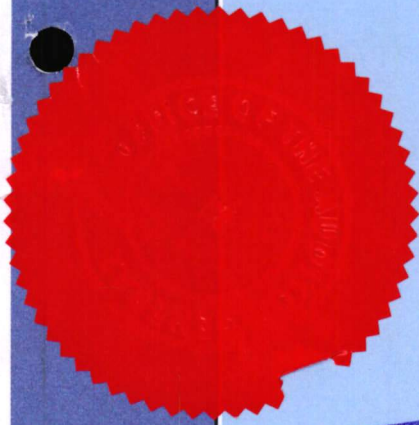
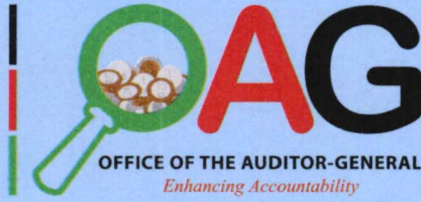


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REPORT

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OF

THE AUDITOR-GENERAL

ON

NAKURU WATER AND SANITATION
SERVICES COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025

PAPERS LAID	
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Nakuru Water and Sanitation Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025



Enriching Life



NAKURU WATER AND SANITATION SERVICES CO. LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

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

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



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

Nakuru Water and Sanitation Services Company Ltd.
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1. ACRONYMS AND GLOSSARY OF TERMS

AfDB	-	African Development Bank
ERP	-	Enterprise Resource Planning
CMT	-	Corporate Management Team
CPF	-	County Pension Fund
CRVWDA	-	Central Rift Valley Water Works Development Agency
KPLC	-	Kenya Power and Lighting Company
KRA	-	Kenya Revenue Authority
LAP	-	Local Authority Pension
LATF	-	Local Authorities Transfer Fund
MCN	-	Municipal Council of Nakuru
NAWASSCO	-	Nakuru Water and Sanitation Services Company
NGO	-	Non-Governmental Organization
NEMA	-	National Environment Management Authority (NEMA)
NSSF	-	National Social Security Fund
NHIF	-	National Hospital Insurance Fund
NRW	-	Non-Revenue Water
SPA	-	Service Provision Agreement
SACCO	-	Savings and Credit Co-operatives
VAT	-	Value Added Tax
WASREB	-	Water Services Regulatory Board

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

2. KEY COMPANY INFORMATION

Background information

Nakuru Water and Sanitation Services Company Ltd (NAWASSCO) was established under the Companies Act, 2015 on 8th September 2003 and it is fully owned by the County Government of Nakuru. At the County level, it is represented by the County Executive Member for Water and Sanitation and the County Executive Member for Finance & Economic Planning, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Company is mandated with the provision of water and sanitation services in the area under the jurisdiction of Nakuru Town East and Nakuru Town West Sub-counties and its environs.

Principal Activities

Vision

“To be the lead provider of safely managed water and sanitation solutions in Kenya”

Mission

“To provide climate resilient, sustainable, safely managed water and Sanitation Services to the delight of all within our service area”

Core Values

These values form the foundation on which we perform our work and conduct ourselves. The values underlie our work, how we interact with each other, and the strategies we employ to fulfil our mission. They are the practices we use every day in everything we do and are a constant description of who we are.

Our core values include the following:

Professionalism, Integrity, Customer Centric, Innovation & Creativity and Team Work

The principal activities of the Company are to: -

- i. To ensure that it possesses and retains all the necessary expertise necessary to the Technical, Commercial, Financial and Administrative functions.
- ii. To provide the services within its Defined Service Area.
- iii. To meet all the required water standards, guidelines and provisions of the Service Provision Agreement (SPA)
- iv. To obtain all necessary licenses, permits and warranties necessary to carry out its obligations in accordance with statutes in force.

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

- v. To maintain the assets in good working condition and not to dispose of any assets without the authorization of the Licensee.
- vi. To prepare proposals for improvement of the assets so as to enhance service delivery. To propose tariff adjustments to the Licensee and Regulator.

Shareholding

The Company is fully owned by the County Government of Nakuru and is registered with 5,000 shares of Kshs.20 each. According to the Company Memorandum and Articles of Association the shares are held in trust are as follows: -

Shareholding	Number of Shares Held
The County Government of Nakuru	4,996
Her Excellency the Governor of County Government of Nakuru	1
The County Executive Committee Member, Finance & Economic Planning, County Government of Nakuru	1
The County Executive Committee Member, Water, Environment, Energy & Natural Resources, County Government of Nakuru	1
The County Secretary, County Government of Nakuru	1
TOTAL	5,000

Each shareholder has one voting right and the County Government is represented by a proxy during general meetings.

Directors

The Directors who served the company during the year were as follows: -

1. Ernest Kiarie Muibu	Chairman	Appointed on 1 st Jul, 2022
2. Eng. James N. Gachathi	Managing Director	Reappointed on 23 rd Oct, 2022
3. S. Irebe Njogu	Non-Executive Director	Appointed on 25 th Jan. 2023
4. Dr Nelson T Maara	Non-Executive Director	Appointed on 25 th Jan. 2023
5. Dr Julius Ogeto	Non-Executive Director	Appointed on 18 th Mar, 2024
6. Peter K. Kimani	Non-Executive Director	Appointed on 18 th Mar, 2024
7. Rachael Maru Chepkorir	Non-Executive Director	Appointed on 18 th Mar, 2024
8. Catherine N. Kamau	Non-Executive Director	Appointed on 18 th Mar, 2024 and ended on 20 th June 2025
9. Andrew K. Komen	Non-Executive Director	Appointed on 18 th Mar, 2024

Registered Office

NAWASSCO Plaza
 Government Road

Nakuru Water and Sanitation Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025
P.O Box 16314-20100
NAKURU.

Corporate Contacts

Telephone: +254221269
E-mail: info@nakuruwater.co.ke
Website: www.nakuruwater.co.ke

Corporate Bankers

Co-operative Bank of Kenya
Nakuru Branch
P.O. Box 2982-20100
NAKURU.

Equity Bank
Kenyatta Avenue Branch
P.O Box 3178-20100
NAKURU.

Family Bank
Kenyatta Avenue Branch
P.O Box 519-20100
NAKURU.

Independent Auditors

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

Principal Legal Advisers

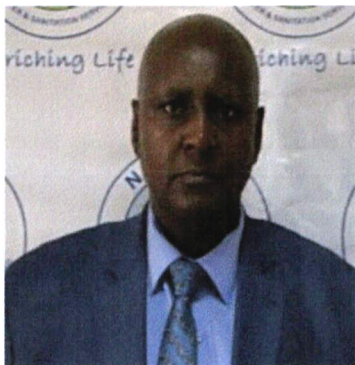
County Attorney
County Government of Nakuru
P.O Box 2870-20100
NAKURU.

3. BOARD OF DIRECTORS

The Company has a Board of Directors which is responsible for:

- a) The efficient management of the human, physical and financial resources of the company;
- b) Making policies for the Company;
- c) Approving Strategic and Business plans for the Company;
- d) Any other matters related to the management of the Company;

Members of Board of Directors who held office during the year under review are the following: -


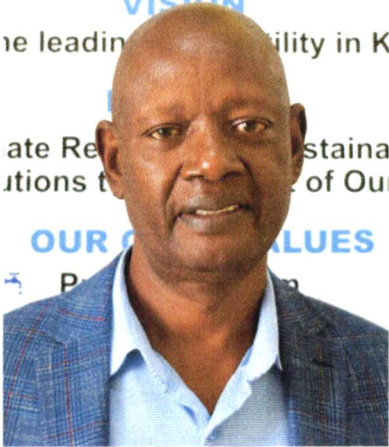
NO	NAME	PROFILE
1.	 <p style="text-align: center;">Ernest Kiarie Muibu Non-Executive (Chairman)</p>	<p>Mr Muibu, 67, was appointed on 1st July, 2022 to represent Resident Organizations and he is the Chairman of the Board.</p> <p>He is currently the Managing Director of Avenue Suites Hotel in Nakuru, Vice chairman -Unitas Sacco, advisory member, Vice Chairman-So They Can, (an NGO that empowers children living in poverty through education). The Chairman-Operation Eyesight Universal, and a Director of Carnations Dry-cleaners-Nakuru.</p> <p>Mr. Muibu has had the opportunity to serve in the defunct Municipal Council of Nakuru as a Town Clerk from 1997 to 1999. Mr. Muibu worked as a Principal Auditor, Auditor General State Corporations-Nakuru from 1990 to 1997. From 1983 to 1990, Mr. Muibu was the Assistant Inspector of State Corporations (Office of the President)-Nairobi.</p> <p>Mr. Muibu holds a B. Sc Degree in Business Administration from Emperia states university USA and associate of science degree in Intensive retailing, a post graduate diploma in (Performance Auditing) from university of Connecticut USA.</p>

Nakuru Water and Sanitation Services Company Ltd.

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2.	 <p>S. Iribe Njogu Non- Executive Director</p>	<p>Mr. Iribe was appointed on 25th January, 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) in charge of Finance and Economic Planning.</p> <p>Mr. Iribe is a dependable and devoted executive with over 16 years of professional experience. Keen to support and a team player with excellent organizational and analytical skills. Also, ready to redesign to ensure efficiency, accountability and implementing a modernized work environment.</p> <p>Before joining the County Government of Nakuru he was working at Bigfoot Risk Management & Consultancy Ltd in Nairobi, a Consultancy firm & sourcing company with offices in Nairobi, Accra & New Jersey. He had previously worked at Soft Trace Apparels EPZ Ltd, Nairobi from March 2016 to April 2020 in charge of running garment production plant for export to the United States market, and sourcing for new markets for the products. He also worked as a Chief Executive Officer at Soft Ventures East African Ltd, Nakuru, Nairobi & Kampala from December 2010 to January 2016 in charge of running the company in Uganda & Kenya having started in Kampala Uganda managed to expand to Kenya and Rwanda. He had also worked as Managing Director at XPD in Accra, Ghana and Togo.</p> <p>Iribe has Bachelors of Science in Business Administration degree from Kwame Nkuruma University of Science & Technology, Kumasi Ghana. He also has Diploma in Applied Biology from Mombasa Polytechnic University College, Mombasa. He is an Associate of Science and Applied Science</p> <p>Committee Membership: Finance & Staff Committee and Audit & Governance Committee</p>
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Nakuru Water and Sanitation Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025

<p>3.</p>	 <p style="text-align: center;">Dr Nelson T. Maara Non-Executive Director</p>	<p>Dr. Maara was appointed on 25th January, 2023 and he represents the County Government of Nakuru. He is the County Executive Committee Member (CECM) of the Department of Water, Energy, Environment, and Natural resources. Prior to this appointment, he was a Lecturer Egerton University, Faculty of Environmental Studies and Resource Development. Dr Maara had previous served in the County Government of Nakuru as a Chief Officer, Water, Environment, Energy and Natural Resources. He has also served as a member of the National Forestry Society and Mau Forest Conservation Committee.</p> <p>Dr Maara has a PhD in Natural Resource Management from Egerton University, an MSc in Natural Resource Management from Egerton University and a B. Sc in Forestry from Moi University.</p> <p>He is a leader in forest management, policy development, sustainable development and water project management.</p> <p>Committee Membership: Technical & Social Committee and Audit & Governance Committee</p>
<p>4.</p>	 <p style="text-align: center;">Dr. Julius Ogeto Non-Executive Director</p>	<p>Dr. Julius Ogeto 68, was appointed on 18th March, 2024 and he represents Professional Bodies. Dr Ogeto is a private medical practitioner in Nakuru County.</p> <p>Dr Ogeto has previous served as Chief Medical Officer at National Olympic Committee of Kenya, Nakuru Provincial General Hospital and Iten District Hospital.</p> <p>Dr Ogeto holds a Bachelor of Medicine and Surgery from University of Nairobi and a member of the Kenya Medical Practitioners and Dentist Council. In addition, Dr Ogeto is one of the medical practitioners who give medical care to Kenya Athletes both local and international.</p> <p>Committee Membership: Audit & Governance Committee and Technical & Social Committee</p>

Nakuru Water and Sanitation Services Company Ltd.

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

<p>5.</p>	 <p>Peter K. Kimani Non-Executive Director</p>	<p>Mr Peter Kimani 60, was appointed on 18th March, 2024 and he represents the Local Manufacturers.</p> <p>Kimani holds a Bachelor of Commerce degree from Inoorero University. He has Managerial and supervisory experience gained from Celerity and Howard Hunt, Croda Resin Ltd and Begg &Co thermoplastics, all of United Kingdom.</p> <p>Committee Membership: Finance & Staff Committee and Audit & Governance Committee</p>
<p>6.</p>	 <p>Rachael Maru Chepkorir Non-Executive Director</p>	<p>Rachael Chepkorir 50, was appointed on 18th March, 2024 and she represents Special Interest Groups.</p> <p>Rachael holds a degree in Bachelor of Science in Community Development at Egerton University and a Diploma in Technical Education Programme (TEP). Rachael has rich experience in community work sponsored by NGOs such as Kenya Red Cross.</p> <p>Rachael served as a nominated member of the County Assembly of Nakuru between 2017 to 2022.</p> <p>Committee Membership: Finance & Staff Committee and Audit & Governance Committee</p>
<p>7.</p>	 <p>Andrew K.Komen Non-Executive Director</p>	<p>Andrew Kibet 48, was appointed on 18th March, 2024 and he represents Local Business Community.</p> <p>He has a wide experience in the construction industry as well as a wealth of experience in large scale farming.</p> <p>Committee Membership: Finance & Staff Committee and Audit & Governance Committee</p>

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8.	 <p>Eng. James N. Gachathi Managing Director</p>	<p>Eng. Gachathi, 55, was re-appointed on 23rd October 2022 as the Managing Director. Before his appointment as the Managing Director in 2014, Eng. Gachathi was the Technical Manager having been appointed on 23rd October 2007.</p> <p>Before joining the Company, Eng. Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company. He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on - going student of MBA (Strategic Management Option) at Egerton University.</p> <p>He is the Board Secretary and has a rich experience in Water Sector spanning for over 28 years</p>
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Nakuru Water and Sanitation Services Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2025

4. KEY MANAGEMENT TEAM

The day-to-day operations of the Company is run by Corporate Management Team (CMT) headed by a Managing Director.

The following are the Corporate Management Team: -

NO	NAME	PROFILE
1.	 <p>Eng. James N. Gachathi Managing Director</p>	<p>Eng. Gachathi, 55, was re-appointed on 23rd October 2022 as the Managing Director. Before his appointment as the Managing Director in 2014, Eng. Gachathi was the Technical Manager having been appointed on 23rd October 2007.</p> <p>Before joining the Company, Eng. Gachathi was the Technical Manager of Nyahururu Water and Sanitation Company.</p> <p>He has a Degree in Bachelor of Science in Civil Engineering from University of Nairobi and on-going student of MBA (Strategic Management Option) at Egerton University.</p> <p>He has a rich experience in Water Sector spanning for over 28 years</p>
2.	 <p>CPA Isaac Mokaya Makori Finance Manager</p>	<p>CPA Makori, 55, was re-appointed on as the Finance manager on 18th May 2023. Before joining the Company in 2009, C Makori had previously worked at Pyrethrum Board of Kenya. He is experienced in Financial and Management Reporting, people management, monitoring and evaluation, Taxation and project Accounting. He served as a member of the Local Committee at Kenya Revenue Authority, Nakuru for 2 years and he also served as a BOM member in various schools.</p> <p>CPA Makori holds a degree in Bachelor of Commerce (Accounting Option) from Kenyatta University and an MBA (Finance Option) from Kenya Methodist University. He is a CPA (K) and a Member of the ICPAK. He is also a Certified M&E expert and a member of Kenya Institute of Management and has a certificate in Strategic Leadership Development Programme (SLDP) from the Kenya School of Government (KSG), Baringo Campus. He has 30 years of work experience.</p>
3.		<p>CPA Gathairu, 55, was re-appointed as the Commercial Manager on 18th May 2023. Before joining the Company in 2009, CPA Gathairu was an accountant with Kenindia Assurance Co. Ltd for 7years and Chief Accountant with Blue Shield Insurance Co. Ltd for 7years. He has a rich experience in finance and business development spanning for over 30 years.</p>

Nakuru Water and Sanitation Services Company Ltd.
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	<p>CPA James Muthee Gathairu Commercial Manager</p>	<p>CPA Gathairu holds a degree in Bachelor of Arts (Business Studies & Economics) from Kenyatta University and an MBA (Finance Option) from University of Nairobi. He has CPA (K) and he is a Member of ICPAK. He also has a certificate in Strategic Leadership Development Programme (SLDP) from the Kenya School of Government (KSG), Lower Kabete Campus.</p>
<p>4.</p>	 <p>CPA Joseph John Githinji Internal Audit Manager</p>	<p>CPA Githinji, 50, was re- appointed as the Internal Audit Manager on 1st November 2019.</p> <p>Before joining the Company 2013, CPA Githinji previously worked with M/s Kariru & Associates (Certified Public Accountants), Kenya Wildlife Service (KWS) (Ag. Manager Internal Audit and Mombasa Water (Internal Audit Manager).</p> <p>He has a rich experience in Accounting and Auditing spanning for over 25 years.</p> <p>CPA Githinji holds a degree in International Business Administration (Finance Option) from United States International University (USIU). He has CPA (K) and CS (K). He is a Member of the ICPAK and ICPS (K).</p>
<p>5.</p>	 <p>Willy Kibet Procurement Manager</p>	<p>Mr. Kibet, 37, was appointed on 1st March 2019. Before joining the company, Mr. Kibet worked as a Tutorial Fellow for Maseno University. Prior to Maseno University, he was Assistant Director Procurement, County Government of Bomet and seconded to Bomet Water Company.</p> <p>Kibet holds a degree in Purchasing and Supplies Management and a master degree in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a registered member of the Certified Procurement and Supply Professional of Kenya (CPSP-K) and the Kenya Institute of Supplies Management (KISM).</p> <p>He has a rich experience in procurement spanning over 14 years.</p>

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<p>6.</p>	 <p>Anthony Kipkurui Kamar ICT Manager</p>	<p>Mr Kamar, 37 was appointed on 1st March 2019</p> <p>Before joining the company, Mr Kamar worked with the Kenya Film Classification Board for 8 years as the Head of ICT. He has vast experience in project management, ICT security & audit and implementation of management information systems.</p> <p>Mr Kamar holds a bachelor’s degree in Business Management and IT from Kabarak university, an MBA (Operations Management) from the University of Nairobi; He is a member of the computer society of Kenya (FCSK).</p> <p>He has a rich experience in ICT spanning over 14 years.</p>
<p>7.</p>	 <p>Carditor W. Muchoki Human Resource & Admin. Manager</p>	<p>Ms Muchoki, 38 was appointed on 1st July, 2022. Previously she had worked as the Human Resource Officer.</p> <p>Muchoki holds a degree in Bachelor of Commerce (HRM Option) from Greta University and she is currently pursuing a Master of Science degree in Human Resource Management at Jomo Kenyatta University of Agriculture and Technology. In addition, she has a Higher National Diploma in Human Resource Management and a Diploma in Personnel Management.</p> <p>She is a Certified Human Resource Professional of Kenya, CHRP (K) and she is a full member of IHRM.</p> <p>She has 14years experience in Human Resource Management.</p>
<p>8.</p>	 <p>Gilbert Kipchumba Mutai Technical Manager</p>	<p>Eng. Mutai, 48, was appointed on 1st January 2023 as the Acting Technical Manager. Prior to his appointment, Mr. Mutai worked as the Water Distribution Manager from 2008.</p> <p>Mr. Mutai holds a Bachelor’s degree in Civil Engineering from Egerton University and Currently pursuing MSc in Construction Engineering and Management at Jomo Kenyatta University of Agriculture and Technology, he also has a Diploma in Water Technology and has pursued training in hydraulic Modelling (2022), Sustainable Urban water and sanitation in Sweden & Uganda (2017) and strengthening Capacity building in non-revenue water reduction in Tokyo Japan (2018). He is a member of the Engineers Board of Kenya (EBK) and IEK.</p> <p>He has rich experience in Water and Sanitation management spanning over 21 years</p>

5. CHAIRMAN'S STATEMENT

Am pleased to present to you an overview of the annual report and financial statements of the Company for the year ended 30th June 2025. The strong foundation that we have laid over time by embracing our vision to be the leading Water Utility in Kenya; supported by a robust governance structure; continue to drive growth in the Company.

