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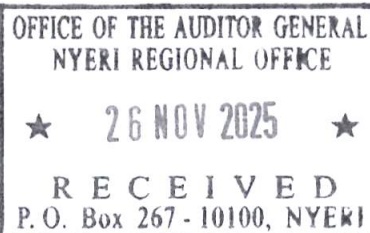
**THE AUDITOR-GENERAL**

**ON**

**OLKALOU WATER AND SANITATION  
COMPANY LIMITED**

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

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**OLKALOU WATER AND SANITATION COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

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

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

**CONTENTS**

1. Acronyms and Glossary of Terms.....	ii
2. Key Entity Information.....	iii
3. The Board of Directors.....	vi
4. Key Management Team.....	viii
5. Chairman’s Statement.....	x
6. Report Of the Managing Director.....	xii
Introduction:.....	xii
The Managing Director Report gives a general overview of the company’s operations, performance and strategic direction.....	xii
7. Statement Of Performance Against Predetermined Objectives for FY 2024/25.....	xiv
8. Corporate Governance Statement.....	xv
9. Management Discussion and Analysis.....	xix
10. Environmental And Sustainability Reporting.....	xxi
11. Report Of the Directors.....	xxiv
12. Statement Of Directors’ Responsibilities.....	xxvi
Report of the Independent Auditor on the Financial Statements of <i>Ol kalou Water and Sanitation Company Ltd</i> .....	xxvii
13. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.....	1
14. Statement Of Financial Position As at 30 June 2025.....	2
15. Statement Of Changes in Equity for the Year Ended 30 June 2025.....	4
16. Statement Of Cash Flows for The Year Ended 30 June 2025.....	5
17. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025.....	6
18. Notes To the Financial Statements.....	8
19. Appendices.....	38

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

1. Acronyms and Glossary of Terms

A. Acronyms

<i>CEO</i>	<i>Chief Executive Officer</i>
<i>DG</i>	<i>Director General</i>
<i>IAS</i>	<i>International Accounting Standards</i>
<i>IASB</i>	<i>International Accounting Standards Board</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>ICS</i>	<i>Institute of Certified Secretaries</i>
<i>MD</i>	<i>Managing Director</i>
<i>NT</i>	<i>National Treasury</i>
<i>PFMA</i>	<i>Public Finance Management Act.</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>
<i>WTP</i>	<i>Water Treatment Plant</i>
<i>CRVWDA</i>	<i>Central Rift Valley Water Works Development Agency</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>OLWASCO</i>	<i>Olkalou Water and Sanitation Company Limited</i>
<i>CMT</i>	<i>Corporate Management Team</i>
<i>STP</i>	<i>Sewer Treatment Plant</i>
<i>TNA</i>	<i>Training Needs Assessment</i>
<i>AGM</i>	<i>Annual General Meeting</i>
<i>DTF</i>	<i>Decentralized treatment facility</i>
<i>CLSG</i>	<i>Conditional Liquidity Support Grant</i>
<i>UPC</i>	<i>Urban Project Concept</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.

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

**2. Key Entity Information**

**Background information**

The Olkalou Water and Sanitation company Ltd was established by the company's (Cap 486) of Act of Parliament on (2005). At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has branches/regions in Olkalou

**Principal Activities**

The principal activity of the Ol- Kalou Water and Sanitation Company Limited is provision of water and sanitation services in Ol Kalou sub-county and its environs.

The fundamental statements that guide OLWASCO are: - The Vision, Mission, and Core Functions as explained here below

**Vision of OLWASCO**

“To be a role model Water and Sanitation Company in the country”

**Mission**

“To ensure sustainable, efficient, effective and reliable provision of quality and affordable water and sanitation services to the people of Ol Kalou Sub- County of Nyandarua County.”

**Core Functions**

Arising from its mandate, the company's core functions are:-

- To develop and manage all the town's water supply and sewerage services.
- To bill and collect water & sewerage revenue.
- To increase water supply coverage through rehabilitation and modernization of the existing water supply infrastructure.
- To install new water connections to the emerging customers
- To install new sewer connection to emerging customers
- Support pro-poor water and sanitation services
- Operate and maintain water and sewerage treatment plant, boreholes, and distribution systems in the area of jurisdiction.

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

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**Directors**

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

- |  |   |
|--|---|
| 1. Dr. Godfrey Njenga Irungu- Chairman           | - Appointed on 23 <sup>rd</sup> November 2023 |
| 2. Esther Muthoni - Managing Director            | - Appointed on 28 <sup>th</sup> June 2024     |
| 3. Benson Mwangi Wang'ombe                       | - Appointed on 23 <sup>rd</sup> November 2023 |
| 4. Johana Karu Ndung'u                           | - Appointed on 23 <sup>rd</sup> November 2023 |
| 5. Virginia Muthoni Kogi                         | - Appointed on 23 <sup>rd</sup> November 2023 |
| 6. John Kariuki Mwangi                           | - Appointed on 23 <sup>rd</sup> November 2023 |
| 7. Samuel Bakari -Director Water                 | - Appointed on 23 <sup>rd</sup> November 2023 |
| 8. Fredrick Gichuhi Irungu-Chief officer Finance | - Appointed on 23 <sup>rd</sup> January 2025  |
| 9. Hellen Njeri Njoroge- Chief officer Water     | - Appointed on 23 <sup>rd</sup> January 2025  |

**Company Secretary**

Mr. Julius Muthanwa  
P. O. Box 13351-20100,  
Nakuru.

**REGISTERED OFFICE**

OL-KALOU WATER AND SNITATION COMPANY LTD  
WATER OFFICES  
JUA-KALI, OFF OL KALOU-NJAMBINI ROAD  
P.O.BOX 455-20303  
OL-KALOU TOWN

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

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**Corporate Contacts**

Telephone: 020-2342471

E-mail: [olwasco03@yahoo.com](mailto:olwasco03@yahoo.com)

Website: [www.olkalouwater.co.ke](http://www.olkalouwater.co.ke)

**Corporate Bankers**

1. The Co-operative Bank of Kenya Ltd

P.O. Box 558-20303

OLKalou

Fax: 020-23149965

Mobile: 0708-223334, 0732-520415

Email: [olkaloubr@co-opbank.co.ke](mailto:olkaloubr@co-opbank.co.ke)

**Independent Auditors**

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

**Principal Legal Advisers**

1. County Attorney

Nyandarua County Government Head Quarters,

P.O. Box 701 - 20303

Ol Kalou, Kenya

3. The Board of Directors

Directors	Details
 <p><i>Dr. Godfrey Njenga Irungu-Chairman</i></p>	<p>An experienced Director and team player, 59years of Age with Bachelor of Education in Linguistic and Literature, Master Degree in Literature and Doctorate Degree in Literature MA (Literature) who is an independent Director and Chair of the Board.</p>
 <p><i>CPA Benson Mwangi Wang'ombe</i></p>	<p>An experienced auditor and team player ,44years of Age with bachelor of Business Administration and certified public Accountant of Kenya and Chair of Finance and Administration committee of the board</p>
 <p><i>Johana Karu Ndung'u</i></p>	<p>An experienced Manager and team player, 55years of Age with Bachelor of Education degree and a Diploma in Education who is the Chair of Technical and commercial committee of the board</p>
 <p><i>Virginia Muthoni Kogi</i></p>	<p>An experienced team player, age 29years with Bachelor of Purchasing and supplies management.</p>

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



*CPA John Kariuki Mwangi*

An experienced manager in water sector, 65 years of Age with Masters of business Administration and certified public Accountant of Kenya who is the Chair of Risk, Audit and Governance committee of the board



*CPA Fredrick Irungu*

Chief officer in the Department of Finance and Economic planning. CPA Fredrick Irungu is a certified Public Accountant (CPA-K) and is also certified in International Public Sector Accounting Standards (CertIPSAS), Also a holder of BSC in Agribusiness Management, MBA finance among others.





*Hellen Njeri Njoroge*

Chief Officer in the Department of Water, Sanitation, Tourism, Environment, Natural Resources, and Climate Change in the County Government of Nyandarua, holds a Bachelor of Arts in Land Economics from the University of Nairobi with over 14 years of experience spanning both private sector and public service leadership, with a strong focus on sustainable development.





*Samuel N. Bakari*


An experienced Ecologist, 42 years of age with over 20 years' of experience in Environment Conservation and Natural Resource Management, with Master Degree in Ecology and Evolution, and a Bachelor of Science in Environment Conservation and Natural Resources Management, working with County Government of Nyandarua as the Director Natural Resource Management.

 <p><i>Esther Muthoni-Managing Director</i></p>	<p>An experienced Manager in water sector, 45 years of Age with Bachelor of Commerce in Finance and Master in Finance and certified Public Accountant of Kenya, CISA and ISACA</p>
 <p><i>Julius Muthanwa-Company Secretary</i></p>	<p>An experience Advocate of High Court, 55years of age with Masters in Business Administration, Bachelor of Law and a Higher Diploma in law, a member of ICS (Institute of Certified Secretaries) 2005 certification.</p>

#### 4. Key Management Team

Managers	Details
 <p><i>Esther Muthoni-Managing Director</i></p>	<p><b>Managing Director</b> Bachelor of Commerce (Finance Option) Masters of Science in Finance, CPA K, CISA, Member of ICPAK and ISACA</p>
 <p><i>Josphat Wanyoike</i></p>	<p><b>Finance and Administration Manager</b> Bachelor of Commerce (<i>Finance Option</i>), MBA (HRM) CPA K, Member of ICPAK</p>

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

 <i>Dixon Njoroge</i>	<p><b>Acting Technical Manager</b></p> <p>Professional Qualification: Diploma in Electrical Engineering.</p>
 <i>Joseph Mwangi</i>	<p><b>Procurement Officer</b></p> <p>Academic Qualification: Bachelor Of Purchasing &amp; Supplies Management.</p> <p>-Member of Kenya Institute of Supplies Management (KISM)</p>
 <i>Julius K Muthamwa- Company Secretary</i>	<p>An experienced Advocate of High Court, 55years of age with Masters in Business Administration, Bachelor of Law and a Higher Diploma in law, a member of ICS (Institute of Certified Secretaries) 2005 certification.</p>

## **1. Chairman's Statement**

On behalf of OLWASCO Board of Directors, it is with great honor that I present to you an overview of the annual report and financial statements of the Company for the year ended 30 June 2025. This report provides a comprehensive overview of our company's financial performance and highlights the key factors that influenced our results during this period.

