

REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

**NAKURU RURAL WATER AND
SANITATION COMPANY LIMITED**

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



NAKURU RURAL WATER AND SANITATION COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

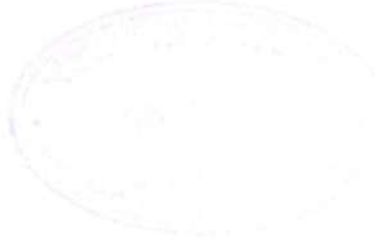


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1. Acronyms and Glossary of Terms

A. Acronyms

CEO	Chief Executive Officer
DG	Director General
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ICS	Institute of Certified Secretaries
ICPAK	Institute of Certified Public Accountant of Kenya
MD	Managing Director
NT	National Treasury
PFMA	Public Finance Management Act.
WASREB	Water Services Regulatory Board
NARUWASCO	Nakuru Rural Water and Sanitation Company
WRA	Water resources Authority
CMT	Corporate Management Team
NRW	Non-Revenue Water
WSTF	Water Sector Trust Fund
CRVWDA	Central Rift Valley Water Development Authority
DMA	District Metered Area
ICT	Infrastructure Communication Technology
VEI	Vitens Evides International

B. Definition of Key Terms

Comparative Year- Means the prior period.

2. Key Entity Information

Background information

The corporate vision for NARUWASCO is:

Potable Water and Dignified Sanitation in Every Household Nakuru Rural Water and Sanitation Company (NARUWASCO) was incorporated under Companies Act, Cap 486 of the Laws of Kenya and is fully owned by the County Government of Nakuru responsible for provision of water and sanitation services within the rural parts of Nakuru County covering an approximate service area of 7,000 km². The Company began operations in April 2007 and its core mandate is derived from section 78, 83 & 94 of the Water Act 2016.

NARUWASCO provides water and sewerage services to its customers and intends to provide advisory and technical assistance services in the future. The Company has 33,000 registered customers that includes, households, water kiosks, institutions, markets and the construction industry. NARUWASCO is governed by Board of Directors (BOD) through various committees and supported by a skilled Core Management Team (CMT), who oversee the day-to-day operations.

Principal Activities

NARUWASCO provides water and sanitation services to its customers.

Vision and Mission Statements

NARUWASCO's Mission is:

To Provide Adequate Quality Water and Sanitation Services in an Economic and Environmentally Sustainable Manner to the Satisfaction of our Stakeholders

Core Values

Core values are principles that guide an organization in the pursuit of its mandate and development of the culture. It defines the conduct that employees should uphold. The following values abbreviated "PIPES" shall guide NARUWASCO's as it discharges services to customers.

Core Value	Description
Professionalism	Demonstrating high levels of competence and skills to achieve quality and efficiency.
Integrity, Innovation & Inclusivity	Honesty in service delivery, continuous improvement of solutions & ensuring equal access to opportunities and resources
Passion	Devotion to serve
Equity & Environmental sustainability	Being fair & caring for the environment
Synergy	Commitment to team work

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Core business/mandate

The Company's core mandate is derived from section 78, 83 & 94 of the Water Act 2016. In addition, the Company's objectives (as provided for in the Memorandum and Articles of Association) define the extent of the Company's core business.

Thus, NARUWASCO's core mandate is as follows:

- i. Provide water services within the area specified in the licence.
- ii. Develop County assets for water service provision.
- iii. Hold the county or national public water services assets on behalf of the public.
- iv. Develop investment plans for rural water service provision.

Directors

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

1. Mr. James Muhia
Chairman
2. Eng. Stephen Towett
3. Eng. Margaret Kinyanjui
4. Ms. Rose Nyambura Ngigi
5. Mr. George Njenga Mwaura
6. Mr. Elkana Luka Mogongo
7. CPA. Everlyne B. Kakai
8. FCPA. Reuben K Korir
9. Eng Florence W. Mungai

Corporate Secretary

CS Gikuhi Kiana,
P. O. Box 1271, 10100

Nyeri

Registered Office

P O Box 386-20100
NARUWAS CO PLAZA
Stanley Mathenge Road off Nakuru-Eldoret Highway
Nakuru, Kenya

Corporate Headquarters

P O Box 386-20100
NARUWASCO PLAZA
Stanley Mathenge Road off Nakuru-Eldoret Highway
Nakuru, Kenya

