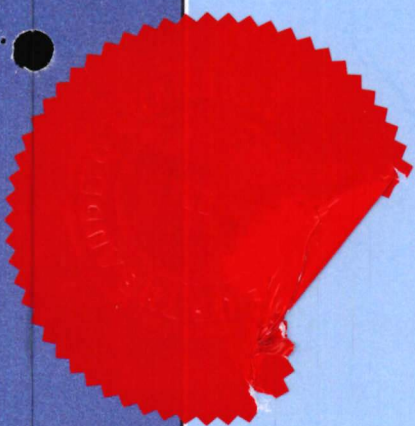
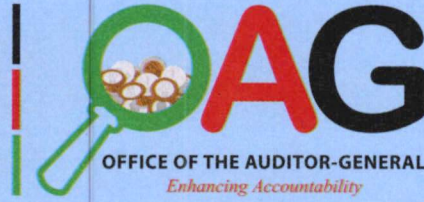


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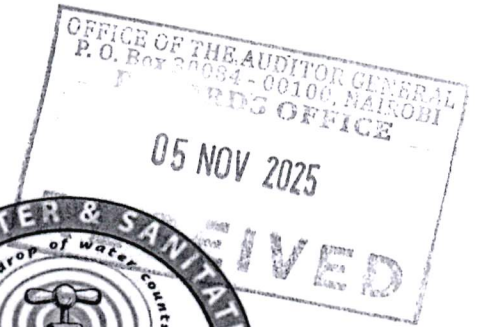
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**KARURI WATER AND SANITATION
COMPANY LIMITED**

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

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KARURI WATER & SANITATION COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)



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1. Acronyms and Glossary of Terms

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>KAWSCO</i>	<i>Karuri Water & Sanitation Company Ltd</i>

2. Key Entity Information

Background information

Karuri Water and Sanitation Company Limited is a public company (herein referred to as KAWSCO) which was registered under the Companies Act on 24th April 2007 and in accordance with the Water Act 2002. The Company started its operations on 1st June 2008 and had its first board meeting on 4th November 2008. The company has five non-executive directors and its core function is water and sanitation services delivery within Kiambaa Sub-County's area of jurisdiction which covers five administrative wards namely Kiambaa, Mucatha, Ndenderu, Cianda and Kihara. The County Government of Kiambu is the sole shareholder of the company.

During the period under review, the company had sixty (60) members of staff.

Principal Activities

The principal activity of the company is to distribute water from our sources to individual and commercial consumers within our jurisdiction.

Vision

To excel in the provision of reliable quality and affordable water and sewerage services and be the pride WSP in the region.

Mission

Ensure provision of good quality water and sewerage services within our area effectively and efficiently

Directors

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

- | | | |
|-----------------------|---------------------|--|
| 1. Eng. Andrew Muigai | - Chairman | -Appointed on 14 th February 2022 |
| 2. John P. Karioki | - Managing director | |
| 3. Joram Kamau | | -Appointed on 14 th February 2022 |
| 4. William Kimani | | -Appointed on 14 th February 2022 |
| 5. Kenneth Wamitho | | -Appointed on 5 th August 2024 |
| 6. Josphat Kamanya | | -Appointed on 5 th August 2024 |

Registered Office

Davekon Palace
Banana-Limuru Road
P.O Box 818-00219,
Karuri, KENYA

Corporate Headquarters

P.O Box 818-00219
Davekon Palace
Banana-Limuru Road
Karuri, KENYA

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

Corporate Contacts

Telephone: (254) 0727484139
Email: info@karuriwater.co.ke
Website: www.karuriwater.co.ke

Corporate Bankers

Post Bank- Karuri branch
Head Office
P.O. Box 30311-0100
Nairobi, Kenya

Family Bank- Banana branch
Head Office
P.O. Box 74145-00200
Nairobi, Kenya

Co-operative bank-Ruaka Branch
Head Office
P.O. Box 48231 - 00100,
NAIROBI

Equity Bank-Ruaka Branch
Head Office
P.O. Box 75104-00200
Nairobi, Kenya

Safaricom M-Pesa money transfer service
Paybill No. 544500

Independent Auditors

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

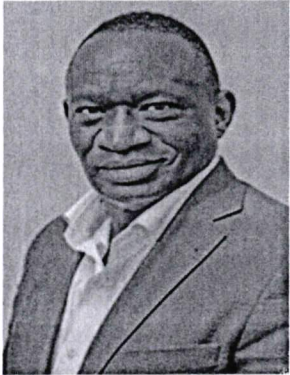

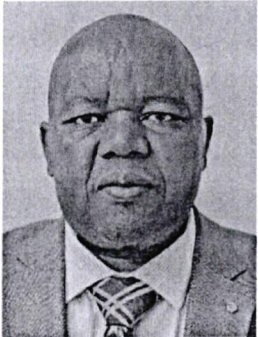
Principal Legal Advisers

The Attorney General
State Law Office, Harambee Avenue
P.O Box 40112
City Square 0200
Nairobi, Kenya




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

3. The Board of Directors

The core functions of the Board of Directors are to formulate policies to ensure sustainability of the company, effective and efficient management of the company’s resources geared towards equitable supply of water within the company’s area of jurisdiction.


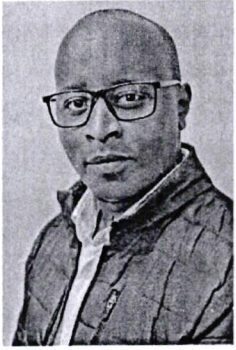
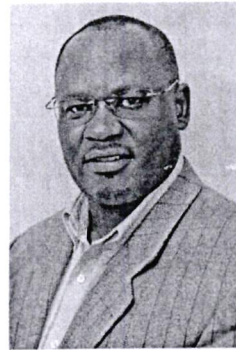
<p>Eng. Andrew Muigai Chairman</p> 	<p>DoA: 14th February 2022 DoR: 14th February 2025 DoB: 10/01/1964 Qualification: Bsc Civil Engineering UON Work Experience: Director Kenya Industrial Research and Development Institute Entrepreneur, Engineer and Management Consultant</p>
<p>Mr. Joram Kamau Nyongo Director</p> 	<p>DoA: 14th February 2022 DoR: 14th February 2025 DoB: 1st April 1986 Qualification: MBA (Strategic Management), Post Graduate Diploma (Management of Development Projects). B.com (Management Option) Work Experience: Has over 7 years’ experience in the marketing field helping company's he has worked for to improve their brand visibility and quality while managing their social media channels.</p>
<p>Mr. Kenneth Wamitho Director</p> 	<p>DoA: 5th August 2024 DoB: 20th April 1973 Qualification: Kenya Certificate of Secondary Education (KSCE) Work Experience: Previously worked as a director in:</p> <ul style="list-style-type: none"> • Momeasy Company Ltd • Big Five Housing Development Ltd • Wakworks Enterprises Ltd

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<p>Mr. William Kimani Director</p> 	<p>DoA: 14th February 2022</p> <p>DoB:</p> <p>Qualification: MBA (Finance), Bachelors of Administration (Accounting and Finance), CPA(K). Currently pursuing PHD in Business Administration (Finance)</p> <p>Work Experience: He is currently working with the County Government of Kiambu as the Chief Officer, Finance and Economic Planning. He has 20+ years of experience in establishing, supporting and strengthening public finance and fiscal processes as well as streamlining private sector finance operations and offering sound fiscal budgeting, business planning and financial management in high level public sector agencies and private companies including The County Government of Kiambu, Limuru Milk Processors, New Baron and Leveque International and Kenana Distributors’.</p>
<p>Mr. Josphat Kamanya Director</p> 	<p>DoA: 5th August 2024</p> <p>DoB: 21st March 1984</p> <p>Qualification: Dip in Social Work</p> <p>Work Experience: He is currently an entrepreneur within our areas of jurisdiction but additionally has been a director at Living Clean Society as well as an Addictions Counsellor at Nairobi Place Addiction Treatment & Specialized Medical Center.</p>
<p>Mr. John P. Kariuki Managing Director</p> 	<p>DoA: 2008</p> <p>DoB: 31/07/1967</p> <p>Qualification: Diploma in Ground Water Technology</p> <p>Work Experience: He was instrumental in setting of the Company in 2008 after secondment from Ministry of Water and took over operations of one borehole which was operated by the defunct Karuri Town Council. Has over 23years working experience in the water sector with his last assignment being divisional water officer – Kiambaa constituency before being seconded to start the Company.</p>

4. Key Management Team


The management staff during the year was as follows:

