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REPORT

OF

THE AUDITOR-GENERAL

ON

NYERI WATER AND SANITATION COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2026





OFFICE OF THE AUDITOR GENERAL
NYERI REGIONAL OFFICE
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NYERI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2026

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

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2. Acronyms and Glossary of Terms

A. Acronyms

AOD	Aid on Delivery
GDP	Gross Domestic Product
CEO	Chief Executive Officer
CLSG	Conditional Liquidity Support Grant
CPA	Certified Public Accountant
ERP	Enterprise Resource Planning
ESAWAS	Eastern and Southern Africa Water and Sanitation
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ICS	Institute of Certified Secretaries
KEBS	Kenya Bureau of Standards
KENAS	Kenya National Accreditation Services
KFW	Kreditanstalt für Wiederaufbau (Credit Institute for Reconstruction), a major German state-owned investment and development bank.
LIA	Low Income Areas
MD	Managing Director
MWI	Ministry of Water and Irrigation
NEMA	National Environmental Management Authority
NRW	Non-Revenue Water
NT	National Treasury
NYEWASCO	Nyeri Water and Sanitation Company Limited
OAG	Office of the Auditor-General
OHS	Occupational Health & Safety
PFMA	Public Finance Management Act.
PPE	Property, Plant and Equipment
SO	Strategic Objective
TWWDA	Tana Water Works Development Agency
UBSUP	Upscaling Basic Sanitation for the Urban Poor
WASREB	Water Services Regulatory Board
WSTF	Water Sector Trust Fund

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

3. Who we are

Background Information

Nyeri Water and Sanitation Company Limited was established as a limited liability Company under the Company's Act Cap 486 on 23rd September 1997. At the County level, the Company is represented by the County Executive Committee Member responsible for Water, Irrigation, Environment, Sanitation & Climate Change; who together with the Board of Directors are responsible for the general policy and strategic direction. The Board of Directors is appointed in accordance with the Water Act 2016 and WASREB's Corporate Governance Standards. Nyeri Water and Sanitation Company Limited is domiciled in Kenya and provides Water and Sanitation services in Nyeri Central Sub County and surrounding areas.

Principal Activities

The principal activity of the Nyeri Water and Sanitation Company Limited is to provide water, sanitation and allied services to the residents of Nyeri Central sub-county and its environs.

Vision:

"To be a world class water and sanitation services provider"

Mission:

"To provide quality water, sanitation and allied services through application of innovative, sustainable and customer centric processes".

Table I- Core Values

Core Value	Conceptual Meaning	Strategic Implication
Customer Centric	Putting customer first and at the core of the business	Customers will feel appreciated and paves way for greater business.
Professionalism	Reliability, Competence, Dependability and Respect	Effectiveness and efficiency in service delivery.
Innovativeness	Ability to challenge industry norms and provide solutions	An innovative environment full of creativity leading to superior processes and products.
Teamwork	Harnessing contribution of every partner	Employees will appreciate each other's significant role in the overall success of the Company.
Integrity	Guided by sound moral and ethical principles	This will lead to customer trust and pave way for greater engagement and increased business.
Responsiveness	Providing value within acceptable time	This will lead to effectiveness and efficiency in service delivery.
Result Oriented	Focus on outcomes	It will lead to greater productivity and attention to detail hence enhancing quality.

Assurance and Audit

NYEWASCO applies a combined assurance model to enhance the reliability of this report. Assurance is provided by the Audit, Risk & Compliance department through:

- Periodic management review of audit reports.
- Performance of risk based internal audits that are overseen by the Audit, Risk, and Governance Committee of the Board on a Quarterly basis.
- Maintenance of risk registers, risk monitoring by process owners and conduct of independent risk assessment by the Audit, Risk & Compliance department.
- External audit of financial statements by the Office of the Auditor-General (OAG).

Legal, Compliance, and Corporate Governance Audits are conducted annually to ensure adherence to applicable laws, regulations, and governance standards. The Board has applied its collective judgment to this report and confirms that it provides a balanced and accurate reflection of NYEWASCO performance, strategy, and value-creation approach.

Company Secretary
FCS Richard K. Gikuhi
P.O. Box 1271-10100
NYERI.

Registered Office
Company Headquarters
P. O. Box 1520 - 10100
NYERI, KENYA
Off Kenyatta Road, Next to Nyeri County Fire Station

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

Principal Legal Adviser
The County Attorney
County Government of Nyeri,
P.O. Box 1112 - 10100
NYERI, KENYA.

4. Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Nyeri Water and Sanitation Company Limited (NYEWASCO) for the financial year ended 30th June 2026.

Despite a challenging operating environment marked by rising costs, climate variability and increasing demand, the Company demonstrated great resilience. Throughout the year, we remained focused on our core mandate of delivering reliable, efficient and sustainable water and sanitation services to the residents of Nyeri Central Sub-County and its environs.

The Board continued to provide strategic leadership and effective oversight to ensure alignment with our long-term vision. We remained committed to transparency, accountability, and prudent resource stewardship while strengthening corporate governance, risk management and financial oversight laying a strong foundation for sustainable growth.

Through strategic infrastructure investments, innovation and a focus on customer satisfaction, NYEWASCO maintained operational stability and improved service delivery. Sustainability remained a top priority, with key initiatives targeting climate resilience, environmental conservation and digital transformation. Our achievements this year reflect the dedication of our staff, the support of our stakeholders and the Board commends Management's focus on service excellence. The national and regional recognition received by the Company during the year further affirms that our strategic direction is delivering positive results and reinforces our commitment to excellence in service delivery.

I sincerely thank the Managing Director, Management and all staff members for their professionalism and commitment. I also extend my gratitude to the County Government of Nyeri, the Water Services Regulatory Board (WASREB), Water Fund, development partners and our valued customers for their continued trust and support.

Looking ahead, the Board is confident in NYEWASCO's future. Guided by our strategic priorities, we will continue to support key investments, enhance institutional resilience and foster partnerships that create lasting value and improve the quality of life in the communities we serve.

Thank you for your continued partnership as we work together toward a stronger, more resilient and sustainable utility.



CPA GATHOGO MWANGI

CHAIRMAN, BOARD OF DIRECTORS

5. Report of the Managing Director

The 2025/2026 FY and 5th year of the current Strategic Plan was a defining period for NYEWASCO as we continued to strengthen our commitment to providing quality water and sanitation services to the people of Nyeri Central Sub- County and its environs. Despite a challenging operating environment characterized by rising operational costs, climate variability and increasing demand for reliable services, we remained focused on delivering sustainable value to our customers while positioning the Company for long-term growth. The Company operated under non cost recovery tariff thus slowing down some of the prosed projects and having an adverse effect on Company's performance of financial related KPIs.

The progress achieved during the year reflects the collective efforts of our employees, the strategic leadership of the Board of Directors, the continued support of the County Government of Nyeri, the guidance of our regulator, the collaboration of our development partners key among them Water Fund an above all, the trust and confidence our customers continue to place in us. Working together, we remained committed to operational excellence, prudent resource management and continual improvement in service delivery.

Management continued to prioritize investments that enhance operational efficiency and improve customer experience. During the year, the Company connected 2,347 new water customers and 921 sewer customers, increasing the total customer base to 63,241. These efforts enabled us to maintain over 100% water coverage while increasing sewerage coverage to 37%, demonstrating our commitment to expanding access to safe and reliable water and sanitation services.

One of our key operational priorities remained the management of Non-Revenue Water (NRW). Through positive and effective Organization culture, sustained investment in active leakage control, pressure management, network rehabilitation, meter replacement and improved system monitoring, the Company maintained Non-Revenue Water at 17.44%, well below the sector benchmark of 20%. This performance reflects our continued commitment to safeguarding water resources, improving operational efficiency and maximising value from every litre of water produced.

The Company also continued to strengthen customer engagement and service delivery by enhancing communication platforms, promoting public participation and improving responsiveness to customer needs. At the same time, we maintained our commitment to environmental stewardship through water quality monitoring, protection of water catchment areas and responsible wastewater management. These initiatives reinforce our belief that sustainable water service provision extends beyond infrastructure to protecting the resources upon which future generations depend.

Our financial performance remained resilient despite the prevailing economic pressures. During the year under review, the Company recorded a loss of Kshs. 2.5 million, compared to profit Kshs. 11M in the previous year. This low performance was driven by VAT refunds write

off amounting to Kshs 20M. The total revenues increased to Kshs 770 million from Kshs. 718.9 million in the prior period. While operating expenses increased to Kshs. 772 million from Kshs 703 million. Rising electricity costs, increased prices of operational materials and delayed settlement of government accounts continued to exert pressure on the Company's operations. Nevertheless, prudent financial management enabled us to remain financially stable while continuing to invest in service delivery.

Recognizing that people are central to organisational success, the Company continued to invest in staff development and future industry professionals. During the year under focus, the Board approved transition of the contract staff to Regular terms effective 1st July 2026. Another notable milestone during the year was the graduation of the fifth cohort of interns, reaffirming our commitment to developing talent and equipping young professionals with practical skills and experience that will contribute to the future growth of Kenya's water sector.

The year also brought notable recognition of the Company's performance. NYEWASCO received the "Best of the Best Performers in Multi Country Benchmarking 2025" award from the ESAWAS Regulators Association, a prestigious recognition that affirms our operational excellence beyond Kenya's borders. Nationally, the Company was ranked the 2nd Best Performing Water Service Provider in the WASREB IMPACT Report No. 18 and was further recognized as the Top Utility in Non-Revenue Water Management and Top Utility in Pro-Poor Services. These achievements are a reflection of the dedication of our employees, the support of our stakeholders and our unwavering commitment to continuous improvement.

As we look ahead, we remain focused on strengthening financial sustainability, embracing innovation and digital transformation, expanding access to quality water and sanitation services, and investing in resilient infrastructure that responds to the changing needs of our customers. We recognize that the expectations of our stakeholders continue to evolve, and we remain committed to delivering services that are efficient, customer-centered and environmentally sustainable.

On behalf of the Management team, I extend my sincere appreciation to the Board of Directors for their strategic guidance and oversight, the County Government of Nyeri for its continued support, the Regulator for its guidance, our development partners for their valued collaboration, our customers for their continued confidence and every member of the NYEWASCO family whose professionalism, commitment and resilience have made this year's achievements possible.

The progress we have made during the year provides a strong foundation for the future. Together, we will continue to build a stronger, more innovative and more sustainable utility as we pursue our vision of delivering excellence in water and sanitation service provision.

ENG. PETER G. KAHUTHU
MANAGING DIRECTOR

6. Corporate Governance Statement

Part A: Board of Directors Profiles:

Ref	Directors	Details
1.	**CPA Gathogo Mwangi Chair–** Board of Directors 	Appointed in May 2021 as an **Independent Director** representing Professionals and re-elected on 24th June 2024. He holds a Bachelor of Business Management degree (Finance and Banking), is a Certified Public Accountant of Kenya (CPA-K), and possesses a Postgraduate Diploma in Insurance (AIIK). He has over 27 years of extensive experience in accounting, finance and the insurance industry. His wealth of professional expertise provides valuable insights in financial management, corporate governance, risk management and strategic decision-making, contributing significantly to the Board's oversight and stewardship responsibilities.
2.	**Eng. Hannah Kamau** **Chair -** Technical Committee 	Appointed in July 2022 as an **Independent Director** representing Institutional Consumers and re-elected on 30th June 2025, she holds a BSc in Civil Engineering (Hons) and a Postgraduate Diploma in Project Management from DeKUT, where she is currently pursuing her MSc in Project Management. She is a Registered Professional Engineer with the Engineers Board of Kenya (EBK) and a Fellow of the Institution of Engineers of Kenya (IEK), bringing over 15 years of expertise in structural and water services engineering. Her extensive technical knowledge and project management background provide valuable guidance to the Board in infrastructure development, engineering standards, and strategic project implementation.

3.	**Paul M. Wambugu** 	Appointed in May 2018 as a Director representing the Office of the Governor, County Government of Nyeri. He holds a Bachelor of Arts degree from Kenyatta University and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing. He brings valuable experience in public administration, stakeholder engagement and strategic communication, providing important insights that support the Board in advancing the Company's mandate and aligning its operations with the development priorities of the County Government of Nyeri.
4.	**Bernard K. Kariuki** 	Appointed in April 2023 as a Director representing the Department of Water Services, County Government of Nyeri. He holds a Bachelor of Education degree in Biology and Chemistry. He currently serves as the Chief Officer for Water, Irrigation, Environment and Climate Change in the County Government of Nyeri. In this capacity, he provides strategic leadership in the management and development of water resources, environmental conservation, climate change initiatives and irrigation services within the County. His extensive experience in public service and sector leadership provides valuable insights to the Board on policy implementation, regulatory compliance, stakeholder engagement, and the sustainable development of water and sanitation services.

5.	Esther N. Ndirangu- **Chairperson** Audit Risk & Governance Committee 	Appointed in July 2023 as an **Independent Director** representing registered women organizations and re-appointed on 12th June 2026. She holds a Bachelor of Education degree from Kenyatta University and is pursuing a Master's in Leadership and Governance. She has over ten years of experience in teaching, entrepreneurship, and institutional board leadership, equipping her with expertise in governance, stakeholder engagement, and community development. She currently serves as the Board's Pro-Poor Champion, leading initiatives to promote inclusive service delivery and advocating for vulnerable and underserved communities.
6.	**Catherine W. Nzioki** 	Appointed on 28th March 2024 as a Director representing the Cabinet Secretary, National Treasury. She holds a Bachelor's degree in Economics and Finance and is a member of the Institute of Certified Investment and Financial Analysts (ICIFA). She also holds a Certificate in Financing County Government Capital Projects. She brings expertise in financial management, investment analysis, public finance and resource mobilization. Her knowledge and experience in financial planning and capital project financing provide valuable insights to the Board in strengthening financial sustainability, investment decisions and effective implementation of strategic initiatives.

7.	**Angela N. Maina** 	Appointed on 24th June 2024 as an **Independent Director** representing Special Interest Groups, Minorities and Youth. She is an Advocate of the High Court of Kenya and holds a Postgraduate Diploma in Law from the Kenya School of Law. She has over ten years of post-admission experience in legal practice, with expertise in civil and criminal litigation, conveyancing and commercial law. Her legal knowledge and professional experience provide valuable guidance to the Board on matters relating to legal compliance, governance, regulatory obligations, contract management and protection of stakeholder interests.
8.	**David W. Macharia** 	Appointed on 30th June 2025 as an **Independent Director** representing the Business Community. He holds a Bachelor of Agricultural Engineering (Hons) degree and has over 30 years of extensive experience in corporate governance, information and communication technology (ICT) and enterprise development. His broad professional experience in governance, technology and business development provides valuable strategic insights to the Board, supporting effective decision-making, innovation, institutional growth and the achievement of the Company's objectives. He currently serves as the Board's Resource Mobilization Champion, providing leadership and strategic guidance in identifying opportunities for partnerships, funding initiatives and resource mobilization efforts to support the sustainable growth and development of the Company.

9.	Charles M. Kariuki – **Chairperson** Finance, Administration & Strategy Committee 	Appointed in June 2021 and re-elected on 30th June 2025 as an Independent Director representing Resident Associations. He retired on 12th June 2026. He holds a Bachelor of Science (BSc) degree and a Postgraduate Diploma in Education (PGDE). He has over 30 years of experience in entrepreneurship, bringing extensive knowledge in business management, community engagement, and stakeholder representation. His wealth of experience provides valuable insights to the Board in promoting customer focus, enhancing stakeholder relations and supporting sustainable growth of the Company.
10.	**Eng. Peter G. Kahuthu** 	**Managing Director / CEO** B.Sc. Civil Engineering, Reg. EBK, MIEK Appointed on 11th June 2021 as the Managing Director, and his contract was renewed on 11th June 2024. He holds a Bachelor of Science degree in Civil Engineering and is a Registered Engineer with the Engineers Board of Kenya (EBK) and a Member of the Institution of Engineers of Kenya (MIEK). He is responsible for providing overall strategic leadership and direction to the Company, ensuring effective implementation of the corporate strategy, operational excellence and achievement of organizational objectives. He serves as the Managing Director and Secretary to the Board of Directors (Executive Director), providing a critical link between the Board and Management while supporting effective corporate governance and decision-making.