### **Operating Environment:**

During the year the country has made significant political and economic reforms that have contributed to sustained economic growth, social development, and political stability gains over the past decade. However, its key development challenges still include poverty, inequality, youth unemployment, transparency and accountability, climate change, continued weak private sector investment, and the vulnerability of the economy to internal and external shocks.

The majority of Kenyans were unable to fulfil some of their goals due to the tough Socio-economic situation across board.

The high cost of living will have a huge impact on the disposable income of most Kenyans. This affects the amount of money available for expenditure on non-necessities such as luxury goods, clothing, and electronics. Consequently, the high cost of living stagnated the performance of businesses across all sectors, particularly the retail segment.

In Kenya, food security and climate change have led to severe crises – increased poverty, widening inequality across regions and households and increased incidences of social conflicts due to competition for resources, like water resources. This has been compounded by the supply disruptions, inequality, poverty and social conflicts.

The prices of Electricity, Chemicals and other operating costs increased. In addition, the water use charges paid to Water Resources Authority were increased from ksh 0.5 per cubic meter to ksh 2.5 per cubic meter.

Despite the efforts to improve the management and conservation of environment and natural resources, the OLWASCO continues to face several challenges. Key among these key challenges include impacts of climate change, increasing population, expansion of agriculture and settlements into fragile water towers ecosystems. This leads to biodiversity loss and unsustainable land-use practices thereby posing serious threats to the attainment of a clean and secure environment

### **Business Development:**

The Company's revenue from internal sources was ksh 62,601,576 up from ksh 52,728,350 in the year ended 30<sup>th</sup> June 2024

### **Corporate Social Responsibility:**

The Company at corporate level ensured that all its activities were carried out ethically, sustainably and for public benefit. The company, participated in the lake Olbolsat half marathon among other causes at a total of ksh 63,500.00.

### **Customer Focus:**

OLWASCO recognizes that our customers form the key pillar of the Company's existence. Customer satisfaction surveys are conducted periodically to ascertain whether programs and activities meet customer needs and issues raised are addressed promptly. The company ensures quality standards are maintained through regular quality tests while also outsourcing services from ISO certified Laboratories. There was a customer satisfaction survey carried out during the year and it would be important to indicate the results.

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

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**Future Outlook:**

The Company continues to implement its business and strategic plans whose objective is to ensure that the company provides high quality services. It continues to enjoy confidence with its development partners, customers and the County Government due to its good corporate image. Therefore, OLWASCO's immediate and long-term future looks bright.

**Appreciation:**

I most sincerely wish to appreciate all our stakeholders: the County Government of Nyandarua and other development partners for your solid commitment and support during the year, our esteemed customers, for your loyalty and support and finally to the Board of Directors, Management for hard work and dedicated effort to make 2024-2025 financial year a success.

We look forward to continued cooperation from all the stakeholders in the coming years.

May God Bless you all



Dr. Godfrey Njenga  
**Chairman, Board of Directors**

## **2. Report Of the Managing Director**

### **Introduction:**

The Managing Director Report gives a general overview of the company's operations, performance and strategic direction.

### **Operational Summary:**

#### **A) Water and Sewer Connections**

During the year under review, the company's water accounts increased by 273 from 4035 to 4308.

The total number of sewer connections is 553 up from 404 recorded in the financial year ended 30<sup>th</sup> June 2024.

#### **B) Water Production, Billing & NRW**

The total water produced increased by 8,705m<sup>3</sup> from 587,215 m<sup>3</sup> to 595,920 m<sup>3</sup>. The volume billed was 385,820 m<sup>3</sup> while the NRW was 210,100 m<sup>3</sup> (35%).

#### **C) Staff Matters**

The contracts for staff which were expiring during the year under review were renewed and performance appraisal tool updated.

### **Financial Performance:**

The Company's revenue from internal sources was ksh 59,022,372 up from ksh 45,759,978 in the year ended 30<sup>th</sup> June 2024. This was attributed to increase in water sales due to increase review of tariff and increase in water and sewer connections. The company obtained a conditional grant of ksh 7,071,445.00 from Water Sector Trust Fund for Githunguri Water project.

The company's total expenses during the year amounted to ksh 62,846,822. This is about 15% increase from ksh 54,964,819 total expenses incurred in year ended 30<sup>th</sup> June 2024. This is attributable to the increase in personnel costs due to the hiring of core management team.

### **Ongoing Projects**

#### **(a) UPC 8<sup>th</sup> Call project-Kirima Water Project**

The company has signed a financing agreement with Water Sector Trust fund for the financing of Kirima Water Project for laying of the 15.53km pipeline, supply of 667 meters and for the Environmental and Social Impact Assessment at a cost of ksh 19,799,466.00. The project is currently at 80% completion.

#### **(b) Githunguri Water Project**

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

The project is financed by the Water Sector Trust Fund under the Conditional Liquidity Support Grant II at a cost of ksh 10,359,475.00. The project is currently at 70% completion.

**Yours faithfully,**



**Esther Muthoni.**

**Managing Director.**

**3. Statement Of Performance Against Predetermined Objectives for FY 2024/25**

1. To improve Human Resources capacity for OLWASCO.
2. The company undertook its annual Training Needs Assessment (TNA) and approved training for staff in the following identified areas (a) Public Finance Management, (b) Record and store Management, (c) staff Development, (d) Non Revenue water management .
3. To increase the proportion accessing clean/safe water

During the year under review, the company increased its expenditure on water extensions which resulted in an increase of water connections from 3800 to over 4035 with the water coverage increasing from 45km<sup>2</sup> to 46km<sup>2</sup>. The Government of Kenya through Central Rift Valley Water Works Development Agency (CRVWDA) developed a water treatment plant with a capacity of 2000m<sup>3</sup>/d. This has greatly improved access to safe drinking water for citizens living within the company's area of jurisdiction.

4. To reduce the level of Non- Revenue Water (NRW)

Non- Revenue Water (NRW) has been a great challenge for the company with the levels remaining over 35% over the years. During the year of review, the company replaced dilapidated water pipelines, and replaced non-functional meters. Company main reservoir tank with capacity of 2400m<sup>3</sup> had a significant linkages resulting to increase in NRW from previous financial year 34% to the end of last financial year to 35% as at 30<sup>th</sup> June 2025.

5. To develop and improve Sanitation facilities and services.

In 2020, the company operationalized the new Decentralized Treatment Facility (DTF) which increased sewerage treatment capacity from 22m<sup>3</sup>/d to 72m<sup>3</sup>/d. The Government of Kenya through Central Rift Valley Water Works Development Agency (CRVWDA) has developed a sewerage treatment plant with a capacity of 3300m<sup>3</sup>/d which is sufficient to cover the sewerage demand for the entire town. The project is currently under defect liability period.

6. To enhance financial sustainability of OLWASCO.

To enhance financial sustainability, the company implemented new tariff effective January 2025 resulting to increase in revenue with about 19%. Collection efficiency dropped from 98% to 92% due to low uptake of the new tariff and political interference. The management introduced cost cutting measures and initiated implementation of Urban Project Concept 8th Call and Conditional Liquidity Support Grant (CLSG) from the World Bank through the Water Sector Trust Fund (WSTF).

#### **4. Corporate Governance Statement**

##### INTRODUCTION

The Board has been instrumental in oversight and strategic direction guidance. The committee through its Quarterly meetings were able to approve the Company's Budget Estimates for the financial year ending 30th June 2025. Training on Corporate governance in collaboration with WSTF and GASBY Africa equipped directors for their oversight role.

##### COMPLIANCE

The company successfully implemented the new gazetted tariff by the regulator (WASREB) for a period of three years. tender and procurement committees were in place. statutory requirements were complied with, and all quarterly and annual reports were prepared and submitted. The Company has also complied with all key performance indicators set by the Water Service Regulatory Board (WASREB) which include the set ration on personnel cost, training cost, Board expenses and maintenance cost.

OLWASCO is governed by a Board of Directors that oversees the overall management of the Company. It is tasked with ensuring that company business and operations are conducted with integrity, professionalism, and in compliance with the law, internationally accepted principles and best practices in corporate governance.

These include compliance with Corporate Governance Guidelines issued by WASREB as well as Mwongozo Guidelines.

The Board of Directors are responsible for the following:

- a) Making policies and approving strategies and development plans;
- b) Implementation of Memorandum and Articles of Association
- c) Approval of business plans, budgets and tariff adjustment.
- d) Approval of major projects and ensuring prudent investment of funds
- e) Appointment of CMT and provision of management guidelines
- f) Fiduciary duty of monitoring and overseeing the activities of management.

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

**Board Composition:**

OLWASCO Board of Directors is composed of 8 Non-Executive Directors and one (1) Executive director (Managing Director). The Directors represent various stake holders and have varying skills and experiences.