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Contacts

Telephone: (254)51 2 213 214, 721 344 898,

E-mail: info@naruwasco.co.ke

Website: www.naruwasco.co.ke

Corporate Bankers

Kenya Commercial Bank

P.O. Box 18-20100,

Nakuru, Kenya

Independent Auditor

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The County Attorney,





County Government of Nakuru

P O Box 14797-20100





Nakuru County Commissioner's Office, Club Rd

Nakuru, Kenya

3. The Board of Directors



Directors	Details
 <p data-bbox="359 571 614 604">Mr. James M. Muhia</p>	<p data-bbox="798 224 1029 257">DOB:15/01/1959</p> <p data-bbox="798 257 1404 436">Mr. James M Muhia has a wealth of experience in teaching and management having been a teacher in various schools. He is an educationist.</p> <p data-bbox="798 436 1404 649">He represents the learning institutions at the Board and currently serves as the Chairman of the Board having previously served as the Chair of Audit, Risk management and Governance committee.</p>
 <p data-bbox="319 974 670 1008">Eng. Margaret W.Kinyanjui</p>	<p data-bbox="798 660 949 694">DOB:1984</p> <p data-bbox="798 705 1045 739">Executive Director</p> <p data-bbox="798 750 1404 1019">Eng. Margaret W. Kinyanjui is an engineer by profession and currently serves as the chief officer Water and Sanitation at the County Government of Nakuru. She represents CECM water at the Board of NARUWASCO. She is an independent director and a member of the audit and Technical Committees of the Board.</p>
 <p data-bbox="359 1355 638 1388">Eng. Stephen Towett</p>	<p data-bbox="798 1041 957 1075">DOB: 1978</p> <p data-bbox="798 1086 1380 1377">Eng. Stephen Towett is an engineer by profession with a wealth of experience in the sector having worked at Central Rift Water Works Development Agency. He is an independent director and the chair, Technical Committee.</p>
 <p data-bbox="335 1848 662 1881">CPA/ CS. Everlyne B. Kakai</p>	<p data-bbox="798 1411 1013 1444">DOB: 7/05/1972</p> <p data-bbox="798 1456 1396 1926">CPA/ CS Everlyne B. Kakai is a finance and governance professionally. She currently serves as the chief officer Economic planning and Revenue Administration at the County Government of Nakuru. She represents CECM Finance at the Board of NARUWASCO. She is an independent director and a member of the finance and Audit committees of the Board.</p>

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 <p>Ms. Rose N. Ngigi</p>	<p>DOB 01/10/1978</p> <p>Director Rose Ngigi is an academic and educationist with experience in economics, policy and governance. She has lectured in economics at university level and has held leadership roles in various institutions involving strategic direction and institutional oversight. She is an independent director and is the Vice Chairperson of the board.</p>
 <p>Mr. George N. Mwaura</p>	<p>DOB 1973</p> <p>Director George Mwaura Njenga area of expertise is in Business Management and also Procurement, Purchase and Supplies. He is an independent director and the Chair, Audit and Risk Management Committee.</p>
 <p>Mr. Luka Elkana</p>	<p>DOB 25/11/1985</p> <p>Director Luka Elkana is a Marketer by profession, has a wealth experience in the water sector having served in Mombasa Water and Gusii Water and Sanitation Company. He is an independent director and the Chair, Finance and General-Purpose Committee.</p>
 <p>Eng. Florence W. Mungai</p>	<p>DOB: 06/02/1985</p> <p>Florence Mungai is an Engineer by profession, with a wealth of experience in the water sector from 2011 to date. She served as a Technical Manager in Nzoia Water and Sewerage Company.</p> <p>She is currently serving as the Executive Director /Acting Managing Director of Nakuru Rural Water and sanitation company limited.</p>

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4. Key Management Team

Managers	Details
 Florence W. Mungai	Ag. Chief Executive Officer/Managing Director BSC. Water and environmental Engineering.
 Benjamin M. Maundu	Commercial Manager Bachelor of Commerce (Finance Option), CPA K
 John O. Okioga	Ag. Technical Services Manager Bachelor of Technology, Civil Engineering.
 Gladys C. Cheruiyot	Head of Human Resource and Administration Bachelor of Business Administration (Human Resource option), CHRP.

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 <p>Teresia M. Ng'ang'a</p>	<p>Head of Finance Bachelor of Commerce (Accounting Option), CPA K</p>
 <p>Mary W. Njoroge</p>	<p>Head of Internal Audit Bachelor of Commerce (Finance Option), CPA K</p>
 <p>Elizabeth J. Langwech</p>	<p>Head of Procurement Bachelor of Commerce (Finance Option), CPSPK</p>
 <p>Gilbert K. Chelule</p>	<p>Head of ICT Bachelor of Science, Information Technology</p>

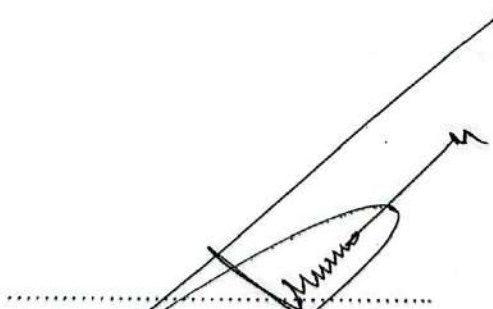
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5. Chairman's Statement

It is my pleasure to present the Annual Report and Financial Statements of Nakuru Rural Water and Sanitation Company Limited (NARUWASCO) for the year ended 30th June 2025. During the year, the company has continued to play its key role in providing water services within its area of jurisdiction as defined and mandated by the Water Act 2016 and the license from Water Services Regulatory Board (WASREB).

The new constitution recognizes access to water as a basic human right to all citizens. In this regard, the Board has put in place measures to ensure that the goal of increasing access to water and sanitation is attained. Accordingly, the company has continued to source and engage partner support, in implementing various programs/projects within its service area aimed at increasing access to water. Among our current main partners are, County Government of Nakuru, WSTF, WASREB, Vitens Evides International (VEI), GATSBY AFRICA, CRVWWDA).

During the year under review, our revenue performance is Kshs **398,444,193**. This was majorly achieved through enhanced billing and revenue activities and focused NRW management/investments.



Mr. James M Muhia
Chairman

Date.....

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

6. Report Of the Managing Director

The financial year ended 30th June 2025 was the eighteenth year of the company's existence since its establishment in April 2007. During the year under review, below are the company financial highlights:

Income:

Total income for the financial year 2024/2025 amounted to Kshs 398,444,193 against Kshs 379,131,814 for the previous year 2023/2024.