<p>1</p>	<p>Mr. John P. Karioki- Managing Director</p>  <p>Dip. Ground Water Technology</p>	<p>He is responsible for: Coordinating the day to day management of the Company</p> <p>Monitoring and assessing management’s performance</p> <p>Ensuring that the company complies with the legal and governance framework of the company</p> <p>Ensuring institutional transformation in accordance with corporate strategy.</p> <p>Has over 23years working experience in the water sector with his last assignment being divisional water officer – Kiambaa constituency before being seconded to start the Company.</p>
<p>2</p>	<p>Eng. George Nyutu - Technical Manager</p>  <p>BSC. Civil Engineering</p>	<p>He is responsible for all the technical aspects of water production and distribution. He is also tasked with overseeing field operations and ensuring that the Company progressively increases coverage to the underserved areas.</p> <p>He is also responsible for ensuring that the company keeps the non-revenue water (NRW) within acceptable standards.</p> <p>He has a wide range of experience in the sector having worked in two other water utilities in the very large category according to WASREB.</p>
<p>3</p>	<p>Mr. George Wanjohi- Commercial Manager</p> 	<p>He is responsible for all the commercial activities and tasks of the company.</p> <p>This includes meter reading, billing and new connections so as to ensure that the company maximises its produced volumes.</p> <p>He also ensures that the metering ratio of the company remains at 100%.</p> <p>He has experience in the insurance sub-sector as well in the debt collection in the private and public sector.</p>

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

	<p>B. Com (Finance) CPA iv</p>	
<p>4</p>	<p>Ms. Monica Kimani – Procurement & Supplies Manager</p>  <p>BBA Supplies & Purchasing</p>	<p>She oversees the operations of the procurement department guided by the Public Procurement and Asset Disposal Act of 2015 and the Public Procurement and Asset Disposal Regulations of 2020.</p> <p>The procurement department has four major roles:</p> <ul style="list-style-type: none"> To acquire goods, services, works, and assets for the Company. Storing of inventory and asset management Issuing of inventory to internal customers (the internal users) Disposal of obsolete assets. <p>She has many years' experience in the water sector and specifically in procurement.</p>
<p>5</p>	<p>Mr. Cyrus M. Maina – Senior Accountant</p>  <p>B.Ed Arts & CPA1</p>	<p>He oversees the finance department that is entrusted with accounting and finance functions of the company.</p> <p>He oversees the preparation of financial statements according the Public Finance Management Act 2012 as well as International Financial Reporting Standards (IFRS).</p> <p>He is also in charge of Revenue collection which entails disconnections and reconnections.</p> <p>He has experience in the microfinance sector as well as many years in the finance department at various levels.</p>

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6	<p>Ms. Jane Muchiri Ass. HR Manager</p>  <p>B. Com (HRM) (CHRPK)</p>	<p>She oversees the Human Resources and Corporate Affairs department which among other things, does the following:</p> <ul style="list-style-type: none">Recruitment and Selection.Training and Development.Performance Management.Employee Relations.Compensation and Benefits. <p>She has experience in the Human Resource field and in consultancy.</p>
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5. Chairman's Statement

Karuri Water and Sanitation Co. Ltd has had a relatively challenging financial year, our main challenge continues to be the lack of high yielding and cost-effective gravity sources of water.

However, as far as water sources are concerned, AWWDA has embarked on exploitation of Gathiri springs which is at an advanced level of development and though they have pumping components, the cost is not as high as in the case of boreholes.

AWWDA has also drilled and equipped 3 boreholes; two in Gachie and one in Kawaida which are yet to be operationalized due to electricity connectivity and quality issues though they are been addressed. We also expect the County Government to handover a borehole drilled during the construction of Kihara Market. The management of the borehole is currently under the department of trade.

The Kiambu-Ruaka Sewer project is another project expected to increase revenue for the company once operationalized. It involves installation of DN450, 21.388 Km Trunk sewer lines, DN300, 18.8 Km Lateral sewers lines and connection of 1000 households as well as laying of DN90, 2.4 Km pipes and DN50, 6.5 Km. We are pleased that by the close of the financial year, the sewer project had become operational, generating revenue amounting to Kshs. 21,711,405.

Customer Satisfaction and creating stakeholder value remain our cherished goals. As we look into the future, our resolve is to remain focused to achieve these goals through securing adequate water supply, distribution capacity, reducing losses, increase in coverage and expansion of our customer base. We are also expanding our social responsibility by providing our services to the low income areas through maintenance of water kiosks where water is affordable to residents who don't have individual household connections in those areas.

The single biggest challenge in the year under review, like in past years, has been the rising cost of water operations. Our highest expenditure remains electricity and the purchase of Bulk Water from Nairobi Water Co. Ltd accounting for 18% and 16% of our total expenditure respectively. The operationalisation of the sewer system has enabled the Company to achieve a surplus, in contrast to the deficits experienced in previous years.



Chairman of the Board

6. Report Of the Managing Director

The financial year ending 30th June 2025 has had both challenges and achievements, it has seen us continue to implement our core mandate of water distribution in Kiambaa Sub-County and hopefully in the near future we shall also begin providing sewer services with the almost complete, Kiambu-Ruaka Sewer Project being implemented by AWWDA.

Achievements

As at 30th June 2025, the company had 11,881 registered connections, of these 8,564 were active while 3,337 were inactive. During the year, 252 new customers were connected against a target of 996 new connections. We were unable to meet the target primarily due to extensive pipeline damages resulting from ongoing road construction works in several areas. In addition, areas served by boreholes have also been experiencing prolonged rationing with some zones getting supply as little as twice in a month, consequently the company has reduced accepting new connections applications in such areas until we get new water sources.

The average annual meter reading efficiency for the year was 98% while the annual billing efficiency was 79%.

The collection efficiency was 96% against a target of 100%, this was due to frequent pump breakdowns as well damaged pipelines due to road constructions. The average number of paying customers for the year stood at 69% against a target of 90%.

Challenges

The company has reported a surplus of Kshs. 1,632,972 this performance can largely be attributed to the onboarding of sewer system, the cost of electricity reduced slightly from Kshs. 26,691,760 last year to Kshs. 25,642,257 in the year under review. The cost of NSSF Employers contribution increased from Kshs. 1,028,584 to Kshs. 1,618,029 in the year under review. The cost of Affordable housing levy increased from 435,799 to Kshs. 604,022 in the year under review

However, the company has made a huge stride towards turning around this situation by getting a new tariff in place beginning September 2023. This is expected to help the company to begin the journey towards cost recovery coupled with bringing on-board cheaper sources of water. Also to address the cost of production from the current sources, we conducted a feasibility study on solarization of our pumping stations. The recommendations of the study have been sent to the County Government and AWWDA for possible funding.

The Kiambu-Ruaka Sewer project which has been under construction for the last several years is nearing completion and AWWDA has partially handed it over to the Company. This will be the first time we are having sewer disposal system in our area of jurisdiction and we expect the revenues from the project to also boost our financial situation towards full cost recovery. The Company has also done proposal for funding of new boreholes to address the increasing demand for water.

Despite the tough financial times and the spiralling of the cost of doing business, we continue to be optimistic and focused on delivery of services to our esteemed customers in partnership with the County Government of Kiambu and agencies of the National Government like AWWDA.


Managing Director

7.Statement Of Performance Against Predetermined Objectives for FY 2024/2025

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity’s performance against predetermined objectives.

KAWSCO has seven (7) strategic goals and objectives within the current Strategic Plan. These strategic goals are as follows:

Objective 1: To Enhance Revenue Collection

Objective 2: To Supply Reliable, Adequate, Sustainable, Quality & Affordable Water.

Objective 3: To Enhance Customer Satisfaction.

Objective 4: To Attract, Develop and Retain Highly Skilled and Motivated Staff.

Objective 5: To Establish Management Information Systems.