On appointment, each Director is provided with a comprehensive and tailored induction process detailing their legal and regulatory obligations.

**Appointment of Directors:**

Once a vacancy in any stakeholder group is identified, an advert is done in at least one daily newspaper. The stakeholders are also invited to select a committee to shortlist the applicants. The committee should include three members from the stakeholder group, the managing director and a nominee of the county government of Nyandarua. The committee shortlists the applicants and a list of the shortlisted applicants is submitted to the shareholder for appointment of the director(s) in the respective stakeholder groups.

Two Board of Director representing shareholders for Finance and Water left during the year and two new one were replaced.

**Board Charter:**

The Board charter is in place.

**Board Meetings:**

The following is a tabular schedule of the meetings held and the attendance details during the year under review:

Full Board Meetings

Category of meeting	No. of members	Date Held	Members attendance
Full board meeting	7	August2024, Nov2024, April 2025	7
Special Full board meeting	7	30/06/2025	7
MD & FAM Induction Meeting	7	12/7/2024	6

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

**Board Committees:**

The Board has constituted 3 sub-committees chaired by one director in each, namely: Finance and Administration, Technical and Commercial, Audit, Risk and Governance. The Board may occasionally appoint adhoc committees as and when necessary to undertake special assignments.

Below is a tabular summary of the committee meetings held during the year:

Category of meeting	No. of members	Date Held	Members attendance
Technical & Commercial committee	4	13/08/2024, 13/11/2024, 14/4/2025,	4

Category of meeting	No. of members	Date Held	Members attendance
Finance and Administration committee	4	August 2024, Nov 2024 and April 2025	4

Category of meeting	No. of members	Date Held	Members attendance
Audit, Risk and Governance committee	4	August 2024, Nov 2024 and April 2025	4

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

**Board succession plan:** The county government ensures that tenures of board of directors are staggered with a 1/3 of directors retiring every AGM. The retiring directors are eligible for re-election subject to a maximum of two terms of three years each. The retiring members are determined on the basis of members who have served longest.

**Process of removal of directors:**

Directors can be removed from office on the following grounds:

- He/She is removed from the office pursuant to Section 185 of the Act, or by special resolution by the company in General Meeting.
- He/She ceases to be a director by virtue of Section 183 and 186 of the Act.
- He/She ceases to be an officer of the County Government.
- He/She becomes bankrupt or makes an arrangement of composition with his creditors.
- He/She becomes prohibited from being a director by reason of any order under section 189 of the Act.
- He/She becomes of unsound mind.
- He/She fails without any reasonable cause and without consent of the board to attend three (3) consecutive meetings of the Board and the Board resolves that, the reason of such failure he shall cease to be a director.
- He/She resigns his office by notice in writing to the company.
- He/She or any persons to who he has personal ties and transacts with the company
- Unsatisfactory performance on performance evaluation
- He/She breaches the Signed Code of Ethics and Conduct
- He/She ceases to be a representative of the stake holder's body entity that has appointed him or her.
- He/She is charged with an offence under the Anti-Corruption and Economic Crimes Act or Water Act 2002.
- He becomes a director in any other water sector institution.

**Board induction and training:**

The board training was done in December 2024 and there are plans for annual training.

**Conflict of Interest:**

Directors sign a conflict of interest register in every meeting.

## **5. Management Discussion and Analysis**

During the year under review Ol Kalou water and sanitation company Limited accomplished the following:

- Increased number of water connections from 4,035 to over 4,508
  - Increased number of sewer connections from 404 to 553
  - Operationalized the new Water Treatment Plant (WTP)
  - Operationalized the new Sewer Treatment Plant(SIP)
  - Put into place strict financial management control measures by continuously building capacity of staff in different levels
  - Developed and adopted key policy documents i.e.,
    - (a) Finance Manual.
    - (b) Fraud and Risk management policy
    - (c) Commercial operations policy
    - (d) Technical operation Manual
    - (e) Water Quality and conservation Policy.
- a) Cash flow management to ensure the Company is financially sustainable:
- a) Improved revenue
  - b) Introduced cost cutting measures on casuals and travel
- b) Capacity building
- Staff- Conducted a Training Need Assessment (TNA) and trained staff on relevant courses.
  - Capacity building of all staff
- c) Improving Technical Capacity
- i. Rehabilitation and repairs of main line from River Malewa
  - ii. Extension and re-routing of pipelines especially in Salient, DC area, Captain, Mumbi, Kariamuu and Kiganjo.

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

- iii. Rehabilitation of boreholes, motor vehicle and motor bikes.
  - iv. Extension to new area in Githunguri and Rurii
  - v. Interconnection of the return pipe to the distribution lines.
  - vi. Interconnection of bore holes ( Mwihoti and Captain)
- d) Corporate Governance:
- i. Ensured that all statutory dues are fully paid and on time.
  - ii. Adhered to regulatory requirements set by the regulator (WASREB).

## **6. Environmental And Sustainability Reporting**

### ***i) Sustainability strategy and profile -***

To ensure that the company remains sustainable, we enhanced our collection efficiency to over 92%, cut cost on non-essential goods and applied for the Conditional Liquidity Support Grant (CLSGII) from the World Bank through the Water Sector Trust Fund (WSTF) and the UPC 8TH Call proposals for urban under-served areas' water project.

### ***ii) Environmental performance***

The Company operationalized the New 3300 m<sup>3</sup>/d sewerage treatment plant that is 100% complete which will aid in reducing the amount of raw sewerage being released to the environment without treatment within Ol Kalou Town and its environs. We also conducted Environmental Impact Assessment (EIA) for our service. The Company is a corporate member of the Upper Malewa River Water Users Association where we normally pay annual fees for Environmental conservation activities. During this financial year under review, OLWASCO together with other partners including the Equity Bank, CRVWWDA and Losai Management engaged in tree planting activities at the catchment area. In addition, the company participated in world forest day in partnership with the County Government of Nyandarua and Kenya Forest Services by planting trees at both the Water Treatment Plant (WTP) and Sewerage Treatment Plant (STP) Premises.

### ***iii) Employee welfare***

The Company has an approved Human Resource Policy which outlines how staff issues are handled. During the year under review the Company ensured that all staff dues were paid on time, all working materials are provided, transportation and mileage are provided, and staff are provided with uniforms and Personal Protective Equipment especially to work related hazards.

### ***iv) Market place practices-***

During the year the company prepared its annual Budget and procurement plan. All goods and services were procured in accordance with the Public Procurement and Disposal Act and Guidelines. All goods and services were paid for within 90 days after delivery and inspection to

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

check on conformity with the specifications and there after acceptance. The company adhered to the gazetted water tariff.

**v) Corporate Social Responsibility / Community Engagements**

The management participated in all Public holidays celebrations and Olbolossat conservation half marathon incurring ksh 63,500

**a) Responsible competition practice.**

At Olkalou Water and Sanitation Company, we reject corruption, remain politically neutral, conduct open and transparent tendering, and respect other players in the sector. By upholding these values, we build trust, foster collaboration, and serve our community with accountability. We maintain cashless payments carry out stakeholder engagement forums and maintain a customer relationship management system.

**b) Responsible supply chain and supplier relations**

OLWASCO upholds good business practices by treating suppliers responsibly through honoring contracts, settling payments on an oldest-debt-first basis, observing fair payment practices, and ensuring competitive and transparent procurement of services.”

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

“OLWASCO is committed to responsible engagement with citizens by upholding ethical marketing and outreach practices. We avoid false or exaggerated promises, provide accurate and adequate information, respect diversity, and ensure our sensitization efforts remain transparent and inclusive through regular media updates, website briefs, and consultative forums.”

**d) Product stewardship or *Awareness creation***

“OLWASCO safeguards consumer and citizen rights through product stewardship and awareness creation by protecting health and safety, providing adequate and accurate service information, upholding data and privacy protection, and ensuring fair dispute resolution and redress. The company further promotes citizen rights and interests by facilitating access to essential services, respecting the right to representation, supporting whistleblowers, and encouraging peaceful and inclusive engagement through open forums and sensitization initiatives.”

**e) Corporate Social Responsibility / Community Engagements**

“OLWASCO is committed to Corporate Social Responsibility and community engagement by investing in initiatives aligned to its mandate, such as water and sanitation (WASH) programs in schools, borehole development, tree planting, and public sensitization forums. The company also supports social development through charitable giving, civic education, and community consultations on development projects, thereby fostering Inclusivity, accountability, and sustainable community partnerships.”

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

**7. Report Of the Directors**

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

**i) Principal activities**

The principal activities of the entity continue to be provision of Water and Sanitation services to Ol Kalou town and its environs. During this year, the company continued to provide sanitation service as the Decentralized Treatment Facility (DTF) that was funded by WSIF and the sewerage treatment plant (STP) developed by the Central Rift Valley Development Agency (CRVWDA) The company also operationalized the newly developed Water treatment plant to ensure clean and safe water to its clientele.

**ii) Results**

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

	<b>2024/2025</b>	<b>2023/2024</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>LOSS BEFORE TAXATION</b>	<b>470,845</b>	<b>2,236,469</b>

**iii) Directors**

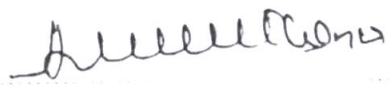
The members of the Board of Directors who served during the year are shown on page (vi) In accordance with WASREB.

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

**iv) Auditors**

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 in Ol Kalou Water and Sanitation company for the year period ended June 30, 2025.

By Order of the Board



**Julius Muthanwa**

**Company Secretary/Secretary to the Board**

**Date:**

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.