11.	**FCS Richard K. Gikuhi** 	**FCS Richard K. Gikuhi, MBA, MKIM, Accredited Governance Auditor, HSC** FCS Richard K. Gikuhi is a Certified Secretary and a Fellow of the Institute of Certified Secretaries of Kenya. He is an Accredited Governance Auditor, holds a Master of Business Administration Degree with a major in Strategic Management from Moi University and an Advanced Practical Course in Management of Urban Development from Birmingham University. He is currently the Managing Partner at Gikuhi Kiana & Company, Certified Secretaries. For over 25 years he has worked with various Water and Sanitation Companies as a Company Secretary and advises in the area of Corporate Governance. His stint at the European Union contributes to his knowledge and experience in working with international organizations.

PART B: Management Profile

Ref	Management	Details
1.	**Eng. Peter G. Kahuthu** 	**Managing Director / CEO** B.Sc. Civil Engineering, Reg. EBK, MIEK He holds a Bachelor of Science degree in Civil Engineering and is a Registered Engineer with the Engineers Board of Kenya (EBK) and a Member of the Institution of Engineers of Kenya (MIEK). He is responsible for providing overall strategic leadership and direction to the Company, ensuring effective implementation of the corporate strategy, operational excellence and achievement of organizational objectives. He also serves as the Chief Executive Officer and Secretary to the Board of Directors, providing a critical link between the Board and Management while supporting effective corporate governance and decision-making.
2.	**FCS Richard K. Gikuhi** 	**FCS Richard K. Gikuhi** MBA, MKIM, Accredited Governance Auditor, HSC FCS Richard K. Gikuhi is a Certified Secretary, a Fellow of the Institute of Certified Secretaries of Kenya and an Accredited Governance Auditor. He holds an MBA in Strategic Management from Moi University and advanced management training from Birmingham University. Currently the Managing Partner at Gikuhi Kiana & Company, Certified Secretaries, he brings over 25 years of experience advising Water and Sanitation Companies on Corporate Governance. His previous tenure with the European Union further enhances his expertise in working with international organizations.

3.	**James N. Ngunjiri** 	**Chief Manager, Technical Services** **MBA, B. Tech. Civil Engineering** He is responsible for providing strategic and operational leadership of the Technical Directorate, which comprises Production & Climate Change, Quality Assurance, Water Distribution, Non-Revenue Water (NRW), Sanitation, Design & Construction, and Electromechanical Services.
4.	**CPA Rose Gitahi** 	**Chief Manager – Finance & Corporate Services** **MBA, BBA, CPA(K)** She is responsible for providing strategic leadership and oversight of the Finance and Corporate Services Directorate, which comprises Finance & Accounts, Corporate Planning & Strategy, Security & Investigations, and Information and Communication Technology (ICT).
5.	**CPA Beatrice W. Muigai** 	**Manager – Audit, Risk & Compliance** **MBA, BSc, CPA(K), CIA** She is responsible for providing leadership and oversight of the Company's Audit, Risk and Compliance Department.

6.	**John K. Wamathai** 	**Chief Manager, Commercial Services** **Bachelor of Arts, CPA section 3** Appointed as the head of the Commercial Services Directorate, responsible for overseeing and coordinating all functions within the Directorate, including customer service, revenue management, Debt collection, billing and related commercial operations.
7.	**CHRP Joyce W. Munira** 	**Manager, HR & Administration** **MBA, Bachelors in HRM, CHRP** She is currently in charge of the Company's Human Resource Department, overseeing all matters relating to staff recruitment, employee relations, training and development, performance management and general administration.
8.	**Andrew W. Karani** 	**Supply Chain Officer I** He holds a Bachelor of Arts (BA) in Purchasing and Supplies Management and is a registered member of the Kenya Institute of Supplies Management (KISM), Membership No. 65995. He has extensive experience in supply chain and procurement management and has been heading the Supply Chain Department since 1st January 2024. In this role, he oversees all procurement and asset disposal activities, ensuring compliance with the Public Procurement and Asset Disposal Act, 2015 and other applicable procurement regulations and guidelines.

Part C: Corporate Governance Statement

A) Board Charter

The Company has developed a Board Charter setting out the role, composition and responsibilities of the Board of Directors ("the Board") of Nyeri Water and Sanitation Company Limited. The conduct of the Board is also governed by the Water Act 2016, Companies Act, 2015 and the Leadership and Integrity Act of 2012 and the Public Officers Ethics Act. The Charter is reviewed at the Board's 1st meeting of each financial year where necessary.

B) Authority

The Board of Directors ("Board") is responsible for the proper stewardship of the Company. The Board's mandate is to ensure the maximization of shareholders' value and safeguarding the stakeholders' interests including securing sustainable long-term financial results and increasing shareholder value, with proper social and environmental considerations. The Board collectively has sound and sufficient knowledge and expertise to enable effective governance and oversight.

C) Composition

The Board consists of nine members, excluding the Managing Director who is the secretary and the representative of Tana Water Works Development Agency CEO who may attend on invitation.

Members are:- One member representing the National Treasury, one member representing the Department of Water, Irrigation & Climate Change Nyeri County, One member representing the Office of the Governor Nyeri County, One member representing Special Interest Groups, Minorities and Youth, One member representing Institutional Consumers, One member representing Professional Bodies, One member representing Women's Organisations, One member representing the Business Community and One member representing Residents Associations.

D) Appointments of Board Members

Whenever there is a vacancy in the Board, the vacancy will be advertised in a newspaper with national circulation and wide readership. Interested persons shall apply after being nominated by the relevant stakeholders' bodies thereafter he/she be elected during the Annual General Meeting. The directors representing the County Government of Nyeri shall be nominated by the Executive Committee member in charge of water services. The Board member representing National Treasury will be nominated by the Principal Secretary in charge of National Treasury. The names of elected directors will be filed with the Registrar of Companies.

E) Disqualification of Director

Board member will cease to be director if the person:

a) Serves the Chairperson with a written notice of resignation or
b) Is absent, without the permission of the Chairperson, from three consecutive meetings; or
c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board or
e) Is removed from office pursuant to section 139 of the Companies Act or by a special resolution of the company in general meeting or
f) Ceases to be an official of the County Government of Nyeri or the National Treasury or
g) Becomes bankrupt or makes an arrangement or composition with their creditors or
h) Becomes prohibited from being a Director by reason of any order under section 189 of the Act or
i) Becomes of unsound mind or
j) He/She or any persons to who he has personal ties transacts with the Company

The Board may also recommend the removal of a member based on non-performance, non-attendance of meetings, unethical conduct or as set out in any constitutive documents or applicable law.

Any removal of a Board member appointed by the County Government or National Treasury shall be through formal revocation. The Managing Director will ensure that a record of the appointment letter and written acceptance by the Board member are kept in the personal file of the Board member.

F) Independence of Board Members

All Board members, including those nominated by County Government of Nyeri and National Treasury, shall recognize that they owe their duties to NYEWASCO and not their nominating stakeholder.

G) Term Limits

Board members shall retire by one third annually other than those from the National/County Governments. A Board member may be appointed for a cumulative term not exceeding six (6) years. In the subsequent reappointment members shall retire from office by rotation every year from the oldest. The renewal of Board Member's tenure for a second term is subject to an acceptable evaluation as determined during Board evaluations.

In determining which directors are to retire at the Annual General Meeting the process is guided by provisions of the Memorandum and Articles of Association as amended from time to time.

H) Resignation from the Board

A Board member may resign at any time by giving notice, in writing, to the Chairperson of the Board and/or the Managing Director of the Company.

The resignation shall take effect upon receipt of notice by the Chairperson or at any later time specified therein and unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective.

I) Relationship between Board and Management

The Board and Management should execute their mandate in an environment of mutual trust and respect having regard to the principles of good governance. In this regard, the Board shall provide clear and distinct lines of responsibility and accountability, and maintain effective channels of communication.

J) Committees of the Board

To effectively discharge its mandate, the Board shall establish committees with specific terms of reference. The Board shall appoint into committees, members with requisite skills and competence to discharge allocated responsibilities. In the event that a committee lacks specific skills within its membership, the Board may, co-opt skilled non-Board members to serve on the committee provided that the chair of a committee or the Chairperson of the Board shall not be a co-opted member. The Board may, from time to time, rotate Board members between the committees.

The Board remains collectively responsible for the decisions and actions taken by any committee. A committee may only perform the tasks delegated to it by the Board and may not exceed the authority or powers of the Board.

The Chairperson of each committee, in consultation with the Board, will determine the frequency of committee meetings as is necessary to fulfil the Committees functions. However, in normal circumstances the committees should hold four (4) sitting in a financial year.

The committees will promptly recommend to the Board any actions taken for ratification and any major developments that they become aware of. The Board shall, as set out in the terms of reference of the respective committees, receive a report of the committee's findings and actions.

The Board has established the following standing committees: -

- Audit, Risk & Governance
- Technical
- Finance, Administration & Strategy

The membership to the committees was drawn from the Board of Directors and the committees were chaired by independent directors.

Table II-Board Committee & Full Board Meetings and Key Activities for the FY 2025/26

S/No.	Item	No. of Meetings FY 2025-2026
1.	Finance and Strategy Committee	4
2.	Audit, Risk and Governance	4
3.	Technical Committee	4
4.	Inaugural Full Board	14th July 2025
5.	Special Full Board	2
6.	Full Board	4
7.	Board Induction Training	September 2025
8.	Stakeholders Forum	3rd June, 2026
9.	AGM	12th June, 2026

K) Practices of the Board

i. Board Responsibilities

The basic responsibility of the Board members is to exercise their best judgment and to act in a manner that they reasonably believe to be in the best interest of the Company and its stakeholders. In discharging that obligation, the members shall be entitled to rely on the honesty and integrity of the organization's management, staff and its external professional advisors and auditors.

In furtherance of its responsibilities, the Board will:

a) Determine the Company's mission, vision, purpose and core values;
b) Review, evaluate and approve, on a regular basis, long-term plans for the Company;
c) Review, evaluate and approve the Company's budget and financial forecasts;
d) Review, evaluate and approve major resource allocations and capital investments;
e) Ensure that the procurement process is cost-effective and delivers value for money;
f) Review and approve the operating and financial results of the Company;
g) Ensure effective, accurate, timely and transparent disclosure of pertinent information on the Company's operations and performance;
h) Ensure that effective fiduciary oversight arrangements are in place to promote prudent stewardship of resources, accountability, transparency, compliance, and the safeguarding of the Company's assets and interests;
i) Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;
j) Review, evaluate and approve the remuneration structure of the organization

k) Adopt, implement and monitor compliance with the organizations Code of Conduct and Ethics;
l) Review on a quarterly basis the attainment of targets and objectives set out in the agreed performance measurement framework with the County Government of Nyeri;
m) Review periodically the organization's strategic objectives and policies relating to sustainability and social responsibility investment;
n) Protect the rights of shareholders and optimize shareholder value
o) Enhance the organization's public image and ensure engagement with stakeholders through effective communication as contained in the company's stakeholders/communication policy;
p) Monitor compliance with the Constitution, all applicable laws, regulations and standards; and
q) Review, monitor and ensure that the organization is effectively and consistently delivering on its mandate.

ii. Responsibilities of Individual Board Members

Each Board member shall:

a) Exercise the highest degree of care, skill and diligence in discharging their duties;
b) Act in the best interest of the organization and not for any other purpose;
c) Act honestly at all times and must not place themselves in a situation where their personal interests conflict with those of the organization;
d) Exercise independent judgment;
e) Devote sufficient time to carry out their responsibilities, regularly update their knowledge and enhance their skills;
f) Promote and protect the image of the organization;
g) Owe their duty to the organization and not to the nominating or appointing authority; and
h) Owe the organization the duty to hold in confidence all information available to them by virtue of their position as a Board member.

iii. Principles of Public Service

The Board, in performing its functions, shall be guided by the principles of Public Service as provided in Chapter Thirteen of the Constitution of Kenya, which include:

a) High standards of professional ethics;
b) Efficient, effective and economic use of resources;
c) Responsive, prompt, effective, impartial and equitable provision of services;
d) Involvement of stakeholders in policy making;
e) Accountability for administrative acts;
f) Transparent and timely provision to the public of accurate information;

g) Fair competition and merit as the basis of appointments and promotions;
h) Affording adequate and equal opportunities for appointment, training and advancement, at all levels of the Company, of men and women, members of all ethnic groups and persons with disabilities.

L. Conflict of Interest

A conflict of interest may arise where a Board member or close family member such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Conflict may also arise where a Board member uses their office for personal gain.

Board members are required to avoid conflict of interest and deal at arms-length in any matter that relates to the organization. However, a Board member who identifies an area of conflict shall be required to disclose any actual or potential conflict of interest to the Board. In so reporting, the Board member is required to provide all relevant information, including information which relates to their immediate family members by blood or marriage which is related to the area of conflict. When declared, the Board member shall abstain from decisions where the conflict exists.

The Managing Director should keep a record of conflicts of interest declared, for accountability purposes, and as a rule of good practice on appointment and on regular intervals or at any time when circumstances change, all members shall in good faith disclose to the Board for recording, any other business or interest likely to create a potential conflict of interest.

M. Independent Advisors

Board members may individually and collectively seek independent advice in connection with their duties in the company as and when required. Independent professional advice for the purposes of this Charter shall include advice on matters of governance, the advice of accountants and other professional financial advisors on matters of law and other regulatory matters but shall exclude advice concerning the personal interests of the director concerned, such as matters relating to their appointment or disputes with the organization.

N. Interaction with Stakeholders

Only designated representatives of the organization shall communicate on behalf of the organization with the Government, media, stakeholders and the general public.

O. Board Induction and Continuous Skills Development

The Board will provide new Board members with an effective induction programme in order to familiarize them with their responsibilities as directors, general principles of corporate governance and Board practices. The induction program will also provide the Board member with an orientation of the organization, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics.

P. Board Remuneration

Board members shall be remunerated for their services in accordance with the prevailing relevant legislative provisions and or guidance from the relevant authority. In line with best practice, the remuneration should include sitting and travel allowances.

The Directors will be entitled to per diem equivalent to the Managing Director's per diem whenever they are conducting or attending organization's business outside it area of jurisdiction necessitating sleep over. The Board Remuneration will be determined by a special Adhoc Remuneration Committee, appointed by the Chairman of the Board. The remuneration committee of the board will be made up of a maximum of five (5) members and a minimum of three (3) members. The Managing Director will be the secretary to the Board Remuneration committee.

The remuneration committee will determine all the allowances and other benefits payable to the board members including the Chairman subject to the statutory guidelines and limitations of the board expenses as a percentage of total revenue. The remuneration committee will meet once every term (every 3 years) to review the status of the company and determine the need to review the allowances and other benefits depending on the financial status of the company.

Q. Board Performance

The Board will conduct an annual evaluation to appraise its performance. This evaluation will be carried out in accordance with the Board Evaluation Tool.

The Board evaluation provides an opportunity for Board members to identify strengths, collective skill gaps and individual areas of improvement. The Board will also review the performance of each committee against the agreed Terms of Reference. The Board will also evaluate the performance of the Managing Director.

R. Board and Management Succession

The Board shall establish and regularly review a succession plan for both the Board and senior management to ensure leadership continuity, institutional memory, and sustained organizational performance. In implementing the succession plan, the Board shall be guided by the WASREB Corporate Governance Standards and the Company's Memorandum and Articles of Association (MEMARTS), which provide for the appointment, retirement, rotation, and succession of directors.

S. Governance Audit

The Board should ensure that a governance audit of the organization is undertaken on a biennial basis. The purpose of the governance audit is to ensure that the organization conforms to the highest standards of good governance. The governance audit should cover the following parameters among others: Leadership and strategic management; Transparency and disclosure; Compliance with Laws and Regulations; Communication with stakeholders; Board independence and governance; Board systems and procedures; Consistent stakeholders' value enhancement; and Corporate social responsibility and investment.

T. Company Policies

The Company remains committed to maintaining a robust governance and operational framework through the development, implementation and periodic review of its policies. During the reporting period, the Company had over forty (40) approved policies and procedures that guide decision-making, promote accountability, ensure regulatory compliance and support the achievement of its strategic objectives.