Key Activities

During the year under review, the demand for water and sanitation services in Nakuru continued to increase due to expansion of Nakuru Town given the limited sources of water. The water demand was at over 75000m³ per day against an average target supply of 45000m³ per day which the National Government and County Government are addressing by increasing the number of the boreholes from 26 No. to 40 No. so as to bring more water to Nakuru City. During the year a total of 34132m³ (33190m³ 2023/24) per/day was achieved due to power failure and breakdown of pumps. This resulted to the company achieving an average of 20 hours of supply per a day.

On Non-Revenue Water (NRW), the Company achieved 26% (26% 2023/24) against the sector benchmark of 25%. This was done by continuing with the installation of master zonal meters and consumer smart enabled meters to monitor and track the flow of water and its losses. This exercise was undertaken so as to be able to measure the amount of water that is supplied to a particular area with a view of ascertaining the NRW.

Achievements

In the Water Services Regulatory Board 17th Impact Report the company was ranked No. 2 of the best performer in the county.

During the period under review, the company implemented various strategic goals on water and sanitation service improvement, operational efficiency and customer service, financial sustainability and institutional capacity strengthening.

The Company was involved in a number of initiatives which benefited the surrounding community and employees. The initiatives were in line with the right to quality water and sanitation services as enshrined in Article 41 & 43 of the Constitution 2010.

On the part of the community, the company continued to interact with its customers through social media such as WhatsApp, Twitter and Facebook on matters to do with water supply and interruptions. The Company also on its part of corporate social responsibility participated in the National tree planting activities which will go a long way in the efforts towards climate resilience.

During the year, the Company continued to supply water and sanitation to customers. The number of customers increased to 50286 No. (2023/24 49274).

On the part of the staff, the company continued with the implementation of the terms and conditions of service including the welfare activities.

Challenges

The cost of electricity was high due to the fact that over 90% of the water is from boreholes which are very expensive to operate. The company together with other water companies and development partners is looking for alternative sources power such as solar which will reduce the cost of electricity.

Nakuru Water and Sanitation Services Company Ltd.

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The Company is faced with the challenge of limited sources of water. The current water production capacity is 45000m³ of water per day against a demand of 75000m³ of water per day. This is being addressed through other mechanisms that include partnerships with County Government of Nakuru, Central Rift Valley Water Works Development Agency (CRVWDA) and National Government. However, the company received a conditional grant from Water Sector Trust Fund to drill 10 No. additional boreholes.

The construction of the Itare Dam water project funded by the Italian Government was stopped 7 years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100000m³ of water per day of which 70000m³ of water per day will get to Nakuru Town. The National Government and County Government of Nakuru are working towards getting another donor to fund the Itare Dam Project.

The company sewer coverage is at 31% due to low funding from the County/National Government. This is a great risk to the city as it may be faced with sanitation related diseases. However, through a project to be funded by KfW Bank under the Lake Nakuru Bio-Diversity Project the sewer network will be improved and expanded.

Future Outlook

Nakuru Town is among the fastest growing towns in Kenya. Its upgrade to a city status has attracted investors looking for business opportunities. Due to that, the Company has started positioning itself by improving on its systems and capacity building its staff to manage operations. The Company is also reaching out to development partners who have shown interest in funding the sewer network which currently has a low coverage of 31%. In addition, the company is exploring an alternative source of power such as solar so as to reduce on electricity costs.

Appreciation

Once again, I would like to extend our appreciation to the National/County Government of Nakuru, our business partners, customers and stakeholders for the continued support to the company.

To the management and staff, we thank you for your continued commitment to delivering improved and more reliable services to our customers and together we celebrate our achievements for the year 2024/2025.

Thank you and May God Bless You all


ERNEST K. MUIBU
CHAIRMAN, BOARD OF DIRECTORS

6. REPORT OF THE MANAGING DIRECTOR

I am happy to present the Annual Report and Financial Statements of the Company for the year ended 30th June 2025. This is the 21st annual report and financial statements for the Company and demonstrates how far we have come.

Key Activities

During the period under review, the company implemented various strategic goals on water and sanitation service improvement, operational efficiency and customer service, financial sustainability and institutional capacity strengthening. This was aimed at improving service delivery and ensuring achievement of set targets by emphasizing on areas of priority in the provision of water and sanitation services.

On Non-Revenue Water (NRW), the Company achieved 26% (26% in 2023/2024) against the sector benchmark of 25%. This was done by continued installation of master zonal meters and smart enabled consumer meters to monitor and track the flow of water and its losses.

On water quality, the company achieved 100% (100% in 2023/2024). This was done by ensuring that the turbidity levels in bulk water supply by the supplier met the required standards.

The company continued to utilize the Enterprise Resource Planning (ERP) System. The system integrates all functions of technical, commercial, human resource, procurement and finance. Further the system integrates with the banks for the collection of revenues. The system has brought a lot of efficiency in the operations and enhanced the company's technological and operational growth.

Financial Overview

During the year under review the company realized total revenue of Kshs1.198b (Kshs1.151b in 2023/2024). The revenue improved by Kshs47M as the company produced marginally more additional water compared to last financial year. However, NRW remained at 26% during the year under review.

General and operating costs reduced by Kshs31m due to decrease in electricity cost by Kshs29.7m, bulk water cost decreased by Kshs6.9m due as less volumes of water were purchased and regulatory levy decreased by 5.3m

Cost of maintenance went down by Kshs35.3m due to less measures put in place to fight non-revenue water such as maintenance of networks and less maintenance of company facilities.

Achievements

During the year under review, the Company continued to maintain satisfactory levels in service delivery. In the 16th Impact Report, Water Services Regulatory Board (WASREB) awarded the Company number 1 Water Service Provider in Kenya

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The water produced was distributed to customers equitably through a rationing programme making the company achieve an average water supply of 20 hours/day. The amount of water produced was an average of 34132m³ (33190m³ 2023/24) per day.

In order to improve on service delivery to customers, the company continued updating its social media platforms i.e. Facebook, twitter and customer WhatsApp. The campaigns mainly sensitized customers on bill payment modes, checking water bills via USSD - *483*81#, service interruption and infrastructure vandalism.

The company continued to improve staff competency in an effort to maintain good service delivery. The managers who are members of various professional bodies attended physical /virtual seminars, workshops and symposiums for the purpose of improving their skills, networking and job satisfaction.

On staff retention, motivation and welfare, the company ensured total compliance with all policies put in place including the terms and conditions of service. An enhanced 24-hour employee insurance cover (WIBA and GPA) was procured for all employees for injuries sustained in occupational and an executive medical cover was procured for all employees across the establishment.

On the part of the community, the company continued to interact with its customers through social media such as WhatsApp, Twitter and Facebook on matters to do with water interruptions. The Company also on its part of Corporate social responsibility participated in the National tree planting campaigns by planting trees at Nakuru Prisons and Mau Forest.

Challenges

The cost of electricity was still high due to the fact that over 90% of the water that the company supplies is from boreholes and paid an average of Kshs28.3m (Kshs.30.8m 2023/24) per month to Kenya Power. The boreholes are rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period of time. Further, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good. The company together with other water companies and development partners is exploring on the alternative sources of power such as solar which will reduce the cost of electricity.

The Company loses a lot of water currently at 26% (26% 2023/24) through technical means arising from old and dilapidated water infrastructure. Most of the current water networks were built many years ago and requires over Kshs1 billion to replace. The National/County Government through Central Rift Valley Water Works Development Agency (CRVWDA) and development partners are addressing this issue.

The sewer coverage is currently low at 31% and it is very expensive for the company to finance through the internally generated revenues.

The Company is faced with the challenge of limited sources of water as the current water production is 45000M³ of water per day against the demand of over 75000M³ of water per a day due low funding. This is being addressed through other mechanisms that include partnerships with County Government,

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National Government and other Development Partners. However, the company received a conditional grant from Water Sector Trust Fund to drill 10 No. additional boreholes.

Future Plans

The company remains fully committed to the provision of affordable and quality water and sanitation services to its customers. The company will continue working with all the stakeholders towards the improvement of water and sanitation services so as to continue being the leading water utility in the country.

Appreciation

I take this opportunity to thank the County Government, Shareholders, Board of Directors, Management, Staff, and other stakeholders for their mutual cooperation, and continued support.

Thank you and best wishes to you all.



Eng. JAMES N. GACHATHI
MANAGING DIRECTOR

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7.STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE YEAR 2024/2025

The Company has in place a 5 year strategic plan 2024-2029 that outlines the approach and direction that it intends to take in order to improve its performance and service delivery. The plan provides an integrated picture of where the Company is going over during the five years' period and serves as a communication vehicle for conveying its direction. The strategic plan demonstrates the company's focus areas or pillars, objectives, projects and the allocation of resources in response to its key strategic challenges.

The company has 4 strategic pillars and 11 objectives within its Strategic Plan. The strategic pillars include:

Pillar 1: Water and sewerage infrastructure development

Pillar 2: Operational efficiency and customer service

Pillar 3: Financial Sustainability

Pillar 4: Institutional Capacity Strengthening

The company develops its annual work plans based on the above strategic pillars. Assessment of the company's performance against its annual work plan is done on a quarterly basis.

In order to achieve its objectives, the company cascades down the key performance indicators and sign contracts with the corporate management team. A review of the performance indicators is carried out by the Board on a quarterly basis and corrective measures are put in place to correct any variation.

The company's performance during the year against the set targets in its 4 strategic pillars is as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
Water and sewerage infrastructure development	To supply enough water	Increase water production from 40,000m ³ /day to 60,000m ³ /day	Ensure that all borehole pump-sets are operational and are at least 90% of their capacities at all times. Ensure the new 14No. Boreholes are operational.	A total of 34132m ³ per/day was achieved. The shortfall was due to power failure, breakdown of pumps and reduction of bulk water supply by the supplier
Operational efficiency and customer service	Increase and maintain water supply hours from minimum 12 to at least 20 hours per day in all zones	Ensure water supply reliability does not fall below 18 hours per day at required pressures.	Maintain Service hours for distribution at 18 hours per day by producing enough water.	During the period the company achieved an average of 20hrs of supply per a day.

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
	Reduce Non-Revenue Water (NRW) to less than a sector benchmark of 25%	Install master, zonal and consumer meters to monitor and track water flow and losses	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which are more efficient. Carry out night flow water measurement at selected areas	The company achieved 26%. This was done through the various measures which were put in place
	To improve water quality to meet Kenya Bureau Standards	Enhance the water quality Compliance rate for Water from current 98% to 100%	Enhanced monitoring to ensure that the quality of water is within 90% of World Health Organization guidelines. Equip and maintain water laboratory to conduct daily tests.	The company achieved 100% water coverage by ensuring that the water from the bulk supplier which previously had high turbidity levels met the required standards.
Financial Sustainability	To enhance financial sustainability of the Company	Improve revenue collection from the current Kshs90M to Kshs117M per month.	Maintain the E-billing system. Market to customers the alternative modes of bills payments available. Carry out water meters calibration and replacement of faulty meters to ensure the appropriate amount of revenue is received for water supplied.	The Company achieved an average of Kshs99.8m per month as the sources of water remained the same.
		Maintain the collection efficiency at 100%	Enhance utilization of electronic payment system and open more pay points. Set targets for the debt collection unit and facilitate the team. Carry out customer sensitization and enforcement of disconnections.	The Company achieved a collection efficiency of 97% due to non-payment by some customer whose incomes were affected by inflation.
		Maintain the metering ratio at 100%	Identify and meter all the un-metered customers. Keep sufficient meters in the store.	The company achieved 100% metering ratio

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievement
		Reduce Non-Revenue Water (NRW) to sector benchmark of 25%	Carry out distribution line patrols to identify all illegal connections. Install smart customer meters which more efficient. Carry out night flow water measurement at selected areas	The company undertook replacement of old meters and faulty meters with smart meters which have high accuracy levels. This reduced NRW was maintained at 26%.
Institutional Capacity Strengthening	Attract, develop, motivate and retain highly motivated and disciplined staff.	To improve staff productivity	Sign performance-based contracts with staff aimed at improving performance. Carry out a training need assessment and implement the same.	This was done through the signing of contracts between the Board and Corporate Management Team and the same cascaded to every level of employees in the Company.
	Embrace emerging technologies and innovations to improve efficiency and effectiveness.	Adopt integrated technological systems	Maximize the utilization of the Enterprise Resource Planning (ERP) system. Identify other areas which require new technology	The Company utilized the ERP system to improve efficiency on the service delivery and the provision of timely reports for prompt decision making. The company implemented a GIS system for the mapping its customers and water & sewer network.

8. CORPORATE GOVERNANCE STATEMENT

The Board of Directors of NAWASSCO is responsible for the overall management of the Company and is committed to ensuring that its business and operations are conducted with integrity, professionalism, and in compliance with the relevant laws, internationally accepted principles and best practices in corporate governance including the Guidelines on Corporate Governance issued by the Regulator, WASREB.

The Corporate Governance of NAWASSCO takes place within a framework which exists to regulate and/or guide the conduct of Board members, staff, customers and members of public in assessing the Company's facilities and services. The objective of the framework is to provide for the effective, ethical and accountable governance and management of the Company.

The key instruments within the governance framework include: -

1. The Kenya Constitution 2010
2. The Water Act 2016
3. The Companies Act 2015
4. The Public Financial Management Act 2012
5. The Public Financial Management Regulation 2015
6. The Public Procurement and Asset Disposal Act 2015 and 2020 regulations
7. Employment Act 2007
8. The NAWASSCO Service Charter
9. NAWASSCO approved policies and procedures
10. WASREB Water Sector Guidelines

The Board of Directors

The Company Board of Directors are appointed in accordance with section 69 of the Company's Articles of Association.

Roles and Functions of the Board

The Board is responsible for drawing and implementing strategies for the long term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management.

The Board of Directors are responsible for the following: -

- (i) Implementation of Memorandum and Articles of Association

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- (ii) Provision of guidelines and control function of the Company
- (iii) Approval of the organization structure and maintenance of staff terms and conditions of service
- (iv) Approval of company strategic plans, business plans and budgets
- (v) Provision of management guidelines
- (vi) Approval of major contracts/projects
- (vii) Approval of tariff adjustments
- (viii) Approval of annual reports and financial statements
- (ix) Prudent investment of funds to ensure continuity of services
- (x) Appointment of Corporate Management Team

Composition of the Board

The Board is composed of eight (8) non-executive Directors including an independent Chairman and one (1) executive director who is also the Managing Director and Board Secretary. The Directors represent various stake holding within its service area. They have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

On appointment, each Director is provided with a comprehensive and tailored induction process covering the Company's business operations and also provided with information relating to their legal and regulatory obligations.

All the Directors except the Managing Director and representatives of the County Government are required to submit themselves for re-election in accordance with the Company's Articles of Association.

Board Meetings

The Board of Directors hold quarterly meetings as per the Company's Board calendar. The Chairman may at any time that may be deemed necessary call a special meeting where there are urgent matters requiring Board attention and/or resolution. The board meetings are governed by the same rules regarding meetings as are applicable to the Company. The Chairman in consultation with the Managing Director sets the agenda, date and time of the meeting with members receiving a fourteen (14) days written notice or such period that may be agreed on from time to time.

Meetings are held at the registered office of the Company. A quorum for meetings requires two-thirds of the total number of members. Members may appoint one of their own to preside over the meeting in the absence of the Chairman. Decisions are made unanimously or by majority votes of the members present. The Chairman has a casting vote in the event of a tie of votes. The board minutes are prepared and circulated two weeks after the meeting and the signed minutes are kept by the Board Secretary.

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During the year under review the Board conducted nine (9) meetings.