### **8. Statement Of Directors' Responsibilities**

The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements that give a true and fair view of the state of affairs of Ol Kalou Water and Sanitation Company Limited at the end of the financial year and the operating results of the water company for that year. The Directors are also required to ensure that the water 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 water company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs 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 water company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company'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 Public Finance Management Act, 2012 and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2025, and of the water company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's 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 Ol Kalou Water and Sanitation Company Limited will not remain a going concern for at least the next twelve months from the date of this statement.

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

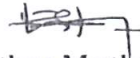
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**Approval of the financial statements**

The company financial statements were approved by the Board on **22nd August 2025** and signed on its behalf by:



**Dr. Godfrey Njenga**  
**Chairperson of the Board**



**Esther Muthoni**  
**Managing Director**

**Report of the Independent Auditor on the Financial Statements of *Olkalou Water and Sanitation Company Ltd.***

# REPUBLIC OF KENYA

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

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

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Olkalou Water and Sanitation Company Limited set out on pages 1 to 46, which comprise of the statement of profit and loss and other comprehensive income, statement of financial position as at

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

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Olkalou Water and Sanitation Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2026 and the Public Finance Management Act, 2012.

## **Basis for Qualified Opinion**

### **1.0 Long Outstanding Trade Receivables**

The statement of financial position reflects amount of Kshs.10,792,193 in respect of net trade receivables as disclosed in Note 17. Included in this amount is Kshs.8,835,080 that has been outstanding for over one year and whose recoverability is in doubt. Further, the provision of bad and doubtful receivables increased from Kshs.1,018,072 to Kshs.3,975,786 representing a 291%. However, Management of Company seems not to have put necessary measures on debt recovery including debt circulation notes and legal action among other measures as per the debt policy.

In the circumstances, the long outstanding receivables could result to financial losses and adversely affect cash flows and the ability to fund Company activities.

### **2.0 Long outstanding Trade and Other Payables**

A review of the statement of financial position as at 30 June, 2025 as disclosed in Note 24 reflects Kshs.28,012,078 in respect of trade and other payables. Examination of the underlying records further revealed that Kshs.13,255,203 of this balance has remained outstanding for over three (3) years.

In the circumstances, the accumulation of such aged payables indicates weaknesses in financial management and may adversely affect the Company's liquidity position, supplier relationships, and continuity of service provision.

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

### 1.0 Budgetary Control and Performance

The statement of budget and actual amounts reflects a total revenue budget balance of Kshs.93,023,456 against actual revenue of Kshs.75,593,756 resulting to revenue shortfall of Kshs.17,429,700 or 19% of the budget. The statement also reflects actual expenditure of Kshs.59,493,217 against total receipts of Kshs.75,593,756 resulting to under-utilization of funds by Kshs.16,100,538 or 21%.

The under-funding and under-utilization affected the planned activities 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 effects of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### Other Matter

#### Unresolved Prior Year Issues

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Olkalou Water and Sanitation Company in 2024/2025 revealed that the following matters remained unresolved.

No.	Financial Year	Audit Issue
1	2023/2024	Exceeding industrial Benchmark on Personnel Expenses
2	2023/2024	Budgetary Control and Performance
3	2023/2024	Non- Revenue Water
4	2023/2024	Long Outstanding Trade Payables
5	2023/2024	Long Outstanding Trade Receivables
6	2023/2024	Pending Legal Cases

### Other Information

The Management is responsible for the Other Information set out on page iii to xxvii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives as

outlined in the financial statements. 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 and I am required to report that fact. 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**

#### **1.0 Non-Compliance to the Law on Staff Ethnic Diversity**

Audit review of employee records for the Company noted that eighty-nine percent (89%) of staff members were drawn from a single dominant community, indicating lack of diversity in staff composition. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third (30%) of its staff from the same ethnic community.

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

#### **2.0 Failure to Meet Recruitment Thresholds for Persons with Disabilities**

Examination of human resource documents for the year ended 30 June, 2025 revealed the Company Limited had a staff population of thirty-six (36) contracted members of staff however no Persons Living With Disability has been employed by the Company contrary to the provisions of part B.23 (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which sets a threshold of five percent (5%) of positions to be filled by persons with disability.

In the circumstances, Management was in breach of the Public Service's Human Resource Policies and Procedures.

### **3.0 Non-Adherence to One-Third Basic Salary Requirement**

Review of the Company's payrolls for the year ended 30 June, 2025, revealed that two (2) employees received net salaries which were less than a third of their respective basic pay. This was contrary to Section 19(3) of the Employment Act, 2007 which states that, the total amount of deductions that an employer may make from the wages of his employee at any one time, shall not exceed two-thirds of such wages.

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

### **4.0 Failure to File Annual Company Returns with the Registrar of Companies**

The Company limited was Incorporated under the Companies Act Cap 486 of the laws of Kenya. However, evidence to show that it has been filing annual returns to the Registrar of Companies in accordance with Section 125 of the Companies Act was not provided for audit review.

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

### **5.0 Non-Revenue Water**

During the financial year under review, the Company produced 583,451 cubic meters (m<sup>3</sup>) of water, out of which only 378,749 cubic meters (m<sup>3</sup>) of water was billed to customers. The balance of 204,702 cubic (m<sup>3</sup>) or approximately 35% of the total volume of water produced represented unaccounted for water (UFW) which is over and above the allowable water loss of 25% as per the Water Service Regulatory Board Guidelines. The abnormal water loss of 35% may have resulted in loss of sales estimated at Kshs.24,564,240 if computed at the rate of Kshs.120 per M<sup>3</sup> which is the minimum tariff for water sale as per The Water Act, 2016.

In the circumstances, the unaccounted-for water amounting to Kshs.204,702 cubic meters (M<sup>3</sup>), equivalent to Kshs.24,564,240 may negatively affect the Company's profitability and long-term sustainability of water supply services if effective corrective measures are not put in place by Management.

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, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

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

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

**Nairobi**

**05 December, 2025**

**Olkalou Water and Sanitation Company Ltd.**

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

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

	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	57,311,176	43,121,276
CLSGII grants - WSTF	7	-	5,189,780
Other Income	8	1,711,196	2,637,978
In-Kind Contributions	9	3,579,204	1,779,316
<b>Total Revenue</b>		<b>62,601,576</b>	<b>52,728,350</b>
<b>Expenses</b>			
Staff Costs	10	27,844,810	24,672,772
General and Operations expenses	11	21,644,241	15,818,866
Board Expenses	12	3,508,303	2,689,695
Maintenance Expenses	13	8,308,460	11,521,473
Depreciation and Amortization expenses	14	1,541,008	262,013
<b>Total Expenses</b>		<b>62,846,822</b>	<b>54,964,819</b>
<b>Loss Before Taxation</b>		<b>245,246</b>	<b>2,236,469</b>
<b>Income Tax Expense/(Credit)</b>		<b>-</b>	<b>-</b>
<b>Loss After Taxation</b>		<b>245,246</b>	<b>2,236,469</b>
<b>Other Comprehensive Income</b>			
<b>Loss After Taxation</b>		<b>245,246</b>	<b>2,236,469</b>
<b>Total Comprehensive Income for The Year</b>		<b>245,246</b>	<b>2,236,469</b>

Oikalon Water and Sanitation Company Ltd.  
Annual Report and Financial Statements for the year ended June 30, 2025  
10. Statement Of Financial Position As at 30 June 2025

	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant, Motor Vehicles and equipment	15	45,847,677	41,938,685
Work in progress Kirima water project		7,187,896	-
Work in progress Githunguri water project		2,848,893	-
<b>Total non-current assets</b>		<b>55,884,465</b>	<b>41,938,685</b>
<b>Current assets</b>			
Inventories	16	2,789,108	1,110,377
Trade and receivable	17	10,792,193	9,162,652
Prepayments & Deposit	18	1,153,752	1,153,752
Bank and cash balances	19	16,970,375	12,260,787
<b>Total non-current assets</b>		<b>31,705,428</b>	<b>23,687,568</b>
<b>Total Assets</b>		<b>87,589,894</b>	<b>65,626,253</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
(Ordinary share capital	20	100,000	100,000
Retained earnings		-7,286,117	-7,040,871
Grant		46,866,824	41,416,824
Capital reserve		1,666,431	1,666,431
<b>Capital and Reserves</b>		<b>41,347,139</b>	<b>36,142,384</b>
<b>Non-current liabilities</b>			
Customer Deposits	24	6,506,303	5,622,351
Deferred Grant	25	11,724,375	-
<b>Total non-current liabilities</b>		<b>18,230,677</b>	<b>5,622,351</b>
<b>Current liabilities</b>			
Trade and other payables	26	28,012,078	23,861,518
<b>Total current liabilities</b>		<b>28,012,078</b>	<b>23,861,518</b>
<b>Total Equity and Liabilities</b>		<b>87,589,894</b>	<b>65,626,253</b>

**Olkalou 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 22<sup>nd</sup> August 2025 and signed on its behalf by:



*Esther Muthoni*

**Managing Director**



*Josphat Wanyoike*

**Head of Finance**

**ICPAK M/No: 10649**



*Godfrey Njenga*

**Chairman of the Board**

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

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

	Ordinary share capital(Kshs.)	Capital reserve(Kshs.)	Retained earnings(Kshs.)	Grants(Kshs.)	Total(Kshs.)
At June 30, 2022	100,000	-	-650,222	41,416,824	40,866,602
Prior year adjustment		1,666,431	-1,666,431		
Adjusted balances 2022	100,000	1,666,431	-2,316,653	41,416,824	40,866,602
Total comprehensive income			-2,487,749		-2,487,749
At June 30, 2023	100,000	1,666,431	-4,804,402	41,416,824	38,378,853
Total comprehensive income			-2,236,469		-2,236,469
At June 30, 2024	100,000	1,666,431	-7,040,871	41,416,824	36,142,384
Adjustments for the year			-245,246	5,450,000.00	5,204,755
At June 30, 2025	100,000	1,666,431	-7,286,117	46,866,824	41,347,139