Objective 6: To Establish a Reliable & Sustainable Sewerage Services

Objective 7: To Mainstream Cross Cutting Issues

KAWSCO develops its annual work plans based on the above 7 strategic Goals. Assessment of the Board’s performance against its annual work plan is done on a annual basis. KAWSCO achieved its performance targets set for the FY 2024-2025 period for its 7 strategic Goals to the levels indicated in the diagram below:

Strategic Objective	Objective	Key Performance Indicators	Activities	Achievements
Objective 1:	Enhance Revenue Collection	98% Collection Efficiency	Set daily Targets for Officers	96% Collection Efficiency
Objective 2:	Supply Reliable, Adequate, Sustainable, Quality & Affordable Water.	Increase area of coverage to 60%	Develop New Water Sources Increase Abstraction from off-takes	54% coverage achieved.
Objective 3:	To Enhance Customer Satisfaction.	Achieve 80% Customer Satisfaction Index	Reduce response time to queries. Better informed customers.	Customer satisfaction at 65%

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Objective 4:	To Attract, Develop and Retain Highly Skilled and Motivated Staff.	Achieve 80% employee Satisfaction level.	Fill in vacant positions & introduce Commuter Allowance	Employee Satisfaction at 72%.
Objective 5:	Establish Management Information Systems.	Reduce Response time for resolving Customer Queries.	Upgrade the billing system to a web-based one. Introduce customer bill querying.	Response time reduced by 5 minutes.
Objective 6:	Establish a Reliable & Sustainable Sewerage Services	Establish a Sewer System by the year 2024	Supervise implementation of the Kiambu-Ruaka project.	The Sewer System expected to be running by January 2024
Objective 7:	Mainstream Cross Cutting Issues	30% Tenders Given to AGPO	Prioritise AGPO when advertising for goods & services.	We achieved 24% of Tenders to AGPO.

All the above strategic objectives have been tied to individual performance targets issued by the Managing Director to the Heads of Department and the same have been cascaded down to the staff of each department.

On a quarterly basis, these targets are also reported to the County Government through the Chief Officer Water, Environment and Natural Resources who through the CEC in-charge also reports to the Kiambu County Governor.

The management also directly report on these parameters on a quarterly basis to the Board of Directors through the Managing Director. This is done through the various Board Committees in form of a board report which if adopted goes to the full Board for ratification.

Staff who fail to meet the minimum requirement set by the Board of 70% are put under performance monitoring and if improvement is not achieved in, the staff is dismissed.

8. Corporate Governance Statement

The Company regards good corporate governance as crucial to the success of the business and is committed to practice it so that it remains a sustainable and viable business. This Statement sets out the main corporate governance practices and structures in the Company.

The following Corporate governance guidelines and principles are applied in the Company to govern the Board and the staff. WASREB guidelines on Corporate Governance for Water companies specify best corporate governance principles and others like the Code of Ethics for directors and the Public Officer Ethics Act, 2003 that applies to public officers.

Directors exercise independent judgment and professional competencies for effective governance of the Company as set out in their terms of reference which clearly spells out important governance arrangements covering appointment of directors.

The Directors' Code of Conduct sets out rules that govern the conduct of individual directors in order to enable the Board to operate effectively and in the best interests of the Company. The Code of Conduct sets out rules for directors to among others: act honestly, in good faith and for the best interest of the Company, exercise duty with care and diligence, avoidance and management of conflict of interest, maintain confidentiality of information about the Company, showing commitment to and attend to Company's business and respect to fellow directors.

Conflict of Interest

Directors are required to make a written disclosure of any transaction in which they have interest and which would constitute a conflict of interest and to abstain from voting when such matters are being considered. Business transactions with all parties, directors or their related parties are carried out at arms' length.

Role and Responsibilities of the Board

The Board provides leadership and strategic direction to the Company. Their main responsibilities are:

- Establishing the short and long-term goals of the Company and strategic plans to achieve those goals.
- Ensuring preparation of the annual, half-year and quarterly financial statements.
- Approval and review of the annual budgets.
- Setting and periodically reviewing key performance indicators and management performance.

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

- Ensuring that the Company has adequate systems of internal controls.
- Ensuring that the Company has adequate risk management plans to ensure business continuity.

Role of Chairman of the Board of Directors

The Chairman is primarily responsible for providing leadership to the Board, Chairing Board meetings and general meetings of members. The chairman also ensures that the Board is supplied with timely and sufficient information to enable it to discharge its duties effectively.

Managing Director

The Managing Director is the Chief Executive Officer of the company responsible for the day to day management of the Company. He is also the secretary of the board.

Directors Training and Development

The Company recognizes the importance of having a well informed and fully empowered Board of Directors. In this regard, relevant training and capacity development opportunities are organized to equip directors with skills and knowledge necessary to effectively perform their responsibilities when funds are available.

Board Work plan and Meetings

A work plan and schedule of meetings is prepared annually in advance. The Board meets at least once in a quarter or more depending on the requirements of the business. Directors receive adequate notice for meetings and detailed papers on issues to be discussed. There are three board Committees namely:

1. Technical Services Committee
2. Risk & Audit Committee
3. Finance, Hr & Administration Committee

The membership of the committees was drawn from the board of directors.

The following table outlines the meeting frequency and attendance during the year under review.

Description		Number of Meetings Attended			
S/No	Name	Technical Service Committee	Full Board	Risk & Audit Committee	Finance, HR & Administration Committee
1	Eng. Andrew Muigai		4		
2	Joram Kamau	2	4	2	
3	Sophia Kamau		4	2	3
4	Josphat Kamanya	3	3	2	

Karuri Water & Sanitation Company Ltd

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5	Kenneth Wamitho	3	3		3
6	Isaac Ndirangu	2	1		3
7	Michael Kangethe		1		
	Total Number of Meetings	3	4	2	3

Term of Office

The Directors shall hold office for a period not exceeding three years which term may be renewed once. In undertaking the renewal or retirement of Directors, the appointing authority shall ensure that at least two thirds of the members are retained for continuity.

9. Management Discussion and Analysis

The following is an analysis of the key highlights in the financial year under review in the following categories:

1. Key implemented, ongoing and proposed projects
2. Compliance with statutory requirements
3. The company's operational and financial performance
4. Major risks facing the company
5. The company's financial probity and serious governance issues

1) Key Implemented, Ongoing and Proposed Projects

a. Implemented Projects

Drilling of Boreholes

The Athi Water Works Development Agency (AWWDA) drilled and equipped two boreholes at Gachie Primary and Gachie kwa Chief under the Kenya Urban Support Programme (KUSP).

b. Ongoing Projects

Kiambu-Ruaka Sewer project

-This project involves the following components:

Installation of DN450, 21.388km Trunk sewers, DN300, 18.8km Lateral sewers and connection of 1000 households.

-Laying of DN90, 2.4km pipes and DN50, 6.5km.

By the close of the year, pegging of the Kanda Komu line had been completed as well as taking of inventory along the same line. This is for purposes of reinstating any structures that may be damaged to pave way for the project.

Gathiri-Kambara Projects

The above-named projects include the following components:

-Operationalization of Gathiri and Kambara springs

-Laying 9.6km pipeline of assorted sizes ranging from DN110 to DN40

This is being implemented by Athi Water Works Development Agency and the Gathiri spring is substantially completed and only needs the power connection from Kenya Power.

c. Proposed Projects to Increase Water Supply

Karuri-Ruaka Water Supply Proposal

The project with an estimated project cost of Kshs. 508,319,416 is earmarked to serve Karuri and Ruaka Sub-locations with a production capacity of 4,600m³/day. The funding proposal request was submitted to the County Government and AWWDA for possible funding.

2) Compliance with Statutory Requirements

The company was in compliance with most of the statutory requirements except a few as detailed below

Karuri Water & Sanitation Company Ltd

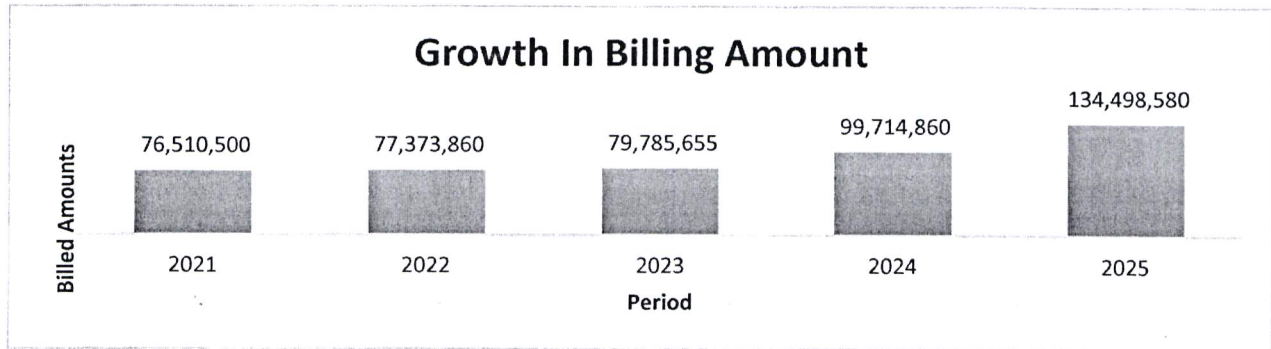
Annual Report and Financial Statements for the year ended June 30, 2025

	Statutory Requirement	Status
1	Licence Fees and Administration Fees	As at the end of the year we owed WASREB and AWWDA Kshs. 26,275,957 and Kshs. 27,092,744 respectively.
2	Pay As You Earn (PAYE)	The company was up to date with the said payments and filing of returns.
3	National Hospital Insurance Fund (NHIF)	The company was up to date with these payments.
4	National Social Security Fund (NSSF)	
5	CPF (Lap Trust)-Pension Provider	
6	Water Resources Authority	The outstanding amount with WRA was Kshs. 3,130,790

3) The company’s operational and financial performance

During the financial year the company made a profit of Kshs 1,632,972 compared to a loss of Kshs 18,431,304 during the previous financial year.