These policies cover key areas including corporate governance, human resource management, finance, procurement and supply chain management, information communication technology, risk management, customer service, stakeholder engagement, environmental sustainability, occupational health and safety, anti-corruption, Social Responsibilities, Business Continuity, Data protection, Debt management and other critical operational and administrative areas necessary for the effective delivery of the Company's mandate.

To ensure continued relevance and effectiveness, the Company regularly reviews its policies to align with emerging regulatory requirements, industry best practices, technological advancements and the evolving needs of stakeholders. The Board of Directors provides oversight on policy development and approval, while Management is responsible for implementation, monitoring and compliance across the organization.

7. Financial Performance Overview

The financial performance for the fiscal year ended 30 June 2026 demonstrates the Company's continued resilience and prudent financial management amidst a challenging operating environment characterized by rising costs and a non-cost-reflective tariff. The Company recorded a loss of Kshs. 2.5 million.

1. REVENUE FY 2025/2026

NYEWASCO's total revenue for the fiscal year ended 30 June 2026 amounted to Kshs 770.4 million, representing a commendable increase of 7.15% from the Kshs 718.98 million recorded in the prior year.

Operating Revenue dominates the Company's income streams, contributing 95.4% of total revenue. The year-on-year increase of Kshs 51.42 million in total revenue is predominantly driven by a robust performance in core operational activities.

Grants Income at KES 17 million (2.5%) reflects ongoing capital grants amortisations and includes UBSUP III Grant Income of KES 5 million.

Other Income (KES 8.14 million) and Finance Income (KES 7.80 million) provide supplementary revenue streams, though they remain relatively modest compared to operating revenue.

Table III- Revenue Analysis

Revenue Stream	FY 2025-2026	FY 2024-2025	Change	% Change
Operating Revenue	737,124,949	685,085,316	52,039,633	7.6%
Grants Income	17,129,516	13,817,787	3,311,729	24.0%
Other Income	8,138,329	11,432,339	(3,294,010)	(28.8%)
Finance Income	7,804,221	8,640,077	(835,856)	(9.7%)
Other Gains/Losses	200,299	-	200,299	N/A
TOTAL	**770,397,314**	**718,975,518**	**51,421,796**	**7.2%**

Revenue by Nature

The Company's revenue is generated through a diversified mix of sources. The majority of income continues to be derived from core operating activities, which constituted 95.7% of total revenue, increasing from Kshs 685.09 million to Kshs 737.12 million. Grants amortisation income & Grant income also saw a healthy increase of 24.0%, rising from Kshs 13.82 million to Kshs 17.13 million. This was offset by a slight decrease in other income (Kshs 11.43 million to

Kshs 8.14 million) and finance income (Kshs 8.64 million to Kshs 7.80 million). Additionally, the current year includes a small amount of other gains earned from disposal of assets.

2. Expenditure

Total expenditure for the year ended 30 June 2026 amounted to Kshs 772.88 million. This represents an increase of 9.94% compared to the previous year's expenditure of Kshs 703.01 million. The rise in expenses outpaced the growth in revenue, which is a key factor in the entity's financial performance for the year. This increase is largely due to rising operational costs, notably electricity, chemicals and licensing fees. The Company also wrote off Kshs 20 million of VAT recoverable which deemed not receivable by the end of the period.

Table IV- Expenditure Analysis

Expense Category	FY 2025-2026	FY 2024-2025	Change	% Change
Staff Costs	304,200,010	300,535,726	3,664,284	1.2%
General & Operations	305,645,388	228,751,428	76,893,960	33.6%
Board Expenses	13,964,622	13,999,666	(35,044)	(0.3%)
Maintenance Expenses	78,501,268	81,342,008	(2,840,740)	(3.5%)
Depreciation & Amortization	62,429,501	69,035,269	(6,605,768)	(9.6%)
Finance Costs	8,140,257	9,348,164	(1,207,907)	(12.9%)
TOTAL	**772,881,046**	**703,012,262**	**69,868,784**	**9.9%**

Expenditure Analysis

1. **Staff Costs (40% of Total):** Remained the largest cost center at Kshs 304.2 million, increasing by a modest 1.2% from the prior year. While the wage bill is a significant expense, it is being managed effectively relative to operational costs. The company continues to focus on cost containment while investing in staff development.
2. **General and Operations Expenses (39.5% of Total):** This category saw the most significant increase at 33.6%, rising to Kshs 305.6 million (from Kshs 228.8 million). The increase was primarily driven by:
    i. Licensing and Levies: Increased to Kshs 50.15 million (from Kshs 34.1 million), largely due to higher abstraction levies (Kshs 20.1 million) and regulatory fees (Kshs 30.1 million).
    ii. Electricity Costs: Rose to Kshs 42.33 million (from Kshs 39.07 million) due to increased tariffs from the national grid.
    iii. VAT Expenses: A one-off expense of Kshs 55.38 million was recognized following a court ruling on VAT on sewer which put the Company in a payable position and the write off of VAT recoverable amounts not payable.
    iv. Bad & Doubtful Debts: Increased to Kshs 4.46 million (from Kshs 1.6 million) reflecting a more prudent provisioning policy.

3. **Maintenance Expenses (10.2% of Total):** Decreased slightly by 3.5% to Kshs 78.5 million. This includes the cost of maintaining and rehabilitating the extensive water and sewerage infrastructure, such as pipe replacements (Kshs 7.0 million), pipes & fittings (Kshs 13.9 million), meters for extensions (Kshs 17.0 million), and vehicle maintenance (Kshs 4.5 million). Notably, a subsidy for Safisan toilets of Kshs 3.8 million was also recognized.
4. **Depreciation & Amortization (8.1% of Total):** Decreased by 9.6% to Kshs 62.4 million (from Kshs 69.0 million) due to the capitalization of assets and the aging of certain asset classes, which reduced the chargeable depreciable base.
5. **Board Expenses (1.8% of Total):** Remained relatively stable at Kshs 14.0 million, consistent with the prior year, reflecting disciplined governance cost management.
6. **Finance Costs (1.1% of Total):** Decreased by 12.9% to Kshs 8.1 million (from Kshs 9.3 million) as a result of continued repayment of long-term borrowings, reducing the interest burden.

3. Revenue and Expenditure per Budget Estimates

The Company's budget performance for FY 2025/26 shows a high level of adherence to the approved budget, with an overall revenue utilization rate of 94% and an expenditure rate of 92%. This is further explained in the statement of budget comparison

4. Assets of the Entity

As at 30 June 2026, the total assets stood at Kshs 1.619 billion, a slight decrease from the Kshs 1.651 billion recorded at the end of the prior year.

Non-Current Assets increased by 1.3% to Kshs 1.138 billion, reflecting continued investment in property, plant, and equipment (PPE) to support operational capacity. Current Assets decreased by 8.8% to Kshs 481.21 million, primarily driven by a significant reduction in cash and cash equivalents following the repayment of borrowings and a substantial decrease in the VAT recoverable balance, which was utilized to offset tax liabilities and written off during the year.

5. Liabilities of the Entity

Total liabilities decreased by 1.9% to Kshs 848.26 million. Non-current liabilities decreased by 4.5% to Kshs 421.94 million, driven by a significant reduction in long-term borrowings (from Kshs 280.02 million to Kshs 261.66 million) following scheduled repayments. Deferred income/capital grants also decreased from Kshs 161.70 million to Kshs 160.28 million as grants were amortized to income.

Current liabilities increased slightly by 0.7% to Kshs 426.32 million, with trade and other payables increasing to Kshs 249.03 million from Kshs 242.21 million.

The balance sheet reflects a conscious effort to reduce long-term debt, which is a prudent financial strategy. However, the current ratio has declined from 1.23 to 1.13, indicating a slight tightening in liquidity that warrants close monitoring.

The debt-to-equity ratio has improved from 0.52 to 0.41, reflecting the successful reduction in borrowings and a stronger capital position.

6. Multi-Year Operational and Financial Performance (3–5 Years)

This section presents a comprehensive three-year review of NYEWASCO's operational and financial performance, covering the financial years ended 30 June 2024, 2025, and 2026. The analysis provides stakeholders with a clear perspective on the Company's trajectory, highlighting areas of consistent growth, emerging challenges, and strategic priorities. Over this period, NYEWASCO has demonstrated resilience in its core operations, gradually strengthening its revenue base while managing cost pressures in a dynamic economic environment.

Operational Performance Over the Period

Over the three-year period from FY 2023-2024 to FY 2025-2026, NYEWASCO has demonstrated a strong capacity for revenue generation. Total revenue has grown consistently from Kshs 682.18 million to Kshs 770.40 million. However, operational efficiency has been a challenge, as the cost of providing services has grown at an accelerated pace, leading to periods of both profitability and loss.

The financial performance has been volatile over the three years. The entity successfully recovered from a loss in FY 2023-2024 to a significant profit in FY 2024-2025. However, the entity returned to a loss in FY 2025-2026, reporting a loss before tax of Kshs (2.48) million. This was a direct consequence of the expenditure growth outstripping revenue growth. The significant increase in operational costs, particularly the one-off VAT expenditure and rising electricity and levy costs, have eroded profitability.

The balance sheet remains strong with a healthy equity position, but the tightening current ratio and increasing trade payables warrant close monitoring.

Moving forward, the Company's focus will be on cost containment, improved operational efficiency, and timely implementation of capital projects to ensure sustainable long-term growth.

Table V-Key Projects and Investment Decisions

S/No.	Name	Status
1.	Kangemi sedimentation tank scum board	Ongoing
2.	Tank inspection covers phase I	Complete
3.	AOD Kiamwathi sewer extension project Lot I and II	Ongoing
4.	Tetu Elevation tank construction and Operationalization	Complete
5.	CLSG II Lot I	Complete
6.	CLSG II Lot II	Complete
7.	Gabion at Lower Kingongo and Chania river for sewer	Complete
8.	Skuta police post sewer extension project	Complete
9.	Tetu tank grounds reinstatement	Complete
10.	KCC-Chaka upgrade phase III	Ongoing
11.	Ihwa desilting	Complete
12.	Kiganjo police college collapse sewer	Complete
13.	Tetu elevated tank anti surge airvalve	Ongoing
14.	Kiamunyi Chorongi pipe upgrade	Complete
15.	Main office repainting and Baggy washing	Complete
16.	Hill farm-Kingongo extension	Ongoing
17.	Hill farm upgrade and reconnection phase I	Complete
18.	Hill farm upgrade and reconnection phase II	Complete

Risk Analysis and Statutory Compliance

a) Major risks facing the entity

Table VI- Major risks facing the entity

No	Risk	Description	Mitigation
1.	Climate Change	Prolonged drought and floods affecting the only source of water for production in the company.	• The planned construction of a reservoir dam upstream in liaison with TWWDA. • Reforestation. • Adoption of Green Energy
2.	Vandalism	Repeated vandalism of the manhole covers, meters and other Company installations by persons looking for scrap metal to sell.	• Sensitization drives for the general public. • Use of Nyumba Kumi initiative including area chiefs. • Engaging police to take action on perpetrators. • Adoption of appropriate technology in place of steel rebar to achieve the required concrete strength.
3.	Credit risk	The company has long outstanding debts and is in the process of recovering them.	• Customer identification survey to be conducted to obtain details of customers with scanty details. • Payment agreements and demand letters sent to customers consuming services but have balances. • Reminders are sent to customers for payment of debts. • Mass disconnections
4.	Power Failure/Interruptions/ high cost of power.	Failure to supply water in the high-level areas which require pumping while also disrupting the water supply.	• Purchase stand-by generators and solar. • Installation of hydropower generation at Kamakwa Water Treatment plant.

5.	Increase cost of operations	Expected price changes for goods used in operations such as fuel and chemicals as a result of ongoing conflict in the Middle East.	• Provision of a buffer if the prices changes. • Appeal to the Board and Regulators of the risk materializes for relocations.

B) Compliance with Statutory Requirements

NYEWASCO has maintained accreditation, certification and compliance with or through, and not limited to, the following:

1. The Company is ISO 9001:2015 certified.
2. KENAS Accreditation ISO/IEC 17025: 2017
3. NEMA Compliant
4. OHS certificate
5. Licensed by WASREB (Valid up to 2032)
6. Cost Reflective Tariff (Valid up to 2029/2030)
7. Compliant to Water Act 2016 and Water Services Regulations 2025.
8. WASREB Corporate Governance Guidelines for the Water services sector
9. Public Sector Corporate Governance Guidelines (Mwongozo).
10. Companies Act, 2015 requirements.
11. Water Act, 2016 requirements.
12. Public Procurement Regulatory Authority (PPRA)
13. Office of the Data Protection Commissioner (ODPC) data protection and privacy
14. Financial Reporting Standards and annual external audit requirements

Economic and Sector Outlook

The Kenyan economy remained resilient during the 2025/2026 financial year despite global economic uncertainties, climate-related risks and fiscal pressures. According to the Kenya National Bureau of Statistics (KNBS), the economy recorded an estimated growth of 4.6% in 2025, supported by recovery in agriculture, construction, financial services and tourism. Inflation remained within the Central Bank of Kenya target range for most of the year, although households continued to experience pressure from food, fuel and transport costs. (Kenya National Bureau of Statistics).

For the water sector, macroeconomic conditions had the following implications:

Economic Indicator Impact on NYEWASCO

I. Moderate GDP Growth-Sustained demand for water and sanitation services from households and businesses.
II. Inflation-Increased costs of treatment chemicals, electricity, fuel, pipes and maintenance materials.
III. Exchange Rate Stability-Reduced volatility in imported water treatment chemicals and equipment prices.
IV. Government Fiscal Constraint-Slower implementation of some publicly funded water infrastructure projects.
V. Climate Variability-Increased emphasis on efficient water resource management and climate resilience.

Review of the Water and Sanitation Sector

The water and sanitation sector continued to play a critical role in supporting Kenya's Bottom-Up Economic Transformation Agenda (BETA), Sustainable Development Goal (SDG) 6, and Vision 2030.

a. The Government continued prioritizing:
b. Expansion of access to safe drinking water.
c. Improved sanitation services.
d. Reduction of Non-Revenue Water (NRW).
e. Climate-resilient water infrastructure.
f. Catchment conservation.
g. Completion of ongoing water projects. (water.go.ke)

For NYEWASCO, the operating environment was characterized by:

- Growing demand for water services due to urbanization within Nyeri Municipality and surrounding towns.
- Rising energy and treatment costs.
- Continued investment in network expansion and rehabilitation.
- Increased regulatory focus on service quality, governance and financial sustainability.
- Enhanced digitalization of billing, revenue collection and customer service.

Future Developments

Looking ahead, NYEWASCO expects the operating environment to remain positive. Management will continue focusing on:

i. Expansion of water distribution networks.
ii. Improvement of sanitation infrastructure.
iii. Reduction of Non-Revenue Water.
iv. Digitization of customer services.
v. Strengthening revenue collection efficiency.
vi. Energy-efficient water production.
vii. Climate adaptation and catchment conservation.
viii. Compliance with WASREB performance benchmarks.
ix. Improved customer satisfaction.

Nationally, Kenya's economy is projected to continue growing in 2026–2027, supported by services, industry and a gradual agricultural recovery, although risks remain from climate variability, global commodity prices and fiscal pressures. (African Development Bank). The expected outcomes include:

i. Strategic Focus-Expected Outcome
ii. Network expansion -Increased service coverage
iii. NRW reduction -Improved financial sustainability
iv. Digital transformation -Better customer experience
v. Asset rehabilitation- Reduced breakdowns
vi. Staff capacity building- Improved operational efficiency
vii. Green initiatives- Enhanced environmental sustainability

8. Statement of Performance Against Predetermined Objectives for FY 2025/26

In the year under review, the Company implemented the reviewed strategic plan 2021/22-2026/27 which was done a midterm review in 2024. The Board approved the reviewed strategic plan which was to align the Company to the changing business environment and meet the needs of customers and other stakeholders as envisaged. It is expected that the strategic plan will provide an adjusted roadmap which will guide the Company's operations through the current Strategic Planning period, 2021/22-2026/27. There viewed strategic plan will strengthen the commercial aspects of our business, develop a more customer centric culture and align the Company's risk framework to the strategy. In addition, the Company is committed to contributing towards the attainment of the United Nations Sustainable Development Goal No. 6, Social pillar under Vision 2030, Nyeri County Integrated Development Plan (2023 - 2027) and the Strategic Objectives which are paramount to the success of the Company. During a review of the implementation of the reviewed strategic Plan for the year, which is the fourth year of implementation, it was noted that the strategic objectives were on course and the performance averaged 92%.