The increment resulted from:

- Implementation of disconnection through the system where a customer is automatically penalized upon disconnection.
- Impact of tariff indexation and a set of activities that yielded the increase in revenue.
- Increased metering

Current ratio:

2024/2025	2023/2024	2022/2023
0.5	0.70	0.55

Required-1:1

Target 2025/2026 - 1:1

NB: the current liabilities include an amount of Kshs 214,025,320.00 accruing to CRVWWDA in relation to the operationalisation of the Water Act 2002 which has been repealed.

Balance sheet:

2024/2025	2023/2024	2022/2023
Kshs 877,292,465	Kshs 824,355,816	Kshs 737,443,178

Non-Revenue Water:

The company has continued reduction of NRW over time and closed the year with an NRW of 43.9%.

2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
55	54	49	45	43	43.9

Among the interventions made to reduce NRW are:

Physical losses-leaks & bursts.

- i. Intensive patrolling,
- ii. Leak detection-using flow meters,
- iii. Pressure management using PRV's & BPT
- iv. Minimal night flow measurements
- v. Quick Response to Bursts And leaks.
- vi. Use of good quality or approved standard materials
- vii. Use of GIS for mapping and reporting of leaks
- viii. Formation of zones & DMAs for easy monitoring

Organizational improvement

- i. Formation of NRW unit
- ii. Budget support on NRW activities

Unauthorized consumption (illegal connections)

- i. Community sensitization
- ii. Locating meter at a strategic position to minimize the risk of being tampered with.
- iii. Punitive penalties to those involved in illegal activities.

Metering inaccuracies, Tampering and Data handling errors.

- i. Choice of meter selection and installation standards
- ii. Regular meter reading and generation of exceptional meter reading reports
- iii. Sealing of all customer meters.
Calibration of bulky meters using UFM
- iv. Address Data Handling Errors in meter reading and billing system.

Staff matters.

Capacity building of Staff-trainings

To motivate and build capacity of our staff to be able to face new technological advances in the water sector, we continued training and development programs for staff through sponsorship to attend various courses related to their lines of duty. The total training expenditure for the financial year was Kshs 5,994,102.00

WASCO Games:

The company during the year participated in WASCO games held in Murang'a competing in three disciplines namely, Pool Table, Scabble and Darts.

Corporate affairs:

- i. Board evaluation:

During the year under review, the company trained board members and members undertook self-evaluation as prescribed in the corporate guidelines.

- ii. Stakeholders Conference/Meeting:

As a sector requirement, we held a successful stakeholder meeting with our customers and the public. The engagement was around disseminating information to the customers in addition to receiving complaints and compliments. Our stakeholders pledged to continue supporting the company as it endeavours to provide and expand services to unreached areas and customers.

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Benchmarking:

Following our sustained improvement in performance, the company has become a bench-marking destination for other WSPs and institutions within the sector. During the period under review, we received/hosted several WSPs on benchmarking.

Donors/Partners

During the year, we continued implementation of the WWX project (a partnership program with the Netherlands) through VEI. This is a 15-year partnership with the Dutch government and its WSPs under a program called WaterworX, focusing majorly on capacity building and network extension to provide improved access to clean water and sanitation services to 10 million people by the year 2030.

Fm

.....
Eng Florence Mungai
Ag Managing Director
Date... 30/9/2025

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7. Statement Of Performance Against Predetermined Objectives for FY 2025

NARUWASCO has 8 strategic objectives within the current Strategic Plan. These strategic objectives are as follows.

- i. Increase access to water and sanitation services.
- ii. Continuously implement financial management controls
- iii. Ensure financial sustainability.
- iv. Ensure efficient utility management, economic utilization of available water resources.
- v. Strengthen institutional capacity.
- vi. Leverage on ICTs and other technologies
- vii. Ensure adequate and competent human resources.
- viii. Promote high levels of employee performance.

NARUWASCO develops its annual work plans based on the above 8 strategic objectives.

Assessment of the Board's performance against its annual work plan is done on an annual basis.

The company achieved its performance targets set for the FY 2024/2025 period for its 8 strategic pillars, as indicated in the diagram below:

Strategic pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
Social Equity	Increase access to water and sanitation services	Number of Dormant accounts No. of funded proposals	Increase active accounts. Lobby and solicit for funding from governments and other partners.	New connections done to ensure increase in water coverage. Received funding from donors (VEI, WaterworX, GATSBY Africa)
Economic Efficiency	Continuously implement financial management controls	Working capital ratio Liquidity ratio Acid test ratio Cash ratio Debt ratio Asset coverage ratio Cost volume profit Analysis	Adhere to budget and cost controls Rationalize expenditure	Budget adhered to and any changes experienced during the year factored in the reviewed budget. Expenditure within the budget.
Economic Efficiency	Ensure financial sustainability	Amount collected Amount billed Total arrears	Improve on billing and collection Reduce arrears	Billing and collections marginally increased compared to the last financial year

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Strategic pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
Economic Efficiency	Ensure efficient utility management, economic utilization of available water resources	<p>Metering ratio</p> <p>Number of inspections carried out per month</p> <p>Random checks on Account connections in all areas</p> <p>Unearthed illegal connections</p> <p>DMA's created</p> <p>Water balance-real losses</p> <p>Water balance-commercial losses</p> <p>Infrastructure rehabilitated</p> <p>Metering-Production meters</p> <p>Metering-DMA meters</p> <p>Data clean-up</p> <p>Certificates issued (For Inspections on Quality of pipes and fittings)</p> <p>Number of pressure zones</p> <p>Serviced and calibrated meters</p> <p>Response time to leaks and bursts</p>	<p>Increase the number of consumer meters installed</p> <p>Undertake monthly and quarterly audit and inspections in all regions</p> <p>Reduce of Non revenue water</p>	<p>Improved metering ratio targeting to 100%.</p> <p>Programs on inspections adhered to and reports submitted to the board of directors on quarterly basis.</p> <p>Non-revenue water gradually reducing.</p> <p>Illegal connections unearthed and culprits surcharged accordingly.</p> <p>Continued infrastructure renewal and new extensions to open new areas.</p> <p>DMA's continually done.</p> <p>Tickets acted upon immediately.</p>
Good governance	Strengthen institutional capacity	Staff computer/device ratio	Improve staff productivity	Capacity building has continuously been done to staff