The company’s total billing from water sales grew from Kshs 99,714,860 in the previous year to Kshs 134,498,580 in the year under review. This increase is attributed to greater efficiency in operations, reduction in the NRW figure and onboarding of sewer system. Below is the trend in billing for the last four years.



4) Major risks facing the company

The major risk facing the company is the ability to continue as a going concern largely due the high cost of production and inflationary tendencies within the country. The high dependence on boreholes and bulk supply from Nairobi City Water & Sewerage Company Ltd also poses a certain level of risk but this is mitigated by the fact that both of these are related parties.

5) The company’s financial probity and serious governance issues

The company does not have any financial probity or any governance issues, since the company has risk management policy in place and adequate internal controls.

6) Material arrears in statutory/financial obligations

We have the following as the material balances in the year under review are as follow:

Lease Fee to AWSB Kshs. 27,092,744

Nairobi Water Co. Ltd Kshs. 100,041,247

Regulatory Levy Kshs. 26,275,957

10. Environmental and Sustainability Reporting

KAWSCO exists to transform lives which is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on three pillars: putting the customer first, delivering relevant goods and services, and improving operational excellence.

Below is a brief highlight of our achievements in each pillar:

1. Sustainability strategy and profile

To ensure sustainability of water sources in our area and in collaboration with the County partnered in planting trees in areas of Kinale and Kame forests which are considered recharge catchments for our boreholes. The Company also has a watershed committee in place to champion conservation measures.

2. Environmental performance

To improve our environment, the company plans to continue in tree planting exercises in identified forests and also partnering with schools within our localities to adoption of trees by the pupils which encourages the younger generation in taking up the habit.

3. Employee welfare

The company is an equal opportunity employer and encourages women and the disabled to apply for vacant positions.

The company has an OSH committee in place which is operational.

4. Market place practices:

a) Responsible competition practice:

The organization ensures responsible competition practices and upholds the principles of anti-corruption, responsible political involvement, fair competition and respect for competitors in its procurement practices in line with the PPDA ACT and set out guidelines.

b) Responsible Supply chain and supplier relations:

The organization maintains good business practices, treats its own suppliers responsibly by honoring contracts and respecting payment practices.

c) Responsible marketing and advertisement:

We ensure that our marketing and customer awareness efforts are ethical and true as well as timely.

d) Product stewardship:

Our main product which is water is sampled and tested for safety at source and random consumer points to ensure it is safe for consumption and in line with WASREB guidelines.

5. Community Engagements-

- The company in collaboration with its stakeholders bought tree seedlings which were given out to surrounding schools and churches for planting during the rainy season. The seedlings also include fruit trees for value addition. The company is also partnering with the County Government in cleanups once every month.
- The company also has water connections that are under the pro-poor program. These are connections being used by vulnerable members of society in our area of jurisdiction. These customers are exempted from paying water bills as long as they restrict consumption to below 6 units per month.

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

11. Report Of the Directors

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

Principal activities

The principal activities of KAWSCO are to distribute water from our sources to individual and commercial consumers within our jurisdiction.

Results

The results of KAWSCO for the year ended June 30, 2025 are set out on pages 1-6

Dividends

Subject to the approval of the shareholders, the Directors do not recommend the payment any dividend since the company is still making losses.

Directors

The members of the Board of Directors who served during the year are shown on pages' vi-viii.

Auditors

The Auditor General is responsible for the statutory audit of KAWSCO in accordance with the Section 5 of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board,



Managing Director

Date: 3/11/2025

12. Statement Of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012, Section 14 of state corporation Act, Water Act 2016 and the Companies Act 2015, require the Directors to prepare financial statements in respect of Karuri Water & Sanitation Company, which give a true and fair view of the state of affairs of KAWSCO at the end of the financial year/period and the operating results of KAWSCO for that year/period. The Directors are also required to ensure that KAWSCO keeps proper accounting records which disclose with reasonable accuracy the financial position of KAWSCO. The Directors are also responsible for safeguarding the assets of KAWSCO.

The Directors are responsible for the preparation and presentation of KAWSCO's financial statements, which give a true and fair view of the state of affairs of KAWSCO for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of KAWSCO;
- (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 KAWSCO;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

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

The Directors are of the opinion that KAWSCO's financial statements give a true and fair view of the state of the Company's transactions during the financial year ended June 30, 2025, and of KAWSCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for KAWSCO, which have been relied upon in the preparation of KAWSCO's financial statements as well as the adequacy of the systems of internal financial control. Nothing has come to the attention of the Directors to indicate that KAWSCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

Karuri Water and Sanitation Company financial statements were approved by the Board on 28th August 2025 and signed on its behalf by:



Chairman of the Board



Managing Director

REPUBLIC OF KENYA

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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Karuri Water and Sanitation Company Limited set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive

income, statement of changes in equity, statement of cash flows and 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 provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Long Outstanding Trade Receivables and Weak Credit Control

The statement of financial position and as disclosed in Note 20 to the financial statements reflect trade and other receivables totaling Kshs.51,541,997. Out of the balance, Kshs.31,327,082 or approximately 60% relates to receivables outstanding for over 120 days, well beyond the 60-days limit prescribed by WASREB as detailed below;

Age Category	Amount (Kshs)	% of Total
Less than 30 Days	10,578,716	20%
30–60 Days	5,316,878	10%
61–90 Days	2,979,349	6%
91–120 Days	1,934,584	4%
Over 120 Days	31,327,082	60%
Total	52,136,608	100%

Further, there was no evidence of active recovery measures, debtors' follow-up or Board approval for write-off presented for the aged balances. In addition, Management did not charge the increase in provision for doubtful debts of Kshs.670,600 between the current and the previous year balance of Ksh.2,606,830 and Kshs1,936,230 respectively in the statement of profit or loss and other comprehensive income.

In the circumstances, the accuracy and completeness of trade and other receivables balance totalling Kshs.51,541,997 could not be confirmed.

2. Long Outstanding Payables

The statement of financial position and as disclosed in Note 25 to the financial statements reflect trade and other payables balance of Kshs.179,015,022. Review of records revealed the following;

2.1 Audit Fees

Trade payables schedule revealed that the Office of the Auditor-General is owed a total of Kshs.1,506,000, out of which Kshs.1,390,000 has been outstanding for more than one year. The long outstanding payable balance negatively affects liquidity and imply that the Company may be struggling to meet its short-term obligations.

2.2 Regulatory Fees

Review of the Company's supporting schedules revealed that the WASREB regulatory fee was calculated monthly at 4% of total revenue. However, review of the payables aging analysis indicates that unremitted regulatory fees totalling Kshs.5,522,566 remain outstanding as at 30 June, 2025. The delayed cash settlement and remittance to WASREB may result in late fees, interest charges, or penalties, thereby impacting on liquidity of the Company.

2.3 Unsupported and Long Outstanding Trade Payables

The statement of financial position and as disclosed in Note 25 to the financial statements reflect trade and other payables balance of Kshs.179,015,022. Included in the amount are trade payables totalling Kshs.141,374,112 or approximately 79% that have been outstanding for more than one year. Further, the original invoices from suppliers, contracts and creditor's movement register were not provided for audit review.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.179,015,022 could not be confirmed and the Company may be liable to penalties and interest due to late payments of debts.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.171,200,000 and Kshs.140,733,955 respectively, resulting to under-collection of Kshs.30,466,045 or approximately 18% of the budget.