The Company has 7 Key Result Areas (KRAs) and 15 strategic objectives within the current Strategic Plan for the FY 2025/26. These KRAs are as follows:

1. Corporate Governance
2. Financial Sustainability
3. Service Delivery
4. Low Income Areas (LIA) residents
5. Human Resource Capacity
6. Environmental Awareness and Sustainability
7. Partnerships & Collaborations.

The Company develops its annual work plans based on the above 7 KRAs. Assessment of the Board's performance against its annual work plan is done on a quarterly/annual basis. The Company achieved its performance targets set for the FY 2025/2026 period for its 7 KRAs, as indicated in the diagram below:

Table VII- Performance Against Predetermined Objectives for FY 2025/26

KRAs	Strategic Objective	KPI	Activities	Achievements
1. Corporate Governance	SO1 Maintain sound Governance	% of Board Charter activities implemented	Implement TNA & board charter	100% achievement Training needs assessment and board charter implementation done
			Develop criteria & appoint committee	Criteria developed & committee appointed
	SO2 Enhance business continuity and performance at NYEWASCO	No. of engagements	Lobby policy support; Maintain stakeholder relations	100% achievement Policy support secured; Regular forums held
		SP monitoring	Develop SP framework	100% achievement Strategic Plan framework rolled out
		MOUs	Maintain stakeholder relations	100% achievement MOUs implemented
2. Financial Sustainability	SO3 To enhance revenue generation	Tariff implemented & survey done	Apply tariff & conduct survey	100% achievement Tariff applied; survey published
		% revenue from Knowledge Management Hub & Lab	Market lab & knowledge services	100% achievement Revenue generated from lab & knowledge services
		% increase in water/sewer connections	Expand water & sewer connections	Water connections: 8.52% annual (target 8%); Sewer connections: 8.6% annual (target 5%)
	SO4 To improve Capital-based financing	% increase in revenue collection	Strengthen collection & recover old debt	104.8% quarterly collection; 105.8% annual achievement
		NRW <15%	Install PRVs; Rehabilitate/replace pipelines	NRW moving average 17.44%; 12.83km pipeline

KRAs	Strategic Objective	KPI	Activities	Achievements
				rehabilitated (target 5km)
		Timely report submission	Adhere to deadlines	Reports submitted on time
	SO5 To ensure Prudent utilization of resources	Submit 4 proposals	Submit funding proposals	8 funding proposals submitted (target 4), including AfDB proposal
3. Service Delivery	SO6 Enhance water Distribution and Sanitation Network/infra structure	Water networks done	Expand networks	Hill Farm-King'ong'o-Kabiruini Transmission Line (Phase I ongoing); King'ong'o-Kiganjo Upgrade (Phase I ongoing); Alternative water intake exploration at preliminary stage
	SO7 Raise Customer satisfaction to at least 80% in service delivery	100% quality compliance & service automation	Monitor quality; Upgrade ERP	100% achievement Water & wastewater quality standards met; ERP systems reviewed and updated
	SO8 Adopt appropriate Technology in service delivery	Automation of treatment	Install hydropower & smart meters	Hydropower proposal done awaiting funding; Automated meters not fully achieved
4. Low Income Areas (LIA) residents	SO9 Enhance provision of water and sanitation service delivery among LIA residents and other consumers	Service coverage in LIAs	Improve service availability	Mweiga-Gikomo/Kiawara water extension done; Chaka Town sewer proposal done with TWWDA; Kiamwathi/Skuta/Gatitu sewer ongoing under AOD programme; 10 sensitization programs done

KRAs	Strategic Objective	KPI	Activities	Achievements
5. Human Resource Capacity	SO10 To increase staff productivity	PCs signed; Targets set	Sign PCs & set targets	Performance contracts and targets signed
	SO11 To improve human capital development	Retention & % trained	Train and retain staff	Trainings conducted; Competence development framework drafted; Staff rationalization planned for next cycle
6. Environmental Awareness and Sustainability	SO12 Engender Environmental awareness Initiatives among stakeholders	No. of sensitizations	Conduct stakeholder campaigns	Sensitization initiatives achieved in Q4; planned for FY 2026/27
	SO13 Engage in environmental sustainability initiatives with stakeholders	Plant 50,000 trees	Support tree planting	42,000 trees planted in Q4 (target 16,667); 217,250 trees to date (target 400,000); 5 tree-growing activities done
7. Partnerships & Collaborations	SO14 Build and strengthen partnerships and Collaborations with Key stakeholders	Stakeholders mapped	Identify and map partners	Stakeholders mapped; statutory compliance audit done by OAG
	SO15 Harness opportunities with stakeholders through partnerships and collaborations	MOUs implemented	Implement MOUs	MOUs implemented; partnership strategy

The Company's achievements are closely tied to the signed Performance Contract with the County Government of Nyeri, which serves as a key accountability and results-based management tool. The Corporate Work plan is directly derived from the current Strategic Plan,

ensuring that all the Company's initiatives are aligned with the broader institutional goals and priorities. The work plan is systematically cascaded to the various directorates and division heads, who further customise it to reflect their functional mandates while maintaining alignment with corporate objectives. By linking performance targets to strategic outcomes, the Company is able to track progress effectively and drive continuous improvement. This structured approach ensures that every department contributes to the realization of both the Strategic Plan and the Performance Contract obligations, reinforcing a culture of planning, execution, and performance at all levels of the organization.

9. Environmental and Sustainability Reporting

i) Sustainability Strategy, Risk Management and Profile

The Company has remained committed to engaging in activities that are sustainable to ensure the dependence of future generations on current resources. Some of the key activities include:

- **Responsible utilization of the available resource (water):** The Company ensures that abstraction from the river is optimal and wastage during transmission, treatment and distribution is kept to a minimum. This is demonstrated by the annual NRW Management performance of 17.44% for the financial year under review. This performance aligns with the Company's long-standing sector leadership in efficiency, highlighted by NYEWASCO being named the **Top Utility in Non-Revenue Water (NRW) Management** at the national WASREB Impact Report No. 18 Awards.
- **National and Regional Benchmarking:** Driven by institutional accountability, the Company achieved a total score of 170 out of 200 points to rank as the **2nd Best Performing Utility Nationally**. Furthermore, NYEWASCO's operational sustainability, economic efficiency and service standards have earned it international recognition as the **"Best of the Best"** performing water service provider in Eastern and Southern Africa by the ESAWAS Regulators Association.
- **Operational Frameworks:** To back its resource management with technical rigor, the Company maintains its **ISO 9001:2015 Certification and ISO/IEC 17025:2017 Accreditation** for water quality testing and meter calibration services.
- **Effluent Management:** Effluent from the Company's sewerage treatment plants is discharged back into the environment after undergoing treatment processes to meet the required national standards.

ii) Environmental Performance

Annually, the Company conducts several initiatives centered on environmental area conservation.

- **Afforestation and Partnerships:** During the year, over 40,000 seedlings were planted in partnership with key stakeholders—including dedicated community tree-planting exercises with continuous monitoring being put in place to ensure growth as the Company aims to plant 0.4 million trees annually in support of the government's 15-billion trees drive to be achieved by 2032.
- **Regulatory Compliance:** Further, the Company ensured strict adherence to NEMA standards on wastewater treatment and closely controlled all environmental discharges to protect the localized ecosystem.

iii) Employee Welfare

Nyeri Water and Sanitation Company Limited (NYEWASCO) is committed to promoting employee welfare through fair employment practices, continuous staff development, safe working conditions and performance management systems that support organizational effectiveness and employee well-being.

Recruitment and Equal Employment Opportunity

The Company's recruitment and selection processes are guided by the Human Resource Policies and Procedures Manual, 2023, the Constitution of Kenya, the Employment Act, 2007, the Water Act, 2016 and other applicable labor laws and regulations. Recruitment is undertaken through a fair, transparent, competitive and merit-based process that promotes equal employment opportunities.

The Company is committed to the principles of diversity, inclusion and non-discrimination by considering gender balance, youth and Persons with Disabilities (PWDs) during recruitment, while ensuring appointments are based on merit and competence. Recruitment exercises also seek to comply with the constitutional requirements on gender equity and representation of marginalized groups. The Human Resource policies are reviewed periodically to align them with changes in legislation, government policies and emerging human resource management practices.

Stakeholder Engagement

Recruitment and human resource management processes involve consultation with relevant internal and external stakeholders where appropriate. These include the Board of Directors, Management, employee representatives, relevant County Government departments, professional bodies and technical experts during specialized recruitment and assessment exercises. Such engagements enhance transparency, accountability, and fairness in human resource management.

Employee Training, Skills Development and Career Management

The Company recognizes that a competent workforce is essential for efficient service delivery. Employees are supported through continuous learning and professional development initiatives that include induction programmes, technical and managerial training, professional development courses, mentorship, coaching, seminars, workshops and mandatory Continuous Professional Development (CPD) programmes for professional staff.

Training needs are identified through the staff performance appraisal process, departmental work plans, organizational priorities, statutory requirements, and emerging operational needs. The Company also provides internship and industrial attachment opportunities to support skills transfer and develop future professionals within the water sector.

Career progression is guided by the Human Resource Policies and Procedures Manual, approved organizational establishment and availability of vacancies, with promotions and appointments being undertaken competitively based on qualifications, competence, performance and experience.

Performance Management and Reward Systems

The Company operates a structured Performance Management System under which all employees undergo bi-annual performance appraisals. The appraisal process evaluates individual performance against agreed targets, identifies training and development needs, and supports employee coaching and career development.

Performance outcomes inform decisions relating to staff development, recognition, promotions, succession planning, and organizational improvement. The Company also implements approved remuneration structures and applicable Collective Bargaining Agreements to ensure employees receive fair and equitable compensation.

Occupational Safety, Health and Employee Well-being

The Company is committed to providing a safe, healthy and conducive working environment in compliance with the Occupational Safety and Health Act, 2007 (OSHA), the Work Injury Benefits Act (WIBA) and other applicable occupational safety legislation. As a statutory requirement, the Company has established an Occupational Safety and Health Committee, which coordinates occupational safety and health matters in conjunction with the Office of the Human Resource and Administration.

The Company implements various occupational safety and health measures, including the provision of appropriate Personal Protective Equipment (PPE) to employees exposed to operational risks, regular workplace safety inspections and risk assessments, safety awareness and occupational health training programmes, implementation of safe work procedures for field operations and water infrastructure maintenance, emergency preparedness and incident reporting procedures, and provision of medical cover and employee wellness initiatives.

The Company encourages the prompt reporting and investigation of work-related incidents to facilitate corrective and preventive actions aimed at reducing occupational risks and enhancing employee safety. In addition, Occupational Safety and Health Audits are undertaken periodically to assess compliance with statutory requirements, identify workplace hazards, evaluate the effectiveness of existing safety and health management systems, and recommend corrective measures for continuous improvement. The findings of these audits are implemented through action plans developed by the Occupational Safety and Health Committee and Management to strengthen workplace safety, promote a culture of prevention, and ensure continuous compliance with occupational safety and health standards.

Work-Related Injuries

During the Financial Year 2025/2026, the Company recorded no fatal occupational injuries. Any work-related incidents reported were investigated and corrective measures implemented to prevent recurrence. The Company continues to strengthen its occupational safety programmes through staff sensitization, provision of appropriate protective equipment, enforcement of safe work practices, and continuous monitoring of workplace hazards to minimize accidents and occupational injuries.

iv) Market place practices-

The Company outlines its efforts to:

a) Responsible Competition Practice

NYEWASCO is committed to responsible competition by delivering quality, accessible and customer-focused water and sanitation services while adhering to the principles of fairness, transparency and regulatory compliance. The Company continually enhances service delivery through implementation of a Customer Service Charter that outlines service standards and customer expectations. Customers are provided with multiple service access channels including a self-service portal, USSD services, social media platforms, a toll-free customer care line and automated SMS notifications for billing and service updates. The Company promotes cashless payments through banks, mobile money platforms and digital payment channels to enhance convenience, accountability and financial transparency. Regular public sensitization programmes, customer engagement forums and stakeholder consultations are undertaken to educate customers on service delivery, conservation of water resources and responsible use of sanitation services while strengthening public confidence in the Company's brand.

b) Responsible Supply chain and supplier relations

The Company is dedicated to fostering responsible supply chain management based on key principles like transparency, fairness, accountability, integrity and value for money. This commitment aligns with the Public Procurement and Asset Disposal Act of 2015 and the Public Procurement and Asset Disposal Regulations of 2020.

We believe in giving all eligible suppliers a fair shot at participating in our procurement processes. Our approach is rooted in fair, competitive, and non-discriminatory methods. When it comes to selecting suppliers, we rely on objective evaluation criteria outlined in our solicitation documents, ensuring that integrity and fairness are at the forefront of everything we do.

At NYEWASCO, we prioritize maintaining ethical and professional relationships with our suppliers. We honor our contractual obligations, communicate clearly, and address any procurement-related issues promptly. We also strive to process payments in line with

contractual terms, provided that funds are available and goods, works, and services are delivered satisfactorily as per the contract requirements.

We actively promote responsible supplier engagement by encouraging compliance with all relevant statutory, regulatory, and contractual obligations. Our goal is to build long-term partnerships that enhance quality service delivery, boost operational efficiency and support sustainable business practices.

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

The Company upholds ethical communication by ensuring that all information disseminated to customers and stakeholders is accurate, factual and timely. Public communication is conducted through mainstream media, the corporate website, social media platforms, community outreach programmes and public participation forums. NYEWASCO avoids misleading or exaggerated claims and ensures that customers receive adequate information on tariffs, service interruptions, new projects and planned maintenance activities. The Company actively engages customers through consultative forums during major initiatives such as tariff reviews and infrastructure projects, allowing stakeholders to provide feedback before implementation. All communication respects diversity, promotes inclusivity and seeks to build trust through openness, accountability and responsiveness.

d) Product stewardship or Awareness creation

NYEWASCO safeguards the rights and interests of its customers by providing safe, reliable and quality water and sanitation services in accordance with national regulatory standards. The Company undertakes continuous water quality monitoring and provides customers with adequate information on service availability, water quality and safe water use. Customer concerns are addressed through established complaint handling and dispute resolution mechanisms, including customer service centres, a toll-free hotline, digital platforms and structured escalation procedures to ensure timely resolution. The Company also protects customer information through appropriate data privacy and information security measures while complying with applicable legal and regulatory requirements. Regular public awareness campaigns on water conservation, environmental protection, sanitation and customer responsibilities further empower citizens to make informed decisions and actively participate in sustainable water resource management.