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Strategic pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
		Number of staffs with basic IT proficiency Capacity of users to utilize ERP System Systems Up time	Maintain efficiency in service delivery	with sufficient budget allocation.
Economic efficiency	Leverage on ICTs and other technologies	Number of Automated production meters Number of Automated water kiosks Number of Customer self-service channels (Apps, USSD, Portal) Improved ERP modules IP phones installed in regions and Head Quarters.	Expand automation of operations and services Enhance customer service experience Upgrade existing systems Adopt new Relevant technologies	All water kiosks automated. Customers are able to communicate through various platforms E.g. Bill query etc. ERP continually being upgraded to catch up with the emerging trends. All area offices automated.
Trained staff	Ensure adequate and competent human resources	Number of skills appraisals for staff and BOD Roles Shadow employees Training efficiency index Training hours/employee % Of staff meeting or above target Staff Productivity (Number of staffs per 1000 connections)	Identify skills gaps for Staff and BODs Implement training and development programmes	Staff and BOD appraised annually. Continuous training through annual training plans.

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Strategic pillar	Strategic Objective	Key Performance Indicators	Activities	Achievements
Motivated Staff	Promote high levels of	Percentage of employees rewarded	Implement effective	HR tools for Performance
	employee performance	Number of policies reviewed or implemented	performance management monitoring Develop and implement an employee reward system. Provide a conducive and safe working environment	Reward tool developed and approved. Policies governing company operations are in place and updated regularly

8. Corporate Governance Statement

The Board of Directors of the NARUWASCO has the responsibility of enhancing corporate governance practices to bring the level of governance in line with the best practices and International Standards. The essence of good corporate governance practice is to promote and protect stakeholders' interests, among them are Nakuru County Government, CRVWWDA, WSTF, WASREB, WRA, development Partners, Communities, and water consumers.

The Board of Directors exercise leadership, enterprise, integrity, and judgment in directing the company and acts in its best interest in a transparent, accountable, and responsible way. All the board of directors have been trained on corporate governance and have signed the code of conduct as prescribed by the regulator (WASREB).

To ensure the efficient running of the Board's operations, the company has established three standing Committees which meet and make recommendations to the full Board on issues delegated to them. Each committee of the Board has a charter clearly stating its roles. During the year under review the company had the following Board Committees in place.

- i. Finance and General Purposes Committee,
- ii. Technical Committee,
- iii. Audit, Governance and Risk Management Committee.

To ensure that the board expenses are within the approved budget for 2024/2025 financial year and regulatory levels, a calendar of the Board meetings was developed and adhered to.

The Board of Directors are paid sitting allowance for every meeting attended as well as accommodation allowance while on Board duty as per Government and regulatory guidelines. The Chairman is paid a monthly honorarium.

9. Management Discussion and Analysis

NARUWASCO's Operational Framework

The Ministry of Water & Irrigation is responsible for policy formulation to create an enabling environment for efficient operation and growth of the water sector. It sets the strategic direction and provides a long-term vision for all institutions in the sector. Water services is a devolved function hence the county government has a major stake in the company. The power of monitoring and inspection is performed by the county government.

The company's broad mandate is provided for by the Water Act 2016 sections 78, 83 & 94 thus:

- i. provision of water services within the area specified in the license,
- ii. development of county assets for water service provision, and
- iii. to hold the County or National public water services assets on behalf of the public,
- iv. Support the county government in planning and developing measures for the provision of water services to rural areas which are considered not commercially viable for the provision of water services.

To fulfil her mandate, NARUWASCO works closely in partnership with other institutions in the sector. Some of the institutions that partner with NARUWASCO in the water sector include Water Services Regulatory Board (WASREB) that exercises national regulatory powers, Water Resource Authority (WRA) which has the authority to manage the catchment areas and sources of water, Water Sector Trust Fund (WSTF) mobilizes grants and cheap finances for the water companies mainly on pro-poor areas, Water Appeals Board (WAB) with mandate of dispute resolution relating to water issues.

Company Governance and Management Structure

The company is governed by a Board of Directors comprising various stakeholders among Constituency/sub-county representatives and the County Government (shareholder). The Board has two roles: oversight, strategy, and policy direction roles on management of NARUWASCO. The top management of NARUWASCO is led by the Managing Director (MD) and supported by senior managers heading specific functions.