Board Committees

The Board constituted three (3) sub-committees chaired by one director in each, namely; Finance and Staff, Technical and Social; and Audit and Governance. Each committee is required to meet four (4) times in one financial year. During the under review, the Finance and Staff committee met six (6) times, Technical and Social committee met four (4) times while the Audit and Governance committee met four (4) times.

The Board appoints other committees as and when necessary. During the year the Adhoc Committee met three (3) times.

The Board Charter

The company has in place a charter which was reviewed in June,2024. The Board Charter guides the Full Board in its operations and also to set the boundaries for the work of the Board. It outlines the functions of the Board and its role in the achievement of the Company's strategic objectives.

The Charter is reviewed at least annually or from time to time when it is appropriate. This Charter is available to all members of the Board for application and to the stakeholders for information.

Appointment and Removal of the Board

The Board consists of nine (9) members as guided by clause 69 of the company Memorandum and Articles of Association. The directors represent a mix of skills and the requirement of gender parity. The board is headed by a board chair who is elected by the members.

All the Directors except the Managing Director and representatives of the County Government are required to submit themselves for re-election in accordance with the Company's Articles of Association which states that a director shall be in office for a period of three (3) years but eligible for re-election for another period of three (3) years.

Board Succession Plan

In accordance with clause 69 of the company Memorandum and Articles of Association, all the Directors upon appointment except the Managing Director and representatives of the County Government are required to submit themselves for re-election for another term of Three (3) years after being be in office for the first Three (3) years. However, if all the directors were appointed on the same date then a die shall be cast to determine the one to retire first.

Induction and Training of the Board

On appointment, Board members are taken through appropriate orientation program besides continuing capacity building on regulatory and market developments and periodic management briefs for effective discharge of their oversight duties. The induction programme provides the Board member with an orientation of the company, strategic plans, financial status and policies, risk management, compliance

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programmes and the Code of Conduct and Ethics. The directors are also provided with information relating to their legal and regulatory obligations.

During the year the Board visited the company facilities and held training on corporate governance & leadership and risk management. They also reviewed the various company operating policies and procedures manuals

Board and Member Performance

The Board undertakes an annual review of its performance including that of its Committees within the provisions of its annual calendar of activities in guiding the Company to meet its mandate of providing water and sanitation services to the residents of Nakuru East and Nakuru West and its environs.

Conflict of Interest

The Board individually or collectively upholds ethical behavior and practice and expects any member with a direct and/or remote interest on a matter before it to, in good faith, excuse himself or herself from such deliberations including subsequent vote on such matter.

Board Remuneration

The Board of Directors are remunerated for their services in accordance with the prevailing relevant legislative provisions and/or as per the resolution of the shareholders during the Annual General Meeting. Each Director is also entitled to a medical cover over the tenure of directorship. The Chairman is in addition entitled to a fixed monthly honorarium and telephone allowance.

Board Ethics and Conduct

The Company adopts high ethical standards and applies strict rules of conduct, based on the best corporate practices. As part of this commitment, the Board of Directors adheres to good corporate governance by embracing the following principles:

1. Observe high standards of ethical and moral behavior;
2. Act in the best interests of the organization;
3. Remunerate and promote staff fairly and responsibly;
4. Recognize the legitimate interests of all stakeholders; and
5. Ensure that the Company acts as a good corporate citizen.

The Directors are required to act in the best interest of the Company and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favoring the interests of the Company over other interests. They act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency.

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Board Governance Audit

The Board ensures that a governance audit of the Company is undertaken on an annual basis. The purpose of the governance audit is to ensure that the Company conforms to the highest standards of good governance.

The governance audit covers the following parameters among others:

- (a) Leadership and strategic management;
- (b) Transparency Reporting and disclosure;
- (c) Compliance with Laws and Regulations;
- (d) Communication with stakeholders;
- (e) Board independence and governance;
- (f) Board systems and procedures;
- (g) Consistent shareholder and stakeholders' value enhancement; and
- (h) Corporate social responsibility and investment

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9. MANAGEMENT DISCUSSION AND ANALYSIS

1. Operational and Financial Performance

Service Delivery

On Service Delivery the following was achieved against the set targets:

Target Description	Target	Actual	Comments
Water Coverage (%)	95	95	The target was maintained as the company had not established new water sources due to financial constraints. However, 14 No. new boreholes will bring more water to increase the coverage.
Drinking Water Quality Standards (%)	100	100	The company the achieved water quality of 100% by ensuring that the water from the bulk supplier meets the standards by regular testing of the samples.
Non-Revenue Water (NRW)%	25	26	The company maintained NRW at 26% (2023/24 24%) compared to the sector benchmark of 25%. The water losses occurred through technical and commercial ways. In the technical ways, water was lost through leaks and bursts while in the commercial ways water was lost through illegal connections and meter tampering which the Company is addressing.
Hours of Supply (Hrs)	20	20	This was achieved due to the rationing Programme during the period.
Metering Ratio (%)	100	100	This was achieved due to the efforts which the company put in place to achieve 100% metering ratio so as to stop billing on estimates.
Revenue Collection Efficiency (%)	96	97	This was achieved.

Financial Performance

During the year under review the company realized total revenue of Kshs1.198b (Kshs1.151b in 2023/2024). The revenue improved by Kshs47M as the company produced marginally more additional water compared to last financial year. However, NRW remained at 26% (2023/24 26%) during the year under review.

General and operating costs reduced by Kshs31m due to decrease in electricity cost by Kshs29.7m, bulk water cost decreased by Kshs6.9m due as less volumes of water were purchased and regulatory levy decreased by 5.3m

Cost of maintenance went down by Kshs35.3m due to less measures put in place to fight non-revenue water such as maintenance of networks and less maintenance of company facilities.

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2. Key Projects / Investments Decisions Implemented or Ongoing.

i. Smart Water Enabled Meters

The company continued with the installation of new customer smart ready meters which are more efficient with an aim of raising revenues and reduction of NRW. The company installed smart meters amounting to Kshs12.5m. In addition, 9941No. customer meters were installed using a grant of Kshs55m from World Bank through Water Sector Trust Fund.

ii. New Computers and Accessories

The Company procured new computers and other accessories at a cost of Kshs2.6m which were required for the replacement of the old ones.

iii. Replacement of Pumps and Motors

The Company replaced some of the old and inefficient pumps with the aim of increasing water production and reduction of maintenance costs. During the year the company replaced broken pumps and motors amounting to Kshs12.2m

iv. Water Network Extension

During the year under review, the company extended its network of various sizes at a cost of Kshs15.8m

3. Compliance with Statutory Requirements

The company is in compliant with the various statutory and legal requirements including: -

Salaries Deductions - The salaries and allowances were paid on time and remittances of statutory deductions to Pension Scheme, KRA, NSSF, SHA and SACCOs were done on or before due dates. As a result, the company won a trophy from its Pension Administrator –CPF for timely remittance of pension contributions in the water sector.

VAT. - The Company being a VAT withholding Agent of KRA was able to remit and file monthly returns on time.

Corporation Tax – The tax return was promptly filed with KRA

NEMA – The requirements were complied with by obtaining the licenses for our sewerage treatment plants and regular monitoring through our ISO certified laboratory to ensure that the discharges to the environment meet the standards.

WASREB - Levies were remitted promptly.

WRA - Water abstraction fee was paid promptly.

NITA - Industrial training levy was remitted on a monthly basis

However, an amount of Kshs5, 562,345 owed to National Social Security Fund has not been paid as it relates to the liabilities which were inherited from the defunct Municipal of Council of Nakuru in year

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2004. The Company disputed the amount because it was informed that the debt had been settled during the time of Local Authorities Transfer Fund (LATF) and County Government of Nakuru is currently assisting the employees who are retiring to access their benefits.

4. Major Risks Facing the Organization

Various major risks are currently facing the company. These include: -

i. Water Bills Amount Owed by the County Government of Nakuru- Kshs28.8m

The County Government of Nakuru currently owed the company several months' water bills amounting to Kshs28.8m which they have not settled despite several meetings and reminders.

ii. Water Bills Amount Owed by the Defunct Municipal Council of Nakuru (MCN) - Kshs215M

The former MCN owed the Company Kshs215m which led the company to face a lot of financial difficulties in settling debts which had accumulated. We were informed that the amount owed by the defunct MCN was handed over to the defunct Transitional Authority which is yet to be settled.

iii. VAT Refund Claims Owed by Kenya Revenue Authority (KRA) - Kshs15M

The Kenya Revenue Authority (KRA) owes the Company VAT refund claims amounting to Kshs15m relating to period between the year 2015 and 2018 before water and sewerage services moved from VAT zero rated to VAT exempt. The company has made several follow ups but the amount is yet to be paid.

iv. High Kenya Power Monthly Bills Aaveraging Kshs28.3m per month

90% of the water that the company supply is from boreholes. The boreholes are rather deep and thus expensive to run in terms of energy costs (electricity). In addition, the cost of electricity is unpredictable as it keeps on rising while our water tariff is fixed for a period of 5 years. Further, there is no special tariff for the water sector that would make the services cheaper given that we offer a social good. However, the company is exploring on the alternative sources of power such as solar so as to reduce electricity costs

v. Scarce Sources of Water

The Company is faced with the challenge of limited sources of water. The current water production capacity is 45000m³ of water per day against a demand of 75000m³ of water per day. This is being addressed through other mechanisms that include partnerships with National/County Government, Central Rift Valley Water Works Development Agency (CRVWWDA) and National Government.

The construction of the Itare Dam water project funded by the Italian Government was stopped years ago due to the financial difficulties facing the contractor. The project was expected to produce over 100,000m³ of water per day of which 70,000m³ of water per day will get to Nakuru Town.

vi. Water Loss through Old and Dilapidated Water Infrastructure.

The Company loses a lot of water through technical means arising from old and dilapidated water infrastructure. The role of the company is limited to proper management and introduction of efficiency measures while the Central Rift Valley Water Works Development Agency (CRVWWDA) and County

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Government is supposed to provide the water infrastructure. Most of the current water network was built many years ago and requires over Kshs1 billion to replace. This is the work of the National Government through Central Rift Valley Water Works Development Agency (CRVWWDA) who is the asset developer.

vii. Non-Revenue Water (NRW)- 26%

The water sector is faced with the challenge of water losses which is at 60% nationally and 29% at our company level with the acceptable level being at below 25%. This contributes to loss of revenues for water companies thus making water expensive. The water losses occur through technical and commercial ways. In the technical ways water is lost through leaks and bursts while in the commercial ways water is lost through illegal connections and meter tampering which the Company is addressing.

viii. Low Sewerage Coverage - 31%

The company sewerage coverage was at 31% during the year due to low funding from the National/County Government and development partners. The coverage is still low and it is a great risk to the town residents as they may be faced with sanitation related diseases. However, through a project to be funded by KfW bank under the Lake Nakuru Bio-Diversity Project the sewer network will be improved and expanded. A consultant has been engaged to carryout preliminary designs and assist in the procurement of a contractor and supervise the works.

5. Material Arrears in Statutory and other Financial Obligations

i. Central Rift Valley Water Works Development Agency (CRVWWDA) Administrative Fees – Kshs 275.8M

The outstanding payment to CRVWWDA is as a result of the instructions which the Company received from the County Government of Nakuru in the year 2015 not to pay. The Company is waiting for the decision of the County Government on the way forward.

ii. Central Rift Valley Water Works Development Agency (CRVWWDA) Lease fees – Kshs220.2M

The amount relates to a loan which was acquired from African Development Bank (AfDB) by Central Rift Valley Water Works Development Agency (CRVWWDA) for the construction of the Ol Banita Well Field. According to the documents provided by CRVWWDA, the Government of Kenya acting through its Ministry of Finance in the year 2005 signed a loan agreement with CRVWWDA for financing of projects to improve water supply and sanitation services in its area of jurisdiction. The loan was from African Development Bank (AfDB) to the Government of Kenya for on-lending to the CRVWWDA.

The Principal loan amount was Kshs1, 367,823,916.00 at an interest rate of 2.5% p.a over a tenor of 30 years including a grace period of 5 years which after completion of the various projects in each Company's area of jurisdiction was shared proportionately according to the projects undertaken. The portion for NAWASSCO was Kshs.994, 706,658 (revised to Kshs991,267,572 in the year 2020) which the Company is paying through CRVWWDA at Kshs39, 468,544.80 p.a.

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iii. Former Ministry of Water & Natural Resources- Kshs168m

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1st June 2004. To facilitate this service provision, certain operational assets and liabilities were assigned to the company by the Director of Water – Ministry of Water Resources Management and Development. The operational assets included customer accounts amounting to Kshs443, 091,806 while the operational liabilities included amounts due to National Water Corporation Kshs.168, 490,370, KPLC Kshs. 45,108,015, Staff pension contributions to LAP Trust Kshs6, 145,100 and NSSF Kshs5, 562,345 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance. The amounts owing to KPLC Kshs 45, 108,015 and LAP Trust Kshs 6, 145,100 have since been paid.

The company through the Central Rift Valley Water Works Development Agency (CRVWWDA) is negotiating with the Ministry of Water and Sanitation, Ministry of National Treasury and Water Conservation and Pipeline Corporation to write off the liability of Kshs168, 490,370 because the majority of the customer arrears which were inherited turned out to be unrecoverable.

iv. Benisa Construction Ltd Kshs73.4M

Kenya National Highway Authority (KeNHA) funded the relocation of water and sewer network along the road project section III: Barnabas-Njoro turn off at Kshs 642.5 million in January 2021. The company contracted for the works on behalf of KeNHA and the project was completed in December 2022.

The contractor has been paid a total Kshs 568.2 million and the company is waiting for KeNHA to disburse the balance of Kshs 73.4 for the final certificate so as to pay the contractor.

v. National Social Security Fund- Kshs5.5m

As explained in No. 5(iii) above, this is part of the liabilities which were inherited from the defunct Municipal of Council of Nakuru (MCN) in the year 2004 and it is under dispute because we were informed that the debt was settled by the defunct MCN during the time of Local Authorities Transfer Fund (LATF) and the County Government of Nakuru is assisting the employees who are retiring to access their benefits.

The above payment arrears were caused by various challenges facing the company. These include:

a) Water Bills Amount Owed by the County Government of Nakuru- Kshs28.8M

The County Government currently owes the company Kshs28.8m which they had not settled despite several meetings and reminders. We are hoping that the County Government will soon settle their water bills arrears for the smooth running of operations.

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b) Water Bills Amount Owed by the Defunct Municipal Council of Nakuru (MCN)- Kshs215m

The former MCN owed the Company Kshs215m which they refused to pay but continued demanding for services which led the company face a lot of financial difficulties in settling its debts which continued to accumulate. The company was forced to settle some of the urgent debts which included employee pension deductions thus affecting the settlement of the outstanding debts.

We were informed that the amount owed by the defunct MCN was transferred to the County Government of Nakuru and handed over to the defunct Transitional Authority who also handed it over to the National Government which is yet to pay.

However, in July, 2021 the team from the Office of the Auditor while carrying out the exercise of confirming pending payments owed by County Government was able to confirm the same.

c) VAT Refund Claims Amount Owed by Kenya Revenue Authority (KRA) –Kshs15m

The water and sanitation services were previously charged VAT at zero rate (0%) and the company was entitled to claim VAT input which the Kenya Revenue Authority (KRA) stopped refunding in February, 2015 due to the misinterpretation of the treatment in VAT Act (Cap 469) arising from sewer services.

The company got a favorable interpretation of the VAT Act but water and sewerage services moved from VAT zero rated to VAT exempt. In 2018 the refunds started being settled with a balance of Kshs15m remaining as at 30th June, 2025 despite several follow ups.

d) Project Amount owed by Kenya National Highway Authority Kshs73.4M

Kenya National Highway Authority (KeNHA) funded the relocation of water and sewer network along the road project section III: Barnabas-Njoro turn off at Kshs 642.5 million in January 2021. The company contracted for the works on behalf of KeNHA and the project was completed in December 2022.

The contractor was paid a total Kshs 568.2 million and the company is waiting for KeNHA to disburse the remaining balance of Kshs 73.4m for the final certificate.

6. Review of the Kenyan Economy

In line with the strategies outlined under Vision 2030, the Government has been implementing the “Big Four” Agenda over the past three years. The Agenda is designed to help achieve the social and economic pillars of our Vision 2030 and the development aspirations espoused in the Kenyan Constitution. Actualization of policies and programmes under each pillar is expected to accelerate and sustain inclusive growth, create opportunities for decent jobs, reduce poverty and income inequality and ensure that we create a healthy and food secure society.

During the period, the Company continued with the provision of water and sanitation services which are among the basic necessities of human life.

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7. Review of the Sector

The Kenyan vision 2030 goal on water and sanitation under the social pillar is access to water and sanitation services for all by 2030. Kenya is water scarce country and thus the achievement of this goal may not be achieved if resources are not set aside for development and expansion of the sector.

Water is perceived as a social good which should be provided for free thus affecting the willingness to pay for water services.

The other main issues in Kenya water sector are around the quality of water, continuity of water supply and waste water management.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Company exists to transform lives through the provision of water and sanitation services. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on 5 pillars: putting the customer/citizens first, delivering relevant goods and services, improving the welfare of its employees, conserving the environment and improving operational excellence.

Below are the company achievements for each pillar during the period under review: -

1. Sustainability Strategy and Profile

The Company recognizes the fact that the way in which it conducts its activities financially has a bearing on those with an interest in its work. The Company's Financial Regulations reinforce its core values in informing policy, practice and guidance to staff of the Company to ensure fair and ethical financial practices.

During the year under review, the Company's financial activities were undertaken with reference to the following guidelines and policies:

- 1) Directors and staff code of conduct
- 2) Public officer's ethics
- 3) Public Procurement and Assets Disposal Act 2015 and 2020 Regulations
- 4) Public Finance Management Act 2012 and 2015 Regulations

As part of the conditions of employment, all staffs were required to follow such policies and guidelines to ensure the Company conducted its activities in an appropriate manner.

The company has in place a 5-year strategic plan (2024-2029) which guided of the activities which were to be carried out and the revenues to be generated. The company was able to meet all its financial obligations which enabled the operations to continue.

2. Environmental Performance

The Company recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts.