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

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

	Note	2024/2025	2023/2024
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		53,443,854	45,889,647
Grants Income		13,724,066	5,189,780
In kind donation		3,579,204	1,779,316
Customer Deposits		1,328,349	881,500
<b>Total Receipts</b>		<b>72,075,473</b>	<b>53,740,243</b>
<b>Payments</b>			
Staff Costs		28,406,547	23,030,109
General And Operation Expenses		17,553,472	12,577,827
Board Expenses		4,603,303	1,594,695
Maintenance Expenses		6,324,085	9,360,362
Refund Of Customer Deposits		441,689	290,000
Prepayments		-	345,237
<b>Total Payments</b>		<b>57,329,095</b>	<b>47,198,230</b>
<b>Net Cash From/ (Used In) Operating Activities</b>		<b>14,746,377</b>	<b>6,542,013</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		10,036,789	43,197
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>4,709,588</b>	<b>6,498,816</b>
<b>Net Cash From/(Used In) Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>4,709,588</b>	<b>6,498,816</b>
<b>Cash And Cash Equivalents At Beginning of Year</b>		<b>12,260,787</b>	<b>5,761,971</b>
<b>Cash And Cash Equivalents At End of the Year</b>		<b>16,970,375</b>	<b>12,260,787</b>

Olakalu Water and Sanitation Company Ltd

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

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs a	Kshs b	Kshs C=a+b	Kshs d	Kshs e= c-d	f=d/c %
Budget carryovers from the previous year*	-					
<b>Income</b>						
Operating Revenue	59,092,345	(3,018,000)	56,074,345	56,983,604	(909,259)	102%
Grants	27,011,111	5,500,000	32,511,111	16,571,384	15,939,728	51%
Other Incomes	3,350,000	(612,000)	2,738,000	1,711,196	1,026,804	62%
Debt Collections	1,700,000	0	1,700,000	327,572	1,372,428	19%
<b>Total Receipts</b>	<b>91,153,456</b>	<b>1,870,000</b>	<b>93,023,456</b>	<b>75,593,756</b>	<b>17,429,701</b>	<b>81%</b>
<b>Expenditure</b>						
Staff Costs	29,417,963	(1,502,772)	27,915,191	24,265,606	3,649,586	87%
Board Expenses	2,500,000	1,050,000	3,550,000	3,508,303	41,698	99%
General and operations Expenses	16,662,800	2,843,093	19,505,893	21,644,241	(2,138,348)	111%
Maintenance	10,680,000	(2,000,000)	8,680,000	8,308,460	371,540	96%
Settling of payables	852,806	1,797,194	2,650,000	-	2,650,000	0%
Depreciation				1,541,008		
Total Recurrent Expenditure	<b>60,113,569</b>	<b>2,187,515</b>	<b>62,301,084</b>	<b>59,267,618</b>	<b>4,348,876</b>	<b>95%</b>
<b>Total Payments</b>	<b>31,039,887</b>	<b>(317,515)</b>	<b>30,722,372</b>	<b>16,326,138</b>	<b>12,855,227</b>	<b>53%</b>
<b>Capital Expenditure Payments</b>	<b>31,029,053</b>	<b>(350,000)</b>	<b>30,679,053</b>	<b>10,036,789</b>	<b>20,642,264</b>	
<b>Surplus/deficit</b>	<b>10,834</b>	<b>32,485</b>	<b>43,319</b>	<b>6,289,349</b>	<b>-7,787,037</b>	

***Budget notes:***

- i. Grants-** The Company expected to receive extra 10 million from Water sector trust funds for kirima water project and Ksh 5 million for Grithunguri water project which wasn't received by the close of financial year.
- ii. Other Income-** The Company new tariff was gazetted on 6<sup>th</sup> December 2024 and implemented as from 6<sup>th</sup> January 2025. The current tariff did away with monthly meter rent to all customer hence the budgeted element on meter rent wasn't realized under other incomes.
- iii. Debt Collection-** The budget collection of debts from previous years were not realized as political environment was not friendly to enforce collecting strategies planned for after implementation of new tariff.
- iv. Staff cost-** The management reduced casuals who had been budgeted by evaluating workload in revenue assistant, meter readers and technical staff and distributed the workload to the team

## **14. Notes To the Financial Statements**

### **1. General Information**

Olakalu Water and Sanitation Company Ltd is established by and derives its authority and accountability from Company Act. The Company is wholly owned by the Nyandarua County Government and is domiciled in Kenya. The Company's principal activity is provision of water and sanitation services. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

### **2. Statement of Compliance and Basis of Preparation**

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

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

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

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

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

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

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

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

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

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

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

iii. **Early adoption of standards**

Okalou Water and Sanitation did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

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

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

**Summary of Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Freehold Land	2024/2025	0%
Buildings and civil works	2024/2025	2.5%
Plant and machinery	2024/2025	12.5%
Motor vehicles, including motorcycles	2024/2025	25%
Computers and related equipment	2024/2025	30%
Office equipment, furniture and fittings	2024/2025	12.5%

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

**(e) Intangible assets**

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

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

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

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

**(g) Investment property**

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

## **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).

**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.

**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).

**m) Inventories**

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

**n) Trade and other receivables**

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

**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.

**Restricted cash**

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

**s) Borrowings**

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

**t) Trade and other payables**

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

**u) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2024. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 31% per employee per month.

**v) Provision for staff leave pay**

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

**w) Exchange rate differences**

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

**x) Budget information**

The original budget for FY 2024-2025 was approved by the Board of Directors in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of 1,870,000 on the 2024-2025 budget following the governing body's approval. The Company's budget is prepared on a different

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

**y) Service concession arrangements**

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

**z) Comparative figures**

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

**aa) Subsequent events**

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

## **5. Significant Judgments and Sources of Estimation Uncertainty**

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

### **a) Estimates and assumptions**

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

### **b) Useful lives and residual values**

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

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

### **c) Provisions**

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

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.

Notes to the financial statements (continues)

6. Operating Revenue

	2024/2025	2023/2024
	Kshs	Kshs
Water sales	50,357,729	41,938,176
Gross sales of services	143,500	139,000
Sewerage Services	6,008,598	-
Billing for other services	801,350	1,044,100
<b>Total</b>	<b>57,311,176</b>	<b>43,121,276</b>

7. Grants Income

	2024/2025	2023/2024
	Kshs	Kshs
CLSGII-WSTF	-	5,189,780
<b>Total</b>	<b>-</b>	<b>5,189,780</b>

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

Notes to the financial statements (continued)

**8. Other Income**

	<i>2024/2025</i>	<i>2023/2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Fine and penalties	131,060	625,500
Rental income	30,000	-
Miscellaneous income (Meter rent, New connection water and sewer)	1,550,136	1,997,990
Decrease in provision for bad debt	-	14,488
<b>Total</b>	<b>1,711,196</b>	<b>2,637,978</b>

**9. In Kind Donation (seconded staff)**

	<i>2024/2025</i>	<i>2023/2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Seconded personnel	3,579,204	1,779,316
<b>Total</b>	<b>3,579,204</b>	<b>1,779,316</b>

The increase in seconded personnel was due to an additional two staff (Internal Auditor and Technical Officer) who were not there in 2023/2024

**10. Staff Costs**

Description	<i>2024/2025</i>	<i>2023/2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Gross Salary and Allowances	13,978,182	14,444,689
Gross Salary for seconded staff paid the Company	742,729	-
Casual workers' Wages	2,428,195	2,164,501
Medical insurance schemes	1,613,895	1,593,416
Employer's contributions to social security schemes	757,891	597,475
Employer's contributions to housing levy	225,406	220,086
Gratuity provisions	3,468,742	2,291,603
Salaries - seconded Staff Paid by the county	3,579,204	1,779,316
Staff welfare	523,000	430,300
Leave and other allowances	496,766	1,151,386
Nita Employer Contribution	30,800	-
<b>Total</b>	<b>27,844,810</b>	<b>24,672,772</b>
<b>The average number of employees during the year</b>	<b>44</b>	<b>46</b>

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

**11. General and Operations Expenses**

Description	2024/2025 Kshs	2023/2024 Kshs
Travel and subsistence	2,904,509	2,562,380
Printing & Stationery	429,112	287,730
Advertising and publicity	269,900	133,400
Telephone and postage	807,054	645,008
staff training	417,950	233,200
WASREB	2,284,771	1,829,791
Subscription to professional bodies	233,900	184,000
Upper Malewa Levy	60,000	60,000
Staff rewards	4,064	499,700
Office expenses	190,378	502,057
Office Tea and general supplies	618,482	273,691
Uniform	489,910	24,000
Electricity	4,330,735	3,116,478
Professional fees- audit fees	348,000	348,000
Insurances, Licenses & Permits	502,631	352,857
Meeting expenses	-	422,500
Newspapers and periodicals	16,860	16,800
Contracted professionals	60,000	59,926
Motor vehicle fuel	548,884	433,070
Bank Charges	192,054	64,415
Sports and Games	-	1,170,300
Stakeholders' meeting	348,640	762,496
Water analysis	233,092	64,000
Chemicals	299,700	614,430
Equipment-consumables	134,020	479,000
Environmental Conservation	30,000	30,000
AGM Expenses	-	233,134
Recruitment Expenses	23,010	416,503
Corporate social responsibility	33,500	-
Motorcycle Mileage reimbursement	2,385,000	-
Security services	662,075	-
Rent expenses (Kariamu store)	6,500	-
Sanitation Expenses	47,396	-
Increase in bad debt provision	2,957,714	-
Water Inventory	(225,600)	
<b>Total</b>	<b>21,644,241</b>	<b>15,818,866</b>

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

**Additional notes for General and Operational**

1. During the financial year, the company operated cashless transaction hence increase in bank charges.
2. Meeting expenses were combined with Office tea and general supplies.
3. To facilitate movement of meter readers, Revenue Assistant and Technical officers, the company introduced mileage reimbursement for 15 motor cycles used in daily operations.
4. In June 2024, the board approved Finance policy that require debts over 1 year to be provided at the rate of 45% resulting to increase in provision for doubtful debt.
5. The Company took over community borehole that had accumulated electricity bill (Mugumo borehole) this resulted to increase in electricity bills.