v) Corporate Social Responsibility / Community Engagements

Table VIII- Corporate Social Responsibility / Community Engagements

Nature of CSR Activity	Amount Spent	Items purchased	Impact to the Society
Nyeri County Wellness and Sports Day on 20th June 2025	20,000	Bottled Water	Promoted physical fitness, wellness and healthy lifestyles among the community and participants through proper hydration.
Nyeri County Deaf Association International Day for Sign Language on 23rd September 2025	10,000	Bank deposit	Supported advocacy for deaf culture and enhanced social inclusion and communication rights for persons with hearing impairments in Nyeri.
Purchase of household items for Mr. Peter Wanjohi Maina, a security guard with Skyways Security Group stationed at the NYEWASCO Head Office, following the destruction of his house by fire	20,000	Household items	Provided immediate humanitarian relief and livelihood restoration to a dedicated contracted worker during a severe personal crisis.
Kenya Counselling and Psychologists Association mental health walk on 13th September 2025	10,000	Bottled water	Supported mental health advocacy and helped reduce the social stigma surrounding psychological wellness in the community.
Mt. Kenya Hospital Maternity Open Day on 25th September 2025.	10,000	Diapers	Promoted maternal and newborn child health by supporting young mothers with essential neonatal care hygiene products.
ASK Harvest Sunday on 7th September 2025	30,000	Assorted foodstuffs	Partnered with agricultural stakeholders to support community food security and charity initiatives linked to regional development.
Little Angels Children Home Kihatha	10,000	Firewood and maize meal	Improved the daily living conditions, nutritional intake, and energy security for vulnerable children at the home.
Nyeri Hospice Tree Planting Campaign	10,000	Tree seedlings	Contributed to environmental conservation, increased regional forest cover and supported

			climate change mitigation in Nyeri.
Gikuyu Heritage Fest and Nyeri Mental Wellness Caravan	10,000	Venue hire	Created a safe platform for cultural preservation integrated with mental health awareness and community sensitization.
Ihururu Comprehensive School centennial celebrations	10,000	Bottled Water	Supported local educational history and kept students, staff and guests hydrated during a major milestone celebration.
Sally Wamaitha Muhoho water bill (Agreement with the Company)	52,397.90	Water bill settlement	Demonstrated corporate compassion by ensuring continued access to clean, safe water for a vulnerable community member experiencing financial distress.
National Nurses Association of Kenya Conference and AGM	4,600	Bottled Water	Supported frontline healthcare workers and professional development in the medical sector during their annual national meeting.
Humanity Hearted Hands Charity Event	5,000	Wheat flour and cooking oil	Alleviated short-term hunger and supported the nutritional needs of underprivileged families within the community.
Mashujaa Day Celebrations	10,000	Bottled water and soda	Promoted national unity and kept community members, local heroes and dignitaries hydrated during public national day celebrations.
County Government of Nyeri Cohort of Interns CSR visit at Thunguma Children Home and Youth Rescue Centre	6,000	Bottled water and sodas	Encouraged youth mentorship and supported a student-led community outreach initiative aimed at assisting vulnerable children.
Nyeri County Youth Summit	100,000	Cheque	Empowered local youth by facilitating capacity building, leadership training and socio-economic discussion panels.
Christmas donation to Jane Gathoni (Disabled)	7,000	Assorted foodstuffs	Promoted social inclusion and dignity by bringing holiday cheer and nutritional support to a person living with a disability.
Christmas gifting to Nyeri Medium Prison	15,000	Assorted foodstuffs	Extended seasonal goodwill and supported the welfare and

			reformation process of inmates in correctional facilities.
Nyeri maximum prison Christmas gifting	15,000	Assorted foodstuffs	Supported inmate rehabilitation and enhanced food security for the incarcerated community during the holiday season.
Orphan reach network	5,000	Sanitary pads	Promoted menstrual hygiene management and dignity, helping young vulnerable girls stay in school without interruption.
Neema GBV rescue center	10,000	Assorted foodstuffs	Supported the recovery and rehabilitation of gender-based violence (GBV) survivors by meeting their immediate nutritional needs.
Nyeri Hospice Christmas gifting	20,000	Cheque - in support of drugs purchase	Facilitated access to essential palliative care, pain management and dignity for terminally ill patients.
Jamhuri day celebrations	10,000	Sodas	Fostered national pride and supported the local administration in successfully hosting national day public events.
World Aids Day 2025	10,000	Cheque	Supported regional HIV/AIDS prevention campaigns, patient support networks and community awareness drives.
National council for persons with disabilities	10,000	Cheque	Enhanced social equity and supported programs aimed at improving the livelihood and mobility of persons with disabilities (PWDs).
World Cancer Day commemoration	10,000	Water and sodas	Boosted public cancer awareness, screening campaigns and solidarity with cancer patients and survivors.
Thunguma Children and Youth Empowerment Centre	50,000	Water Tank	Significantly improved water safety, hygiene standards and climate resilience at the facility through sustainable water storage.

Geofrey Mwangi resident of Thunguma (Disabled)	3,250	Water connection materials	Provided direct, life changing access to safe water at the household level for a customer living with disability.
Muslim community in Kangemi	10,000	Assorted food stuffs	Fostered interfaith harmony, cohesion, and supported vulnerable families with nutritional aid.
Mater Heart Run	20,000	Bank Deposit	Contributed to life-saving cardiac surgeries for children from underprivileged families across the country.
Nyeri Hospice Charity walk	20,000	Bank deposit	Helped raise funds to sustain subsidized palliative care and support services for cancer and terminally ill patients in the region.
Nyeri Ecumenical Bishops Council Breakfast Prayers	20,000	Bank Deposit	Strengthened partnerships with faith-based organizations to promote peace, leadership values, and community cohesion.
Ramadhan feeding programme	10,000	Assorted food stuff	Expressed solidarity with the Muslim community during the holy month of Ramadhan by supporting families breaking their fast.
Little Angels Children home	22,000	Firewood	Ensured reliable and cost-effective thermal energy for cooking and water heating, improving institutional operations.
Little Angels Children home	22,000	Firewood	Continued fuel support to maintain a warm, safe and functional cooking environment for the children.
Disciplined Forces Thanksgiving Service	10,000	Wheat and maize flour	Appreciated the service of the disciplined forces and supported charitable food drives linked to the security sector.
St John Ambulance Walkathon	18,000	Branded T-shirts	Boosted emergency response training, first-aid advocacy, and volunteer mobilization efforts in the region.

International Nurses Week Celebrations	10,000	Bottled water	Recognized the invaluable contribution of nurses to healthcare and backed local medical staff welfare initiatives.
Mental Health Awareness Walk	10,000	Bottled water	Promoted community-wide psychological wellness campaigns and encouraged people to seek mental health support.
Kenya Red Cross Humanity Walk	50,000	Bottled water and T-shirts	Strengthened disaster response readiness and humanitarian service delivery through partnership with the Red Cross.
Mater Heart Run	20,000		Supported medical interventions for pediatric heart patients, giving vulnerable children a chance at a healthy life.
Madaraka Day celebrations at Muthuaini Secondary	10,000	Bottled water	Fostered patriotism and sustained school-community integration during national day celebrations.
County Government of Nyeri Governor Tournament Cup	10,000	Bottled water	Promoted youth talent development, physical health, and community sports engagement in Nyeri County.

10. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2026 which show the state of the Company's affairs.

i) Principal activities

The principal activities of the Company are the provision of water and sanitation services within the area of the Nyeri Central Sub-County and its environs.

ii) Results

The results of the company for the year ended June 30, 2026 are set out on page 1. During the year, the Company made a loss of Kshs 2,483,732 as shown by the results for the year.

iii) Dividends

The Directors do not recommend the payment dividends as all earnings are applied to the payment of the KFW Loan through the National Treasury. Any surplus would be reinvested back to upgrade the infrastructure in line with the sector guidelines.

iv) Directors

The members of the Board of Directors who served during the year are shown on page ix – xiv in accordance with Board Regulations of the Company's Limited Articles of Association. Mr. Charles M. Kariuki retired by rotation where Ms. Esther N. Ndirangu was re-appointed on 12th June 2026.

v) Auditors

The Auditor General is responsible for the statutory audit of Nyeri Water and Sanitation Company Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

Sign.....

Name: Eng. Peter G. Kahuthu

Company Secretary/Secretary to the Board

Date: 21st August, 2026

11. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of Nyeri Water and Sanitation Company Limited, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/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. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2026. This responsibility includes: (i) Maintaining adequate financial Management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii)maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that Nyeri Water and Sanitation Company Limited Financial Statements give a true and fair view of the state of the Company's transactions during the financial year ended June 30, 2026 and of Nyeri Water and Sanitation Company Limited financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Company financial statements were approved by the Board on 21st August, 2026 and signed on its behalf by:



.....

Name: CPA Gathogo Mwangi
Chairperson of the Board



.....

Name: Eng Peter G. Kahuthu
Managing Director

REPUBLIC OF KENYA

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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NYERI WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2026

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that 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, Cap.412A, and the Public Audit Act, Cap.412B. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nyeri Water and Sanitation Company Limited set out on pages 1 to 50, which comprise of the statement of financial position as at 30 June, 2026, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of

comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, Cap.412B. 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, financial statements present fairly, in all material respects, the financial position of Nyeri Water and Sanitation Company Limited at 30 June, 2026 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Companies Act, Cap. 486, the Water Act, Cap.372 and the Public Finance Management Act, Cap 412A.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, the Report on Lawfulness and Effectiveness in use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Company in 2025/2026 revealed that the following issues remained unresolved:

No.	Financial Year	Audit Issue
1	2024/2025	Long Outstanding Trade Receivables
2	2024/2025	Long Outstanding Payables
3	2024/2025	Failure to Comply with The Law on Award of Contracts to Disadvantaged Groups
4	2024/2025	Non-Compliance with the Law on Staff Ethnic Representation and Persons with Special Needs
5	2024/2025	Staff Costs Exceeding Operation and Maintenance Costs
6	2024/2025	Non-Compliance with the Requirements for Staff Gender Equality and Equity

Other Information

The Management is responsible for the Other Information set out on page iv to lii which comprise of Who We Are, Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Financial Performance Overview, Statement of Performance Against the Company's Predetermined Objectives, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Non-Compliance with Personnel Emoluments Threshold

As previously reported, the statement of profit or loss & other comprehensive income and as disclosed in Note 10 to the financial statements reflect staff costs amount of Kshs.304,200,010 representing 39% of the total expenditure of Kshs.772,881,046, which is higher than the recommended ratio of 30% for very large companies as per Sec 3.9(10) of Water Services Regulatory Board (WASREB) Guidelines on Corporate Governance, 2018. The guidelines provide that, when fixing remuneration of the staff the total expenditure for each financial year must not exceed the benchmarks set for the services sector by nationally, so that personnel cost as share of operations and maintenance cost shall be contained within the parameters of Very large companies (30%).

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

2.0 Non-Compliance with the Law on Staff Ethnic Representation and Persons with Special Needs.

As previously reported, the Company has two hundred and thirty-six (236) staff members out of which two hundred and thirty (230) or 97% of the staff members were from the dominant ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, Cap. 7N. In addition, out of the two hundred and thirty-six (236) members of staff, The Company had three (3) employees with Disabilities representing approximately 1% of the total employees, which was significantly below the statutory requirement of 5% as stipulated in Section 21(2)(a) of the Persons with Disabilities Act, No.4 of 2025.

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

3.0 Non-Compliance with the Law on Gender Balance

As previously reported, the Company has two hundred and thirty-six (236) staff members out of which one hundred and seventy-seven (177) or 75% of the staff members were of the same gender, Contrary to Section N1.5 of the Company's Human Resource Policy and Procedure Manual, 2024 which provides that the Company shall implement the principle that not more than two-thirds (2 /3) of its employees shall be of the same gender at all levels.

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

4.0 Non-compliance with Fiscal Responsibility Principles on Development Budget

The approved budget estimates for the financial year under review provided for total budgeted capital expenditure of Kshs.77,845,000 against a total overall budget of Kshs.806,419,662. This translates to approximately 10% of the total budget being allocated to development expenditure. The allocation is below the statutory threshold and therefore contravenes Section 107(1)(b) of the Public Finance Management Act, Cap 412A, which requires that, over the medium term, a minimum of thirty percent (30%) of the County Government's budget be allocated to development expenditure.

In the circumstances, Management was in breach of law.

5.0 Lack of an Approved Salary Structure

The statement of financial performance reflects employees cost amount of Kshs.304,200,010 as disclosed in Note 10 to the financial statements. However, review of the Company's human resource records revealed that staff were remunerated based on the salary structure that had not been approved by the Salaries and Remuneration Commission (SRC) contrary to Section 11(c) of the Salary and Remuneration Commission Act, Cap. 412D which requires that in addition to the powers and functions of the Commission under Article 230 (4), the Commission shall advise the National and County Governments on the harmonization, equity and fairness of remuneration for the attraction and retention of requisite skills in the public sector.

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

6.0 Failure to Prioritize Payables as First Charge of the Budget

The statement of financial position reflects other payable balance of Kshs.73,758,475 which as disclosed in Note 31 to the financial statements includes unpaid lease fees in respect to County Government of Nyeri amounting to Kshs.55,258,622. However, review of records revealed that the lease fee relates to period 2011 to 2015 and did not form first charge of the budget contrary to Regulation 41 (2) of the Public Finance Management (County Government) Regulations, Legal Notice No. 35 of 2015 which requires that debt service payments shall be a first charge on the County Revenue Fund and the Accounting Officer shall ensure this is done to the extent possible that the county government does not default on debt obligations.

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

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap. 412B, based on the audit procedures performed, except for the effects of the matter 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

Long Outstanding Trade and Other Receivables

As previously reported, the statement of financial position and as disclosed in Note 22 to the financial statements reflects trade and other receivables balance of Kshs.237,142,335 net provisions for bad and doubtful receivables of Kshs.11,892,491. However, the balance includes net trade receivable balance of Kshs.233,323,755 out of which receivables totalling Kshs.145,369,286 have been outstanding for over one hundred and eighty days (180) without recovery.

In the circumstances, the existence of effective mechanisms for debt management could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, Cap.486, 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 Ii to Iii is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report on page one (1) has been properly prepared in accordance with the Companies Act, Cap.486.

Basis for Conclusion

The Companies Act, Cap.486 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, Cap.412B.

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, Cap. 412B 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, Cap.412B. 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, Cap. 412B.

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 September, 2026

Nyeri Water and Sanitation Company Limited
Annual Report and Financial Statements for the year ended June 30, 2026

13. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2026

	Note	2025-2026	2024-2025
		Kshs	Kshs
Revenue			
Operating Revenue	5	737,124,949	685,085,316
Grants Income	6	17,129,516	13,817,787
Other Income	7	8,138,329	11,432,339
Finance income	8	7,804,221	8,640,077
Other Gains and losses	9	200,299	
Total Revenue		**770,397,314**	**718,975,518**
Expenses			
Staff Costs	10	304,200,010	300,535,726
General and Operations expenses	11	305,645,388	228,751,428
Board Expenses	12	13,964,622	13,999,666
Maintenance Expenses	13	78,501,268	81,342,008
Depreciation and Amortization expenses	14	62,429,501	69,035,269
Finance Costs	15	8,140,257	9,348,164
Total Expenses		**772,881,046**	**703,012,262**
Profit/(Loss) Before Taxation and exceptional items		**(2,483,732)**	**15,963,257**
			-
Profit/(Loss) Before Taxation		**(2,483,732)**	**15,963,257**
Income Tax Expense	16		4,788,977
Profit/(Loss) After Taxation		**(2,483,732)**	**11,174,280**
Earnings Per Share – Basic And Diluted	17		3

14. Statement of Financial Position as at 30 June 2026

	Note	2025-2026	2024-2025
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant, and equipment	18	1,128,663,143	1,110,502,559
Intangible assets	19	8,974,945	12,821,350
Total Non-Current Assets		**1,137,638,088**	**1,123,323,909**
Current Assets			
Fixed Interest Investments	20	60,000,000	100,000,000
Inventories	21	20,697,241	18,186,876
Trade and other receivables	22	237,142,335	263,884,280
Deposits and Prepayments	23	10,482,383	8,493,086
VAT Recoverable	24	6,611,081	45,506,293
Short-term deposits	25	10,007,797	7,000,000
Bank and cash balances	26	136,264,334	84,729,910
Total Current Assets		**481,205,170**	**527,800,445**
Total Assets		**1,618,843,258**	**1,651,124,354**
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	27	75,000,000	75,000,000
Retained earnings	28	695,586,112	698,069,844
Capital and Reserves		**770,586,112**	**773,069,844**
Non-Current Liabilities			
Borrowings	29	261,658,747	305,443,448
Capital Grant/Deferred Income	30	160,280,630	167,891,894
Other Payables	31	73,758,475	79,890,913
Total Non-Current Liabilities		**495,697,852**	**553,226,255**
Current Liabilities			
Borrowings	29	50,417,076	50,417,076
Provisions for Leave Pay	32	6,182,469	6,734,157
Trade and other payables	33	175,275,203	148,274,688
Refundable Deposits and Prepayments	34	118,334,539	114,576,847
Taxation	35	2,350,006	4,825,487
Total Current Liabilities		**352,559,293**	**324,828,255**
TOTAL EQUITY AND LIABILITIES		**1,618,843,258**	**1,651,124,354**

The financial statements were approved by the Board on 21st August, 2026 and signed on its behalf by:

.....	.....	.....
Name CPA Gathogo Mwangi	Name Eng. Peter G. Kahuthu	Name CPA Rose W. Gitahi
Chairman of the Board	Managing Director	Chief Manager Finance & Corporate Services
		ICPAK No. 12491
Date: 21st August, 2026	Date: 21st August, 2026	Date: 21st August, 2026

15. Statement of Changes in Equity for the Year Ended 30 June 2026

	Ordinary share capital	Retained earnings	Capital/Development Grants/Fund	Total
As at July 1, 2024	**75,000,000**	**686,895,564**	**125,709,680**	**887,605,244**
Development Grants during the year			56,000,000	**56,000,000**
Transfer of depreciation/amortization from capital fund to retained earnings			(13,817,786)	**(13,817,786)**
Total Comprehensive Income		11,174,280		**11,174,280**
As at June 30, 2025	**75,000,000**	**698,069,844**	**167,891,894**	**940,961,737**
As at July 1, 2025	**75,000,000**	**698,069,844**	**167,891,894**	**940,961,737**
Development Grants during the year			2,254,837	**2,254,837**
Deferred Income- UBSUP II Grant			2,229,365	**2,229,365**
Transfer of depreciation/amortization from capital fund to retained earnings			(12,095,466)	**(12,095,466)**
Total Comprehensive Income		(2,483,732)		**(2,483,732)**
As at June 30, 2026	**75,000,000**	**695,586,112**	**160,280,630**	**930,866,742**

16. Statement of Cash Flows for The Year Ended 30 June 2026

NYERI WATER & SANITATION COMPANY LTD STATEMENT OF CASHFLOW AS AT 30TH JUNE 2026			
	Note	2025-26	2024-25
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		745,099,028	692,317,307
Grants Income		5,034,050	-
Finance Income		6,205,791	4,314,061
Other Income		8,168,329	10,853,684
Customer Deposits		24,425,900	21,341,975
Total Receipts		**788,933,098**	**728,827,027**
Payments			
Staff Costs		302,850,616	300,952,043
General And Operation Expenses		227,039,379	217,092,524
Board Expenses		13,997,518	13,487,476
Maintenance Expenses		80,322,796	80,259,487
Finance Costs		5,566,885	6,407,168
Refund Of Customer Deposits		21,875,365	22,778,101
Total Payments		**651,652,558**	**640,976,800**
Cash From/ (Used In) Operating Activities	30	**137,280,539**	**87,850,228**
Taxes Paid	35	(2,475,481)	
Net Cash From/ (Used In) Operating Activities		**134,805,058**	**87,850,228**
Cash Flows from Investing Activities			
Purchase of Property, Plant, and Equipment	18	(76,764,351)	(28,555,303)
Purchase of Intangible Assets	18		(1,999,340)
Disposal of Property, Plant, and Equipment		20,671	-
Net Cash Used in Investing Activities		**(76,743,680)**	**(30,554,643)**
Cash Flows from Financing Activities			
Repayment of Borrowings- KFW	29	(50,784,700)	(50,837,220)
Loan issued- Cooperative Bank AOD	29	7,000,000	
CLSG II Additional Grant	30	2,254,840	
Deposits & Other prepayment	23	(1,989,297)	(6,496,506)
T Bills Maturity	20	40,000,000	
Net Cash Used in Financing Activities		**(3,519,157)**	**(57,333,726)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**54,542,221**	**27,961,859**
Cash and Cash Equivalents at Beginning of the Period		91,729,910	63,768,051
Cash and Cash Equivalents at End of the Period	**26**	**146,272,131**	**91,729,910**

17. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2026

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=a+b	d	e= c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Operating Revenue	762,056,247	-	762,056,247	746,117,265	15,938,982	98%
Non-Operating Revenue	18,000,000	-	18,000,000	7,810,397	10,189,603	43%
Finance Income	8,000,000	4,100,000	12,100,000	5,545,486	6,554,514	46%
Grants- UBSUP III		7,263,415	7,263,415	5,034,050	2,229,365	69%
Loan for AOD		7,000,000	7,000,000	7,000,000	-	100%
Total Receipts	**788,056,247**		**806,419,662**	**771,507,198**	**34,912,464**	**95%**
Payments					-	
Staff Costs	326,138,517	(8,000,000)	318,138,517	302,850,616	15,287,901	95%
Board Expenses	14,000,000	-	14,000,000	13,997,518	2,482	100%
General and operations Expenses	252,338,000	27,572,836	279,910,836	227,039,379	52,871,458	81%
Maintenance	98,257,000	4,000,000	102,257,000	80,322,796	21,934,204	79%
Finance costs	26,268,309	(12,000,000)	14,268,309	5,566,885	8,701,424	39%
Total Recurrent Expenditure	**717,001,826**		**728,574,662**	**629,777,193**	**98,797,469**	**86%**
Capital Expenditure-Internal Funds	70,845,000	7,000,000	77,845,000	76,743,680	1,101,320	99%
Total Budget Expenditure	**787,846,826**		**806,419,662**	**706,520,873**	**99,898,789**	**88%**

Budget notes:

	Final budget	Actual on a comparable basis	Performance difference	% of utilization	Remarks
	2025-2026	2025-2026	2025-2026		
Revenue	**Kshs**	**Kshs**	**Kshs**	%	
Non-Operating Revenue	18,000,000	7,810,397	10,189,603	43%	The shortfall is attributed to persistent cash flow constraints that hindered the operational rollout of marketing of the alternative revenue-generating services. With limited working capital, the Company prioritized core water operations.
Finance income	12,100,000	5,545,486	6,554,514	46%	The underperformance reflects a broader macroeconomic decline in market interest rates affecting treasury bill yields. Additionally, interest accruals on KFW Loan deposits were lower than projected following a strategic reduction in average deposit balances held during the year.
Grants- UBSUP III	7,263,415	5,034,050	2,229,365	69%	The WSTF disbursed Kshs 5M against the budgeted Kshs 7.26M, with the balance deferred to FY 26/27.
Expenses					
General and operations Expenses	279,910,836	227,039,379	52,871,458	81%	Actual expenditure fell short due to administrative delays in the procurement cycle during the early stages of EGP.
Maintenance Expenses	102,257,000	80,322,796	21,934,204	79%	This deliberate austerity strategy resulted in significant savings on maintenance expenditure without compromising critical service continuity, thereby preserving much-needed liquidity.

Finance Costs	14,268,309	5,566,885	8,701,424	39%	The budget had made provisions for interest accruals on the AOD loan facility intended for the Kiamwathi Sewer extension. Since the actual loan disbursement did not occur during the reporting period, the associated interest obligations were not incurred.

18. Notes to the Financial Statements

1. General Information

Nyeri Water and Sanitation Company Limited was established as a limited liability Company on 23rd September 1997 in compliance with the water act of 2016. The Company is wholly owned by the County Government of Nyeri. Its main mandate is to provide high quality water and sanitation services to the people of Nyeri sub county and its environs. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

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

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

a) Basis of measurement

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid, or the fair value of the consideration given to acquire them at the time of acquisition, plus directly attributable transaction costs. Liabilities are recorded at the amount of consideration received to assume the obligation, less transaction costs incurred when the liability was assumed.

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 2026.***

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.
Amendments to IAS 21	Provides guidance on assessing currency exchangeability and determining exchange rates when a currency cannot be exchanged.	1st January 2025

ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026.***

Title	Description	Effective Date
Amendments to IFRS 9 and IFRS 7	Provides clarification for ESG linked financial assets and introduces electronic payment derecognition.	1st January 2026
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: 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	1 January 2026

Title	Description	Effective Date
	iii. contingent event does not relate directly to changes in basic lending risks and costs; and 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.	
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

iii. Early adoption of standards

The Company did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

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3. Material Accounting Policy Information

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 Company 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) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

v) **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. Where re-measurement at re-valued amounts is desired, all items in an asset category may re-valued through periodic valuations carried out by independent external valuers. No revaluation was carried out in the period of reporting.

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 reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	NIL	NIL
Leasehold Land	NIL	NIL
Buildings and civil works	50	2.0%
Infrastructure works	40	2.5%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3	30%
Office equipment, furniture and fittings	8	12.5%
Intangible Assets	3	30%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal.

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 reducing balance basis over their estimated useful lives. The estimated useful life and amortization method may be reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. No review of useful life was carried out in the period of reporting.

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured historical cost. 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. No derecognition of asset was done during the year.

h) Fixed interest investments (Treasury Bills)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) Treasury Bills with the intention of earning interest. The Bills are measured at amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI). The Treasury Bills held by Nyeri Water and Sanitation Company Limited are measured at fair value through profit or loss.

i) 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.

j) 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 were written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

k) 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..

l) 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.

m) Cash and cash equivalents

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

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

Restricted cash

Restricted cash refers to cash and cash equivalent balances that have usage constraints. The Company hereby discloses the amount cash and cash equivalent balances held by NYEWASCO that are not available for use:

Table IX- Restricted Cash

BANK	AMOUNT	PURPOSE
National Bank	16,834,285	CLSG II Project as per financing agreement
Co-operative Bank	19,043,763	AOD Project as per financing agreement
Total	**35,878,048**	

n) Borrowings

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

o) Trade and other payables

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

p) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from August 2002. The scheme is administered by an in-house team and is funded by contributions from both the Company and its employees. The Company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at a maximum of Kshs. 6,420 per employee per month.

q) Provision for staff leave pay

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

r) Budget information

The original budget for FY 2025-2026 was approved by the Board of Directors on 25th May 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations were added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss. 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.

s) Comparative figures

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

t) 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, 2026

4. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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

Provisions for bad debts are calculated using the Simplified Provision Matrix Approach on its Trade Receivables as per IFRS 9. This allows for recognition of lifetime expected losses without the need to identify significant increases in credit risk.

Notes to the financial statements (continues)

5. Operating Revenue

	2025-2026	2024-2025
	Kshs	Kshs
Water sales	554,175,998	514,019,304
Sewerage Services	136,672,662	125,319,341
Billing for other services*	46,276,289	45,746,671
Total	**737,124,949**	**685,085,316**

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

6. Grants Income

	2025-2026	2024-2025
	Kshs	Kshs
Operational grants from Government entities	5,034,050	
Recurrent/operational grants from other agencies		
Capital grants amortised	12,095,466	13,817,787
Total	**17,129,516**	**13,817,787**

(Note: For capital/development grants the amount recognized in the statement of comprehensive income is the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

Detailed analysis of grants received from the Government in the table below:

Grants from the Government

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2025-2026 KShs
Water Sector Trust Fund	5,034,050	-			5,034,050
Total	**5,034,050**	**-**			**5,034,050**

Notes to the financial statements (continued)

7. Other Income

	2025-2026	2024-2025
	Kshs	Kshs
Miscellaneous income	8,138,329	11,432,339
Total	**8,138,329**	**11,432,339**

8. Finance Income

	2025-2026	2024-2025
Description	Kshs	Kshs
Interest income from treasury bills	6,606,638	6,573,630
Interest from commercial banks and financial institutions	1,197,583	1,019,767
Interest Receivable- Consolidated Bank Deposits		333,333
Total	**7,804,221**	**7,926,730**

The interest relates to treasury bills invested at Central Bank of Kenya, KFW Loan deposits at Consolidated Bank of Kenya and WASREB performance guarantee deposit at National Bank of Kenya.

9. Other Gains and Losses

	2025-2026	2024-2025
Description	Kshs	Kshs
Gain on sale of fixed assets	200,299	
Total	**200,299**	

10. Staff Costs

	2025-2026	2024-2025
Description	Kshs	Kshs
Gross Salary and Allowances	248,137,248	246,340,041
Casual workers' Wages	411,433	164,718
Employer's contributions to social security schemes	10,397,902	7,374,688
Employer's contributions to pension scheme	15,093,567	16,822,956
Gratuity	19,706,310	18,981,247
Staff welfare	1,010,209	985,831
Leave pay	8,343,951	8,542,328
Other Allowances (Overtime Allowance)	1,099,390	1,323,917
Total	**304,200,010**	**300,535,726**
The average number of employees during the year		
Management	6	5

Permanent employees	82	86
Contracted employees	148	147
Total	**236**	**238**

11. General and Operations Expenses

	2025-2026	2024-2025
Description	**Kshs**	**Kshs**
Traveling and subsistence	9,785,250	9,859,343
Telecommunication	6,068,823	5,833,254
Fuel, oil, lubricants, and gases	1,373,593	-
Chemicals.	17,658,236	16,993,012
Training and development	15,693,572	12,624,459
Uniform and protective clothing	2,069,149	2,485,666
Office supplies	4,725,955	3,512,991
Electricity	42,333,402	39,065,360
Postage and courier	2,889,802	2,856,405
Sample Analysis	758,028	1,310,207
Security services	15,150,268	14,910,685
Hospitality expenses	4,060,825	4,681,970
Water and sewerage	1,570,483	1,316,336
Stakeholders' expenses	2,948,622	8,060,953
Recruitment	770,795	1,233,605
Accreditations and Certifications	5,515,410	6,639,391
Publicity	2,094,482	1,453,501
Subscriptions	1,101,149	893,615
Insurance	31,076,878	33,418,416
Bank Charges	913,989	724,652
Licensing and levies	51,083,964	34,109,273
Audit fees	600,000	600,000
Consultancy fees	423,100	2,570,391
Claims and compensation	-	57,866
Sports and recreation	12,272,071	12,597,777
Occupational Health & Safety	217,735	525,258
ASK Show	907,091	850,354
Research and Development	1,710,046	19,600
Legal fees	1,983,503	341,120
Donations/CSR	696,259	638,398
Conservation expenses	596,863	866,207

Provision for leave days	(551,688)	116,065
Market /Customer Satisfaction Survey	1,433,466	599,000
Provision for doubtful debts	4,459,247	2,188,214
Young Water Professionals	260,034	788,083
Performance Recognition Expenses	3,990,000	4,010,000
Project Administration cost(UBSUP)	1,260,415	-
VAT settlement expense	35,384,476	-
VAT Refunds	20,360,095	
Total	**305,645,388**	**228,751,428**

12. Board Expenses

Description	2025-2026	2024-2025
	Kshs	Kshs
Chairman Honoraria	770,000	840,000
Sitting allowances	8,995,000	8,555,227
Induction and Training	3,259,815	1,790,196
Travel and accommodation	738,069	2,759,243
Other allowances	201,738	55,000
Total Board Expenses	**13,964,622**	**13,999,666**

13. Maintenance Expenses

	2025-2026	2024-2025
Description	Kshs	Kshs
Plant and Equipment	1,522,098	3,745,493
Buildings	4,448,551	4,402,029
Infrastructural networks	28,124,475	28,072,682
Grounds	3,749,635	3,276,684
Motor vehicles	14,187,052	14,380,519
Software	5,402,866	7,149,821
Furniture	309,457	230,970
Water Meter maintenance costs	16,986,499	20,083,810
UBSUP III	3,770,635	
Total Maintenance Expenses	**78,501,268**	**81,342,008**

14. Depreciation and Amortization Expenses

Description	2025-2026	2024-2025
	Kshs	Kshs
Property, plant, and equipment	58,583,096	63,540,405
Intangible assets	3,846,405	5,494,864
Total Depreciation and Amortization	**62,429,501**	**69,035,269**

15. Finance costs

	2025-2026	2024-2025
Description	**Kshs**	**Kshs**
Interest expense on loans – KFW	8,140,257	9,348,164
Total	**8,140,257**	**9,348,164**

The interest relates to the KFW.

The treasury amount relates to a loan acquired from KFW, of the Federal Republic of Germany through the assistance of the Government of Kenya in the year 2004 at an annual rate of 2.5% for the rehabilitation and extension of Water and Sewerage services.

16. Income Tax Expense/(Credit)

Current taxation

	2025-2026	2024-2025
	Kshs	Kshs
At beginning of the year	**4,825,487**	36,510
Current taxation based on the adjusted profit for the year at 30%		4,788,977
Current tax: prior year under/(over) provision	(2,475,481)	
Total	**2,350,006**	**4,825,487**

17. Earnings Per Share

The Company has reported a loss hence no earnings per share as at the reporting date.

The earnings per share is calculated by dividing the profit after tax (Kshs. 11,174,280 (2024-25: KShs. 85,189). The Company has reported a loss hence no earnings per share as at the reporting date.