The Company also ensured that discharge to Lake Nakuru National Park met the required standards by conducting regular tests through its laboratory which is ISO certified.

The Company supported initiatives that minimize its impact on the environment and helped create a sustainable community by working closely with National Environment Management Authority (NEMA) and various County departments such as the Environment and Public Health to enhance and protect the environment around us. The Company through its subsidiary company NAWASSCOAL, developed briquettes (charcoal) called Makaa.com from human waste (faecal matter).

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During the year the company continued with utilization of the grant from WWF Kenya towards supporting the gazettement of Kabatini aquifer and protection of 2No. springs at Njoro in Nakuru County. Kabatini aquifer is a very strategic aquifer that contributes 36% of Nakuru city water needs and Bahati sub county. The company engaged the community and other stakeholders in mapping the Kabatini area, identify recharge areas, and develop zoning plans for land use and protection measures. The project will set limits for groundwater use,

3. Employee Welfare

The Company is committed to being a good employer, and contributes positively to the creation of employment in the Country and Nakuru County. Our mission is to foster an environment where employees feel recognized for their contributions, appreciated for their individuality, and challenged to do their best. As an employer the Company is committed to ensuring that all the employees are fully supported in their work, have a decent working environment, are fairly rewarded, and maintain a good work-life balance. The Company recognizes staff trade unions that represent and protect their interests. The Company offers competitive terms and conditions of service to its employees. The Company has in place two retirement benefits schemes (LAP Trust and NSSF) for its staff which provides earnings during the retirement period. In addition, the Company has a medical and accident cover for its staff.

The Company carries out employee satisfaction survey after every two years with a view of improving the conditions and working environment of its employees and keep in touch with emerging employee issues. During the year, the Company put in place many ways to contribute positive changes to its employees including on-job training, participation at the water companies' games and sports and bench marking sessions that develop the employees and ensure that the company's vision is achieved.

4. Market Place Practices

The company puts in place a lot of measures to ensure customer satisfaction. Annually, the company conducts a customer satisfaction survey to ascertain whether the efforts put in place by the company are felt by the customers and any issues raised are addressed promptly.

The Company is committed to service delivery to its customers by creating a customer friendly environment. This was done by use of customer voice and choice system which records all customer complaints by assigning a ticket number for provision of feedback once the complaints are resolved.

During the year under review, the company continued serving its customers by paying their water bills from the nearest points such banks and their agents (Co-operative, Family & Equity), Mpesa and Posta.

5. Corporate Social Responsibility /Community Engagement

During the year the Company ensured that water was available and was distributed equitably to all the customers and that the sewer systems were maintained.

Through maximizing access to safe drinking water, especially for vulnerable communities – Low Income Areas, the company was able to maintain where possible, water service continuity, proper treatment and accessibility for all. In the Low-Income Areas, the water points were increased through several water kiosks that provided water at a subsidized rate of Kshs2.00 per litre.

11. REPORT OF THE DIRECTORS

The Board of Directors submit Report together with the Financial Statements for the year ended 30th June, 2025 which shows the state of the Company's trading affairs and financial position.

Principal Activities

The principal activities of the company are the provision water and sanitation services.

Results

The results of the Company for the Year ended 30th June, 2025 are set out on page 1 to 40. The net surplus for the period of **Kshs 38,655,975** which has been added to retained earnings.

Dividend

The Board of Directors did not declare any dividends for the year ended 30th June, 2025.

Directors

The members of the Board of Directors who served during the year and to the date of this report are shown on page vii to xi. In accordance with regulations of the Company Memorandum and Articles of Association, Directors serve for a term not exceeding three (3) years renewable for another one term.

Auditors

The Auditor-General is responsible for statutory audit of Nakuru Water and Sanitation Services Company Ltd in accordance with article 229 of the constitution of Kenya and Public Audit Act 2015,

By order of the Board



Eng. JAMES N. GACHATHI

SECRETARY TO THE BOARD

Dated 24 / 11 / **2025**

Nakuru Water and Sanitation Services Company Ltd.
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12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and Section 638 of The Kenyan Companies Act, 2015 require the Directors to prepare financial statements in respect of the Company, which give a true and fair view of the state of affairs of the Company as at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. Directors are also responsible for safeguarding the assets of the 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 of the company for and as at the end of the financial year (period) ended on June 30, 2025. This responsibilities includes; (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintain proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards (IFRS), the manner required by the Public Financial Management Act, 2012, the Water Act, 2016 and the Kenyan Companies Act, 2015.

The Directors are of the opinion that the company's financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company'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 the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company's financial statements were approved by the Board on 27th August 2025 and signed on its behalf by:


ERNEST K. MUIBU
CHAIRMAN, BOARD OF DIRECTORS


JAMES N. GACHATHI
MANAGING DIRECTOR



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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nakuru Water and Sanitation Services Company Limited set out on pages 1 to 54, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section

35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Nakuru Water and Sanitation Services Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water (Amendment) Act, 2024 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Non-Disclose Material Uncertainty Related to Going Concern

The statement of financial position reflects current liabilities balance of Kshs.1,422,337,929 which exceeds the current assets balance of Kshs.1,363,752,014 resulting to a negative working capital of Kshs.58,585,915. The Company is therefore technically insolvent and its ability to continue as a going concern is dependent upon support from the County Government and its creditors. However, this material uncertainty has not been disclosed in the financial statements. The statement of directors' responsibilities in the financial statements, states that nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the next twelve (12) months from the date of the statement.

In the circumstances, the Company's ability to meet its short-term obligations could not be confirmed.

2. Unsupported Agency Lease Fees

The statement of profit or loss and other comprehensive income reflects general and operations expenses amount of Kshs.664,964,362 which as disclosed in Note 11 to the financial statements includes a balance of Kshs.39,468,544 in respect of CRVWWDA lease fees. As previously reported, the lease fees relate to repayment of loan of Kshs.994,706,658 procured from the African Development Bank (AfDB) through the defunct Rift Valley Water Works Development Agency (RWWDA) in the year 2005. Management has not provided evidence to indicate that the Company has taken possession and ownership of the assets financed by the loan. Although the company continues to service it, the outstanding loan balance of Kshs.1,103,301,036 is not reported in the financial statements as required by the standards. This is also in breach of Section 628(3) of the Companies Act, 2015 which requires accounting records of the Company to contain day-to-day entries of all amounts of money received and spent.

Further, Central Rift Valley Water Works Development Agency (CRVWWDA) reflects a receivable amount of Kshs.54,289,608, in its financial statements, in respect of loan repayment from Nakuru Water and Sanitation Services Company Limited resulting in a variance of Kshs.1,049,011,428 between the two sets of financial statements

In the circumstances, the accuracy and completeness of the CRWWDA lease fees amount of Kshs.39,468,544 could not be confirmed.

3. Lack of Valuation of Fully Depreciated Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.661,701,348 as disclosed in Note 16 to the financial statements. However, review of records revealed that several categories of assets with a total historical cost of Kshs.175,047,113 were fully depreciated assets as at 30 June, 2025 as detailed in the table below;

S/No.	Details of Assets	Amount (Kshs)
1	Water Meters	80,408,753
2	Water sewers and infrastructure	14,439,957
3	Pumps and motors	48,157,781
4	Motor vehicles including motorcycle	6,444,285
5	Computer and related equipment	11,156,380
6	Office equipment, electric fence, furniture and fittings	14,439,957
	Total	175,047,113

Further, it was observed that the assets are still in use and as such the Company continues to derive economic benefits from them and incurring costs such as fuel, repairs and maintenance. Management has not given a satisfactory reason as to why these assets have not been revalued to reflect their fair values in the financial statements.

In the circumstances, the accuracy, completeness and existence of the property, plant, and equipment balance of Kshs. 661,701,348 as at 30 June, 2025 could not be confirmed.

4. Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.904,320,543. Review of records revealed the following anomalies: -

- i. Included in the balance is an amount of Kshs.408,948,464 owed by 13,425 customers whose water accounts have been terminated or remained dormant for a period exceeding one year. The management has not demonstrated the measures taken including legal action to enforce collection of the debts.
- ii. Further, the balance includes an amount of Kshs.241,883,014 owed by the County Government of Nakuru on account of sale of water and sewerage services. Out of this balance, an amount of Kshs.215,703,436 was accrued by the defunct Municipal Council of Nakuru which was transferred to County Government of Nakuru and remained outstanding since its takeover in the year 2013. There was no evidence of any steps being taken by the Company to recover the long overdue amount. Further, records maintained by the County Government do not reflect any pending bills payable to the Company.

- iii. In addition, the balance of Kshs.408,948,464 includes an amount of Kshs.17,477,375 loaned to NAWASSCOAL Company Limited, a wholly owned subsidiary of the Company. However, the loan amount was unsupported by way of loan agreement or repayment plan. The balance remained the same from the previous year, which is an indication that the subsidiary Company is not repaying the loan as expected. Note 20 to the financial statements further disclosed that the loan had an accrued interest amount of Kshs.4,641,224 as at 30 June, 2025.
- iv. The balance also included VAT recoverable from Kenya Revenue Authority of Kshs.15,093,230 which has been outstanding for more than a year and was not supported with a repayment plan. In addition, Note 20 to the financial statements disclosed that an amount of Kshs.3,219,256 in respect of four (4) staff debtors has remained outstanding from the financial year 2022/2023 and had not been repaid.
- v. Note 20 to the financial statements indicates that included in the trade and other receivables balance of Kshs.904,320,543 is an amount of Kshs.759,942,214 in respect of trade receivables. Further, the ageing analysis provided reflects that included in the latter balance is an amount of Kshs.736,437,999 or 97% of the trade receivables, which was due for more than sixty (60) days. Management has not provided an explanation on the steps the Company intends to take to recover these long outstanding debts.

In the circumstances, the accuracy, completeness and the recoverability of the trade and other receivables balance of Kshs.904,320,543 could not be confirmed.

5. Unsupported General Reserve Balance

The statement of financial position reflects general reserve balance of Kshs.262,893,992 as disclosed in Note 24 (a) to the financial statements. The balance comprises of operational assets and liabilities amounting to Kshs.443,091,806 and Kshs. (180,197,815) which were inherited from the defunct Nakuru Municipal Council. However, as reported in the previous year, the balance was not supported by a detailed ledger of customer accounts and the deed of transfer.

In the circumstances, the accuracy and completeness of the general reserves balance of Kshs.262,893,992 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget revenue and actual on comparable basis amounts of Kshs.1,415,275,869 and Kshs.1,200,771,153 respectively resulting to an underfunding of Kshs.214,504,716 or 15% of the budget.

The under collection of revenue affected the Company's planned activities and may have impacted negatively on service delivery to the residents of Nakuru County.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which have remained unresolved as at 30 June, 2025 as detailed out below.

S/ No.	Audit Matter
1.	Failure to disclose material uncertainty related to going concern
2.	Unsupported central rift valley water works development agency lease fees
3.	Unsupported inventory balance
4.	High Non-Revenue-Water (NRW)
5.	Inefficient use of electricity
6.	Irregular board composition
7.	Trade and other payables i. Long outstanding trade and other payables ii. Long outstanding debt to Central Rift Valley Water Works Development Agency iii. Long outstanding debt to African Development Bank
8.	Long outstanding trade and other receivables

Other Information

The Directors are responsible for the Other Information set out on page iv to xxxviii which comprise of Key Company Information, Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the

work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Presentation and Disclosure of the Financial Statements

Review of the Company's financial statements revealed that the age of two (2) non-executive directors has not been not indicated in the Board of Directors section. Further, key academic/professional qualification of one (1) non-executive director was not indicated.

In the circumstances, Management did not comply with the recommended reporting template by the Public Sector Accounting Standards Board (PSASB).

2. Irregular Board Composition

The statement of profit or loss and other comprehensive income reflects board expenses amounting to Kshs.20,026,258 as disclosed in Note 12 to the financial statements. Review of records revealed that the Company operated with eight (7) Non-Executive Board members and one (1) Executive Board member during the year under review. Further, the nine (8) Board members include two (2) women which is contrary to clause 4.2.2 (6) of the Corporate Governance Guideline for the Water Services Sector, 2018 concerning the composition of the board which states that where possible at least three of these members shall be women, provided that the eligibility criteria are not compromised.

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

3. Staff in Acting Capacity Beyond the Stipulated Period

Review of payroll and personnel records revealed that seventeen (17) officers were paid acting allowances totaling Kshs.746,333 during the financial year 2024/2025. However, an amount of Kshs.114,881 was irregularly paid to two (2) officers who had acted in various positions for periods exceeding six (6) months. This is contrary to Section 34(3) of the Public Service Commission Act, 2017 which stipulates that an officer may be appointed in an acting capacity for a period of at least thirty days but

not exceeding six months. Review of the two (2) employees' personal files revealed that there was no evidence of recruitment processes or formal confirmations to fill the acting positions.

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

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

Review of the payroll and human resources records revealed that the Company has one hundred and fifty-three (153) employees out of which fifty-two (52) or 34% of the staff are from one ethnic community. This is contrary to Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008 which stipulate that all public establishments shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

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

Review of the human resources records revealed that the Authority had one hundred and fifty-three (153) employees out of which four (4) or 3% were persons living with disabilities. This is contrary to Article 54 (2) of the Constitution of Kenya which provides that the State shall ensure the progressive implementation of the principle that at least five percent of the members of the public in elective and appointive bodies are persons with disabilities.

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

6. Unsustainable Cost of Electricity

The statement of profit and loss and other comprehensive income for the year reflects general and operating expenses of Kshs.664,964,362 which as disclosed in Note 11 to the financial statements includes an amount of Kshs.340,168,036 in respect to payment of electricity. Review of the supporting ledger revealed that the electricity bills relate to pumping costs from the boreholes which may not be the most efficient method, as this translates to 51% of the total expenditure amount of Kshs.664,964,362. The high electricity costs are as a result of failing to adopt more efficient models that cost less such as installation of solar panels. Management explained that the use of solar was being implemented on a pilot basis but it has not translated to savings in the costs of electricity for the year under review.

In the circumstances, the Company is incurring significant expenditure on electricity which affects service delivery to the public due to reduced spending on capital projects.

7. Significant Loss of Revenue- Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.1,179,889,454 which as disclosed in Note 6 to the

financial statements includes water sales amount of Kshs.770,668,292. Review of records revealed that the Company produced a total of 12,458,421 cubic meters (M³) of water out of which 9,229,173 cubic meters (M³) of water was billed to customers for Kshs.759,536,181 while the balance of 3,229,248 cubic meters (M³) or approximately 26% of the total volume of water produced represents Non-Revenue Water. The Non-Revenue Water of 26% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) Guidelines by 1%.

Further, the Non-Revenue Water amounting to 3,229,248 cubic meters (M³) resulted in loss of sales amounting to Kshs.190,525,632 at the rate of Kshs.59 per cubic meter (M³) minimum water sale tariff. In addition, the Company has not established a Non-Revenue Water function contrary to Paragraph 1.6.2 of Non-Revenue Water Management Standards in Kenya Guidelines of June, 2022. The significant level of non-revenue water is an indication of ineffectiveness in the use of public resources, which may negatively impact on the Company's profitability and its ability to sustain its services to the public.

In the circumstances, Management was in breach of the Guidelines

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Trade and Other Payables

1.1 Long Outstanding Trade and Other Payables

The statement of financial position and Note 29 to the financial statements reflect trade and other payables balance of Kshs.678,570,466 which comprises of trade payables amount of Kshs.667,251,483 and other payables totaling Kshs.11,318,984. Further, the ageing analysis provided for the trade payables indicates that an amount of Kshs.554,765,448 or 82% of the total payables were outstanding for more than one (1) year with an amount of Kshs.377,573,185 outstanding for more than three (3) years. Management did not provide the ageing analysis for the other payables balance of Kshs.8,848,137.

However, no explanation was provided by management regarding the failure to settle these liabilities, nor were any management actions or remedial steps disclosed to address the outstanding payments. This raises concerns about financial accountability and potential non-compliance with public finance regulations.

In the circumstances, the Company may be faced with litigation from unpaid suppliers or contractors and thus may incur additional and avoidable costs of interest and penalties on unpaid bills.

1.2 Long Outstanding Debt to African Development Bank

The trade and other payables balance of Kshs.678,570,466 includes an amount of Kshs. Kshs.1,103,301,036 due to African Development Bank (AfDB) which has accrued since the year 2005. Review of records revealed that the Rift Valley Water Services Board, currently operating as the Central Rift Valley Water Works Development Agency, obtained a loan facility in the year 2005 amounting to Kshs.1,422,338,445 with a repayment period of thirty (30) years. As at 30 June, 2025, the outstanding loan balance stands at Kshs.1,103,301,036. The agreed monthly repayment amount was Kshs.3,289,045 thus totaling Kshs.39,468,545 annually which was payable through an account held at a local bank.

The loan was applied towards the development of the Olbanita Well-Field project, which, upon completion, was handed over to Nakuru Water and Sanitation Services Company Ltd for operation and maintenance. Therefore, the Company is currently operating the project and generating revenue from it.

To facilitate the loan repayment, the Company was appointed as an agent of the Rift Valley Water Services Board, and is expected to remit Kshs.39,468,545 annually from the project revenues to the Board for onward loan repayment. However, available information indicates that the Company has not been consistently meeting its monthly loan repayment obligations as stipulated in the loan agreement. This failure to honor the loan repayment terms may have significant financial and compliance implications, including the accrual of interest and penalties, and reflects negatively on public financial management practices.

Further, the continued failure to service the loan is in contravention of Section 94(1) of the Public Finance Management Act, 2012, which mandates timely repayment of loans by public entities.

In the circumstances, Management was in breach of the law and there is risk loss of public funds through litigations, interests and penalties on the unpaid loan.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

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

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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, SBS
AUDITOR-GENERAL

Nairobi

01 December, 2025

Nakuru Water and Sanitation Services Company Ltd.