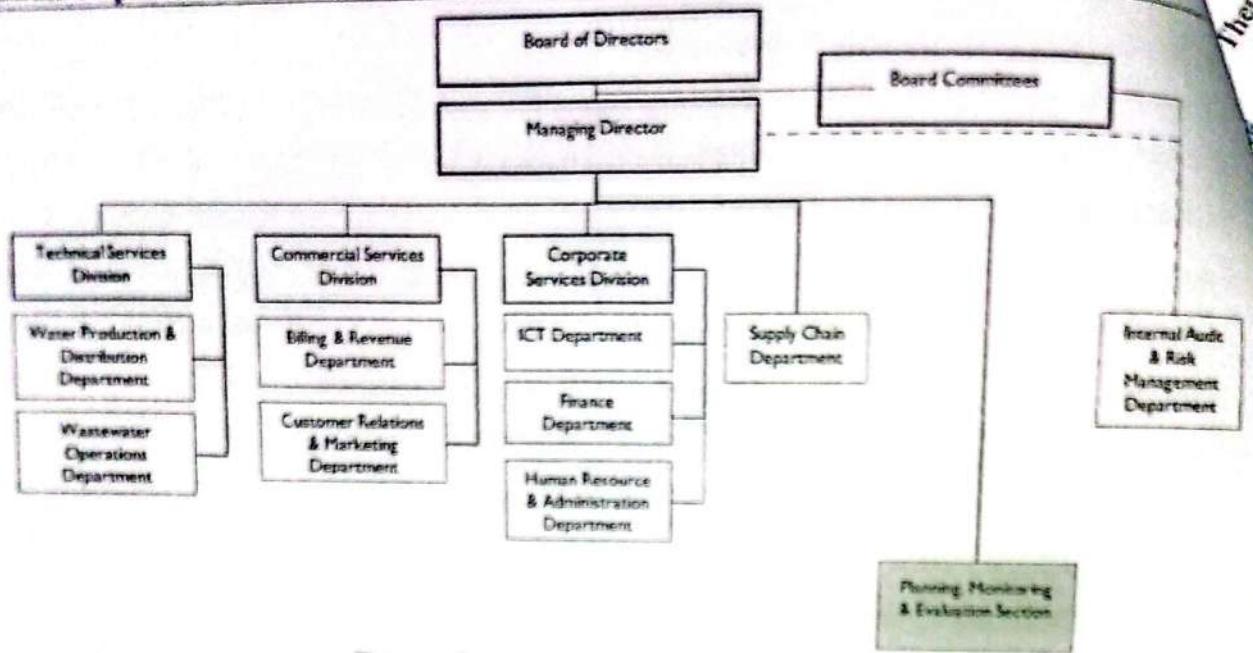


Figure: Company Organisation Structure

Financial strategy

Our financial strategy is to be able to generate sufficient revenues to meet company operational and developmental requirements. Partnership with donors to enable the company to solicit for grants/finances to enable financing for long term sustenance of the infrastructure is also key.

Compliance with statutory requirements

The organization's financial statements have been prepared in accordance with the provisions of the PFM Act and have also complied to public sector accounting standards of Kenya and the approved IFRS templates.

The company is a going concern and have no ongoing or potential court cases that may expose to potential contingent liabilities.

Major Risks Facing the entity

There is no major risk facing the entity during the financial year. The improved revenue is an indicator that the going concern is not doubtful.

Material arrears in statutory deductions

The main debt in statutory deductions is the pension where there is an agreement between the two parties on how to settle the same.

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Financial and governance issues

There is no major financial improbity reported by any oversight body during the financial year. Additionally, NARUWASCO does not have any governance issue among the board of directors or the corporate management team.

Report on operational and financial performance for the last five years

Below is the operational and financial performance as per Water Services Regulatory Board (WASREB) Sector Report from 2019/2020

WASREB released its Impact 17 report for the period 2023/2024. There was a notable improvement by the company in all the Key Performance Indicators (KPIs). Overall, the company retained position 21 out of 90 water companies in Kenya.

Indicator	Progress on Sector KPIs' overtime				
	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Water Coverage (%)	71	75	83	68	75
Drinking Water Quality (%)	99	93	93	94	100
Hours of Supply (hrs/day)	19	18	18	20	22
Non- Revenue Water (%)	55	54	49	45	43
Metering Ratio (%)	71	86	91	93	98
Staff Productivity (Staff per 1000Connections)	8	6	5	8	6
Personnel expenditures % of O+M Costs (%)	52	53	50	47	45
Revenue Collection Efficiency (%)	98	103	97	108	95
O+M Cost Coverage (%)	108	113	102	99	104
Governance (%)	73	78	-	-	-
Pro-Poor (%)	64	62	63	54	96
Credit Worthiness Index	B	B	B	B	BB
Overall WASREB Ranking (Outof90)	25	25	18	38	21

Reference-WASREB Impact Reports 13, 14, 15, 16,17.

10. Environmental And Sustainability Reporting

NARUWASCO exists to transform lives through provision of portable water to its customers across the defined service area. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering portable water and improving operational excellence for efficiency and effectiveness. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

Management has put in place measures to ensure sustainability of our service provision that meets the highest standards. The company top management has the capacity to take the company to the next level of excellence both financially and operationally. The company has aligned its operations and strategies to the county and national water strategies.

ii) Environmental performance

The company is actively involved in environmental protection activities; we have an annual tree planting event in our calendar. The event involves engaging partners in environmental conservation activities aimed at reversing climate change trends. During the period under review, the company held a tree planting event at Rongai South.

iii) Employee welfare

Human capital is the key factor in provision of the company services hence the company is keen on employee welfare and that it has passed several policies towards ensuring employees welfare is attended to.

The company has ensured compliance to relevant laws on gender ration (NGEC act) and safety at workplace (OSHA). In addition, the company has in place Human resource management tools and manuals that guides promotions, reward systems, and appraisal.

iv) Market place practices-

a) Responsible competition practice.

The company advertises all its tenders in a public newspaper, giving a chance for application to all interested parties. The organisation also operates a cashless payment for our services and ensures a strict anti-corruption policy.

b) Responsible supply chain and supplier relations

The company maintains good business practices and treats its own suppliers responsibly by honouring contracts and respecting payment practices.