The under collection of the budgeted amounts is an indication that all activities and projects in the annual work-plan were not implemented by the Water Company which may have negatively impacted on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

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

No.	Financial Year	Audit Issue
1	2023-2024	Failure to Honour Bulk Contractual Water Agreement
2	2023-2024	Irregular Procurement of Medical Cover
3	2023-2024	Non - Compliance with Minimum Requirement on Employee Ethnicity
4	2023-2024	Irregularities in Appointment, Composition and Operations of the Board

Other Information

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

In connection with my audit of 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 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. Lack of a Binding Contract

Nairobi City Water and Sanitation Company supplied bulk water to Karuri Water and Sanitation Company. However, there was no contract agreement between the two entities covering key areas such as service obligations, tariffs, metering, payment terms, dispute resolution and compliance with regulatory requirements. Although Management explained that the agreement was in draft format awaiting approval, the validity of transactions between the two Companies may not be binding.

In the circumstances, the terms and basis of the engagement could not be confirmed.

2. Non-Revenue Water

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflect operating revenue from water sales of Kshs.134,498,580. Review of records provided for audit revealed that the Company produced a total of 1,853,767 cubic meters (M3) of water. However, only 1,086,159 cubic meters were billed to customers. The balance of 767,608 cubic meters, which is approximately 41% of the total water produced represents Non-Revenue Water (NRW) which is above the 25% limit prescribed by Water Services Regulatory Board Guidelines, 2018.

In addition, discrepancies were noted between the NRW volume reported in operational data (767,608 m³) and the amounts reflected in the Managing Director's report (varying amount by scheme), indicating a need for reconciliation to ensure accuracy and consistency in reporting.

In the circumstances, Management was in breach of the law and the accuracy of information provided could not be confirmed.

3. Delay in Implementation of the County Government Financed Project

The project for the Implementation and Improvement of Water, Environment and Sanitation Services, financed by the County Government of Kiambu at a total contract sum of Kshs.5,033,720 and implemented by Karuri Water and Sanitation Company Limited (KAWASCO), had not been fully implemented or closed as at the time of the audit

in October, 2025. Out of the total grant, Kshs.2,042,800 remained unutilized as at 30 June, 2025, an indication of delay in project execution and financial closure.

Further, the funds are not held in the designated project account as was indicated in the Financing Agreement. Instead, the balance is currently retained in the entity's revenue account, (WSTF Grant Account).

In the circumstances, the situation demonstrates a significant delay in both implementation and closure, occurring over one year beyond the expected completion period of July–August, 2024, as outlined in the project's implementation schedule and subsequent addendum.

4. Non-Compliance with Ethnic Diversity and Persons Living with Disability Requirements

Review of employees' records revealed that the Company had a total of seventy (70) members of staff during the period under review. Sixty-two (62) employees or approximately 94% of the workforce were from the same ethnic community. This indicates a significant concentration from a single group, which may raise concerns regarding diversity and inclusivity in recruitment practices. Further, analysis of the workforce composition revealed that the Company employed four (4) new members of staff in the County. However, all the new appointments or 100% were from the dominant ethnic community in the County, contrary to the law.

In addition, the Organization had only (2) employees living with disability, accounting for just 1% of the total staff. This falls short of the Government-mandated threshold of 5% for the employment of persons with disabilities, highlighting the need for more proactive measures to promote equal opportunities and compliance with legal requirements.

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

5. Appointment of the Board Members and Committees of the Board

The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflect Board expenses totalling Kshs.2,850,330. Review of Board meeting minutes for both the full Board and sub-committees of the Board revealed that the tenure of the three (3) members of the Board expired in 14 February, 2025 and no replacement had been done. Further, the Company held a Hybrid Full Board Meeting on 12 September, 2024, in attendance were two (2) Board members who were appointed on 5 August, 2024. However, there was no Kenya Gazette notice supporting their appointment.

Review of Board appointment letters and other available information revealed that the Board had six (6) members excluding the Managing Director as opposed to the range from seven (7) and to nine (9) members that is provided for in Mwongozo Par.1.1. A third gender rule was also not adhered to as it had only one (1) female member against five (5) males.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Gaps in IT Internal Controls

1.1 Absence of Service Reports

There were no service reports provided that document any changes made to the system by the vendor. This lack of documentation raises concerns on accountability and the ability to track modifications or updates that may impact system performance.

1.2 Access to Live Environment

Interview with Management indicated that the vendor providing support for the billing system had direct access to the client's live environment. The access raises significant concerns regarding security, data integrity and compliance.

1.3 Lack of Integration

The audit revealed that data from the billing system to the accounting system is captured manually with no integrations between the two systems. Further, there were no controls to guide on how data is entered in the accounting system which exposes the entity to incorrect data entry.

1.4 Lack of ICT Policies

Analysis of the ICT records and interview with Management revealed that Management lacked Disaster Recovery Policy, Data backup Policy/procedures and ICT department work plan to help guide on the operations of the ICT functions.

In the circumstances, the staff handling ICT equipment in the Institution lack standard guidelines and procedures of their operations and the entity is exposed to insecure and incorrect data.

2. Variances in Staff Establishment and Actual Occupancy

Analysis of the Water Company's staff establishment against the actual staff occupancy revealed that the approved staff establishment stands at one hundred and eighty-six (186) positions, while the actual employees as at 30 June, 2025 was sixty-six (66) resulting in a variance of one hundred and twenty (120) positions. Further, review of payroll records revealed that the current workforce includes a billing officer in the commercial department, under job grade six (6). However, there is no provision for the position in the approved staff establishment. Further, the basis of remuneration and how the position was created was not clear

In the circumstances, the effectiveness of internal controls on staff management could not be confirmed.

3. Lack of ICT Committees

During the year under review, the Company did not establish an IT Strategic Committee and an IT Steering Committee contrary to Section 6.2 of the IT Governance Standard by the ICT Authority of 2019 which requires that all MCDAs establish two ICT governance Committees, an IT Strategy Committee to provide strategic advice on ICT initiatives and investments to the Board and an IT Steering Committee to define the IT mission and goals aligned with the strategic direction of the organization.

In the circumstances, the effectiveness of internal controls on IT systems and governance could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xxi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page xv and page 20 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate

opinion as to the Karuri Water and Sanitation Company Limited 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 the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit


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

to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 December, 2025

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

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
REVENUES			
Operating Revenue	6	134,498,580	99,714,860
Grants Income	7	2,523,085	7,803,428
Other Income	8a	3,565,600	1,176,690
Finance Income	9	146,690	17,185
TOTAL REVENUES		<u>140,733,955</u>	<u>108,712,163</u>
EXPENSES			
Staff Costs	10	44,352,771	38,631,227
General & Operations Cost	11	78,677,411	74,654,685
Board Expenses	12	2,850,330	1,997,461
Maintenance Expenses	13	8,408,887	7,199,576
Depreciation Expenses	14	4,811,585	4,660,518
Finance Cost	15	-	-
TOTAL OPERATING EXPENSES		139,100,983	127,143,467
OPERATING PROFIT/(LOSS)		1,632,972	(18,431,304)
Extra Ordinary Income	8b		
PROFIT/(LOSS) BEFORE TAXATION		1,632,972	(18,431,304)
INCOME TAX EXPENSE/(CREDIT)	18		
PROFIT/(LOSS) AFTER TAXATION		1,632,972	(18,431,304)

Karuri Water & Sanitation Company Ltd
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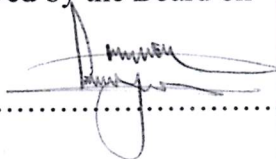
15. Statement of Financial Position as at 30th June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	57,619,081	55,830,440
Intangible Asset	17	337,719	482,456
Total Non-Current Assets		<u>57,956,800</u>	<u>56,312,896</u>
Current Assets			
Inventories	19	1,748,237	2,352,739
Trade and other receivables	20	51,541,997	38,656,061
Bank and cash balances	21	20,659,380	15,487,920
Total Current Assets		<u>73,949,614</u>	<u>56,496,720</u>
TOTAL ASSETS		131,906,414	112,809,616
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	22	40	40
Retained earnings	23	(98,850,609)	(100,483,581)
Capital Reserve	24	977,464	977,464
Capital and Reserves		<u>(97,873,105)</u>	<u>(99,506,077)</u>
Non-Current Liabilities			
Deferred Income	27	20,184,682	22,427,424
Total Non-Current Liabilities		<u>20,184,682</u>	<u>22,427,424</u>
Current Liabilities			
Trade and other payables	25	179,015,022	162,132,111
Customer Refundable Deposits & Prepayments	26	28,056,730	24,952,730
Deferred Grant Income	27	2,523,085	2,803,428
Total Current Liabilities		209,594,837	189,888,269
TOTAL EQUITY AND LIABILITIES		131,906,414	112,809,616