18. Property, Plant and Equipment

Current FY

	LAND	BUILDING	PLANT & MACHINERY	FURNITURE & EQUIPMENTS	MOTOR VEHICLES /BIKES	COMPUTERS	COMPUTER SOFT-WARE & ENHANCEMENT	W.I.P	TOTALS
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
As at 1st July 2025	**24,702,109**	**144,618,464**	**1,796,080,510**	**48,335,049**	**49,659,567**	**85,699,026**	**41,879,340**	**62,715,921**	**2,253,689,986**
Additions for the Year	_	204,900	11,065,685	1,589,149	48,720	696,180	-	74,768,381	**88,373,015**
WIP provisions Reversals								(11,608,664)	**(11,608,664)**
Transfer during the year	_	1,138,524	4,832,270	4,430,795	-	120,000	-	(10,521,589)	-
Disposal	-	-	-	-	(2,064,208)	-			**(2,064,208)**
At 30th June 2026	**24,702,109**	**145,961,888**	**1,811,978,465**	**54,354,993**	**47,644,079**	**86,515,206**	**41,879,340**	**115,354,049**	**2,328,390,129**
DEPRECIATION									-
At 1st July 2025	**-**	**42,977,473**	**906,098,884**	**32,887,822**	**42,023,482**	**77,320,427**	**29,057,990**	**-**	**1,130,366,077**
Charge for the year	_	2,297,435	50,033,302	2,683,396	894,265	2,674,698	3,846,405	-	**62,429,501**
Disposal	-	-	-	-	-2,043,537	-	-	-	**(2,043,537)**
At 30th June 2026	**-**	**45,274,908**	**956,132,185**	**35,571,218**	**40,874,210**	**79,995,125**	**32,904,395**	**-**	**1,190,752,041**
NET BOOK VALUE	**24,702,109**	**100,686,980**	**855,846,280**	**18,783,775**	**6,769,869**	**6,520,082**	**8,974,945**	**115,354,049**	**1,137,638,088**

FY 2024/25

	LAND	BUILDING	PLANT & MACHINERY	FURNITURE & EQUIPMENTS	MOTOR VEHICLES /BIKES	COMPUTERS	COMPUTER SOFT-WARE & ENHANCEMENT	W.I.P	TOTALS
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
As at 1st July 2024	**24,702,109**	**143,221,719**	**1,782,389,997**	**42,753,338**	**49,233,967**	**82,850,187**	**39,880,000**	**58,104,027**	**2,223,135,343**
Additions for the Year	_	234,825	12,998,753	1,150,917	-	2,687,427	-	13,482,721	**30,554,643**
Transfer during the year	_	1,161,920	691,760	4,430,795	425,600	161,412	1,999,340	(8,870,827)	-
Disposal	-	-	-	-	-	-		-	-
At 30th June 2025	**24,702,109**	**144,618,464**	**1,796,080,510**	**48,335,049**	**49,659,567**	**85,699,026**	**41,879,340**	**62,715,921**	**2,253,689,986**
									-
DEPRECIATION									-
At 1st July 2024	-	40,654,348	853,075,012	30,681,075	39,478,120	73,879,127	23,563,126	_	**1,061,330,808**
Charge for the year	_	2,323,125	53,023,872	2,206,747	2,545,362	3,441,300	5,494,864	-	**69,035,269**
Disposal	-	-	-	-	-	-	-	-	-
At 30th June 2025	**-**	**42,977,473**	**906,098,884**	**32,887,822**	**42,023,482**	**77,320,427**	**29,057,990**	**-**	**1,130,366,077**
									-
NET BOOK VALUE	**24,702,109**	**101,640,991**	**889,981,626**	**15,447,227**	**7,636,085**	**8,378,600**	**12,821,350**	**62,715,921**	**1,123,323,909**

Valuation

During the year under consideration, no valuation was done. Land and Buildings are carried at historical cost.

18 (a) Property, Plant and Equipment at Cost

The freehold land, buildings and other assets are stated on the historical cost basis the amounts are be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	24,702,109	-	24,702,109
Buildings	145,961,888	45,274,908	100,686,980
Plant and machinery	1,811,978,465	956,132,185	855,846,280
Motor vehicles, including motorcycles	47,644,079	40,874,210	6,769,869
Office equipment, furniture, and fittings	54,354,993	35,571,218	18,783,775
Computers and related equipment	86,515,206	79,995,125	6,520,082
Computers Software & Enhancement	41,879,340	32,904,395	8,974,945
Work In Progress	115,354,049	-	115,354,049
Total	**2,328,390,129**	**1,190,752,041**	**1,137,638,088**

19. Intangible Assets

FY 2025/26

	2025-2026
	Kshs
COST	
At July 1	**41,879,340**
Additions	-
Disposals	
Prior Year Adjustment (Correction of cost)	
At June 30	**41,879,340**
AMORTISATION	
At July 1	**29,057,990**
Charge for the year	3,846,405
Disposals	
At June 30	**32,904,395**
NET BOOK VALUE	
At June 30	**8,974,945**

FY 2024/25

	2024-2025
	Kshs
COST	
At July 1	**39,880,000**
Additions	1,999,340
Disposals	
At June 30	**41,879,340**
AMORTISATION	
At July 1	**23,563,126**
Charge for the year	5,494,864
Disposals	
At June 30	**29,057,990**
NET BOOK VALUE	
At June 30	**12,821,350**

20. Fixed Interest Investments (Treasury Bills)

	2025-2026	2024-2025
	Kshs	Kshs
Central Bank of Kenya (Treasury Bills Maturing on Oct 2026)	60,000,000	60,000,000
Central Bank of Kenya (Treasury Bills Maturing on Feb 2026)		40,000,000
Total	**60,000,000**	**100,000,000**

21. Inventories

	2025-2026	2024-2025
	Kshs	Kshs
Pipes and fittings	14,650,408	13,005,172
Chemicals	1,572,908	1,444,531
Stationery	333,655	218,628
Clothing and Uniforms	96,600	719,220
Cleaning Materials	37,800	20,580
Hardware and Tools	1,560,622	1,176,245
Water Meters	2,445,249	1,602,501
Less: Impairment of Stocks		
Total	**20,697,241**	**18,186,876**

The Company uses the moving average method to value its inventories. The Company did not impair its inventory.

21. a) Inventory movement details

Description	2025-2026	2024-2025
	Kshs	Kshs
Opening balance	**18,186,876**	**24,684,801**
Additions/Purchases	74,567,713	68,095,184
Transferred to Cost of Sales/Expenditure	(72,057,348)	(74,593,108)
At the end of the year	**20,697,241**	**18,186,876**

22. Trade and Other Receivables

	2025-2026	2024-2025
	Kshs	Kshs
Trade receivables (note 22a)	245,216,246	294,594,777
Staff receivables		75,832
Other receivables	1,589,215	2,772,170
Grant receivable	2,229,365	28,000,000
Gross trade and other receivables	**249,034,826**	**325,442,779**
Provision for bad and doubtful receivable (note 22b)	(11,892,491)	(61,558,498)
Net trade and other receivables	**237,142,335**	**263,884,281**
Analysed as:		
Short- Term Trade and Other Receivables	**237,142,335**	**263,884,281**
Long- Term Trade and Other Receivables		

Deposits and Prepayments previously reported under trade and other receivables have been moved to Deposits and Prepayments Note 23

22. (a) Trade Receivables

	2025-2026	2024-2025
	Kshs	Kshs
Gross trade receivables	245,216,246	294,594,777
Provision for doubtful receivables (22b)	(11,892,491)	(61,558,498)
Net trade receivables	**233,323,755**	**233,036,279**
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	8,459,992	21,282,240
Between 30 and 60 days	28,985,524	17,784,778
Between 61 and 90 days	22,449,774	14,424,826
Between 91 and 120 days	15,776,530	16,204,314
Between 121 and 150 days	11,940,628	14,980,307
Between 151 and 180 days	12,234,511	12,671,561
Over 180 days	145,369,286	197,246,752
Total	**245,216,246**	**294,594,777**

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

Description	2025-2026	2024-2025
	Kshs	Kshs
At the beginning of the year	**61,558,498**	**59,370,284**
Additional provisions during the year	4,459,247	2,188,214
Recovered during the year	-	
Written off during the year	(54,125,253)	
At the end of the year	**11,892,492**	**61,558,498**

23. Deposits and Prepayments

	2025-2026	2024-2025
	Kshs	Kshs
Safaricom Deposit	141,886	141,886
K.P.L.C Deposits	854,695	854,695
Performance Guarantee FDKPLC	2,285,802	-
Performance Guarantee FDWASREB	5,500,000	6,496,505
Vivo Energy Kenya Fuel Deposit	1,000,000	1,000,000
Kenya Airways Deposit	200,000	-
Total Energies Fuel Deposit	500,000	-
	10,482,383	**8,493,086**

Deposits and Prepayments previously reported under trade and other receivables Note 22 have been moved to Deposits and Prepayments Note 23

24. VAT Recoverable

	2025-2026	2024-2025
	Kshs	Kshs
At beginning of the year	**45,506,293**	**45,506,293**
VAT recoverable rejected as per KRA approval orders	(10,781,535)	
Portion of VAT claimable considered during the Compliance Audit upto Feb 2015	(9,578,560)	
VAT Recoverable Refunded to VAT Ledger	(18,535,117)	
At end of the year	**6,611,081**	**45,506,293**

The entries passed this year relate to reconciliations done with KRA on VAT recoverable.

25. Short Term Deposits

	2025-2026	2024-2025
	Kshs	Kshs
Commercial banks		
Consolidated Bank Loan Deposit Account	10,007,797	7,000,000
	10,007,797	**7,000,000**

WASREB Guarantee previously reported under short term deposits has been moved to deposits and prepayments Note 23.

The average effective interest rate on the short term deposits as at June 30, 2026 was 7.5% (2024-2025: 8%)

26. Bank and Cash Balances

	2025-2026	2024-2025
	Kshs	Kshs
Cash at bank	134,310,005	80,385,135
Mobile money account	1,954,328	4,344,775
	136,264,334	**84,729,910**

Detailed analysis of the Bank and Cash balances

		2025-2026	2024-2025
Financial institution	**Account number**	**Kshs**	**Kshs**
Current account			
Commercial banks			
ABSA Operations A/c	030301198124	3,311,580	3,948,578
Co-op Bank Collection account	01148667897100	7,356,304	2,704,521
Cooperative Bank Kiamwathi S. Escrow Account(AOD)		19,043,763	
Eco Bank Collection Account	6652000567	0	9,823
Equity Collection Account	0110261003593	828,785	2,415,857
Family Bank Collection account	055000043395	1,047,516	408,805
KCB Salaries Account	1183066996	0	156,798
National Bank (Customer bills payment	7700039291	449,916	135,063
National Bank CLSG II- Escrow A/c	7717803208	16,834,285	4,662,662
National Bank CLSG II Project A/c	7717799340	9,428,484	28,000,550
National Bank collection A/c	7700039275	10,532,883	23,980,897
National Bank Deposit account	7700039283	49,749,037	3,418,593
NBK(UBSUP II)	7700039305	0	140,163
NBK(UBSUP III) Project Account		4,857,701	
Standard Chartered-Operations A/c	0102489064900	9,177,899	2,500,836
Standard Chartered-Salaries A/c	0102489064901	1,691,855	7,901,989
Sub- total		**134,310,006**	**80,385,135**
Mobile Money account			
M-Pesa Account Payment	333915	1,506	457,103
M-Pesa Collection Account	968800	1,575,890	3,441,691
Ndovu Pay		6,823	0
M-Pesa Deposit Refund Payments	3039827	370,110	445,981
Sub- total		**1,954,328**	**4,344,775**
Grand total		**136,264,334**	**84,729,910**

27. Ordinary Share Capital

	2024-2025	2023-2024
	Kshs	**Kshs**
Authorized:		
3,750,000 ordinary shares of Kshs.20 par value each	75,000,000	75,000,000
Issued and fully paid:		
3,750,000 ordinary shares of Kshs.20 par value each	75,000,000	75,000,000

Nyeri Water and Sanitation Company Limited share capital comprises of 3,750,000 paid up ordinary shares at Kshs.20 each.

28. Retained Earnings

The retained earnings are not available for distribution to the Nyeri Water and Sanitation Company Limited shareholders and are utilised to finance Nyeri Water and Sanitation Company Limited business activities. This financial year ended June 2026 the retained earnings amounted to **Kshs. 695,586,112** and Kshs. 698,069,844 (2024/25) as indicated in the Statement of Changes in Equity (SOCE).

29. Borrowings

Description	2025-2026	2024-2025
	Kshs	Kshs
a) External Borrowings		
Balance at beginning of the year	**355,860,523**	406,697,743
Repayments during the year- KfW Loan	50,784,700	50,837,220
Balance at end of the year	**305,075,823**	**355,860,523**
b) Domestic Borrowings		
Kenya Shilling loan from Cooperative Bank	7,000,000	
Balance at end of the year	**7,000,000**	-
C) Total Balance at end of the period c = a+b	**312,075,823**	**355,860,523**

Description	2025-2026	2024-2025
	Kshs	Kshs
Long term borrowings	261,658,747	305,443,447
Short term borrowings (current portion)	50,417,076	50,417,076
Total	**312,075,823**	**355,860,523**

The treasury amount relates to a loan acquired from KFW, of the Federal Republic of Germany through the assistance of the Government of Kenya in the year 2004 at an annual rate of 2.5% for the rehabilitation and extension of water and sewerage services. This is loan is paid to the National Treasury. The Domestic Borrowing related to a loan for Aid on Delivery Project. The estimated interest rate is 14.5%. Currently the project is under the one-year moratorium period.

30. Deferred Income/Capital Grants

Description	2025-2026	2024-2025
	Kshs	Kshs
National/County government	21,596,090	20,278,297
International funders	138,684,540	147,613,597
Total capital grants/deferred income	**160,280,630**	**167,891,894**

The deferred income movement is as follows:

	County government	International funders	Total
Balance brought forward	**20,278,297**	**147,613,597**	**167,891,894**
Additions- CLSG II		2,254,838	2,254,838
Additions- UBSUP III	2,229,365		2,229,365
Transfers to income statement	(911,572)	(11,183,895)	(12,095,467)
Balance carried forward	**21,596,090**	**138,684,540**	**160,280,630**

31. Other Payables

	2025-2026	2024-2025
	Kshs	Kshs
Water Services Regulatory Board (WASREB)	18,499,853	24,632,291
County Government of Nyeri- Lease Fees	55,258,622	55,258,622
Total	**73,758,475**	**79,890,913**

32. Provisions for Leave Pay

Description	2025-2026	2024-2025
	Kshs	Kshs
Balance at the beginning of the year	**6,734,157**	**6,618,092**
Additional Provisions	(551,688)	116,065
Balance at the end of the year	**6,182,469**	**6,734,157**

Provisions details

Description	2025-2026	2024-2025
	Kshs	Kshs
Current Portion of Provisions	**6,182,469**	**6,734,157**
Long-term portion of Provisions		
Total	**6,182,469**	**6,734,157**

33. Trade and Other Payables

	2025-2026	2024-2025
	Kshs	Kshs
Trade payables	22,225,165	24,111,986
Accrued expenses	64,639,153	53,870,383
Employee payables	16,405,689	15,056,295
Other payables	72,005,196	55,236,024
Total	**175,275,203**	**148,274,688**

Aging Analysis for Trade and other Payables

	2025-2026	% of the total	2024-2025	% of the total
Under one year	175,275,203	100%	148,274,688	100%
1-2 years				
2-3 years				
Over 3 years				
Total	**175,275,203**	**100%**	**148,274,688**	**100%**

34. Refundable Deposits and Prepayments

	2025-2026	2024-2025
	Kshs	Kshs
Customer deposits	112,751,011	110,200,476
Interest Prepayment from CBK T-bills	1,449,301	3,708,036
Retention/Contract deposits	4,134,226	668,335
Total	**118,334,538**	**114,576,847**

Aging Analysis for Refundable Deposits and Prepayments

	2025-2026	% of the total	2024-2025	% of the total
Under one year	20,623,689	13%	14,790,372	13%
1-2 years	16,039,451	14%	14,819,200	13%
2-3 years	11,092,213	10%	10,266,800	9%
Over 3 years	70,579,185	63%	74,700,475	65%
Total	**118,334,538**	**100%**	**114,576,847**	**100%**