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

14. STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2025.

	Note	2024-25	2023-24
		Kshs	Kshs
Revenue			
Operating Revenue	6	1,179,889,454	1,127,537,889
Grants Income	7	2,477,651	-
Other Income	8	2,128,117	1,819,950
Finance Income	9	16,275,931	22,467,392
Total Revenue		1,200,771,153	1,151,825,231
Expenses			
Staff Costs	10	307,507,266	305,122,877
General and Operations Expenses	11	664,964,362	696,597,144
Board Expenses	12	20,026,258	11,469,243
Maintenance Expenses	13	82,988,782	111,128,718
Depreciation and Amortization Expenses	14	81,809,601	84,454,596
Total Expenses		1,157,296,269	1,208,772,578
Profit/(Loss) Before Taxation		43,474,884	(56,947,347)
Income Tax Expense/(Credit)	15	4,818,909	(2,564,424)
Profit/(Loss) After Taxation		38,655,975	(54,382,923)
Other Comprehensive Income		-	-
Profit/ (Loss) After Taxation		38,655,975	(54,382,923)
Surplus or Deficit on Revaluation Of PPE		-	-
Re-measurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
Total Comprehensive Income for The Year		38,655,975	(54,382,923)

Nakuru Water and Sanitation Services Company Ltd.
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15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Note	2024-25	2023-24
		Kshs	Kshs
Assets			
Non-current Assets			
Property, Plant and Equipment	16	661,701,348	781,969,951
Intangible Assets	17	3,010,520	12,318,107
Investment in NAWASCOAL	18	100,000	100,000
Deferred tax Asset	27	50,390,249	49,948,024
Total Non-current Assets		715,202,117	844,336,082
Current Assets			
Inventories	19	39,934,527	38,145,260
Trade and Other Receivables	20	904,320,543	914,790,607
Short Term Deposits	21	-	160,000,000
Bank and Cash Balances	22	419,496,944	235,268,531
Total Current Assets		1,363,752,014	1,348,204,398
Total Assets		2,078,954,131	2,192,540,480
Equity and Liabilities			
Capital and Reserves			
Ordinary Share Capital	23	100,000	100,000
General Reserve	24(a)	262,893,992	262,893,992
Revaluation Reserve	25	28,960,915	30,366,570
Retained Earnings	26	190,508,580	151,852,606
Total Share Capital and Reserves		482,463,487	445,213,168
Non-current Liabilities			
Non-Current Accounts Payable	24(b)	174,152,715	174,152,715
Total Non-current Liabilities		174,152,715	174,152,715
Current liabilities			
Provisions	28	10,743,004	10,144,643
Trade and Other Payables	29	678,570,466	683,609,870
Income Tax Payable	15	4,135,228	6,740,218
Refundable Deposits and Prepayments	30	171,044,421	169,652,668
Deferred Income	31	557,844,810	703,027,198

Nakuru Water and Sanitation Services Company Ltd.
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	Note	2024-25	2023-24
		Kshs	Kshs
Total Current Liabilities		1,422,337,929	1,573,174,597
Total Equity and Liabilities		2,078,954,131	2,192,540,480

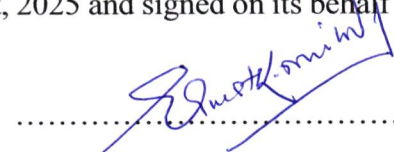
The financial statements were approved by the Board on 27th August, 2025 and signed on its behalf by:



.....
James N. Gachathi
Managing Director



.....
Isaac M. Makori
Head of Finance
ICPAK M/No:6774



.....
Ernest K. Muibu
Chairman of the Board

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2024		100,000	30,366,570	262,893,992	151,852,606	-	-	445,213,168
New Capital Issued		-	-	-	-	-	-	-
Revaluation Amortisation		-	(1,405,655)	-	-	-	-	(1,405,655)
Profit for the Year		-	-	-	38,655,975	-	-	38,655,975
Capital/Development Grants Received During the Year		-	-	-	-	-	-	-
Dividends Paid – Prior Year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed Final Dividends		-	-	-	-	-	-	-
As at June 30, 2025		100,000	28,960,915	262,893,991	190,508,581	-	-	482,463,488
As at July 1, 2023		100,000	31,720,163	262,893,992	206,235,529	-	-	500,949,684
New Capital Issued		-	-	-	-	-	-	-
Revaluation Amortisation		-	(1,353,593)	-	-	-	-	(1,353,593)
Profit for the Year		-	-	-	(54,382,923)	-	-	(54,382,923)
Capital/Development Grants Received During the Year		-	-	-	-	-	-	-
Dividends Paid – Prior Year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed Final Dividends		-	-	-	-	-	-	-
As at June 30, 2024		100,000	30,366,570	262,893,992	151,852,606	-	-	445,213,168

Nakuru Water and Sanitation Services Company Ltd.

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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

	Note	2024-25	2023-24
		Kshs	Kshs
Profit or loss before tax		43,474,884	(54,382,922)
Depreciation	16	72,502,012	70,441,810
Amortization	17	9,307,587	14,012,786
Working capital changes:			
(Increase)/decrease in inventories	19	(1,789,268)	3,620,465
(Increase)/decrease in trade and other receivables	20	10,470,064	(211,627,167)
Increase/(decrease) in trade and other payables	29	(5,039,403)	174,740,646
Increase/(decrease) in provision for staff leave and gratuity pay	28	598,361	(658,603)
Increase / decrease in Customer Deposit and Prepayments	30	1,391,753	(3,218,698)
Income Tax payable	15(b)	(7,866,125)	6,740,218
Deferred tax asset	15	-	(9,304,642)
Net Cash From/ (Used In) Operating Activities		123,049,865	(9,636,109)
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment (PPE)	16	(43,805,216)	(31,052,835)
Proceeds from Maturity of Fixed Bank Deposit	21	160,000,000	-
Purchase of Intangible Assets	17	-	(8,138,629)
Purchase Grant Property, Plant and Equipment	16	(55,016,236)	(192,707,487)
Investments in Fixed Bank Deposit	21	-	(160,000,000)
Proceed from Maturity in call deposit	21	-	50,000,000
Net Cash From/ (Used In) Investing Activities		61,178,548	(341,898,951)
Cash Flows from Financing Activities			
Grants From WSTF	31	-	158,887,506
Grants From KEHNA	31	-	192,707,487
Net Cash From/(Used In) Financing Activities		-	351,594,993
Increase/(Decrease) In Cash and Cash Equivalents		184,228,413	59,933
Cash and Cash Equivalents at Beginning of Year	22	235,268,531	235,208,597
Cash and Cash Equivalents at End of The Year	22	419,496,944	235,268,531

Nairobi Water and Sanitation Services Company Ltd.

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18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	Explanation of Variances
	Kshs	Kshs	Kshs	Kshs	Kshs		
	a	B	C=a+b	d	e= c-d	f=d/c %	
	Kshs	Kshs	Kshs	Kshs	Kshs		
Budget carryovers from the previous year*	-						
Receipts							
Operating Revenue							
Non-Operating Revenue	1,394,442,000	-	1,394,442,000	1,179,424,454	215,017,546	84.58	The variance was due under production of water than budget due to power failures and pumps break downs.
Grants	-	-	-	2,477,651	(2,477,651)	100.00	
Finance Income	18,000,000	-	18,000,000	16,275,931	1,724,069	90.42	The variance was due to reduction in the interest rate as the funds were not fixed. The interest was negotiated on bank balances.
Other gains	2,833,869	-	2,833,869	2,593,117	240,752	91.50	
Total Receipts	1,415,275,869	-	1,415,275,869	1,200,771,153	214,504,717	84.84	
Payments							
Staff Costs	356,787,823	-	356,787,823	307,507,266	49,280,557	86.19	The underutilisation was due failure to implement 2nd phase of the new CBA as it was conditional based on the company's revenue performance that was not achieved.
Board Expenses	19,813,862	-	19,813,862	20,026,258	(212,396)	101.07	
General and Operations Expenses	774,636,095	-	771,533,733	665,597,862	105,935,871	86.27	The underutilisation was as result of some of budgeted activities not being undertaken due cash flow constraints
Maintenance	146,051,949	-	146,051,949	82,988,782	70,224,871	51.92	The underutilisation was as result of most budgeted activities not being

Nakuru Water and Sanitation Services Company Ltd.
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							undertaken due cash flow constraints.
Depreciation and Amortization	-	-	-	81,809,601	(81,809,601)	100.00	
Total Recurrent Expenditure	1,297,289,729	-	1,297,289,729	1,157,296,269	139,993,460	89.21	The underutilisation was as result of some of budgeted activities not being undertaken due cash flow constraints
Profit or Loss before tax	117,986,140	-	117,986,140	43,474,884	74,511,257	63.15	
Income Tax Expense			3,102,361	4,818,909	(1,716,548)		
Capital Expenditure Payments	111,247,300	-	111,247,300	43,805,216	67,442,084	39.38	The underutilisation was due financial constraints .
Surplus	6,738,840	-	6,738,840	(5,149,241)	7,069,173		

19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Nakuru Water and Sanitation Services Company Ltd is established by and derives its authority and accountability from the companies Act 2015. The Company is wholly owned by the County Government of Nakuru and is domiciled in Kenya. The Company's principal activity is provision of piped water and sanitation services. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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 2012, the State Corporations Act, Water Act 2016 and the Companies Act 2015, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented .

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 2012, Water Act 2016 and the Companies Act 2015 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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Notes to the financial statements (continued)

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

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

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

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

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

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

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

iii. *Early adoption of standards*

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

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Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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

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d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Leasehold Land	Remaining period of lease	-
Buildings and civil works	50	
Infrastructure works	5	20%
Plant and machinery	5	20%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.33%
Office equipment, furniture and fittings	8	12.5%
Software	3 years	33.33
Electric fence	8 years	12.5
Prepaid Water Meter	5 years	20
Water Meters	7 years	14.28

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.

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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.

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) 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.

j) 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.

k) 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.

l) 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.

m) Trade and other receivables

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

n) 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.

o) 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,

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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.

p) 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.

q) 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

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changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

r) 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.

s) 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.

t) Retirement benefit obligations

The Company does not operate a defined contribution scheme for all full-time employees. The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month and also contributes to staff defined pension scheme LAP trust is currently 15% of the basic salary and house allowance per employee per month.

u) 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.

v) 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.

w) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 23rd April, 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The reduced

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

x) 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.

y) Comparative figures

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

z) 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 28. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the financial statements (continues)

6. Operating Revenue

	2024-25	2023-24
	Kshs	Kshs
Water sales	770,668, 292	745,958,776
Sewerage Services	409,221,162	381,579,113
Total	1,179,889,454	1,127,537,889

Other sales that relate to customer's water and sewer connections have been included in the water and sewer charges after adopting the Enterprise Resource Planning (ERP). The Company accounted for 74 % (74 % 2024/25) of the water produced. The 26% loss is due to technical and commercial losses.

7. Grants Income

	2024-25	2023-24
	Kshs	Kshs
Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	-	-
Capital grants amortised	-	-
World Wide Fund for Nature	1,820,000	-
Water and Development Partnership Programme Phase 3 (DUPC3)	657,651	-
Total	2,477,651	-

8. Other Income

	2024-25	2023-24
	Kshs	Kshs
House rent	175,700	239,800
Laboratory services	1,910,417	1,472,150
Education visits, Bill boards	42,000	100,000
Sale of tender	-	8,000
Total	2,128,117	1,819,950

9. Finance Income

	2024-25	2023-24
Description	Kshs	Kshs
Interest on NAWASSCOAL Loan	873,870	873,869
Interest on fixed deposit/bank balances	15,402,061	21,593,523
Total	16,275,931	22,467,392

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The interest on NAWASCOAL Loan related to interest earned at a rate of 5% pa on loans advanced to the Company subsidiary NAWASCOAL while interest on fixed deposit/bank balances relates to interest earned on customer account deposits balance and CLSG II project and Escrow account balances at an interest rate of 9% p.a and 7% p.a respectively.

10. Staff Costs

Description	2024-25	2023-24
	Kshs	Kshs
Gross Salary and Allowances	252,325,511	252,801,039
Casual workers' Wages	5,175,032	3,510,931
Employer's contributions to social security schemes	5,687,280	3,000,240
Employer's contributions to pension scheme	23,615,524	24,823,030
Gratuity paid	12,599,091	12,794,623
Provisions for Leave pay	3,939,820	3,671,285
Gratuity provisions	329,826	1,154,872
Housing Levy Employer Contribution	3,791,982	3,223,508
Employer's contributions to NHIF	43,200	143,350
Total	307,507,266	305,122,877
The average number of employees during the year	153	160

11. General and Operations Expenses

Description	2024-25	2023-24
	Kshs	Kshs
Chemicals	10,002,173	10,243,869
Electricity	340,168,036	369,931,549
Transport, Fuel, oil, lubricants, and gases	16,532,943	14,759,237
Bulk water Costs	58,629,800	65,561,000
Office supplies	4,663,147	4,728,866
Uniform and protective clothing	2,793,534	1,127,810
Telecommunication	4,100,047	3,891,592
Bulk SMS, postage and courier	2,095,379	2,611,468
CRVWDA lease fees	39,468,544	39,468,545
Insurance	5,114,409	4,010,722
Rent and Rates	886,339	655,450
Onsite sanitation	2,590,538	8,705,550
Domestic Traveling and subsistence	31,532,501	30,488,271
Staff training and development and subscriptions	5,144,653	2,955,866
Bank Charges	3,239,028	3,516,189
Security services	24,752,931	26,455,963
Medical Cover and Occupational Health	14,505,179	15,103,986

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Publicity and advertising	2,413,216	3,885,104
Audit fees	765,000	602,501
Legal fees	10,112,400	5,587,121
Consultancy fees	9,013,752	5,552,314
Licensing and levies	58,087,372	52,607,407
Sports and recreation	1,619,500	7,949,400
Conference expenses	7,644,284	5,634,212
Donations/CSR	344,000	122,800
Hospitality expenses	3,434,030	3,177,450
Printing and Stationery	4,761,337	5,758,203
Literature & periodicals	-	109,200
Environmental conservation	310,290	585,500
Sewerage disposal fees	240,000	810,000
Total	664,964,362	696,597,144

The CRVWDA loan repayment amount of Kshs.39, 468,544.80 relates to servicing of a principal loan of Kshs994, 706,658.00 which RVWSB/CRVWDA took from African Development Bank for the construction of Olbanita water project which the company is using to produce water.

ADB Loan Movement

Description	2024-25	2023-24
Principal Loan Amount, Interest Accrued and Amount Expensed	Kshs	KShs
Principal Loan Amount	991,267,572	991,267,572
Interest Accrued as at 30th June, 2023	431,070,873	431,070,873
Total	1,422,338,445	1,422,338,445
Amount paid as at 30th June,	(319,037,409)	(319,037,409)
Outstanding amount	1,103,301,036	1,103,301,036

Description	2024-25	2023-24
Principal Loan Amount, Interest Accrued and Amount Expensed	Kshs	KShs
Principal Loan Amount	991,267,572	991,267,572
Interest Accrued as at 30th June,2023	431,070,873	431,070,873
Total	1,422,338,445	1,422,338,445
Amount Expensed as at 30th June,	(539,219,407)	(499,750,863)
Outstanding amount	883,119,038	922,587,582

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Description	2024-25	2023-24
Amount Expensed and amount paid	KShs	KShs
Amount Expensed as at 30th June	539,219,407	499,750,863
Amount paid as at 30th June	(319,037,409)	(319,037,409)
Outstanding amount	220,181,998	180,713,454

12. Board Expenses

Description	2024-25	2023-24
	KShs	KShs
Chairman Honoraria	942,864	942,864
Sitting allowances	14,315,000	8,320,921
Travel and accommodation	4,406,394	1,605,458
BOD Hospitality	362,000	600,000
Total Board Expenses	20,026,258	11,469,243

13. Maintenance Expenses

Description	2024-25	2023-24
	Kshs	Kshs
Plant and Equipment	19,040,674	19,643,209
Buildings	4,545,759	13,824,046
Infrastructural networks	35,124,126	64,299,131
Motor vehicles	5,889,235	3,941,778
Softwares	17,351,156	7,102,516
ICT (Information Communication Technology)	205,780	759,467
Furniture	832,052	1,498,970
Total Maintenance Expenses	82,988,782	111,128,718

14. Depreciation and Amortization Expenses

Description	2024-25	2023-24
	KShs	KShs
Property, plant, and equipment	72,502,014	70,441,810
Intangible assets	9,307,587	14,012,786
Total Depreciation and Amortization	81,809,601	84,454,596

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15. (a) Income Tax Expense/(Credit)

Current taxation

	2024-25	2023-24
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	5,261,134	6,740,218
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	(442,226)	(9,304,642)
Prior year under-provision for deferred tax	-	-
Total	4,818,909	(2,564,425)

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2024-25	2023-24
	Kshs	Kshs
Profit before taxation	43,474,884	(56,947,346)
Add: Expense not deductible for tax purposes	82,564,962	85,609,468
Less: Expenses deductible for tax purposes	(83,333,319)	(83,395,319)
Total	42,706,527	(54,733,198)

15. b) Income Tax Payable

	2024-25	2023-24
	Kshs	Kshs
Balance brought forward	6,740,218	-
Current taxation based on the adjusted profit for the year at 30%	5,261,134	6,740,218
Tax paid during the year	(7,866,125)	-
Total	4,135,227	6,740,218

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16. Property, Plant and Equipment