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

**12. Board Expenses**

Description	2024/2025	2023/2024
	KShs	KShs
Chairman Honoraria	480,000	240,000
Sitting allowances	2,180,053	2,449,695
Induction and Training	848,250	-
<b>Total Board Expenses</b>	<b>3,508,303</b>	<b>2,689,695</b>

**13. Maintenance Expenses**

Description	2024/2025	2023/2024
	Kshs	Kshs
Software expenses	70,450	142,870
Repairs - computers	12,000	56,450
Repairs & maintenance (Piping extensions)	7,692,323	8,435,472
Water meter supply	-	1,650,000
Motor vehicle expenses (maintenance & Repair)	533,686	790,781
Maintenance building	-	107,720
Other expenses (tools, generator, & furniture repair)	-	338,180
<b>Total Maintenance Expenses</b>	<b>8,308,460</b>	<b>11,521,473</b>

**14. Depreciation and Amortization Expenses**

Description	2024/2025	2023/2024
	KShs	KShs
Depreciation of property, plant and equipment	1,541,008	262,013
Amortisation of intangible assets	-	-
<b>Total Depreciation and Amortization</b>	<b>1,541,008</b>	<b>262,013</b>

15. Property, Plant and Equipment

	WASTE PROJECT (GRANT) (Kshs.)	FURNITURE & FITTINGS (Kshs.)	OFFICE EQUIPMENT (Kshs.)	MOTOR VEHICLE (Kshs.)	COMPUTER & ACCESSORIES (Kshs.)	Totals
<b>COST</b>	12.50%	12.50%	12.50%	25.00%	30%	
As at July 1 <sup>st</sup> 2023	41,416,824	482,951	100,086	0	157,640	42,157,501
Additions		0			43,197	43,197
Transfers						
Disposals						
As at June 2024	41,416,824	482,951	100,086	0	200,837	42,200,698
Accumulated depreciation						
As at 30 <sup>th</sup> June 2022		46,065	12,096	0	96,099	154,260
As at 30 <sup>th</sup> June 2023		129,455	10,584	0	121,460	261,499
As at 30 <sup>th</sup> June 2024		104,837	19,681.00	0	137,495	262,013
As at July 1 <sup>st</sup> 2024	41,416,824	378,114	80,405	0	63,342	41,938,685
Additions		0		5,450,000	0	5,450,000
Transfers						
Disposals						
As at June 2025	41,416,824	378,114	80,405	5,450,000	63,342	47,388,685
Accumulated depreciation						
As at 30 <sup>th</sup> June 2024		104,837	19,681	-	137,495	262,013
As at 30 <sup>th</sup> June 2025		116,818	22,931	1,362,500	38,759	1,541,008
NET BOOK VALUE						
As at 30 <sup>th</sup> Jun 2024	41,416,824	273,277	60,724	0	63,342	41,814,167
As at 30 <sup>th</sup> Jun 2025	41,416,824	261,296	57,474	4,087,500	24,583	45,847,677

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**15 (a) Property, Plant and Equipment at Cost**

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

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Furniture and fittings	934,545	673,249	261,296
Office equipment	183,450	125,976	57,474
Computers & Accessories	1,244,677	1,220,094	24,583
WSTF projects	41,416,824	-	41,416,824
Motor Vehicles	5,450,000	1,362,500	4,087,500
	<b>49,229,496</b>	<b>3,381,819</b>	<b>45,847,677</b>

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

	<b>Cost or valuation</b>	<b>Normal annual depreciation charge</b>
WSTF projects	41,416,824	-
Computers and related equipment	1,244,677	38,759
Office equipment, furniture and fittings	183,450	22,931
Motor Vehicles	5,450,000	1,362,500
Furniture and fittings	934,545	116,818

Olkalou Water and Sanitation Company Ltd  
Annual Reports and Financial Statements  
For the year ended June 30 2025

16. Inventories

	2024/2025	2023/2024
	Kshs	Kshs
Engineering stores Opening Balance As at 1st July	1,110,377	1,040,914
additions	8,892,323	7,741,520
	<b>10,002,700</b>	<b>8,782,434</b>
Issues	(7,542,678)	(7,775,322)
Engineering stores Closing Balance As at 30th June	<b>2,460,022</b>	<b>1,007,112</b>
Stationery and general stores Opening Balance As 1st July	103,265	69,465
additions	429,112	219,830
	<b>532,377</b>	<b>289,295</b>
Issues	(428,891)	(186,030)
Stationery and general stores Closing Balance 30th June	<b>103,486</b>	<b>103,265</b>
Total Inventories closing balance as at 30th June	<b>2,563,508</b>	<b>1,110,377</b>

WTP

reservoir Capacity of the  
tank tank 2400m3

Inventory

Dates	Details/ Particulars	Capacity	current M3	Unit cost In Ksh	Amount in Ksh
28/2/2025	WST reservoir Tank	2400m3	-	120	-
31/3/2025	WST reservoir Tank	2400m3	-	120	-
30/4/2025	WST reservoir Tank	2400m3	1654	120	198,480.00
31/5/2025	WST reservoir Tank	2400m3	1750	120	210,000.00
30/6/2025	WST reservoir Tank	2400m3	1880	120	225,600.00

Total  
inventory

2,789,108

17. Trade and Other Receivables

	2024/2025	2023/2024
	KShs	KShs
Trade receivables (note (29a))	14,767,979	10,180,724
Deposits and prepayments	1,153,752	1,153,752
<b>Gross trade and other receivables</b>	<b>15,921,731</b>	<b>11,334,476</b>
Provision for bad and doubtful receivable	(3,975,786)	(1,018,072)
<b>Net trade and other receivables</b>	<b>11,945,945</b>	<b>10,316,404</b>

17. (a) Trade Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Gross trade receivables	14,767,979	10,180,724
Provision for doubtful receivables	(3,975,786)	(1,018,072)
Net trade receivables	10,792,193	9,162,652

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**17. (b) Trade Receivables Aging analysis**

Less than 30 days	227,519
Between 30 and 60 days	1,678,819
Between 61 and 90 days	1,073,677
Between 91 and 120 days	1,212,596
Between 120 and 1 year	1,740,290
Over 1 year	8,835,080

**18. Short Term Deposits/Prepayments**

Description	2024/2025	2023/2024
	Kshs	Comparative FY Kshs
Deposits & Pre Payments		
National Oil-Fuels	80,000	80,000
KPLC	22,000	22,000
WASREB- Performance Guarantee	1,051,752	1,051,752
<b>Total</b>	<b>1,153,752</b>	<b>1,153,752</b>

**19. Bank and Cash Balances**

	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	16,920,375	12,210,787
Cash in hand	-	50,000
Mobile money account	50,000	-
	<b>16,970,375</b>	<b>12,260,787</b>

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

		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Cooperative Bank of Kenya (Revenue account)	1109467355000	67,545	48,014
Cooperative Bank of Kenya (Expenditure account)	1148467355000	40,371	66,165
Cooperative Bank of Kenya (Customer Deposit)	1109467355001	5,088,085	5,622,352
Cooperative Bank of Kenya (Githunguri Water project)	1192467355001	9,412,332	5,188,337
Cooperative Bank of Kenya (Kirima Water Project)	1104673550001	2,312,042	1,285,918
<b>Sub- total</b>		<b>16,920,375</b>	<b>12,210,787</b>
Cash in hand		-	<b>50,000</b>
Mobile money account		50,000	-
<b>Sub- total</b>		<b>50,000</b>	<b>50,000</b>
<b>Grand total</b>		<b>16,970,375</b>	<b>12,260,787</b>

**20. Ordinary Share Capital**

	2024/2025	2023/2024
	Kshs	Kshs
<b>Authorized:</b>		
5000 ordinary shares of Kshs. 20 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
5000 ordinary shares of Kshs.20 par value each	<b>100,000</b>	<b>100,000</b>

**21. Revaluation Reserve**

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

**22. Fair Value Adjustment Reserve**

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

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**23. Retained Earnings**

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilized to finance the *entity's* business activities.