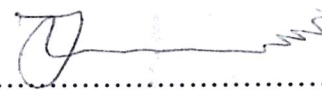
The financial statements were approved by the Board on 28th August 2025 and signed on its behalf by:



Managing Director



Head of Finance



Chairman of the Board

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

	Ordinary Share Capital	Retained Earnings	Capital Reserve	Total
	Kshs	Kshs	Kshs	Kshs
Balance Brought Forward as at July 1, 2023	40	(82,052,277)	977,464	(81,074,773)
Total comprehensive income	-	(18,431,304)	-	(18,431,304)
Balance Carried down at June 30, 2024	40	(100,483,581)	977,464	(99,506,077)
Balance Brought Forward as at July 1, 2024	40	(100,483,581)	977,464	(99,506,077)
Total comprehensive income	-	1,632,972	-	1,632,972
Balance Carried down as at June 30, 2025	40	(98,850,609)	977,464	(97,873,105)

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

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		147,910,587	92,988,401
Grants Income		-	5,000,000
Finance Income		146,690	17,185
Other Income		3,565,600	1,176,690
Customer Deposits		3,179,000	2,100,460
Total Receipts		154,801,877	101,282,736
Payments			
Staff Costs		47,744,608	38,098,404
General And Operation Expenses		88,298,831	47,661,330
Board Expenses		2,850,330	1,997,461
Maintenance Expenses		2,634,010	5,880,300
Refund Of Customer Deposits		75,000	90,000
Fixed Deposit		1,572,150	1,572,150
Total Payments		143,174,928	95,299,645
Net Cash From/ (Used In) Operating Activities	28	11,626,949	5,983,091
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(6,455,489)	(3,181,553)
Proceeds From Disposal Of PPE			
Net Cash From/ (Used In) Investing Activities		(6,455,489)	(3,181,553)
Increase/(Decrease) In Cash and Cash		5,171,460	2,801,538
Cash And Cash Equivalentents At Beginning Of Year	21	15,487,920	12,686,382
Cash And Cash Equivalentents At End of the Year	21	20,659,380	15,487,920

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

	<i>Original Budget</i>	<i>Adjustments</i>	<i>Final Budget</i>	<i>Actual on Comparable Basis</i>	<i>Performance Difference</i>	<i>% of Utilization</i>
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	160,000,000	3,000,000	163,000,000	134,498,580	28,501,420	83%
Grants	5,000,000	-	5,000,000	2,523,085	2,476,915	50%
Other Income	1,455,000	1,645,000	3,100,000	3,565,600	(465,600)	115%
Finance Income	95,000	5,000	100,000	146,690	(46,690)	147%
Total Revenue	166,550,000	4,650,000	171,200,000	140,733,955	30,466,045	82%
EXPENSES						
Staff Costs	45,510,000	4,290,000	49,800,000	44,352,771	5,447,229	89%
General & Operations Expenses	94,471,000	(1,367,000)	93,104,000	78,677,411	14,426,589	85%
Board Expenses	3,900,000	550,000	4,450,000	2,850,330	1,599,670	64%
Maintenance Expense	10,410,000	400,000	10,810,000	8,408,887	2,401,113	78%
Depreciation Expenses	5,500,000	-	5,500,000	4,811,585	688,415	87%
Finance Costs	-	-	-	-	-	0%
Total Recurrent Expenditure	159,791,000	3,873,000	163,664,000	139,100,983	24,563,016	
Surplus / (Deficit)	6,759,000	777,000	7,536,000	1,632,972	5,903,029	
Capital Expenditure	4,350,000	450,000	4,800,000	6,455,489	(1,655,489)	134%
Surplus / (Deficit)	2,409,000	327,000	2,736,000	(4,822,517)	7,558,518	

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Note: PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

However, for public sector entities, the PSASB (PUBLIC SECTOR ACCOUNTING STANDARDS BOARD) has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

The company prepares its budget by the end of February in the previous year according to the Finance Management Systems Manual. In the same approval the management presents any amendments of the current year's budget based on the half year report.

Budget Notes:

1. Revenue – The revenue target was not achieved due to the incompleteness of anticipated projects. Additionally, the sewer system was only partially handed over, resulting in fewer clients being onboarded during the year. Furthermore, no grants were received as had been projected.
2. Staff Costs – The budget had been prepared with the expectation of salary increments; however, these adjustments were not implemented.
3. General and Operational Costs, Maintenance Expenses & Depreciation – The budget was not met as the revenue generated was insufficient to adequately support the planned expenses.
4. Board Expenses – The budget for board expenses was not met, attributed to retirements of board member within the period.
5. Capital Expenditure – Actual expenditure exceeded the budget due to frequent pump breakdowns, which necessitated additional purchases.

19. Notes To the Financial Statements

1. General Information

Karuri Water and Sanitation Co. Ltd is established by and derives its authority and accountability from the Water Act 2016. The entity is wholly owned by the County Government of Kiambu and is domiciled in Kenya. The entity's principal activity is distribution of water from our sources to individual and commercial consumers within our jurisdiction.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. Statement of Compliance and Basis of Preparation

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

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

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

Notes to the financial statements (continued)

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

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

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

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Title	Description	Effective Date
	iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.	

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

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

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

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Title	Description	Effective Date
	Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	

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

iii. Early adoption of standards

Karuri Water Co. did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to KAWSCO and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of KAWSCO's activities, and when specific criteria have been met for each of KAWSCO's activities as described below.

- 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) Other income** is recognized as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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 on a pro-rata 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:

Office equipment-computers	33%
Motor Vehicles & Motor Cycles	25%
Plant Equipment	10%
Furniture and fittings	10%
Water meters	10%
Computer Software	30%
Buildings	2.5%
Pipeline	2.5%
Amortization	10%

e) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

f) Trade and other receivables

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

Notes to the financial statements (continued)

Summary of Accounting Policies

g) 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.

h) Deferred tax

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

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

Notes to the financial statements (continued)

Summary of Accounting Policies

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

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

i) 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.

j) Trade and other payables

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

Notes to the financial statements (continued)

Summary of Accounting Policies

k) Retirement benefit obligations

Employees on both permanent employment as well as contract basis contribute to a defined contribution scheme (Laptrust Retirement Fund) at the rate of 7.5% of Basic Salary & House allowance while the company contributes 10% of Basic Salary & House allowance per person per month.

The company also contributes to the statutory National Social Security Fund (NSSF) for all employees. This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 12%, 6% is deducted on the employee salary and the employee matches it at 6% per employee per month calculated on a graduated scale.

l) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on February 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of Ksh. 8,973,000 on the 2024-2025 budget following the governing body's approval. The Company's budget is prepared on accrual 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. 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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under note 18 of these financial statements.

m) Comparative figures

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

Notes to the financial statements (continued)

Summary of Accounting Policies

n) Customer Deposits

Customer deposits are recognized as the amount paid by the consumer before service can begin less any refunds made to the customer. Water deposits are refunded when water service is disconnected on customer request and all outstanding bills are paid or when a construction work is completed. The amount required as deposit in respect of existing service agreements may from time to time be reviewed by WASREB as they review the water tariffs. As at the close of the reporting period the following are the categories of deposits made by customers:

<i>Item/ Service</i>	<i>Charge (KSh.)</i>
<i>Water Deposit</i>	
<i>Category of Consumer</i>	
Domestic	2,500
Retail shops less than 10m ³	3,000
Retail shops more than 10m ³	3,500
Bar, restaurants less than 15 m ³	4,000
Bar, restaurants more than 15 m ³	6,000
Hotel less than 150 m ³	12,000
Hotel more than 150 m ³	15,000
Hospitals more than 150 m ³	20,000
Health centres less than 150 m ³	12,000

The deposits amounts are held in a separate account in one of the commercial banks as required by the regulator.

o) Provisions

Provisions are recognized when a company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision for bad and doubtful debts is provided at 5% of the trade debtors.

p) Capital Reserve

Capital reserve comprises of the amounts inherited from the municipal council during the transition when the company was incorporated

q) 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, 2024.

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements

Revenue recognition

Water revenue includes an assessment of water supplied to customers between the date of the last meter reading and the year end. The water sales is estimated using historical consumption patterns taking into account the total water usage by the customer.

Water deposits

Money received from water customers as deposit is held as a non-current liability because the Company will continue to offer services to the customers for the foreseeable future and the customers are not expected to discontinue their use of water in the short run

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.