2024-25	Lease hold land and Buildings	Water Meters	Water & Sewer Infrastructure	Pumps & Motors	Motor vehicles, including, motor cycles	Computers and related Equipment	Office Equipment, Electric fence, Furniture & fittings	Capital work in progress	Total
Cost Or Valuation									
At July 1, 2024	144,891,520	166,545,757	845,960,690	184,999,710	99,287,671	36,404,409	24,706,989	-	1,502,796,746
Additions	-	12,500,334	15,824,051	12,250,662	-	2,604,716	625,453	-	43,805,216
Additions grants - Replacement of Consumer water Meters under WSTF –CLSG II project	-	-	-	-	-	-	--	55,016,237	55,016,237
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2025	144,891,520	179,046,091	861,784,741	197,250,372	99,287,671	39,009,125	25,332,442	55,016,237	1,601,618,199
Depreciation									
At July 1, 2024	46,448,567	114,300,309	294,436,677	132,552,238	78,932,476	34,321,316	19,835,212	-	720,826,795
Charge For the Year	4,187,173	15,291,680	10,255,297	26,764,387	11,830,200	2,451,132	1,722,142	-	72,502,011
Charge for the year Revaluation	1,405,655	-	-	-	-	-	-	-	1,405,655
Charge For the Year Grants	-	-	144,563,522	-	-	-	618,868	-	145,182,440
At June 30, 2025	52,041,395	129,591,989	449,255,496	159,316,625	90,762,676	36,772,448	22,176,223	-	939,916,901
Net Book Value At June 30, 2025	92,850,126	49,454,102	412,529,245	37,933,746	8,524,995	2,236,677	3,156,217	55,016,237	661,701,348
2023-24	Lease hold land and Buildings	Water Meters	Water & Sewer Infrastructure	Pumps & Motors	Motor vehicles, including, motor cycles	Computers and related Equipment	Office Equipment, Electric fence, Furniture & fittings	Capital work in progress	Total
Cost Or Valuation									

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At July 1, 2023	144,891,520	150,616,179	204,343,061	170,880,153	99,287,671	35,400,709	24,706,989	454,336,942	1,284,463,224
Additions	-	15,929,578	-	14,119,557	-	1,003,700	-	-	31,052,835
Recognition of Capital Works in Progress- Sanitation block at Heshima	-	-	-	-	-	-	-	(5,426,800)	(5,426,800)
Recognition of Capital Works in Progress - relocation Water & sewerage pipeline along Nakuru –Mau summit road	-	-	-	-	-	-	-	(448,910,142)	(448,910,142)
Capitalization of grant by KeNHA for relocation Water & sewerage pipeline along Nakuru –Mau summit road	-	-	448,910,142	-	-	-	-	-	448,910,142
Additions grants- by KeNHA for relocation Water & sewerage pipeline along Nakuru –Mau summit road	-	-	192,707,487	-	-	-	-	-	192,707,487
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2024	144,891,520	166,545,757	845,960,690	184,999,710	99,287,671	36,404,409	24,706,989	-	1,502,796,746
Depreciation									
At July 1, 2023	41,082,214	99,463,946	141,943,724	111,001,550	60,248,326	32,264,028	17,726,777	-	503,730,565
Charge For the Year	4,012,759	14,836,363	7,810,995	21,550,688	18,684,150	2,057,288	1,489,566	-	70,441,810
Charge for the year Revaluation	1,353,593	-	-	-	-	-	-	-	1,353,593
Charge For the Year Grants	-	-	144,681,959	-	-	-	618,869	-	145,300,827
At June 30, 2024	46,448,567	114,300,309	294,436,677	132,552,238	78,932,476	34,321,316	19,835,212	-	720,826,795
Net Book Value At June 30, 2024	98,442,953	52,245,448	551,524,013	52,447,472	20,355,195	2,083,093	4,871,777	-	781,969,951

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Valuation

	Lease hold land	Buildings	Total
	(Kshs)	(Kshs)	(Kshs)
COST			
At July 1 st 2024	50,000,000	94,891,520	144,891,520
Additions	-	-	-
Disposals	-	-	-
At June 30 th 2025	50,000,000	94,891,520	144,891,520
AMORTISATION			
At July 1 st 2024	<u>18,808,203</u>	<u>27,640,363</u>	<u>46,448,566</u>
Charge for the year	517,422	3,669,751	4,187,173
Charge on revaluation	<u>1,405,655</u>	-	<u>1,405,655</u>
At June 30 th 2025	<u>20,731,280</u>	<u>31,310,114</u>	<u>52,041,394</u>
NET BOOK VALUE			
At June 30 2025	<u>29,268,720</u>	<u>63,581,406</u>	<u>92,850,126</u>

The company land, Nakuru Municipality Block 4/27 along government road was on 25th August 2011 re-valued to Kshs. 50,000,000 by professional valuers Messrs Hectare & Associates of P.O Box 4170 -20100 Nakuru. The resultant incremental value of Kshs 37,922,895 was incorporated in the Financial Statements. The buildings relate to the Company Head office block and central Zone office along Government Road Nakuru Municipality Block 4/27.

Lands and buildings have been classified under Property, Plant and Equipment as per the requirement of the Financial Statements template.

17. Intangible Assets

	2024-25	2023-24
	Kshs	Kshs
Cost		
At July 1	78,185,824	70,047,195
Additions	-	8,138,629
Disposals	-	=
At June 30	78,185,824	78,185,824
Amortization		
At July 1	65,867,717	51,854,931
Charge for the year	9,307,587	14,012,786
Disposals	-	-
Impairment loss	-	-
At June 30	<u>75,175,304</u>	<u>65,867,717</u>
Net book value		
At June 30	<u>3,010,520</u>	<u>12,318,107</u>

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The old software is fully amortized and the company has replaced all software with a new ERP.

18. Unquoted Investments

	2024-25	2023-24
	Kshs	Kshs
Cost		
At July 1	100,000	100,000
Additions	-	-
Disposals	-	-
At June 30	100,000	100,000
Impairment		
At July 1	-	-
Disposals	-	-
At June 30	=	=
Net book value	100,000	100,000

The company owns 100% shares in NAWASSCOAL which produces briquettes

NAWASSCOAL Ltd	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Current year	Prior year
NAWASSCOAL	100	-	-	100,000	100,000	100,0000
	100	-	-	100,000	100,000	100,0000

19. Inventories

	2024-25	2023-24
	Kshs	Kshs
Inventory- Chemicals	1,549,848	3,087,138
Water For Life Project (WFL)	-	-
Stationary & Accessories	2,964,480	2,797,699
Revolving Funds Project	738,765	755,555
Water Meters	6,404,657	7,680,992
Water Networks Extensions	388,314	454,814
Sewer Maintenance Fittings	38,130	38,130
Other Stocks	10,987,530	8,090,255
Electromechanical	5,854,096	3,593,696
Pumps & Motors	3,447,909	3,316,029
Tools	37,014	23,764

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Water Pipeline Maintenance Fittings	7,269,907	8,219,608
Motor Vehicle Spare Parts	253,877	87,580
Less: Impairment of stocks	-	-
Total	39,934,527	38,145,260

The inventories relate to consumable materials for operations and maintenance.

20. Trade and Other Receivables

	2024-25	2023-24
	KShs	KShs
Net trade receivables (Note 20 a)	759,942,214	714,496,266
Other Receivables		
Deposits and prepayments	11,313,327	11,313,327
VAT recoverable	15,093,230	15,093,230
Staff receivables (Note 20 b)	12,666	22,532
Staff Debtor-A Turgut, M Muchai, G. Nyaata & B. Muibu	3,219,256	3,219,256
NAWASSCOAL Loan	17,477,375	17,477,375
Cash collection by Posta	187,881	192,176
Accrued Interest on NAWASSCOAL Loan	4,641,224	3,767,355
Accrued interest on fixed Deposit/bank balances	12,001,269	20,050,422
G.Ogola, Kipkoech & Co. & Arwa & Change Adv LLP	6,127,999	6,127,999
KeNHA pipeline re-location outstanding balance	73,787,488	122,707,487
Customers uncredited Receipts	516,614	323,181
Total trade and other receivables	904,320,543	914,790,606

20. (a) Trade Receivables

	2024-25	2023-24
	Kshs	Kshs
Trade receivables	759,942,214	714,496,266
Bad debts written off	-	-
Net trade receivables	759,942,214	714,496,266
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	15,729,486	14,788,834
Between 30 and 60 days	7,774,729	7,309,786
Between 61 and 90 days	19,431,001	18,268,991
Between 91 and 120 days	6,346,061	5,966,555
Over 120 days	710,660,937	668,162,100
Total	759,942,214	714,496,266

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20. (b) Staff Receivables

	2024-25	2023-24
	Kshs	Kshs
Gross staff loans and advances	12,666	22,532
Provision for impairment loss	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

20. (c) Reconciliation of Impairment Allowance for Staff Receivables

Description	2024-25	2023-24
	KShs	KShs
At the beginning of the year	22,532	36,619
Additional provisions during the year	170,200	264,000
Recovered during the year	(180,166)	(278,087)
Written off during the year	(-)	(-)
At the end of the year	12,666	22,532

21. Short Term Deposits

	2024-25	2023-24
	Kshs	Kshs
Commercial banks		
Fixed deposit- Cooperative Bank	160,000,000	160,000,000
Maturity of fixed deposit-Cooperative Bank	(160,000,000)	-
Accumulated Investments	-	160,000,000

The company has accrued interest up to 30th June 2025 amounting to Kshs 15,402,061 from customer deposits accounts, CLSG II project and Escrow accounts at an interest rate of 9% p.a and 7% p.a respectively.

22. Bank and Cash Balances

	2024-25	2023-24
	Kshs	Kshs
Cash at bank	419,258,443	235,068,679
Cash in hand	-	-
Mobile money account	238,501	199,852
	419,496,944	235,268,531

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Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024-25	2023-24
		KShs	KShs
a) Current account			
Commercial banks			
Co-operative bank (Revenue A/C)	01136087648601	25,637,447	11,451,578
Co-operative bank (Expenditure A/C)	01136087648600	3,736,041	4,850,102
b) Co-operative bank (Savings A/C)	01100087648600	187,062,000	41,286,228
Co-operative bank (Water Worx A/C)	01136087648611	2,879	2,629
Co-operative bank (NACOSTEC A/C)	01136087648612	2,878	4,354,108
Co-operative bank (KeNHA Pipeline re-location A/C)	01136087648614	888,679	893,893
c) Co-operative bank (Performance Guarantee A/C)	01246087648600	7,396,378	7,396,378
Co-operative Bank Heshima UPC Project	01136087648615	-	299,245
Co-operative bank (WSTF CLSG II Project A/C)	01141087648600	117,173,551	158,145,067
Co-operative bank (WSTF CLSG II Escrow A/C)	01246087648601	75,786,027	2,000
Co-operative bank (WSTF Rhonda Manyani Project)	01100876486003	61,745	1,650,264
d) Co-operative Revolving Fund For Social Water Connection	01100876486004	223	238
Family bank – revenue collection	018000046253	758,814	2,245,580
Equity bank – revenue collection	0310261237839	751,783	2,491,371
Mobile money account	111444	238,501	199,852
Sub- total		419,496,944	235,268,531
Others		-	-
Sub- total			
On – call deposits			
Commercial banks		-	-
Others		-	-
Sub- total		-	-
Fixed deposits account			
Commercial banks		-	-
Others		-	-
Sub- total		-	-
Others(specify)		-	-
Cash in transit		-	-
Cash in hand		-	-
Sub- total		-	-
Grand total		419,496,944	235,268,531

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23. Ordinary Share Capital

	2024-25	2023-24
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000

24. (a) General Reserves

	2024-2025	2023-24
	Kshs	Kshs
Customer Accounts debtors	443,091,806	443,091,806
National Water Corporation	(168,490,370)	(168,490,370)
Laptrust Pension	(6,145,100)	(6,145,100)
NSSF	(5,562,345)	(5,562,345)
TOTAL	262,893,992	262,893,992

In accordance with the provisions of the Water Act 2002, Nakuru Water and Sanitation Services Company Limited assumed responsibility of providing water and sanitation services in the jurisdiction of the defunct Nakuru Municipal Council with effect from 1st June 2004. To facilitate this service provision, certain operational assets and liabilities were assigned by the Director of Water –Ministry of Water Resources Management and Development.

The operational assets included customer accounts amounting to Kshs. 443,091,806 while the operational liabilities included amounts due to National Water Corporation Kshs. 168,490,370, KPLC Kshs. 45,108,015 and employees’ statutory deductions Kshs.11, 707,446 all amounting to Kshs.225, 305,830 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance. Overall the net operational assets amounting to Kshs.217, 785,976 were included as a capital reserve in the Financial Statements.

The company on 16th June 2011 wrote to the Rift Valley Water Services (RVWSB) requesting them to negotiate on its behalf with the Ministry of Water and irrigation, Ministry of Finance and National Water Conservation and Pipeline Corporation to write off the liability of Kshs.168, 490,370.

Further the company on 23rd June 2011 and 17th may 2016 wrote to Kenya Power requesting them to provide us details on how the Kshs.45, 108, 015 was settled because the current bills had been up to date.

On 26th July 2011 Kenya Power responded that according to their records there was no amount owing and that it was not possible to provide the details of who settled the bills. In view of the Kenya Power response, the Board of Directors resolved that the amount be written off against the capital reserve that was created at the Company at inception. After the adjustment and payment of staff employees’ deduction (Pension to LAPTRUST) Kshs.6, 145,100 the Non -current accounts payable reduced to Kshs.174, 052,100 as at 30th June 2019 while the general reserve increased to Kshs.262, 893,991.

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24 (b) Non-Current Accounts payable

	2024-25	2023-24
	Kshs	Kshs
National Water Corporation	168,490,370	168,490,370
NSSF	5,562,345	5,562,345
Share Capital in NAWASSCOAL	<u>100,000</u>	<u>100,000</u>
TOTAL	174,152,715	174,152,715

This relates to operational liabilities transferred from the defunct Municipal council of Nakuru to the company in 2004. The amounts were due to National Water Corporation Kshs. 168,490,370, KPLC Kshs. 45,108,015 and employees' statutory deductions Kshs.11, 707,446 all amounting to Kshs.225, 305,830 were assigned to the company for the time being subject to resolution with the Treasury - Ministry of Finance.

The company on 16th June 2011 wrote to the Rift Valley Water Services (RVWSB) requesting them to negotiate on its behalf with the Ministry of Water and irrigation, Ministry of Finance and National Water Conservation and Pipeline Corporation to write off the liability of Kshs.168, 490,370.

Further the company on 23rd June 2011 and 17th may 2016 wrote to Kenya Power requesting them to provide us details on how the Kshs.45, 108, 015 was settled because the current bills were up to date.

On 26th July 2011 Kenya Power responded that according to their records there was no amount owing and that it was not possible to provide the details of who settled the bills. In view of the Kenya Power response, the Board of Directors resolved that the amount be written off against the capital reserve that was created at the Company at inception. After the adjustment and payment of staff employees' deduction (Pension to LAPTRUST) Kshs. 6,145,100 the Non -current accounts payable reduced to Kshs.174, 052,100.

The Kshs. 100,000 relates to Investment in NAWASCOAL which produces briquettes

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

25. Revaluation Reserve

	2024-25	2023-24
	Kshs	Kshs
Revaluation of land and office block	30,366,570	31,720,163
Amortization on revaluation	<u>(1,405,655)</u>	<u>(1,353,593)</u>
Total	28,960,915	30,366,570

The company land, Nakuru Municipality Block 4/27 along government road was on 25th August 2011 re-valued to Kshs. 50,000,000 by professional valuers Messrs Hectare & Associates of P.O Box 4170 -20100 Nakuru. The resultant incremental value of Kshs. 37,922,895 was incorporated in the Financial

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Statements. The buildings relate to the Company Head office block and central Zone office along Government Road Nakuru Municipality Block 4/27.

26. Retained Earnings

	2024-25	2023-24
	Kshs	Kshs
As at 1 July	151,852,606	206,235,529
Profit for the year/(loss)	38,655,974	(54,382,923)
Dividends declared	-	-
As at 30 June	190,508,580	151,852,606

The retained earnings represent amounts available for distribution to the NAWASSCO shareholders. However, the directors did not declare any dividend. The undistributed retained earnings are utilised to finance the NAWASSCO business activities.

27. Deferred Tax Asset

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2024-25	2023-24
	Kshs	Kshs
Accelerated capital allowances	47,167,348	30,484,671
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	16,419,959
Provisions for liabilities and charges	3,222,901	3,043,393
Net deferred tax Asset	50,390,249	49,948,023

The movement on the deferred tax account is as follows:

	2024-25	2023-24
	Kshs	Kshs
Balance at beginning of the year	49,948,023	40,643,381
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	442,226	9,304,642
Balance at end of the year	50,390,249	49,948,023

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28. Provisions

Description	Leave Provision	Gratuity provisions	Total
	KShs	KShs	KShs
Balance at the beginning of the year 1 st July 2024	3,671,285	6,473,358	10,144,643
Additional Provisions	268,535	990,030	(658,603)
Provision utilised	(-)	(660,204)	(-)
Change due to discount and time value for money	-	-	-
Balance at the end of the year 30th June 2024	3,939,820	6,803,184	10,743,004

Provisions details

Description	2024-25	2023-24
	Kshs	Kshs
Current Portion of Provisions	4,929,850	4,826,157
Long-term portion of Provisions	5,813,154	5,318,486
Total	10,743,004	10,144,643

29. Trade and Other Payables

	2024-25	2023-24
		Kshs
Trade payables	667,251,483	664,058,681
Other payables	11,318,984	19,551,189
As at 30th June,	678,570,466	683,609,870

Aging Analysis for Trade and other Payables

	2024-25	% of the total	2023-24	% of the total
Under one year	112,486,035	16	264,727,157	40
1-2 years	64,295,568	10	123,534,704	19
2-3 years	112,896,695	17	-	-
Over 3 years	377,573,185	57	275,796,820	41
Total	667,251,483	100	664,058,681	100

30. Refundable Deposits and Prepayments

	2024-25	2023-24
	Kshs	Kshs
Customer deposits	148,496,644	143,453,901
Add: deposits received during the year	6,694,800	5,772,240
Less: Refunded deposits during the year	(757,463)	(729,497)
Prepayments by customers	16,610,440	21,156,024
Total	171,044,421	169,652,668

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Aging Analysis for Refundable Deposits and Prepayments

The company has not aged the above Refundable deposits as they relate customer deposits which are refundable after customer account closure and customer prepayments which depend on customer water and sewerage consumption and are only refundable after account closure together with deposit.