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

The company actively engaged the customers through quarterly water clinics, messages and publishing relevant information in brochures. The customer service charter is well displayed to show timelines for each activity. The company also publishes relevant information e.g tariff in the website and also has regional whatsapp groups to actively engage with the customers.

d) Product stewardship or Awareness creation

The company is regulated by WASREB and one of the key performance indicators (KPIs) is on customer relations and service hours. Accordingly, the company strives to better its service provision always.

v) Corporate Social Responsibility / Community Engagements

The Company strives to engage with the community through various activities. During the year, NARUWASCO was involved in the world vision water walk and run event fundraising. The event was aimed at creating lasting change for children in Salgaa through construction and equipping of a Community Resources Centre at Belbur Primary and expansion of clean water access. The organisation was also involved in promotion of the girl child education by providing sanitary towels to schools in Mau Summit, Nyota and Sirikwa.

Nakuru Rural Water and 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 the NARUWASCO affairs.

i) Principal activities

During the year under review, the company continued with its core mandate of water and sanitation services provision.

ii) Results

During the year under review, the company realised total income of Kshs 398,444,193 against Kshs 379,131,814 for the previous year 2023/2024, this shows an increase.

iii) Dividends

As provided for in the Water Act 2016, no dividends shall be paid by a WSP until universal coverage is met.

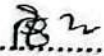
iv) Directors

The members of the Board of Directors who served during the year are shown on page VI and VII in accordance with Regulation of the company's Articles of Association.

v) Auditors

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

By Order of the Board


.....
Name FLORENCE W. MUNGAI
Company Secretary/Secretary to the Board
Date:

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

12. Statement Of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act require the Directors to prepare financial statements in respect of NARUWASCO, which give a true and fair view of the state of affairs of the NARUWASCO at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

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

This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity.
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the company.
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

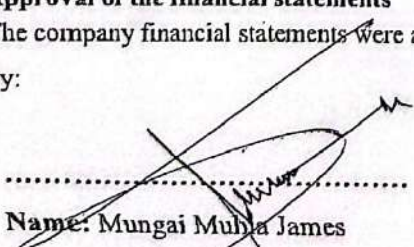
The Directors responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM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

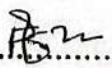
The Directors are of the opinion that NARUWASCO financial statements give a true and fair view of the state of the company's transactions during the financial year ended June 30, 2025, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for NARUWASCO, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

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


.....
Name: Mungai Mutha James
Chairperson of the Board


.....
Name: Florence Mungai
Ag Managing Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nakuru Rural Water and Sanitation Company Limited set out on pages 1 to 55, which comprise of the

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

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

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

Basis for Qualified Opinion

1. Bank and Cash Balances

1.1 Inaccuracy of Bank and Cash Balances

The statement of financial position reflects bank and cash balance of Kshs.44,592,748 as disclosed in Note 33 to the financial statements. However, this amount differs with the negative cash book balance of Kshs.13,410,718 resulting to unexplained and unreconciled variance of Kshs.58,003,466.

1.2. Overdrawn Account and Netting off of Bank Balance

Further, included in the bank balance is one bank account with an overdraft balance of Kshs.10,252,263 which has been netted off in the bank and cash balance of Kshs.44,592,748. This is contrary to Section 28(4)(5) of the Public Finance Management Act, 2012.

In the circumstances, the accuracy, completeness and existence of bank balance of Kshs.44,592,748 as at 30 June, 2025 could not be confirmed.

2. Undisclosed Value of Land

The statement of financial position reflects property, plant and equipment balance of Kshs.598,827,836 as disclosed in Note 27(a) to financial statements. However, the balance excludes value of land on which the Company offices are located. Further, the Company was allocated land from Rift Valley Water Works and Development Agency for which Management has not initiated the transfer thereof. In addition, Management does not have in their possession, the ownership documents for the land, including allotment letters, share certificate or title deed confirming that the land belongs to the Company.

In the circumstances, the accuracy, completeness ownership and valuation of the property, plant and equipment balance of Kshs.598,827,836 as at 30 June, 2025 could not be confirmed.

3. Lack of Asset Revaluation on Fully Depreciated Assets

The statement of financial position reflects property, plant and equipment amounting to Kshs.598,827,836 which includes fully depreciated assets balance of Kshs.37,654,651 as disclosed in Note 27(a) to the financial statements. However, review of the asset's records revealed that the assets are still in use by the Company but have not been revalued to determine their expected future benefits and obligations associated to them.

In the circumstances, the accuracy, completeness ownership and valuation of the property, plant and equipment balance of Kshs.598,827,836 as at 30 June, 2025 could not be confirmed.

4. Long Outstanding Receivables Balance

The statement of financial position reflects receivables balance of Kshs.221,575,649 as disclosed in Note 30 to the financial statements. Review of the ageing analysis in respect of trade receivables revealed that a balance of Kshs.167,590,260 or 76% was outstanding for over one hundred and twenty (120) days. In addition, as previously reported, the balance includes an amount of Kshs.4,605,749 in respect of Kenya Revenue Authority (KRA) VAT refund that had been outstanding since the year 2018. Management did not provide evidence of follow up with KRA and other debtors casting doubt on the ability of the Company to recover all the outstanding debts.

This is contrary to Regulation 83 (2) (f) of the Public Finance Management (County Governments) Regulations, 2015 which states that County entities ought to pursue debtors with appropriate sensitivity and rigor to ensure that amounts receivable are collected and banked promptly.

In the circumstances, the accuracy, completeness, propriety and full recoverability of the outstanding receivables balance of Kshs.221,575,649 as at 30 June, 2025 could not be confirmed.

5. Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.472,793,327 as disclosed in Note 36 to the financial statements. The balance includes an amount of Kshs.53,774,039 in respect of trade payables which remained outstanding for over sixty (60) days. There was no explanation for failure to settle the payables.

In the circumstances, the accuracy, completeness, of the outstanding trade payables balance of Kshs.53,774,039 could not be confirmed.

6. Long Outstanding Central Rift Valley Water Works Development Agency (CRWWDA) Levy

The statement of financial position reflects trade and other payables balance of Kshs.472,793,327 which includes an amount of Kshs.214,025,320 in respect of the

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

trade and other payables balance owed to Central Rift Valley Water Works Development Agency (CRWWDA), as disclosed in Note 36 to the financial statements. However, as previously reported, no payments have been made for a number of years and the amount remained unchanged from the previous year's balance.

In the circumstances, the accuracy and validity of the payable to CRWWDA balance of Kshs.214,025,320 could not be confirmed.

7. African Development Bank (AFDB) Loan Balances

7.1 Unsupported Loan from African Development Bank (AFDB) as part of Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.472,793,327 which includes an amount of Kshs.56,687,470 in respect of African Development Bank (AfDB) loan as disclosed in Note 36 to the financial statements. As previously reported, the balance relates to loan repayment for a loan disbursed to Rift Valley Water Services Board by AfDB for development of various infrastructure. However, Note 36 to the financial statements revealed that the loan increased from Kshs.49,601,536 to the current balance of Kshs.56,687,470 resulting to an increase of Kshs.7,085,934, which was not explained or supported. In addition, there were no supporting documents confirming the involvement of the Company in the loan repayment or evidence of the infrastructure undertaken by the Board being handed over to the Company.

In the circumstances, the accuracy, completeness and validity of the AfDB Loan balance of Kshs.56,687,423 as at 30 June, 2025 could not be confirmed.

7.2. Unsupported Repayment of AFDB Loan

The statement of profit or loss and other comprehensive income reflects African Development Bank (AfDB) loan repayment amount of Kshs.7,085,934 in respect to loan disbursed to Rift Valley Water Services Board for development of various infrastructure as disclosed in Note 25 to the financial statements. However, no supporting documents was provided for audit review to confirm the involvement of the Company in acquisition and repayment of the loan. In addition, no infrastructure project undertaken by the Board has been handed over to the Water Company.

In the circumstances, the accuracy, completeness and validity of the AFDB Loan repayment amount of Kshs.7,085,934 as at 30 June, 2025 could not be confirmed.

8. Unsupported Customer Deposits

The statement of financial position reflects customer deposits balance of Kshs.52,930,102 as disclosed in Note 37 to the financial statements. However, review of the supporting documents including the bank statement of the deposit collection account revealed balance of Kshs.29,910,980 at the end of the year resulting to unexplained and unreconciled variance of Kshs.23,019,121.

In the circumstance, the accuracy and completeness of the customer deposits balance of Kshs.52,930,102 could not be confirmed.

9. Failure to Disclose Material Uncertainty Related to Going Concern

The statement of financial position reflects current assets totaling to Kshs.276,401,131 against current liabilities totaling to Kshs.538,337,147 resulting to negative working capital of Kshs.261,936,016. The negative liquidity position was an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern. Further, the statement of profit or loss and other comprehensive income reflects a loss of Kshs.34,718,022 for the year under review while in the previous year the Company made a loss of Kshs.38,418,876, resulting to a negative revenue reserve amount of Kshs.494,956,443 up from a negative balance of Kshs.460,238,421 reported in the previous year.

The financial statements, however, were prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Nakuru and its creditors. Management did not disclose the material uncertainty related to going concern or measures taken to mitigate the situation.

In the circumstances, the Company may not meet its financial obligations when they fall due and the sustainability of the Company could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue budget of Kshs.583,229,667 against actual receipts of Kshs.408,998,230 resulting under-funding amount of Kshs.174,231,437 or 30% of the budgeted revenue. Further, the statement reflects that the Company spent a total amount of Kshs.466,130,054 against the actual receipts of Kshs.408,998,230 resulting over absorption of Kshs.57,131,824 or 14% of the budget.

Further, the explanation of differences between actual and budgeted amounts was however not provided for variances beyond 10% contrary to Section 164 (2) (ii) and (iv) of the Public Finance Management Act, 2012 which 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.

The under-funding affected the planned activities of the Company and may have impacted negatively on service delivery to the public and over-expenditure and spending above the approved budget results to unauthorized expenditure.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved some issues or given any explanation for the failure to do so.

Other Information

The Management is responsible for the Other Information set out on page iii to xxv which comprise of Key Entity Information and Management, 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 on 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 the Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue of an amount of Kshs.375,338,371 in respect of water sales and as disclosed in Note 6 to the financial statements. However, review of the water records revealed that the Company produced 6,061,654 cubic meters (M³) of water out of which only 3,971,482 cubic meters (M³) were billed to customers resulting to unbilled water or Non-Revenue Water (NRW) of 3,112,910 M³ or 51% of the produced water. This exceeded the set threshold of 25% as recommended by the Water Services Regulatory Board (WASREB) guidelines by 26%. Further, the Non-Revenue Water amounting to 3,112,910 cubic meters (M³) resulted in loss of sales amounting to Kshs.339,307,190 at the rate of Kshs.109 per cubic metre M³ of the average water sale tariff.

In addition, the Company has not established a Non-Revenue Water function contrary to Paragraph 1.6.2 of Non-Revenue Water Management Standards in Kenya Guidelines of June, 2022.