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

Property Plant & Equipment

Critical estimates are made by the Directors in determining depreciation rates of property plant & equipment. Property and equipment is depreciated over its useful life taking into account residual values, where appropriate.

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. The following are provisions made during preparations of this report,

Provision for doubtful debts

The estimated provision for doubtful debts is based on the period for which the debt was outstanding. General provisions are established where full recovery of the principal is considered doubtful which is made against finalized customer accounts net of deposits.

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Notes to the financial statements (continues)

		2024-2025	2023-2024
		Kshs	Kshs
6	Operating Revenue		
	Water Sales	112,787,175	99,714,860
	Sewer Sales	21,711,405	
		134,498,580	99,714,860
		2024-2025	2023-2024
7	Grants Income	Kshs	Kshs
	Operations grants from WSTF		
	Operations grants from County Government		5,000,000
	Capital Grants Amortized for Capital Grants received in FY 2021	2,523,085	2,803,428
	Total Grant Income	2,523,085	7,803,428
8a	Other Income	2024-2025	2023-2024
		Kshs	Kshs
	New Connection	3,330,000	830,640
	Reconnection	6,000	8,000
	Fine	31,500	-
	Change of Tapping Point & disc on request	9,900	8,200
	Meter	188,200	329,850
	Decrease in Provision for Bad Debts		-
		3,565,600	1,176,690
8b	Extra Ordinary Income		
	Compensation for Pipeline Relocation Due to Road Construction		
	Total Other Income	3,565,600	1,176,690
		2024-2025	2023-2024
9	Finance Income	Kshs	Kshs
	Interest from Commercial Banks	146,690	17,185
	Total Finance Income	146,690	17,185
		2024-2025	2023-2024
	EXPENSES		
10	Staff costs	Kshs	Kshs
	Salaries	36,122,815	31,512,982
	Wages	2,513,459	2,592,140
	Gratuity	1,048,044	985,604
	Pension- Employer's Contribution	2,446,422	2,076,118
	N.S.S.F Employer's Contribution	1,618,029	1,028,584
	Affordable Housing Levy	604,002	435,799
	Total Staff Costs	44,352,771	38,631,227
		2024-2025	2023-2024
11	General & Operational expenses	Kshs	Kshs
	Electricity -Operations	25,642,257	26,691,760
	Water Use Charges (WARMA)	1,929,230	-

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	Water Quality Testing	96,000	193,050
	Water Sources Management	254,200	5,200
	Chemicals	38,778	17,748
	Planning & Design	50,000	-
	Fuels & Lubricants	2,678,209	2,817,105
	Bulk Water Expenditure	21,965,792	22,368,709
	Billing & Other Support Services	984,185	991,390
	Compensation for Way leave	-	-
	Rent and Rates	1,997,244	1,997,244
	Electricity - office	-	-
	Telephone Expenses	1,893,970	1,619,500
	Postage	18,900	2,530
	Stationery, Printing and Photocopies	313,727	802,530
	Travelling, Accommodation & Subsistence	4,238,806	2,218,605
	Staff Training and Workshops	1,698,447	1,519,307
	Security	389,780	390,000
	Staff Protective Gear & Uniforms	105,949	581,020
	Insurance	539,876	404,147
	Membership to Professional Association	425,841	327,769
	General Office Running Expenses	1,382,137	1,433,328
	Office Repairs & Maintenance	43,951	292,770
	AGM Expenses	77,200	-
	Advertising Expenses	-	-
	Audit expenses & Professional Fees	116,000	116,000
	First Aid Kit	-	-
	Sports -WASCO	122,900	501,296
	Increase(decrease) in provision of bad debts	670,600	330,147
	Contribution to Merger Fund	-	394,500
	Performance Reward Systems	-	-
	Corporate Social Responsibility	-	-
	Legal fees, compensation & fines	43,117	12,970
	Stakeholder's Forum	42,235	492,080
	Water & Sewer	149,267	118,557
	Covid-19 Interventions	-	-
	Staff Welfare	718,278	610,468
	Staff Medical Cover	3,819,922	2,613,885
	Bank Charges	649,335	393,664
	Mpesa Charges	58,711	361,744
	Regulatory Fee to WASREB	5,522,566	4,035,662
	Tariff Review	-	-
	Total General & Operations Cost	78,677,425	74,654,685
		2024-2025	2023-2024
12	Board Expenses	Kshs	Kshs
	Capacity Building	-	-
	Travel & Accommodation	161,550	-

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	Board Honorarium	287,735	297,420
	Board Allowances	2,401,045	1,700,041
		2,850,330	1,997,461
		2024-2025	2023-2024
13	Maintenance Expenses	Kshs	Kshs
	Maintenance of Water System	4,010,937	4,193,400
	Maintenance of Sewer System	1,565,252	
	Maintenance of Building	-	-
	Vehicle Maintenance	1,583,095	1,671,278
	IT Costs (maintenance of Computers, Internet Costs)	1,249,602	1,334,898
	Total Maintenance Expenses	8,408,887	7,199,576
		2024-2025	2023-2024
14	Depreciation Expenses	Kshs	Kshs
	Depreciation	4,811,585	4,660,518
		4,811,585	4,660,518
		2024-2025	2023-2024
15	Finance Cost	Kshs	Kshs
	Interest on Loans	-	-
	Total	-	-
	TOTAL EXPENSES	139,100,983	127,143,467

Notes to the financial statements (continued)

16. Property, Plant and Equipment

Description	Plant and Equipment	Motor Vehicles & Cycles	Computers & Office Equipment	Furniture & Fittings	Meters	Computer Software	Buildings	Pipe Line	Total
Depreciation rate	10%	25%	33%	10%	10%	30%	2.5%	2.5%	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2023	21,087,589	1,461,332	5,187,331	1,820,880	28,033,042	2,145,008	1,928,420	23,219,902	84,883,504
Additions	1,395,000	-	739,053	-	1,070,000	-	-	-	3,204,053
Disposals	-	-	(22,500)	-	-	-	-	-	(22,500)
	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
As at 30th June 2024	22,482,589	1,461,332	5,903,884	1,820,880	29,103,042	2,145,008	1,928,420	23,219,902	88,065,057
Additions	3,982,944	-	839,044	-	1,633,501	-	-	-	6,455,489
Disposals	-	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
As at 30th June 2025	26,465,533	1,461,332	6,742,928	1,820,880	30,736,543	2,145,008	1,928,420	23,219,902	94,520,546
Depreciation And Impairment									
At 1 July 2023	9,171,670	894,330	4,039,721	1,047,391	8,599,596	1,455,785	269,054	1,614,095	27,091,643
Depreciation	1,237,444	141,750	441,026	77,349	1,974,553	206,768	41,484	540,145	4,660,518
Impairment	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-
As At 30th June 2024	10,409,114	1,036,080	4,480,748	1,124,740	10,574,149	1,662,552	310,538	2,154,240	31,752,162

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Depreciation	1,313,784	106,312	677,119	69,614	1,932,930	144,737	40,447	526,642	4,811,585
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-	-	-
As at 30th June 2025	11,722,898	1,142,392	5,157,867	1,194,354	12,507,079	1,807,289	350,985	2,680,882	36,563,746
As at 30th June 2024	12,073,475	425,252	1,423,136	696,140	18,528,893	482,456	1,617,882	21,065,662	56,312,896
As at 30th June 2025	14,742,635	318,940	1,585,061	626,526	18,229,464	337,719	1,577,435	20,539,020	57,956,800

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17 Intangible Assets

	2024-2025	2023-2024
	Kshs	Kshs
Cost		
At July 1	2,145,008	2,145,008
Additions	-	-
Disposals	-	-
At June 30	2,145,008	2,145,008
Amortization		
At July 1	1,662,552	1,455,785
Charge for the year	144,737	206,768
Disposals	-	-
Impairment loss	-	-
At June 30	1,807,289	1,662,552
Net book value		
At June 30	337,719	482,456

*The intangible assets relates to computer software

	2024-2025	2023-2024
18 Current taxation	Kshs	Kshs
Profit/Loss before taxation	1,632,972	(18,431,304)
Expenses not deductible for tax purposes	5,482,199	5,106,666
Capital allowances	(5,190,157)	(5,104,062)
	1,925,000	(18,428,701)
Previous Year Losses b/f	(86,854,339)	(68,425,639)
Adjusted Profit/Loss	(84,929,340)	(86,854,339)
Current taxation based on the adjusted profit for the year at 30%		
	2024-2025	2023-2024
19 INVENTORIES	Kshs	Kshs
Pipes & Fittings	1,453,412	2,173,426
Stationery	294,825	179,313
	1,748,237	2,352,739