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

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 0% while employers contribute 31% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

**24. Refundable Deposits and Prepayments**

	2024/2025	2023/2024
	<i>Kshs</i>	<i>Kshs</i>
Customer Deposit b/d	5,622,351	5,030,851
Add : Customer deposits for the yr	1,328,349	881500
Gross Customer deposit	6,950,700	5,912,351
Less :Deposits refund and transfers	(444,398)	(290,000)
<b>Total</b>	<b>6,506,303</b>	<b>5,622,351</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	2024/2025	% of the	2023/2024	% of the total	
	Current FY	total	Comparative		
			FY		
Under one year	1,328,349	20%	881500	16%	Under one year
1-2 years	881500	14%	1,076,330	19%	1-2 years
2-3 years	1,819,830	28%	1,760,570	31%	2-3 years
Over 3 years	2,476,624	38%	1,903,951	34%	Over 3 years
<b>Total</b>	<b>6,506,303</b>		<b>5,622,351</b>		<b>Total</b>

Olkalou Water and Sanitation Company Ltd  
Annual Reports and Financial Statements  
For the year ended June 30 2025

25. Deferred Grant

Description	2024/2025	2023/2024
	KShs	KShs
Water Sector Trust Fund	13,724,066	5,189,780
Own Contribution	2,847,318	-
<b>Total deferred Grant</b>	<b>16,571,384</b>	<b>5,189,780</b>

The deferred Grant movement is as follows:

	International funder/WSTF
Balance brought forward	5,189,780
Additions (KIRIMA & GITHUNGURI)	16,571,384
Transfers to Asset WIP	(10,036,789)
Balance carried forward	<b>11,724,375</b>

26. Trade and Other Payables

Trade payables	2024/2025	2023/2024
	Kshs	Kshs
Office of auditor general	1,392,000	1,044,000
Crvwwda	13,255,203	13,255,203
Wasreb	4,114,561	1,829,791
Wra	635,934	635,934
Jatevanve enterprises	598,500	598,500
Kags trading co.	1,280,360	1,566,470
Smart people Africa	50,000	50,000
Waspa	-	55,000
Upper malewa	60,000	60,000
Crown motors group ltd	-	562,641
Board of director	-	1,095,000
Kplc	751,688	1,394,356
Personnel cost (June 2024 staff cost)	1,078,426	1,642,663
Postal corporation of Kenya	9,500	18,900
Edfy solution limited	-	32,000
Kamau Mwangi	-	21,060
Apex piping and system ltd	416,276	-
Eslon plastic of Kenya	2,368,098	-
Labtec electronic service ea ltd	299,700	-
Real-tech plumbers ltd	1,675,530	-
Rentokil initial Kenya ltd	23,902	-
Nita	2,400	-
<b>Total</b>	<b>28,012,078</b>	<b>23,861,518</b>

Olkalou Water and Sanitation Company Ltd  
Annual Reports and Financial Statements  
For the year ended June 30 2025

Aging Analysis for Trade and other Payables

	2024/2025	% of the total	2023/2024	% of the total
	Current FY		Comparative FY	
Under one year	9,368,290	33%	8,675,880	36%
1-2 years	4,344,585	16%	1,582,434	7%
2-3 years	1,044,000	4%	348,000	1%
Over 3 years	13,255,203	47%	13,255,203	56%

Notes to the financial statements (continued)

27. Notes to The Statement of Cash Flows

	2024/2025	2023/2024
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	-470,845	-2,236,469
Depreciation	1,541,008	262,013
Amortization	-	-
Operating profit/(loss) before working capital changes	1,070,163	-1,974,456
Working capital changes:		
(Increase)/decrease in inventories	-1,678,731	2
(Increase)/decrease in trade and other receivables	-1,629,541	-214,845
Increase/(decrease) in trade and other payables	4,150,560	8,139,812
Increase/(decrease) customer deposits	883,952	591,500
<b>Cash generated from/ (used in) operation</b>	<b>1,726,240</b>	<b>8,516,469</b>
<b>Net cash used in operating activities</b>	<b>2,796,403</b>	<b>6,542,013</b>
<b>(b) Analysis of changes in loans</b>		
<b>Balance at beginning of the year</b>	<b>12,260,787</b>	<b>5,761,971</b>
Receipts during the year	72,075,473	53,740,243
Repayments during the year	67,365,884	47,241,427
<b>Balance at end of the year</b>	<b>16,970,375</b>	<b>12,260,787</b>
<b>(c) Analysis of cash and cash equivalents</b>		
Cash at bank	16,920,375	12,210,787
Cash in hand	50,000	50,000
	<b>16,970,375</b>	<b>12,260,787</b>
Balance at end of the year	<b>16,970,375</b>	<b>12,260,787</b>

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

**Other Disclosures**

**28. Related Party Disclosures**

**County Government of Nyandarua**

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

Other related parties include:

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

**Transactions with related parties**

	2024/2025	2023/2024
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Water sales to Govt. agencies	2,840,028	1,910,800
<b>Total</b>	<b>2,840,028</b>	<b>1,910,800</b>
<b>b) Purchases from related parties</b>		
Purchases of electricity from KPLC	4,330,735	3,116,478
Laboratory services from CRVWWDA	233,092	64,000
<b>Total</b>	<b>4,563,827</b>	<b>3,180,478</b>
<b>b) Grants from the Government</b>		
Donations in kind –County Govt. of Nyandarua	3,579,204	1,779,316
Conditional Grant - WSTF	13,724,066	5,189,780
<b>Total</b>	<b>17,303,270</b>	<b>6,969,096</b>
<b>d) Key management compensation</b>		
Directors' emoluments	3,508,303	2,689,695
Compensation to key management	4,515,469	1,768,371
<b>Total</b>	<b>8,023,771</b>	<b>4,458,066</b>

## **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 minimize 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:

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

#### **(i) Credit risk**

The Company has exposure to credit risk, which is the risk that a counter party 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.

#### **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 uncollected amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from customers.

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.

**(iii) Market risk**

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

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

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

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

**a) Foreign currency risk**

The Company has no transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**b) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

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

**iii) Fair value of financial assets and liabilities**

**a) *Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

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

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year.

***Financial instruments not measured at fair value***

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**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.

**30. Incorporation**

The Company 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.

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**15. Appendices**

**Appendix 1: progress on follow up of auditor recommendations.**

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

<b>Category</b>	<b>Issue / Observations from Auditor</b>	<b>Management Comment</b>	<b>Time frame:</b>	<b>Status</b>
<b>Travel and Subsistence</b>	<p>Note 11 to the financial statements reflects general and operation expenses amount of Kshs 15,818,866 which includes travel and subsistence of Kshs 2,562,380. The following observation were made:</p> <ul style="list-style-type: none"> <li>i. The Accounting officer has not established an imprest facility hence all imprest were issued without an imprest warrant</li> <li>ii. The Company does not maintain an imprest register</li> <li>iii. Temporary imprest amounting to Kshs 1,690,380 was irregularly withdrawn in cash by one employee on behalf of others instead of paying to individual employees through their accounts</li> </ul>	<p>During 2023/2024 financial year the company was not operating an imprest system. The management have put in place imprest register in place and imprest warrant from July 2024.</p> <p>The company had a challenge with staff capacity in finance management leading to one officer acting as commercial and finance management without the right qualification which have been corrected effective 1 July 2024 by hiring a substantive finance personnel.</p>	1 July 2024	Resolved
<b>Non-Compliance with Minimum Requirements on Employee Ethnic Composition</b>	<p>Review of employee records indicated that the dominant ethnic community constituted 86% (38 employees) out of the total population of 44. That was about 53% above the provision of National Cohesion and Integration Act.</p>	<p>Recruitment of staff are done openly through an advertisement in a newspaper of national wide circulation. The latest recruitment was done in April 2024.</p>		In-progress

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

<p><b>Violation of a Third Gender Rule</b></p>	<p>Review of employee records indicated that the male gender as at 30 June, 2024 constituted 75% (33 employees) out of the total population of 44 staff members. This is 42% above the provision of the Human Resource Policies and Procedures Manual for the Public Service Commission, 2016, on gender balance in the civil service.</p>	<p>The company give equal opportunity to all applicant</p>		<p><b>In-progres</b></p>
<p><b>Exceeding Industrial Benchmark on Personnel Expenses</b></p>	<p>The statement of profit or loss and other comprehensive income for the year ended 30 June, 2024 indicates that the Company incurred a total of Kshs 24,672,772 on personnel costs out of total operating expenses of Kshs 54,964,819 which translates to 45% of total operating expenses. This is higher than the recommended threshold of 40% in accordance with the WASREB Guidelines. As a result, the expenditure was 5% above industrial benchmark.</p>	<p>The Company is using a tariff that was gazetted in 2014, the cost of operations have drastically gone up during the last 10years. The company has implemented a reviewed cost recovery tariff and this will resolve the trend</p>	<p><b>31<sup>st</sup> January 2025</b></p>	<p><b>Resolved</b></p>

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

<p><b>Material Uncertainty Related to Going Concern</b></p>	<p>The statement of financial position reflects current assets and current liabilities of Kshs 23,687,568 and Kshs 23,861,518 respectively, resulting to a negative working capital of Kshs 173,950. Further, the Company's statement of Profit or Loss and other comprehensive income for the year ended 30 June 2024 reflected Kshs 52,728,350 with respect to total revenue and Kshs 54,964,819 with respect to total expenditure resulting to an operating loss of Kshs 2,236,469. The deficit has reduced the retained earnings from negative of Kshs 4,804,402 for the year ended 30 June 2023 to a negative of Kshs 7,040,871 for the year ended 30 June 2024 as reflected in the statement of financial position. It was also noted that there was an increase of Kshs 8,139,812 in trade payables, from Kshs 15,721,706 to Kshs 23,861,518 in the financial year under review, as reflected in the statement of financial position. Therefore, the Company may be unable to meet its financial obligations as and when they fall due and may, therefore, be technically insolvent on the basis of the negative working capital position.</p> <p>In the circumstances, the sustainability of service delivery and the going concern of the company is at risk.</p>	<p>The Company is using a tariff that was gazetted in 2014, the cost of operation have drastically gone up during the last 10years. The company has Implemented a reviewed cost recovery tariff and this will resolve the trend.</p>	<p><b>31<sup>st</sup> January 2025</b>      <b>Resolved</b></p>
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**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