31. Deferred Income

Description	2024-25	2023-24
	Kshs	KShs
Grant from WSTF	162,296,636	164,278,909
Grant Prepaid Meters by SUWASA	20	20
Grants by Vitens Evides	-	9,422,505
Grants by County Government of Nakuru	-	618,867
Grants by UNICEF	6,231,255	10,771,677
Grants by KENHA	385,150,577	513,474,103
World Wide Fund for Nature	4,166,322	4,461,117
Total deferred income	557,844,810	703,027,198

The deferred income movement is as follows:

	County government	International funders	Government Agencies	Total
Balance brought forward	618,867	24,655,319	677,753,011	703,027,198
Additions	-	-	-	-
Amortization	(618,867)	(13,996,822)	(132,146,404)	(146,762,094)
Balance carried forward	-	10,658,497	545,606,607	556,265,104

32. Notes to The Statement of Cash Flows

	2024-25	2023-24
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	43,474,884	(54,382,922)
Depreciation	72,502,012	70,441,810
Amortization of land and buildings	-	-
Amortization	9,307,587	14,012,786
Working capital changes:	-	-
(Increase)/decrease in inventories	(1,789,268)	3,620,465
(Increase)/decrease in trade and other receivables	10,470,064	(211,627,167)
Increase/(decrease) in trade and other payables	(5,039,403)	174,740,646
Increase/(decrease) in provision for staff leave and gratuity pay	598,361	(658,603)
Increase in Customer Deposit	1,391,753	(3,218,698)
Income Tax paid	(7,866,125)	6,740,218

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	2024-25	2023-24
	Kshs	Kshs
Deferred Tax Asset	-	(9,304,642)
Cash generated from/ (used in) operation	123,049,865	(9,636,109)
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	160,000,000
Cash at bank	419,496,944	235,268,531
Cash in hand	-	(-)
Balance at end of the year	419,496,944	395,268,531
(d) Analysis of interest paid		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year	-	-
Interest paid	-	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2022 dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

Other Disclosures

33. Related Party Disclosures

County Government of Nakuru

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

Other related parties include:

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- The County Department in charge of Water
- County Government of Nakuru
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WRA
- Water Sector Trust Fund
- Key management
- Board of directors
- NAWASSCOAL Company Ltd

Transactions with related parties

	2024-25	2023-24
	Kshs	Kshs
a) Sales to related parties		
Sales of goods /services to County Government of Nakuru	18,962,341	18,814,419
Water sales to Govt. agencies	67,244,723	91,716,145
Sale of goods /services to NAWASCOAL	36,492	88,081
Total	86,243,556	110,618,645
b) Purchases from related parties		
Purchase of water from Govt service providers	-	-
Rent expenses paid to Govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt Agencies	-	351,594,993
Grants from County Government	-	-
Donations in kind	-	-
Total	-	351,594,993
c) Key management compensation		
Directors' emoluments	20,026,258	11,469,243
Compensation to key management	53,309,675	46,134,828
Total	73,335,933	57,604,071

34. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2024-25	2023-24
	Kshs	Kshs

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Amounts authorized and contracted for	958,270,100	642,179,966
Amounts authorized but not contracted for	-	-
Less: Amounts paid	(612,920,376)	(518,931,815)
Total funds	345,349,724	123,248,151

This relates to re-location of water and sewerage infrastructure along Nairobi- Nakuru Highway Barnabas-Njoro turn off to pave way for the construction of the highway at a cost of Kshs642,546,934 awarded on 3rd may 2021, have paid Kshs 569,118,783 with an outstanding balance of Kshs 73,428,151. Other funds were provided by Kenya National Highway Authority, Kshs 316,090,134 for CLSG II Supply of Instrumentation and control equipment for 4 wellfields, Drilling and equipping of 10 No. boreholes, Construction of 0.35km DN 400,0.3Km DN315, 0.636Km DN200 and 0.1Km DN100 HDPE, Pipeline and Supply and Installation of 9941 DN15 consumer water meters and 42No. Electromagnetic/Ultrasonic Flow Meters. An amount of Kshs44,168,561 has been paid and a balance of Kshs 271,921,574 is outstanding.

Contingent Assets and Liabilities

The company had 24 court cases relating to customer’s disconnection disputes. The Company does not expect material awards by the courts from the cases.

In the opinion of the directors, no provision is required in these financial statements as the company had no contingent liabilities in respect of bank, guarantees and other matters arising

35. 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:

i. Credit risk

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

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

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

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	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Receivables from exchange transactions	759,942,214	299,288,211	460,654,003	-
Bank balances	419,496,944	419,496,944	-	-
Total	1,179,439,158	718,785,155	460,654,003	-
At 30 June 2024				
Receivables from exchange transactions	714,496,266	281,390,223	433,106,043	-
Bank balances	235,268,531	235,268,531	-	-
Total	949,764,797	516,658,754	433,106,043	-

Credit Risk

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has 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 domestic consumers.

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

ii. Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2025				
Trade payables	76,306,536	-	590,944,947	667,251,483
Provisions	-	-	10,743,004	10,743,004
Deferred income	-	-	556,265,104	556,265,104
Other payables	7,679,864	1,168,273	-	8,848,137
Total	83,986,400	1,168,273	1,157,953,055	1,243,107,728
At 30th June 2024				
Trade payables	182,591,243	36,901,277	444,566,161	664,058,681
Provisions	-	-	10,144,643	10,144,643
Deferred income	-	-	703,027,198	703,027,198
Other payables	16,925,155	-	2,626,034	19,551,189
Total	199,516,398	36,901,277	1,160,364,036	1,396,781,711

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(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity 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 Finance Department 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 entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Interest rate risk

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

i) Management of interest rate risk

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

ii) Capital Risk Management

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

	2024-25	2023-24
	Kshs	Kshs
Revaluation reserve	28,960,915	30,366,570
Retained earnings	190,508,581	151,852,607
General reserve	262,893,992	262,893,992
Total funds	482,363,488	445,113,169

36. Incorporation

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

37. Events After the Reporting Period

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

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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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
REPORT ON THE FINANCIAL STATEMENTS					
Qualified Opinion					
Basis for Qualified Opinion					
1.Failure to Disclose Material Uncertainty Related to Going Concern	<p>The statement of financial position reflects current liabilities balance of Kshs. 1,573,174,597 which exceeds the current assets balance of Kshs. 1,348,204,398 resulting to a negative working capital of Kshs.224,970,199. The statement of profit or loss and other comprehensive income reflects a loss of Kshs54,382,923 for the year under review while in the previous year the company made a profit of Kshs3,127,331. The Company is, therefore, technically insolvent and its ability to continue as a going concern is dependent upon support from the County Government and its creditors. However, this material uncertainty has not been disclosed in the financial statements. The statement of Director's responsibility in the financial statements states that nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve (12) months from the date of the statement.</p> <p>In the circumstances, the Company's ability to meet its short-term obligations could not be confirmed.</p>	<p>a) Negative working capital of Kshs. 224,970,199</p> <p><i>Included in the Current liabilities of Kshs1,573,174,597 is a deferred income amount of Kshs 703,027,198 which is book entry hence no cash outflow will arise from it in the future because it relates to grants from development partners. Therefore, the expected cash outflow relating to current liabilities is Kshs 870,147,399 giving a current ratio 1.5. This therefore means that the company has 1.5 times more current assets than current liabilities an indicator of good financial position and performance.</i></p> <p><i>Further, the Cash Flow Statement supports the directors view that the company is a going concern by the relatively strong cash and cash equivalent balance of Kshs235,268,531 despite having made a loss of Kshs 54,382,983</i></p> <p><i>The company has a new water and sanitation tariff that was approved and gazetted on 30th May, 2025. The tariff is being implemented effective 1st July, 2025 and it is expected to bring more revenues which will be used to pay the liabilities.</i></p> <p>b) Net loss of Kshs.54,382,923</p> <p><i>The major reason for the loss is the high electricity cost because our source of water (over 90%) is from bore holes which are very deep (some over 300 metres deep). In addition, there was an increase in power tariff from between (Kshs7 to Kshs12 per k/w) to between (Kshs12 to Kshs20 per kw) depending on the nature of installation and consumption meaning we</i></p>	<p>Isaac M. Makori Finance Manager</p>	<p>Resolved</p>	<p>-</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<p><i>incurred more power but produced less volumes of water.</i></p> <p><i>During the year under review the cost of electricity increased by Kshs87,220,865 but the volumes of water produced was maintained. The increase in electricity costs did not translate into revenue as the cost was not transferred to the consumers because of the regulated water tariffs. However, in the new tariff which was implemented on 1st July, 2025 more revenues will be raised to cover the cost of electricity</i></p> <p><i>In order to mitigate on the cost of electricity, the company has piloted the use of solar power and the results are good and the company is in the process of up-scaling so as to produce more solar power. The amount for upscaling is factored in the budget for 2025-2026</i></p> <p><i>The pilot was done at Baharini well field and from the analysis done on sampled months for year 2021, 2022 and 2023 it indicates that there was a significant drop in electricity costs.</i></p> <p>Current Status <i>The company is implementing the new tariff and solarization of Baharini well field will be done in 2025-2026FY</i></p>			
<p>2.Unsupported Central Rift Valley Water Works Development Agency (CRVWDA) Lease Fees</p>	<p>The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs.696,597,144 which as disclosed in Note 11 to the financial statements includes an amount of Kshs.39,468,545 in respect of lease fees paid to Central Rift Valley Water Works Development Agency (CRVWDA). As previously reported, the lease fees relate to repayment of loan of Kshs.994,706,658 procured from the African Development Bank (AfDB) through the defunct Rift Valley Water Works Development Agency (RWDA) in the year 2014. Management has not provided evidence to indicate that the Company has taken possession and ownership of the assets financed by the loan. Although the Company continues to service the</p>	<p>(a) Company taking possession and ownership of the assets financed by the AfDB loan</p> <p><i>According to the Water Act 2002, the development of water and sanitation infrastructure was the mandate of Water Service Boards who under a Service Provision Agreement (SPA) appointed agents to operate and maintain the assets while the ownership remained with the Service Boards. The company was one of the appointed agents of Rift Valley Water Services Board (RVWSB)</i></p> <p><i>It is important to note that the Water Act, 2016 has not been fully operationalized since the ownership of the Olbanita Project including the various parcels of land for the boreholes, water treatment plants and water tanks are in the name of RVWSB/CRVWDA which causes a challenge in recording the same as assets in the company books of accounts. The</i></p>	<p>MD& Isaac Makori - Finance Manager</p>	<p>Not resolved</p>	<p>30th June, 2026</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>loan, the outstanding loan balance is not reported in the financial statements as required by the standards.</p> <p>In the circumstances, the accuracy and completeness and validity of lease fees paid to Central Rift Valley Water Works Development Agency (CRVWWDA) amount of Kshs39,468,545 could not be confirmed.</p>	<p><i>company is only using the assets to generate revenue and remittance of part of the revenue to RVWSB/CRVWWDA for loan repayment.</i></p> <p><i>The Company is waiting for a formal transfer of assets and liabilities from the CRVWWDA as per the Water Act 2016.</i></p> <p>(b) Disclosure of the AfDB loan in the financial statement</p> <p><i>The loan has been disclosed under Note 11 to the financial statements. However, it has not been reported as per the standards because the assets have not been transferred to the company.</i></p> <p><i>If the company records the loan and the related assets in its books before the transfer is done it would result to double accounting since the same is already recorded in the books of RVWSB/CRVWWDA.</i></p> <p><i>However, the Company is currently treating the loan repayment as a lease fees payable for use of the assets and expensing it in the financial statements. The loan balance has been disclosed in Note 11 of the financial statements.</i></p> <p>Current Status <i>The Company is waiting for a formal transfer of assets and liabilities from the CRVWWDA as per the Water Act 2016</i></p>			
<p>3. Unsupported Inventory Balance</p>	<p>The statement of financial position reflects inventories balance of Kshs.38,145,260. However, the inventories balance has not been supported by a detailed schedule showing opening balances, purchases, and the valuation report to show how the closing balance was arrived at. In addition, no record was provided for audit to show if the physical stock counts were undertaken at least once every quarter and the exercise was carried out by at least two officers, who are not from the store keeping staff.</p> <p>In the circumstances, the accuracy and completeness of the inventories balance of</p>	<p>i. Inventory balances movement schedule</p> <p><i>All the inventory categories currently have a ledger in the ERP accounting system which captures the opening balances, purchases, usage during the year and the closing balance. The correct inventory schedule shall be reported in the financial statements for the year ended 30th June, 2025.</i></p> <p>ii. Quarterly Physical Stock Take</p> <p><i>The company has noted your observation on quarterly stock and the same shall be done going forward. This was an oversight on the part of the management and the same will not happen again.</i></p>	<p>Isaac Makori - Finance Manager</p>	<p>Resolved</p>	<p>-</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	Kshs38,145,260 could not be confirmed.	Current Status Using the ERP system, the inventory movement is being captured in the system. The company carried out the year end stock take for the year ended 30 th June, 2024 and June, 2025. The quarterly stock taking will begin in the year 2025/2026.			
Emphasis of Matter					
1. Budgetary Control and Performance	<p>The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable amounts of Kshs.1,237,291,804 and Kshs.1,151,825,231 respectively an under collection of Kshs.85,466,573 or 7% of the budget. Similarly, the Company spent an amount of Kshs.1,239,825,412 against the the actual revenue of Kshs. 1,151,825,231 resulting to an over-utilization of Kshs.55,354,118 or 5% of the actual without the necessary approvals.</p> <p>The underfunding and over-utilization may have negatively impacted on the planned activities of the Company and service delivery to the public.</p>	<p>The under billing was because of less volumes of water that was produced compared to budget due to breakdown of borehole pumps and power failure. The company produces over 90% its water from boreholes and depends on Kenya Power which has a lot of power interruptions thus affecting our water production.</p> <p>The main reason for over expenditure was because of depreciation and amortization expense, a non-cash outflow which was not factored in the budget amounting to Kshs84,454,596.</p> <p>If the amount of depreciation and amortization expenses are not factored, there is no over expenditure or under-utilization.</p> <p>In future we shall factoring the amount of depreciation and amortization expenses in the budget</p>	Isaac M. Makori- Finance Manager & James M. Gathairu- Commercial Manager	Resolved	-
REPORT ON LAWFULNESS AND EFFECTINESS IN USE OF PUBLIC RESOURCES					
Conclusion					
Basis for Conclusion					
1. Significant Non-Revenue Water (NRW)	<p>The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.1,127,537,889 which as disclosed in Note 6 to the financial statements includes water sales amounting to Kshs.745,958,776. Review of records revealed that the Company produced a total of 12,114,346 cubic meters (M³) of water out of which 8,955,741 Cubic Meters (M³) of water was billed to customers for</p>	<p>The company is very keen on reducing NRW to below the sector bench mark levels of below 25% and a lot of measures have been put in place bring it down.</p> <p>In the company 5-year strategic plan, one of the objectives among others is to increase operation efficiency in non-revenue water management. In this objective the company has undertaken to install a model of District Areas Management Areas (DMAs) and Territory Management Areas (TMAs) so as to know</p>	Gilbert K. Mutai - Technical Manager & James M. Gathairu- Commercial Manager	Not resolved	30 th June, 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>Kshs.745,958,776 while the balance of 3,158,605 cubic meters (M³) or approximately 26% of the total volume of water produced represents Non-Revenue Water. The Non-Revenue Water of 26% was over and above the allowable loss of 25% set by the Water Services Regulatory Board (WASREB) guidelines by 1%.</p> <p>Further, the Non-Revenue Water amounting to 3,158,605 cubic meters (M³) resulted in loss of sales amounting to Kshs.186,357,695 at the rate of Kshs.59 per M³ minimum water sale tariff. In addition, the Company has not established a Non-Revenue Water function contrary to Paragraph 1.6.2 of Non-Revenue Water Management Standards in Kenya Guidelines of June, 2022.</p> <p>The significant level of non-revenue water is an indication of ineffectiveness in the use of public resources, which may negatively impact on the Company's profitability and its ability to sustain its services to the public.</p> <p>In the circumstances Management was in breach of the regulations</p>	<p><i>the amount of water distributed to each area for ease management of NRW.</i></p> <p><i>Furthermore, as part of a proactive measure to locate invisible leaks, Minimum night flow measurement is being enhanced across all zones, this will aid in reducing the physical water losses.</i></p> <p><i>In addition, the company has in place an illegal use prevention unit which has been allocated resources to fight NRW.</i></p> <p><i>Some of the interventions that have been undertaken so far to bring down the NRW include; -</i></p> <p><i>i. Rehabilitation of old dilapidated networks within the supply area.</i> <i>The company has rehabilitated some of the water networks with the aim of reducing physical losses at Eastern Zone and part of Northern Zone by replacing the old dilapidated network with a new network of about 26kms.</i></p> <p><i>The Company has replaced the old and dilapidated networks in Mawanga, Eastmore, Upperhill and Natewa Estates which had an average baseline NRW of 52.4% and at Heshima Estate in Eastern Zone with a baseline NRW of 67.2%.</i></p> <p><i>ii. Use of high-quality pipes and fittings</i> <i>In addition, the company is currently using High Density Poly Ethylene (HDPE) pipes instead of Ultra Poly Vinyl Chloride (UPVC) for network extension and maintenance. HDPE pipes are stronger, can withstand higher pressure, have less joints and less prone to leaks and bursts.</i></p> <p><i>iii. Replacement of old/faulty and under registering meters</i> <i>The company is replacing faulty/old/under registering meters with automatic meter reading (AMR) enabled meters which are more accurate with the aim of automating them fully for real time meter reading and easier NRW computations. Once fully automated human errors will be eliminated and accurate billing will be achieved. So far 15,000 smart enabled meters have been installed within Central and Southern Zones.</i></p>			