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	TRADE & OTHER RECEIVABLES	Kshs	Kshs
	Shareholders	40	40
	Prepayment :-Rent Deposit	206,000	206,000
	-Electricity Deposit	30,000	30,000
	-Bulk SMS Service Deposit	10,000	10,000
	-Internet Service Deposit(Fiber)		20,000
	-Institute of Internal Auditors	-	7,000
	Bank Error	169,792	
	Staff Receivable/Imprest	24,237	22,500
	Bank Guarantee	1,572,150	1,572,150
	Trade Receivables (20a)	52,136,608	38,724,601
	less provision for bad debts	(2,606,830)	(1,936,230)
		51,541,997	38,656,061
	20 a) TRADE RECEIVABLE		
	Gross trade receivables	52,136,608	38,724,601
	Provision for doubtful receivables	(2,606,830)	(1,936,230)
	Net trade receivables	49,529,778	36,788,371
	As at June 30, the ageing analysis of the gross trade receivables was as follows:		
	Less than 30 days	10,578,716	6,732,393
	Between 30 and 60 days	5,316,878	3,101,850
	Between 61 and 90 days	2,979,349	1,965,131
	Between 91 and 120 days	1,934,584	1,384,574
	Over 120 days	31,327,082	25,540,653
	Total	52,136,608	38,724,601

*Bank error represents overcharged bank charges on a bank guarantee issued in March 2024.

20 b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2024-2025	2023-2024
	KShs	KShs
At the beginning of the year	1,936,230	1,606,083
Additional provisions during the year	670,600	330,147
At the end of the year	2,606,830	1,936,230

	2024-2025	2023-2024
21 BANK AND CASH BALANCES	Kshs	Kshs
Cash at Bank		
Post Bank 6116	2,095,268	315,184
Post Bank 108	39,235	21,715
Family Bank 232 Revenue	989,480	449,076
Family Bank 5874 Operation	325,672	48,391
Family bank 3050 (Deposit)	14,738,855	11,686,123
Family Bank 10288 Collection	232	115,046
Family Bank 21056 Grant Account	2,042,800	2,572,169
Co-op Collection A/c	100,005	23,617
M-Pesa Collection	124,168	232,511

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	Equity Bank	192,570	8,073		
	Cash in Hand				
	Petty Cash	11,095	16,015		
		20,659,380	15,487,920		
		2024-2025	2023-2024		
22	ORDINARY SHARE CAPITAL	Kshs	Kshs		
	Authorised				
	5000 ordinary shares of Ksh. 20 par value each	100,000	100,000		
	Issued and fully paid				
	2 ordinary shares of Kshs. 20 par value each	40	40		
		2024-2025	2023-2024		
23	RETAINED EARNINGS	Kshs	Kshs		
	Opening Balance	(100,483,581)	(82,052,277)		
	Surplus/Deficit for the period	1,632,732	(18,431,304)		
		(98,850,849)	(100,483,581)		
		2024-2025	2023-2024		
24	CAPITAL RESERVE	Kshs	Kshs		
	Opening Balance	977,464	977,464		
		977,464	977,464		
		2024-2025	2023-2024		
25	TRADE AND OTHER PAYABLES	Kshs	Kshs		
	Trade Payables	178,869,186	162,132,111		
	Unallocated receipts	145,836	-		
		179,015,022	162,132,111		
Aging Analysis for Trade & Other Payables					
		2024-2025	% of the total	2023-2024	% of the total
	Less Than 1 Month	8,793,572	5%	10,663,626	7%
	Between 1-3 Months	6,492,743	4%	15,766,616	10%
	Between 3-12 Months	22,354,595	12%	20,566,110	13%
	Over 1 year	141,374,112	79%	115,135,759	71%
	Total	179,015,022		162,132,111	
		2024-2025		2023-2024	
26	CUSTOMER REFUNDABLE DEPOSITS & PREPAYMENTS	Kshs		Kshs	
	Customer deposits	24,952,730		22,942,270	
	Additions for the year	3,179,000		2,100,460	
	Refunds	(75,000)		(90,000)	
		28,056,730		24,952,730	

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Aging Analysis for Refundable Deposits and Prepayments				
	2024-2025	% of the total	2023-2024	% of the total
Under one year	3,164,000	11%	2,100,460	8%
1-2 years	2,100,460	7%	2,091,000	8%
2-3 years	2,091,000	7%	1,638,803	7%
Over 3 years	20,701,270	74%	19,122,467	77%
Total	28,056,730		24,952,730	

		2024-2025	2023-2024
		Kshs	Kshs
27	DEFERRED INCOME(CAPITAL GRANTS RECEIVED IN FY 2021)		
	Current Liability	2,523,085	2,803,428
	Long -term Liability	20,184,682	22,427,424
		22,707,767	25,230,852

The deferred income movement is as follows:

	Kiambu County government & AWWD-Capital grants received in FY 2021
Balance brought forward	25,230,852
Additions	-
Transfers to income statement	(2,523,085)
Balance carried forward	22,707,767

28. Notes to The Statement of Cash Flows

	2024-2025	2023-2024
	Kshs	Kshs
Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	1,632,972	(18,431,304)
Depreciation	4,811,585	4,660,518
Grant Income	(2,523,085)	(2,803,428)
Operating profit/(loss) before working capital changes	3,921,472	(16,574,214)
(Increase)/decrease in inventories	604,502	164,378
(Increase)/decrease in trade and other receivables	(12,885,936)	(7,870,304)
Increase/(decrease) in trade and other payables	16,882,911	28,252,771
Increase in refundable customer deposits	3,104,000	2,010,460
Cash generated from/(used in) operations	11,626,949	5,983,091

Other Disclosures

29. Related Party Disclosures

County Government of Kiambu

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

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Other related parties include:

- The County Department in charge of Water
- County Government of Kiambu
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Nairobi City Water & Sewerage co. Ltd

	2023-2024	2022-2023
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies	2,029,325	1,960,315
Total	2,029,325	1,960,315
b) Purchases from related parties		
Purchases of electricity from KPLC	25,642,257	26,691,760
Purchase of bulk water from Nairobi water	21,965,792	22,368,709
Training and conference fees paid to govt. agencies	150,000	-
Bank charges paid to Govt Commercial banks (Postbank)	71,185	98,127
Water Use Charges expense for WARMA	1,929,230	-
Lease Fees expense for WASREB	5,522,566	4,035,662
Total	55,280,144	53,194,258
c) Grants from the Government		
Grants from Kiambu County Government	-	5,000,000
Grants from WSTF	-	-
Total	-	5,000,000
d) Key management compensation		
Directors' emoluments	2,850,330	1,997,461
Compensation to key management	11,055,936	10,322,424
Total	13,906,266	12,319,885

30. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to

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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

Notes to the financial statements (continued)

only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Fully Performing	Past Due	Impaired	Total
As At 30th June 2025				
Trade & Other Receivables	53,171,363	977,464	(2,606,830)	51,541,997
Cash & Bank Balances	20,659,380			20,659,380
As At 30th June 2024				
Trade & Other Receivables	39,614,827	977,464	38,656,061	79,248,352
Cash & Bank Balances	15,487,920			15,487,920

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

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

ii) Liquidity risk management

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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

Notes to the financial statements (continued)

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
As At 30th June 2025				
Trade & Other Payables	8,793,572	6,492,743	163,728,707	179,015,022
As At 30th June 2024				
Trade & Other Payables	10,663,626	15,766,616	135,701,869	162,132,111

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 water business is currently in a major expansion phase driven by a rise in demand and Government policy. The funding of additional transmitting and other distribution capacity is to be obtained from cash generated by the business and Government support. The adequacy of water tariffs allowed by WASREB and the level of Government support are key factors in the sustainability of the Company.

31. Incorporation

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

32. Events After the Reporting Period

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

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in Property, Plant & Equipment	The company did not have an objective way of costing the granted pipes from the county government hence unable to capitalize the pipes.	Resolved	

John Karioki



Managing Director

Date..... 3/11/2025

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Appendix II: Projects Implemented by the Company
Projects

There were no major projects under taken during the period

Appendix III- Inter-Entity Confirmation Letter

There were no inter-entity transfers during the period

Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Water Sources Management	Tree Planting	To enhance climate resilience	Tree Planting				254,200	Internal sources	Karuri Water

Appendix V: Reporting Disaster Management Expenditure

No expenditure during the period

Appendix VI: Recording of Transfers from Other Government Entities

No expenditure during the period