<p><b>Failure to Account for Inventory of Water</b></p>	<p>The statement of financial position reflects inventories balance of Kshs 1, 110 377 as disclosed in Note 18 to the financial statements. However, balance excludes inventory of water in terms of volume of stock that had been produced, stored or held within the distribution infrastructure. This is contrary to requirements of International Accounting Standard (IAS) number 2 on inventories that defines inventories as assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials)</p>	<p>Being implemented in the 2024/2025 financial s</p>	<p>30<sup>th</sup> June 2025</p>	<p>Resolved</p>
<p><b>Budgetary Control and Performance</b></p>	<p>The statement of comparison of budget and actual amounts reflects a total revenue budget balance of Kshs 60,676,235 against actual revenue of Kshs 52,844,255 resulting to revenue shortfall of Kshs 7,831,980 or 13%. The statement also reflects total expenditure budget of Kshs 60,932,996 against actual expenditure of Kshs 54,964,819 resulting to under expenditure of Kshs 5,968,177. Further, the expenditure final budget of Kshs 60,932,996 exceeds the revenue budget of Kshs 60,676,235 by Kshs 256,761</p>	<p>The company expected to receive a grant for UPC 8th call Kirima water project amount 6,6528,00 which didn't materialized. The company didn't not incur the cost in Kirima water project UPC 8th Call hence the under expenditure. The company had a supplementary budget that was not taken into account for budget and actual comparison.</p>		<p>Resolved</p>

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

<b>Non-Revenue Water</b>	During the financial year under review the Olkalou Water and sanitation Company Limited produced 587,215 cubic meters (m <sup>3</sup> ) of water, out of which only 387,552 cubic meters (m <sup>3</sup> ) of water was billed to customers. The balance of 199,663 cubic meters (m <sup>3</sup> ) or approximately 34% of the total volume of water produced represented unaccounted for water (UFW) which is over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines.	During the financial year 2022/2023 the NRW was at 37% the management and the board of Directors have a working NRW reduction framework which have reduced it to 35% in the year under review. The reviewed staff establishment and organization structure have created NRW unit effective 1st July 2024.	<b>1<sup>st</sup> July 2026</b>	<b>In-progress</b>
<b>Lack of Approved Current Tariff Rates</b>	The Olkalou Water and sanitation company has been operating with a water Tariff approved by the Water Services Regulatory Authority on 25 January 2013 vide Gazette notice No 8 of 2002 of 25 January 2013 that is approximately eleven years old to date.	The company new tariff was gazetted on 6 <sup>th</sup> December 2024 and implementation ongoing.		<b>Resolved</b>
<b>Lack of Business Plans and Service Provision Agreement</b>	Olkalou Water and Sanitation Company Ltd was operating without a valid business plan and Service Provision Agreement during the financial year 2023/2024.	The company has a business plan effective July 2024.		<b>Resolved</b>

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

<b>Customer Accounts with Duplicate Meters</b>	Examination of billing records revealed that four hundred and sixty three water customer accounts were having duplicate meter numbers	During the system migration the company encountered meters that didn't have serial numbers hence the company had to create serial numbers resulting to duplication The company is in the process of replacing those meters We have ensured no loss of revenue as all meters are billed correctly	30 <sup>th</sup> June 2025	Resolved
<b>Consumer Billings Without Meter Numbers</b>	Audit of billing records revealed that four hundred and fifty three (453) water customers were billed without meter numbers The individual meter numbers were not captured in the company records	The 453 accounts are dormant and hence no current billing to the account	30 <sup>th</sup> June 2025	Resolved
<b>Lack of Asset Tagging</b>	Assessment of safeguard of assets revealed that assets, including furniture and fittings, computers, and other equipment, have not been serialized and they lack proper tagging for identification Consequently, these assets could not be reconciled with the assets register	The company had undertaken asset tagging during the year ended June 2023 and in the process of tagging the additional asset in the current financial year budget	31 <sup>st</sup> December 2025	Resolved
<b>Long outstanding Trade Receivables</b>	Statement of financial position reflected net trade receivables balance of Kshs 9,162,652, as disclosed in Note 19. Included was an amount of Kshs 7,157,217 that has been outstanding for over three to ten years \	The management have instituted debt collection mechanism including use of water police, reminders and negotiated partial payment agreement to reduce the outstanding		In-progress

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

<p><b>Lack of Debtor Aging Analysis Report</b></p>	<p>Statement of financial position reflected net trade receivables balance of Kshs 9,162,652 as disclosed in Note 19. However, the company did not prepare an aging analysis report and the system in place was unable to generate a debtors' aging report. Absence of this analysis could lead to an inadequate provision for bad and doubtful debts, potentially impacting the effectiveness of debt collection strategies.</p>	<p>The management is in the process of carrying out a debtors analysis using internal resources.</p>		<p>Resolved</p>
<p><b>Long Outstanding Trade and Other Payables</b></p>	<p>The statement of financial position reflected a balance of Kshs 23,861,518 under trade and other payables, as detailed in Note 25 to the financial statements. It was noted that payments amounting to Kshs 18,894,038.85 have remained outstanding since 2016. If not checked, these unpaid amounts may continue to grow and in the long run may negatively affect the overall performance of the company.</p>	<p>The company is using a tariff that was gazetted in 2014. The cost of operation has drastically gone up during the last 10 years. This has resulted in financial constraints leading to long outstanding payables. The company is in the process of implementing a reviewed cost recovery tariff and this will resolve the trend.</p>		<p>In-progress</p>
<p><b>Failure to Adhere to the Effectiveness of Implementation of Audit Recommendations</b></p>	<p>Attention was drawn to the issues highlighted in the previous audit reports that remained unresolved and have recurred in the year under review. These include unpaid trade and other payables, unresolved trade receivables, inaccuracies in property, plant, and equipment records, non-compliance with staff ethnicity requirements, and the absence of a disaster recovery plan.</p>	<p>The company is progressively implementing audit recommendations.</p>		<p>In-progress</p>

**Oikalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

<p><b>Inaccurate Refund of Customer Deposits</b></p>	<p>Note 26 of the financial statements and the statement of financial position reflected a balance of Kshs 5,622,351 for customer deposits, with a caption on deposits refund and transfers of Kshs 290,000. However, bank statement reflected a refund of Kshs 595,518 resulting to unreconciled variance of Kshs 305,518.</p>	<p>Ksh 305,518 belong to transfers relating to water bills payments paid to deposit account instead of revenue account.</p>	<p>Resolved</p>
<p><b>Pending Legal case</b></p>	<p>The status report on litigations that was provided for audit indicated that as of 30/6/2024, there was one case that was filed against the company. The water company contracted Thika Motor Dealers for the supply and delivery of an exhauster truck, 4x4, 6000-7000 litres tender number OLWASCO/01/2015-2016 of June 2015 and local purchase order No 230 dated 27/7/2015 was also issued at a sum of Kshs.12,450,000. The motor vehicle was then registered as KCE 686D in the name of Oikalou Water &amp; Sanitation Co Ltd. This was contrary to Water Act 2002 which was in force then, which stated that the mandate of acquiring assets for water services was vested in the Water Services Board and not the Water Service Providers. After demand letters were received for payment, they were not honored by the company. Thika Motor Dealers moved Court and filed case number CMCC Civil Suit No 5712 of 2016, demanding payment of the full contract sum along with accrued interest before releasing the vehicle to the company. Court ruling was subsequently</p>	<p>The management and the board are evaluating the case with a view of resolving the issue.</p>	<p>In-progress</p>

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

delivered on 15/5/2020 in favor of the Thika Motor Dealers which directed the company to pay the decretal sum which stood at Kshs 19,444,101, and which continued to accrue interest

As per letter dated OLWASCO/TEND/PREQUA/1/31 dated 23/3/2021, OLWASCO management had committed themselves to be paying outstanding amount in monthly instalment of minimum of Kshs 500,000, but Thika Motor Dealers did not accept the offer since the decretal sum stood at Kshs 19,444,101 as at 18th November 2020 which continued to attract interest. This resulted in Thika Motor Dealers, through their advocate, R M Mutiso & Co Advocates to instruct Grimat Auctioneers to auction all of company assets.

Since 2021, the company has not made any follow-ups on the case and as a result it was not possible to confirm the outstanding amounts as at 30/6/2024, and the case is yet to be resolved, which may affect the sustainability of the company in the long run when the payments will be demanded, since it may not be in a position to pay the cost of the vehicle along with the interests that have continued to accrue since the year 2016.

Name **ESTHER MUTHOKI**

Signature 

Managing Director

Date.....

**Olkalou Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
KIRIMA WATER PROJECT	08W/NYANDAR UA/OL-KALOU/58 A	WSTF	22/1/2024 to 31/10/2025	16,631,551.44	YES	YES
GITHUNGURI WATER PROJECT	CONTRACT NO: CLSGII/GITHUNGURI/NYA/OLK/02/2025	WSTF	1/04/2025 to 31/10/2025	10,379,560.00	YES	YES

**Status of Projects completion**

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	KIRIMA WATER PROJECT	16,062,414	7,187,896.25	80%	19,799,466	ONGOING	WSTF AND WSP
2	GITHUNGURI WATER PROJECT	8,749,957	2,848,892.60	70%	10,379,560	ONGOING	WSTF