Notes to the financial statements (continued)

35. Taxation

	2024-2025	2024-2025
	Kshs	Kshs
At beginning of the year	4,825,487	36,510
Income tax charge for the year		4,788,977
Under/(over) provision in prior year/s		-
Income tax paid during the year	(2,475,481)	-
At end of the year	**2,350,006**	**4,825,487**

36. Notes to The Statement of Cash Flows

	2025-2026	2024-2025
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(2,483,732)	15,963,257
Depreciation	62,429,503	69,035,269
Amortization of Grant	(12,095,471)	(13,817,787)
Provision for Leave Pay	(551,688)	116,065
Operating profit before changes in Working Capital	**47,298,612**	**71,296,804**
(Increase)/Decrease in Inventories	(2,510,365)	6,497,925
(Increase)/Decrease in Trade and Other Receivables	28,971,310	(73,865,163)
Increase/(Decrease) in Trade and Other Payables	20,868,077	82,065,387
(Increase)/Decrease in VAT Recoverable	38,895,212	
-Increase/(Decrease) in Refundable Deposits and Prepayments	3,757,692	1,855,275
Cash generated from/(used in) operations	**137,280,539**	**87,850,228**
(b) Analysis of changes in loans		
Balance at beginning of the year	**355,860,524**	**406,697,743**
Repayments during the year	(50,784,700)	(50,837,219)
Addition Loans during the year	7,000,000	
Balance at end of the year	**312,075,823**	**355,860,524**
(c) Analysis of cash and cash equivalents		
Short term deposits **(Note 25)**	10,007,797	7,000,000
Bank and Cash balances **(Note 26)**	136,264,334	84,729,910
Balance at end of the year	**146,272,131**	**91,729,910**

Notes to the financial statements (continued)
Other Disclosures
37. Related Party Disclosures

County Government of Nyeri

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

Other related parties include:

- Tana Water Works Agency
- Water Services Regulatory Board
- Water Resources Authority
- Key Management Compensation
- Water Sector Trust Fund
- Board of directors

Transactions with related parties

	2025-2026	2024-2025
	Kshs	Kshs
a) Sales to related parties		
Water & Sanitation sales to Government Agencies	111,342,594	94,419,641
Interest income from Government Commercial Banks	261,200	164,708
Interest income from T-bills	6,606,638	8,475,370
Total	**118,210,432**	**103,059,719**
b) Purchases from related parties		
Abstraction Levy from Government service providers - WRA	20,092,325	5,170,800
Consultancy Fees paid to Government agencies	146,300	-
Training and conference fees paid to Government agencies	2,815,247	
Bank charges paid to Government Commercial banks	893,153	-
Total	**23,947,025**	**5,170,800**
b) Grants from the Government		
Grants from National Government Agencies	7,288,887	56,000,000
Total	**7,288,887**	**56,000,000**

	2025-2026	2024-2025
	Kshs	Kshs
c) Key Management Compensation		
Directors' Emoluments	13,964,622	13,657,866
Compensation to Key Management	34,305,915	30,344,957
Total	**48,270,537**	**44,002,823**

38. Contingent Liabilities

	2025-2026	2024-2025
	Kshs	Kshs
Contingent liabilities		
Court case against the entity	20,320,000	3,998,000
VAT Tax Dispute		35,384,476
Total	**20,320,000**	**39,382,476**

ELC E021 OF 2025 DENNIS M GATHOGO & ESTHER M GATHOGO VS NYEWASCO

This is a matter before the Environmental and land Court, we have been sued due to water burst on a private property that was occasioned by vandalization of a major air valve.

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

39. Financial Risk Management

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

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment and IFRS 9.

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:

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2026				
Trade Receivables	245,216,246	87,954,468	133,476,795	11,892,491
Other Receivables	1,589,215	1,589,215		
VAT Recoverable	6,611,081		6,611,081	
Deposits and Prepayment	10,482,383	10,482,383		
Investments	60,000,000	60,000,000		
Total	**323,898,925**	**160,026,066**	**140,087,876**	**11,892,491**
At 30 June 2025				
Trade Receivables	294,594,777	53,491,843	179,544,435	61,558,498
Other Receivables	30,848,002	30,848,002		
VAT Recoverable	45,506,293		45,506,293	
Deposits and prepayments	1,996,581	1,996,581		
Investments	100,000,000	100,000,000		
Total	**472,945,653**	**186,336,426**	**225,050,728**	**61,558,498**

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

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	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2026				
Trade payables	22,225,165			22,225,165
Accrued Expenses	23,094,476	20,859,690	20,684,986	64,639,153
Current portion of borrowings		50,417,076		50,417,076
Provisions			6,182,469	6,182,469
Employee benefit obligation	16,405,689			16,405,689
Total	**61,725,330**	**71,276,766**	**26,867,455**	**159,869,552**
At 30 June 2025				
Trade payables	24,111,986			24,111,986
Accrued Expenses	53,870,383		56,000,000	109,870,383
Current portion of borrowings		50,417,076		50,417,076
Provisions		6,734,157		6,734,157
Employee benefit obligation	15,056,295			15,056,295
Total	**93,038,663**	**57,151,233**	**56,000,000**	**206,189,896**

(iii) Market risk

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

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

Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Audit, Risk & Compliance 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 Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

Nyeri Water and Sanitation Company Limited does not have transactional currency risk exposures. All purchases of goods and services have been done in local currency.

b) Interest rate risk

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

i) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates. It also negotiated for a fixed rate of interest on the KFW loan. This way, interest rate fluctuations are minimal.

ii) Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs±30,078. A rate increase/decrease of 5% would result in a decrease/increase in loss KShs ±150,390

iv) Capital Risk Management

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

	2025-2026	2024-2025
	Kshs	Kshs
Retained earnings	695,586,112	698,069,844
Capital reserve	75,000,000	75,000,000
Total funds	**770,586,112**	**773,069,844**
Total borrowings	312,075,823	355,860,523
Less: cash and bank balances	146,272,131	91,729,910
Net debt/ (excess cash and cash equivalents)	**165,803,692**	**264,130,613**
Gearing	**22%**	**34%**

40. Incorporation

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

41. Events After the Reporting Period

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

19. Appendices

Appendix I: Progress on Follow-Up of Prior Years' Auditor General's Recommendations

The following is a summary of the issues raised by the Auditor General and the management responses provided.

No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe:
Financial Statements				
1.0	Long Outstanding Receivables	i. The movement schedule requested was provided. ii. The Company identified debts arising from dormant/terminated accounts which the County Government of Nyeri approved for debt write-off amounting to Kshs. 61,341,730. **The Debt Write off has been done.** iii. The Management has put in place a dedicated call centre to manage outstanding receivables, particularly small-value debts where disconnection may be costly and counterproductive. The approach emphasizes customer engagement and relationship management to achieve economically viable recovery outcomes. iv. To prevent further accumulation of arrears, the Company has implemented a robust ERP system with strengthened internal controls. The system prevents closure or termination of accounts with outstanding balances, restricts the opening of new accounts where existing arrears are linked to the same customer and enforces mandatory capture of key KYC (Know	Resolved	

No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe:
		Your Customer) details through smart fields during customer registration, thereby enhancing traceability and follow-up.		
2.0	Long Outstanding Payables	The Company is grappling with the effects of increasing costs of operation including energy, treatment chemicals, fuel etc against plateaued revenues occasioned by a non-cost recovery tariff since the tariff has remained relatively unchanged. This has caused cash flow constraints affecting the payables negatively. The Company has been actively implementing measures to improve its financial position and ensure timely settlement of obligations. These measures include enhanced revenue collection efforts, cost optimization strategies and exploring alternative financing options through resource mobilization to address the cash flow gaps. The amount over 3 years of Kshs 55,258,622 relates to lease fees for the period 2011 to 2015 charged by the defunct Municipal Council of Nyeri. As the company is a wholly-owned entity of the County Government of Nyeri, a formal request for the waiver of these fees has been submitted. Attached is the support communication.	Not Resolved	30th June 2027

No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe:
		The Company has payment plans on with its creditors. In addition the to the payment plans, the Company has already paid Kshs 25,219,863 through repayment plans developed which are being implemented concurrently with the current debt to settle the outstanding balances	Resolved	
Lawfulness & Effectiveness in the use of Public Resources				
1.0	Failure to Comply with The Law on Award of Contracts to Disadvantaged Groups	Management confirms that deliberate efforts were made to comply with AGPO requirements. In May 2026, the Company advertised Open Tenders, Framework Contracts, and Registration of Suppliers for the period 2026–2028, with specific reservations made for Women, Youth, PWDs, and Local Suppliers across various procurement categories. Management remains committed to improving compliance with AGPO requirements and will continue to strengthen supplier engagement, capacity building, and market sensitization for disadvantaged groups. The Company will also enhance monitoring of AGPO contract performance to reduce non-delivery and improve absorption levels in the current and future financial years, in line with the PPADA, 2015.	Not Resolved	30th June 2027
2.0	Staff Costs Exceeding	The Management recognizes the importance of adhering to regulatory guidelines and the potential impact of excess personnel costs on the Company's profitability and sustainability	Not Resolved	30th June 2030

No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe:
	Operation and Maintenance Costs	of services. We take this matter seriously and we are committed to implementing corrective measures to bring the personnel costs within the recommended threshold. The Company is grappling with effects of increasing costs of operation has seen a reduction in cash flows and consequently the operating and maintenance (O&M) expenditure. However, the Company has taken measures such as: 1. Enhancing revenues by reviewing and increasing our revenue streams. These revenues will be utilized on operations and maintenance expenditure thus lowering the % of staff costs/operations and maintenance expenditure. The Company also reviewed its other income rate card to allow for new income streams and increase other income streams. The Company is currently reviewing its tariff to a cost recovery tariff with an aim to increase the revenues. 2. Implement targeted cost containment measures to ensure that personnel costs align with the WASREB guidelines. This involves optimizing staffing levels for which the Company conducted a workload analysis to ascertain the optimal workload of staff. The report indicated that the number of staff is optimal. Upon retirement of staff, the Company is employing at entry grades and exploring other cost-effective contract pay. This		

No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe:
		approach will ensure that the Company will reduce the % of staff costs/operations and maintenance expenditure with about 1% annually.		
3.0	Noncompliance with The Rights and the Privileges of Persons with Disabilities	During recruitments, applications are invited from suitably qualified candidates for the above position, Women, Youth and Persons with Disabilities and those from marginalized areas are encouraged to apply.	Not resolved	30th June 2027
4.0	Noncompliance of the National Cohesion and Integration Act on Ethnicity	The Company has offered equal opportunity to all Kenyans through a competitive process of advertising for vacancies nationally as evidenced in the job vacancies adverts done on the link https://www.nyewasco.co.ke/careers/ The Management is committed to encouraging ethnic diversity in all recruitment processes.	Not resolved	Ongoing
5.0	Noncompliance with the Requirements for Staff Gender Equality and Equity	In the last three years, the management has demonstrated its commitment in observance of the third gender rule as follows: • FY ending June 2023: Male – 176 (77.2%); Female – 52 (22.8%) • FY ending June 2024: Male – 184 (76%); Female – 58 (24%) • FY ending June 2025: Male – 180 (75%); Female – 58 (25%)	Not Resolved	30th June 2028

No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe:
		The above represents an upward increase in compliance with the provisions of the law. The Management is committed to fully comply with the provisions.		
6.0	**Ineffective Billing for Water and Sewerage Services**	6.1 **Un-Metered Customers** The revenue amount of Kshs. 19,304,336 was realized from legitimate and measurable consumption. The absence of serial numbers in the system did not compromise the accuracy or authenticity of the billing. The Management noted the recommendations of the auditor and amended the process to retain meter serial numbers of terminated accounts by using the same meter number with an indicator that the account has been terminated. **6.2 Unbilled Sewer Services** Billing for sewer services commences only upon completion of a physical sewer connection. Consequently, accounts that were connected to the sewer network during the course of the financial year began attracting sewer charges from the date of connection, not retrospectively. At the time of generating the billing reports for audit purposes, such accounts appeared as sewer-connected but did not reflect	Resolved Resolved	

No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe:
		corresponding sewer charges for the full reporting period. This timing difference creates a mismatch between water consumption and sewer billing, particularly for accounts connected in the course of the year. Management notes that the unbilled sewer revenue relates to this timing difference in service connection and billing commencement. The Management noted the recommendations of the auditor and amended the system reports to reflect the sewer service commencement date. **6.3 Active Accounts not Billed** The Company noted the observation regarding 22,899 bills for active customers who were reported not billed during the year, leading to revenue loss. The 22,899 bills representing a 3.01% of all billings in the year cited do not represent unbilled revenue or unaccounted non-revenue water. The absence of consumption charges in these cases do not constitute revenue loss. Rather, it reflects a correction of earlier estimates, ensuring that customers are charged accurately for actual consumption. The integrity of revenue recognition remains intact, supported by established billing policy and system controls.	Resolved	

No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe:
		6.4 Un-billed Customers with Water Consumption The 4,652 bills (0.92%) of all billing in the year were not erroneous rather adjusted through the system's reconciliation process to correct earlier overbilling. The integrity of revenue recognition remains intact, with the system ensuring customers are billed accurately based on actual consumption. **6.5 Billed Customers Without Sewer Connections** Billing for sewer services commences only upon completion of a physical sewer connection. Consequently, accounts that were connected to the sewer network during the course of the financial year begin attracting sewer charges from the date of connection, not retrospectively. The Management has noted the recommendations of the auditor and amended the system reports to reflect the sewer service commencement date.	Resolved Resolved	
Effectiveness of Internal Controls, Risk Management & Governance				
	Staff Under Establishment	Management acknowledges the importance of these positions to the Company's success and operational stability. As part of our	Resolved	

No.	Issue/Observation	Management Response	Status: *(Resolved / Not Resolved)*	Timeframe:
		commitment to effective human resource management, the Company has implemented a succession management strategy to groom internal talent for these roles. This approach not only ensures a seamless transition into these critical positions but also supports staff retention through career development and growth opportunities for employees. i. For Supply Chain- Manager Supply Chain Recruited ii. For Commercial Service- The Senior Officer Billing & Debt Collection had taken over the role in acting capacity and sits in top management meetings. He has since been appointed substantively as the Chief Manager Commercial Services. The Company has taken steps to progressively address the staffing gaps while balancing cost containment, including recruitments, internal reassignments, use of interns, and deferral of other positions pending tariff review.		

Name: Eng. Peter G. Kahuthu

Signature:
Managing Director

Date: 21st August, 2026

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)
AOD Kiamwathi sewer extension project Lot I and II	N/A	KFW/ MWI/ WSTF	12 months		Yes	Yes
CLSG II Lot I & II	N/A	KFW/ MWI/ WSTF	12 months		Yes	Yes

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	CLSG II Lot I	29,643, 651	24,607,254	83%	58,254,837	24,607,254	Grant
2	CLSG II Lot II	28,611,186	28,223,388	100%		28,223,388	Grant
3	AOD Kiamwathi	234,783,401	7,365,314	3%	234,783,401	7,365,314	Internal/ Loan

Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Tree Growing	Planting and taking care of trees until they grow	Conservation of the catchment areas	Seed Sowing in the nursery beds. Planting trees Watering trees	67,442	212,990	68,115	248,316	Internal	County Government of Nyeri, Kiganjo Police College, Equity Bank, Nyeri Prisons, ICPAK. Doshi

Appendix V: Reporting Disaster Management Expenditure

Date: 30th June 2026

Entity: Nyeri Water and Sanitation Company Limited

Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
			Preparedness- Occupational Health & Safety	OHS	217,735	

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds				Where Recorded/recognized			
	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Statement of Comprehensive income	Capital Fund	Receivables	Total Transfers during the Year
WSTF- CLSG II	19/02/2026	Development	30,254,837		2,254,837	-28,000,000	30,254,837
WSTF- UBSUP III	23/02/2026	Recurrent	5,034,050	5,034,050			5,034,050
Total			**35,288,887**	**5,034,050**	**2,254,837**	**-28,000,000**	**35,288,887**