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		<p>iv. Data management <i>The company has procured and implemented a new ERP system which enhances data accuracy and management of water production, zonal and consumer meters as well as billing data. The company is now able to obtain real time, credible and accurate data for ease of NRW management.</i></p> <p>v. Minimizing water theft <i>Due to rampant water theft mainly in the low-income areas, the Company has resolved to have all meters relocated to the nearest mains. So far 12000 meters have been relocated. Further surveillance for illegal use has been intensified whereby the illegal use team have been facilitated with a vehicle, a motorbike and security reinforcement where need be.</i> <i>The unit is able to investigate, monitor and penalize illegal use cases and it is also responsible for billing data analysis (Checking customer consumption/billing trends) and meter testing/calibration.</i></p> <p>vi. Carrying out Minimum Night Flow Mmeasurement (MNFM) <i>MNFM helps to determine the integrity of the system in terms of leakages. This has been done at Manyani Estate in Southern Zone and Mawanga, Eastmore, Upperhill and Natewa Estates in Eastern Zone.</i></p> <p><i>We have provided a NRW intervention report so as to show the measures that have been put in place by the NRW team.</i></p> <p><i>Due to the above interventions, the company was able to achieve an NRW of 30% by end of 30th June, 2022, 29% by end of June, 2023, at 26% by end of June, 2024 and below 26% by end of June, 2025</i></p>			

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2.	<p>Inefficient Use of Electricity</p> <p>The statement of profit and loss and other comprehensive income for the year reflects general and operating expenses of Kshs. 696,597,144 which as disclosed in Note 11 to the financial statements includes an amount of Kshs.369,931,549 in relation to payment for electricity. Analysis of the supporting ledger revealed that the electricity bills relate to pumping costs from the boreholes which may not be the most efficient method, as this translates to (53%) percent of the total expenditure of Kshs.696,656,744. The high electricity costs are as a result of failing to adopt more efficient models that cost less such as installation of solar panels.</p> <p>In the circumstances, the Company may be incurring significant expenditure on electricity which affects service delivery to the public due to reduced spending of capital projects.</p>	<p><i>The major reason for the high electricity cost is because our source of water (over 90%) is from bore holes which are very deep (some over 300 metres deep). In addition, there was an increase in power tariff from between (Kshs7 to Kshs12 per k/w) to between (Kshs12 to Kshs20 per kw) depending on the nature of installation and consumption meaning we incurred more on power but produced less volumes of water.</i></p> <p><i>This is explained in the table below: -</i></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Water production (M³ m)</th> <th>Cost of electricity (Kshs) m</th> <th>Total operating Revenue (Kshs) m</th> </tr> </thead> <tbody> <tr> <td>2022/23</td> <td>11.9</td> <td>282.7</td> <td>1,067.9</td> </tr> <tr> <td>2023/24</td> <td>12.1</td> <td>369.9</td> <td>1,127.5</td> </tr> </tbody> </table> <p><i>From the above table you will note that electricity costs increased by Kshs87,220,865 but the volumes of water produced was maintained. The increase in electricity costs did not translate to revenue as the same was not transferred to the consumers because of the regulated water tariffs.</i></p> <p><i>In order to mitigate on the cost of electricity, the company has piloted the use of solar power whose results are good and the company is in the process of up-scaling so as to produce water using solar power. The pilot was done at Baharini well field and from the analysis done on sampled months for year 2021, 2022 and 2023 it indicates that there was a significant drop in electricity costs.</i></p> <p>Current Status <i>Some money has been factored in the new tariff for the installation of solar panels in 12No. Boreholes at Kabatini wellfield. In addition the company and the county government are looking for development partners to assist in installing solar panels.</i></p>	Year	Water production (M ³ m)	Cost of electricity (Kshs) m	Total operating Revenue (Kshs) m	2022/23	11.9	282.7	1,067.9	2023/24	12.1	369.9	1,127.5	Gilbert K. Mutai - Technical Manager	Not resolved	30 th June, 2026
Year	Water production (M ³ m)	Cost of electricity (Kshs) m	Total operating Revenue (Kshs) m														
2022/23	11.9	282.7	1,067.9														
2023/24	12.1	369.9	1,127.5														

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3. Irregular Board Composition	<p>The statement of profit or loss and other comprehensive income reflects board expenses amounting to Kshs.11,469,243 as disclosed in Note 12 to the financial statements. Review of records revealed that the Company operated with eight (8) Non-Executive Board members and one (1) Executive Board member during the year under review. Further, the nine (9) Board members include two (2) women which is contrary to clause 4.2.2 (6) of the Corporate Governance Guideline for the Water Services Sector, 2018 which provide that where possible at least three of these members shall be women, provided that the eligibility criteria are not compromised.</p> <p>In the circumstances, Management was in breach of Guidelines.</p>	<p><i>There was an oversight during the recruitment of directors which resulted to not attaining the one third gender rule.</i></p> <p><i>We have noted the observation the Auditor General and we shall ensure that the guidelines are followed during the next recruitment.</i></p>	Isaac Makori, Finance Manager	Not resolved	30 th June, 2024
4. Trade and Other Payables					
4.1 Long Outstanding Trade and Other Payables	<p>The statement of financial position and Note 29 to the financial statements reflects trade and other payables balance of Kshs.683,609,870 which comprises of trade payables amount of Kshs.664,058,681 and other payables totaling Kshs.19,551,189. The ageing analysis provided for the trade payables indicates that an amount of Kshs.399,331,524 or 60% of the trade payables were outstanding for more than one (1) year with an amount of Kshs.275,796,820 outstanding for more than three (3) years.</p>	<p><i>The outstanding amount of Kshs399,331,524 relates to: -</i></p> <p><i>i. Long outstanding payables- Kshs275,796,820</i></p> <p><i>The amount of Kshs275,796,820 relates to administrative fees to the Central Rift Water Works Development Agency (CRVWWDA) before the Water Act 2016. The remittance of the administrative fees to CRVWWDA was stopped due to instructions which the Company received from the County Government of Nakuru vide letter reference NCG/S/NWS/VOL.1/90 dated 2nd April, 2015.</i></p> <p><i>The letter from County Government was written to CRVWWDA and copied to the Company with instructions not to pay until further notice. The letter was tabled before the Board of Directors which has a</i></p>	MD & Isaac Makori, Finance Manager	Not resolved	30 th June, 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<p><i>representation of the County Government of Nakuru for adoption and the way forward. It was resolved that since it was the shareholder who gave the instructions, the company did not have much to do except to wait for further instructions.</i></p> <p>Current Status <i>The amount is still outstanding awaiting a resolution by the shareholders</i></p> <p>ii. Benisa Construction Company Ltd- Kshs123, 248,151</p> <p><i>This amount was owed to contractor who was engaged on behalf of Kenya National Highways Authority to relocate water and sewer networks along Barnabas-Njoro turn off in Nakuru so as to give way for the construction of the dual carriage highway.</i></p> <p><i>The project was completed in December 2022 at a cost of Kshs642.5m but KeNHA has not disbursed the balance of Kshs73m to be paid to the contractor</i></p> <p>Current Status <i>The amount of Kshs73m is still outstanding</i></p> <p>iii. Other payables- Kshs286,553</p> <p><i>This amount relates to refunds to customers after closure of the water accounts who the company has not been able to trace. The company will forward the amount and list of the customers to the Unclaimed Financial Assets Authority.</i></p>			
<p>4.2 Long Outstanding Debt to Central Rift Valley Water Works Development Agency</p>	<p>Included in the payables balance of Kshs683,609,870 is an amount of Kshs275,796,820 due to Central Rift Valley Water Works Development Agency (CRVWWDA) which has accrued since the year 2013.</p>	<p><i>The remittance of the administrative fees to Central Rift Water Works Development Agency (CRVWWDA) was stopped due to instructions which the Company received from the County Government of Nakuru vide letter reference NCG/S/NWS/VOL.1/90 dated 2nd April, 2015.</i></p> <p><i>The letter from County Government was written to CRVWWDA and copied to the Company with instructions not to pay until further notice. The letter was tabled before the Board of Directors which has a representation of the County Government of Nakuru for adoption and the way forward. It was resolved that since it was the shareholder who gave the instructions,</i></p>	<p>MD & Isaac Makori, Finance Manager</p>	<p>Not resolved</p>	<p>30th June, 2026</p>

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		<p><i>the Company did not have much to do except to wait for further instructions.</i></p> <p>Current Status <i>The amount is still outstanding awaiting a resolution by the shareholders</i></p>			
4.3 Long Outstanding Debt to African Development Bank (AFDB)	<p>The statement of financial position reflects trade and other payables totaling to Kshs.683,609,870. The amount includes a balance of Kshs.1,103,301,036 due to African Development Bank (AfDB) which has accrued since the year 2005.</p> <p>Failure to pay the long outstanding payable is contrary to Section 94(1) of the Public Finance Management Act, 2012 which states that a public entity is in serious material breach or persistent material breach of the measures established under Public Finance Management Act 2012 if it fails to make any payments as and when due or default on financial obligations for financial reasons.</p> <p>In the circumstances, the Company Management was in breach of law and there is risk loss of public funds through litigation, interests and penalties</p>	<p><i>According to the Water Act 2002, the development of water and sanitation infrastructure was the mandate of Water Service Boards who under a Service Provision Agreement (SPA) appointed agents to operate and maintain the assets while the ownership remained with the Service Boards. The company was one of the appointed agents of Rift Valley Water Services Board (RVWSB)</i></p> <p><i>The former RVWSB currently Central Rift Valley Water Works Development Agency (CRVWDA) being owner of the water assets in the year 2004-2009 obtained a loan from African Development Bank (AfDB) through the Government of Kenya for the construction of the Olbanita Water Project and other related works. After the completion of the project it was handed over to the company for operations and maintenance but RVWSB retained the ownership of the assets.</i></p> <p><i>The Principal loan amount and interest for the Company was Kshs.1,422,338,445 at an interest rate of 2.5% p.a payable over a tenor of 30 years including a grace period of 5 years with a balace of Kshs1,103,301,036 remaining as at 30th June, 2024.</i></p> <p><i>As explained above, the loan is for a period of 35 years which is long term and therefore cannot be treated as a current liability.</i></p>	MD & Isaac Makori, Finance Manager	Not resolved	30 th June, 2026
REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE					
Conclusion					
Basis for Conclusion					
1.Long Outstanding Trade and Other Receivables Balance	<p>The statement of financial position reflects trade and other receivables balance of Kshs. 914,790,606. Review of records revealed the following anomalies: -</p>				

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	<p>(i). Included in the balance is an amount of Kshs.461,902,091.97 owed by fourteen thousand seven hundred and fifty (14750) customers whose water accounts have been terminated or remained dormant for a period exceeding one year. The management has not demonstrated the measures taken including legal action to enforce collection of the debts.</p>	<p><i>The fourteen thousand seven hundred and fifty (14,750) customers relates to duplicate and untraced accounts that were inherited from the defunct Municipal Council of Nakuru and captured from the then manual system. In addition, we also have defaulters on account of un-cleared bills.</i></p> <p><i>The company in an effort to reduce these dormant accounts is wooing back the defaulters and entering into flexible repayment plans to clear the outstanding debt. In addition, the company is continuously carrying out the data cleaning of its customer database.</i></p> <p><i>Going forward the company has planned for a customer identification survey to be carried on all water networks to exhaustively cleanse our database. In addition, we shall recover the above outstanding debts in the dormant accounts from respective account deposit</i></p>	James M. Gathairu, Commercial Manager	Not resolved	30 th June, 2026
	<p>(ii). The balance also includes an amount of Kshs.241,883,014 owed by County Government of Nakuru on account of sale of water and sewerage services. Out of this balance, an amount of Kshs.215,703,436 was accrued by the defunct Municipal Council of Nakuru which was transferred to County Government of Nakuru and remained outstanding since its takeover in the year 2013. There was no evidence of any steps being taken by the Company to recover the long overdue balances. Further, records maintained by the County Government do not reflect any pending bills payable to the Company.</p>	<p><i>The balance of Kshs.241,883,014 owed by County Government of Nakuru on account of sale of water and sewerage services. Out of this balance, Kshs.215,703,436 was accrued by the defunct Municipal Council of Nakuru which was transferred to County Government of Nakuru and remained outstanding since its takeover in 2013. We have been constantly following up this amount with the with the County Government.</i></p> <p><i>The balance of Kshs26,179,578 owed by the County Government was current and has since been paid.</i></p> <p>Current Status <i>The amount of Kshs215m is still outstanding</i></p>	James M. Gathairu, Commercial Manager	Not resolved	30 th June, 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
	<p>(iii). The balance includes an amount of Kshs17,477,375 loaned to NAWASSCOAL Company Limited, a wholly owned subsidiary of the Company, which was unsupported by way of loan agreement or repayment plan. The amount remained the same from the previous year, which is an indication that the subsidiary Company is not repaying the loan as expected. Note 20 to the financial statements further disclosed that the loan had an accrued interest amount of Kshs.3,767,355 as at 30 June, 2024.</p>	<p><i>The total amount of the loan Kshs17,477,375 advanced to NAWASSCOAL was disbursed in 3 tranches of Kshs4,621,945, Kshs8,855,430 and Kshs4,000,000 on 3rd November, 2018, 9th October, 2019 and 15th September, 2021 as per the loan agreements.</i></p> <p><i>NAWASSCOAL, a limited liability company was registered on 8th September, 2018 as a subsidiary of Nakuru Water and Sanitation Services Company Ltd (NAWASSCO). The mandate of NAWASSCOAL is to carry out research and produce faecal matter-based products. Before the registration of NAWASSCOAL, the business was being piloted by Vitens Evides International (VEI) under Nakuru County Sanitation Programme (NSCP) funded by EU who carried out research and identified viable products i.e briquettes.</i></p> <p><i>NAWASSCOAL has not been able to start repayment of the loans as per the agreements due to several challenges such as low product demand and high production costs. To tackle these challenges, NAWASSCOAL through the support of its development partners enlisted the services of a consultancy firm, to develop turnaround strategies aimed at enhancing production and sales, decreasing production costs, and restructuring the company. The implementation of the strategies is going on.</i></p> <p>Current Status <i>The loan amount together with the interest is still outstanding</i></p>	<p>MD & Isaac Makori, Finance Manager</p>	<p>Not resolved</p>	<p>30th June, 2026</p>
	<p>(iv). The balance also included VAT recoverable from Kenya Revenue Authority of Kshs 15,093,230 which has been outstanding for more than a year and was unsupported by repayment plan. In addition, Note 20 to the financial statements disclosed that an amount of Kshs. 3,219,256 in respect of four (4) staff debtors remained outstanding from the financial year 2022/2023 and had not been repaid.</p>	<p>(a) VAT Refunds Kshs15,093,230 <i>These VAT refund claims of Kshs15,093,230 are for the months of January and March to June, 2015.</i></p> <p><i>The refunds were suspended arising from a dispute with KRA in which they introduced VAT 16% on sewer and wanted to utilize the amount to settle an assessment tax on the same.</i> <i>The company insisted on KRA to provide an interpretation of the VAT Act to proof that sewer services (waste water) is a separate from water services which was zero VAT rated at the time and the</i></p>	<p>Isaac Makori, Finance Manager & Carditor Muchoki, Human Resource and Admin. Manager</p>	<p>Not resolved</p>	<p>30th June, 2026</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<p>company was getting VAT input refunds. This dispute was resolved and KRA is yet to refund the amount.</p> <p>Current Status The company is making follow ups with KRA</p> <p>(b) Loss of fuel Kshs3,219,256 The Company recorded a loss of fuel amounting to Kshs3,219,256 and the employees who were found culpable were dismissed from service pending Criminal Investigations and Judgement by the Court. The matter is still in court waiting a determination.</p> <p>As per the Company's Policy on the same, none of the persons found culpable has accessed their terminal benefits nor cleared by the Company to access their Pension Benefits until the conclusion of the matter.</p> <p>As part of the control measures, the company has put in place a fuel and fleet management which records the usage of fuel by each motor vehicle or cycle.</p>			
	<p>(v). Note 20 (a) to the financial statements indicates that included in the balance of Kshs. 914,790,606 is an amount of Kshs. 714,496,266 in respect of trade receivables. Further, the ageing analysis provided reflects that included in the latter balance is an amount of Kshs. 692,397,646, or 97% of the trade receivables, which was due for more than sixty (60) days.</p> <p>Although Management has explained that a legal unit has been established in the Company, no explanation has been provided on the steps the Company intends to take to recover these long outstanding debts.</p>	<p>The amount of Kshs. 692,397,646, or 97% of the trade receivables, which was due for more than sixty (60) days is part of the debtors inherited from the defunct Municipal Council of Nakuru (MCN) in the year 2004. The amount includes Kshs215,703,436 that was left by the former MCN after devolution in 2013 The company has put in the following measures to address the above outstanding amount: -</p> <ul style="list-style-type: none"> ● Recover from customer account deposits ● Data Cleaning of Wrong Historical Debts ● Mapping of all customer connections using GIS ● Legal Unit The company has now in place a legal unit to deal with cases of stubborn debtors. ● Billing on actual water consumption. Under the new tariff, the company is not going to bill on estimates especially on gate locked cases, but instead it is going to 	James M. Gathairu, Commercial Manager	Not resolved	30 th June, 2026

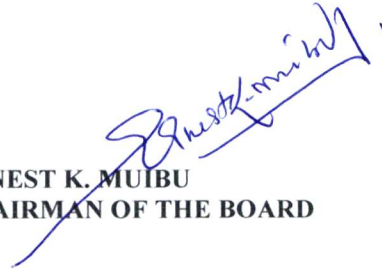
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
		<p><i>bill on actual consumption which will go a long way in reducing customer complaints thus the arrears.</i></p> <p>Current Status <i>The investigations and a clean-up of the customer data base is going on.</i></p>			

Signed By:



JAMES N. GACHATHI
MANAGING DIRECTOR



ERNEST K. MUIBU
CHAIRMAN OF THE BOARD

Nakuru Water and Sanitation Services Company Ltd.
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Appendix II: Projects Implemented by the Company Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
CLSG II WSTF PROJECT	1	Water Sector Trust Fund	April 2024 – 31 st October 2025	316,090,134	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Drilling of 10 No. Boreholes ,provision of Monitoring and Management system, Lying Water network 1.386Km raising main, installation of 9,941 consumer meters and installation of 42No, Electromagnetic/ Ultrasonic meters	316,090,134	55,016,237	22%	316,090,134	301,361,906	Water Sector Trust Fund

Appendix III- Inter-Entity Confirmation Letter

The company did not receive any transfers from state departments during the year under review.

Appendix IV: Reporting Disaster Management Expenditure

The company did not incur any cost on disaster management in the year under review since non-occurred.