agreements with other suppliers to be paid after the tariff has been approved and implemented</p>		
5.Unsupported Refundable Customer Deposits	<p>The statement of financial position reflects refundable deposits and prepayments balance of Kshs. 23,624,472 and as disclosed in Note 25 to the financial statements. Included in the balance are customer deposits of Kshs. 21,920,806. However, the amount varies with the fixed customer deposit account held at Equity Bank which showed a balance of Kshs. 10,977,147, resulting in a variance of Kshs. 10,943,659. Further Management spent Kshs. 10,943,659 from the customer's deposits without the approval from the Board of Management contrary to clause 75 of the Articles of Association. Further, there were no invoices and evidence of prepayments were provided for audit verification.</p> <p>In the circumstances, the accuracy and fair statement of deposits and prepayments balance of Kshs.</p>	<p>The management did not spend Kshs 10,943,659, this has been a historical issue that happened during the transition from the municipal council, the company was handed over customers' deposit in terms of book value but no physical cash in bank was handed over. Customer deposits in the financial year 2023/24 were held under the Equity bank fixed deposit. The company has made considerable efforts to bridge the gap between the book value of customer deposits with that in the bank where currently the principal amount in the fixed deposit account is KSHS10,977,147 with a</p>	Partly Resolved	

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	21,920,806 could not be confirmed.	maturity value of Kshs. 12,240,180.38		
6. Budget and Budgetary Performance	<p>The statement of comparison of budget and actual amount for the year ended 30 June 2024 reflect final receipts budget and actual on comparable basis totaling to Kshs. 370,356,405 and Kshs. 267,900,731 respectively, resulting to underfunding of Kshs. 102,453,374 or 28% of the budget similarly, the Company spent KSHS. 249,033,868 against actual receipts of Kshs. 267,900,731 resulting to under expenditure Kshs. 18,866,865 or 7% of the actual.</p> <p>In the circumstances, the underfunding and underutilization constrained execution of planned activities and service delivery to the Public</p>	<p>The non-achievement of the budgeted amount of Kshs. 370,356,405 was caused by the unfavorable weather conditions that affected customers demand for our services resulting to reduced sales.</p> <p>In addition, NAIVAWASCO expected grants Amounting to Kshs 99,940,000 but was able to get Kshs 51,432,949.60 resulting to a deficit of Kshs 48,507,050.40</p> <p>Reduced water demand led to reduced production and therefore variable costs associated with production such as WRA charges, WASREB regulatory fees and chemicals consequently reduced. Additionally, as a cost cutting measure, NAIVAWASCO did not conduct staff and board recruitment which subsequently reduced staff and board expenses. This resulted to under expenditure of 7%.</p> <p>The reduced production also has an effect on some of the variables cost that are determined by the amount of production done, hence resulting to under expenditure.</p>	Resolved	

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<p>7. Non-Revenue Water</p>	<p>During the year under review, the Company produced 2,207,253 cubic meters (M³) of water out of which 1,656,737 cubic meters were billed to customers at Kshs. 136,199,110. The balance of 550,516m³ (or 25%) translating to Kshs. 33,030,960 represented Non Revenue Water (NRW). In addition, audit examination of billings for the period indicates that, the company billed 1,828,440 cubic meters (M³), resulting to unreconciled variance of 171,703 cubic meters. No explanation was given for this inconsistency which indicates weak monitoring systems over Non-Revenue Water (NRW) Audit examination of billing revealed that, one thousand four hundred and five (1,405) active customers were not billed during the month of June, 2024 without any reasonable justification. No explanation was given for failure to bill the customers and this may result to revenue loss through non-revenue water. In the circumstances, the effectiveness of internal controls on billing to customers and monitoring of non-revenue water could not be confirmed.</p>	<p>The Company has been continuously working towards reduction of NRW, this can be demonstrated by the fact that over the Years NRW has been reducing from 28% in FY 202-21, 26% in FY 2021-22, 24.4% in FY 2022, 23 and currently 24.9% FY 2023-24 Within this year, the company was able to attain the sector benchmark and closed at 25%. The company uses its production bulk meters to establish the volume of water supplied and the individual customer meters the volume of water billed. For the 171,703 M3 represents the sewer only customer. The company bills sewer services for people with their own source of water (Sewer Only customers) these customers are required to install a company approved meter to assist in charging them 75% of their own consumption as per the approved tariff. As a result, the company reads these meters only with the purpose of billing the sewer only and we do not bill for their water consumption. On the Active account not billed in month of June 2024 The one thousand four hundred and five (1,405)</p>	<p>Resolved</p>	
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		customers had Zero Consumption in the month of June 2024. Meaning, the Customers had not consumed any water hence only billed standing charge of Kshs 50 and no water bill.		
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Name : Eng. Nahashon Wahome

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)	Consolidate d in these financial statements (Yes/No)
1. Supply and installation of highlift pump, control panel and motor; flushing and servicing of a borehole	NAIVAWASCO/CLSG2/C2/FY2024-2025	Water Sector Trust Fund (WSTF)	22/10/2024 TO 22/01/2025	10,021,435	Yes	Yes
2. Kabati Simplified sewer project	KEN369/1KENNV01/ONE19-015	Water and Sanitation for the Urban Poor	19/8/2024 TO 20/9/2024	12,130,532.85	Yes	Yes
3. Construction of hdpe pipelines at southern cbd	NAIVAWASCO/CLSG2/C4/24-45	WORLD BANK GROUP	11/4/2025 TO 27/6/2025	59,184,064.37	Yes	Yes

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zone, lakeview zone and supply, delivery and installation of water meters						
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Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	CLSG II – Construction of HDPE Pipelines at Southern CBD Zone, Lakeview Zone and Supply, Delivery and Installation of water meters	77,686,925	10,652,687	14%	59,184,064	10,652,687	World Bank
2	CLSG II - Construction of 6.3km DN40 TO DN110mm HDPE Pipelines at Northern CBD		0	0%	18,502,861	0	World Bank

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3	Ihindu-Kinungi Water Supply Project	38,449,624	38,449,624	100%	38,449,624	38,449,624	VEI
4	Rehabilitation of Sewer in Naivasha Town CBD-Kabati	4,498,816	4,498,816	100%	4,498,816	4,498,816	Internal
5	Kabati Simplified Sewer Project	12,130,533	12,130,533	100%	12,130,533	12,130,533	Internal
6	STP Parallel Sewer	14,957,578	14,209,699	95%	14,957,578	14,209,699	Internal
7	CLSG PHASE 2 PROJECT – Supply, Delivery and Instalation of Highlift pump, control panel and motor, flushing and servicing of Borehole	10,021,435	9,020,274.6	90%	10,021,435	9,020,274.6	World Bank
8	Gathima-NIP Water Mains Line	4,606,866	4,606,866	100%	4,606,866	4,606,866	Internal/VEI

Appendix III: 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 – Kshs	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
None	n/a	n/a	0			-	-	-	-
Total									