In the circumstances, the significant level of non-revenue water may be an indication of inefficiency and ineffectiveness in the use of public resources, which may negatively impact on the Company's profitability and its ability to sustain its services.

2. Non-Remittance of Salaries Statutory Deductions and Other Deductions

The statement of financial position reflects trade and other payables balance of Kshs.472,793,327 which includes an amount of Kshs.64,498,319 in respect of staff salaries, statutory deductions and other deductions which were recovered from employees of the Company but had not been remitted to the various beneficiary institutions, as disclosed in Note 36 to the financial statements. The balance further includes an amount of Kshs.33,724,233 in respect of pensions that had not been remitted and could attract fines and penalties. Management did not provide any explanation provided for non-remittance of the deductions to the respective pension schemes and other Institutions. This is contrary to Regulation 22(2) (a) of the Public Finance Management (County Governments) Regulations, 2015, which provides that in addition to the responsibilities of Accounting Officers provided in the Act, an Accounting Officer designated under the Act or any other Act, shall - comply with any tax, levy, duty, pension, commitments as may be provided for by legislation.

In the circumstances, the non-remittance of salaries and pension deductions may attract penalties and interest from the respective institutions and deny the staff services and benefits.

3. Failure to Remit Regulatory Fees

The statement of financial position reflects trade and other payables balance of Kshs.472,793,327 which includes balance Kshs.20,941,756 and Kshs.62,866,423 in respect of unpaid regulatory fees to Water Resources Authority and Water Services Regulatory Board respectively and as disclosed in Note 36 to the financial statements. The amounts have accumulated over the years and no explanation was provided for non-payment of the levies.

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

In the circumstances, the Company risks legal action which may lead to avoidable additional costs due to litigations, fine, penalties and interest levies.

4. Non-Compliance with Law on Affirmative Action – Staff Ethnic Composition

Review of the payroll data for the Company for the year under review, revealed that out of the one hundred and thirty-one (131) officers engaged on permanent basis, seventy-five (75) were from one ethnic community, translating to fifty-seven percent (57%). This is contrary to Section 7 (2) of the National Cohesion and Integration Act, 2008 that prescribes that no public establishment shall have more than one third of its staff from the same ethnic community.

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

5. Non-Compliance with Law on Affirmative Action – Persons with Disabilities

Review of the payroll data for the Company revealed that out of the two hundred and seventeen (217) active employees in the payroll, there was only one person living with disabilities. This was contrary to the requirements of Section B.23 (2) of the PSC Human Resource Policies and Procedures Manual for the Public Service, 2016 which states that the government shall implement the principle that at least five (5) percent of all appointments shall be for persons with disabilities.

In the circumstance, the management was in breach of the law.

6. Non-Disposal of Unserviceable Assets

The property plant and equipment records indicate that Nakuru Rural Water and Sanitation Company Limited had unserviceable motor vehicles and motorcycles which have been grounded over the years. However, the water company has not taken steps to dispose-off the assets before they deteriorate and they might not recoup any monetary value from them. This is contrary to the Public Procurement and Asset Disposal Act, 2015 section 162 (3) which states that stores, inventory and assets that are procured by a public entity shall not be allowed to suffer deterioration from any preventable cause and overstocking of any particular item shall be avoided.

In the circumstance, the management was in breach of the law.

7. Irregularities on the Construction of Molo Town Sewerage System

The statement of financial position reflects a balance of Kshs.598,827,836 in respect of property, plant and equipment which includes balance of Kshs.421,841,486 in respect of work in progress and as disclosed in Note 27a to the financial statements. Further the work in progress includes balance of Kshs.26,901,533 in respect of construction of Molo Town Sewerage System rehabilitation and extension project. The contract was awarded to a local firm via contract No. NRW/10/2024-2025. The contract commenced on 06 November, 2024 and was due for completion after 6 months. However, review of the contract document revealed that contract amount and project start date were not included.

Further review of procurement documents revealed the following anomalies.

- i. At the time of audit, the contractor had been Kshs.21,321,990 out of the possible Kshs.23,541,706 resulting to un paid balance of Kshs.2,219,715. Management did not provide any explanation for the delayed payment of which could attract penalties if the contractor sought legal redress.
- ii. The second certificate was also not supported by certificate of practical completion and certificate of handing over from the project engineer even though based on the certified amounts, the project seemed to be complete.
- iii. There was no indication that the contract implementation team had been appointed to monitor the project which was complex by nature.

In the circumstances, the propriety and completeness of the project with a cost totalling to Kshs.23,541,706 could not be confirmed.

8. Delayed Projects Implementation

During the year under review, the Company paid a total of Kshs.19,848,138 to two contractors for drilling and equipping of 2 Nos boreholes and construction of pressed steel ground tank 300m and 2 no elevated pressed steel tanks. However, physical verification on July, 2025 revealed that the projects had not been completed and they were already past their due delivery dates not supported with contract extensions.

In the circumstances, the company may not obtain value for money and the expected benefits from the projects to the residents may not be realized.

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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. Lack of Risk and Disaster Management Policy

Available information revealed that the Company has not established a risk management and disaster recovery plan or business continuity plan which outlines

how it will continue operating during an unplanned disruption in service. The management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure, strategies and a risk register to mitigate against risk. This is in contrary to Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015.

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

2. Lack of Climate Change Action Plan

Review of records provided for audit review revealed that the Company did not have an Integrated Climate Change Action Plan and other implementation projections for the Company's legislative and policy functions. Further, the Company did not designate a unit with sufficient staff and financial resources to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions into sectoral strategies. In addition, there were no monitoring and review mechanisms, sustainability mechanisms, and the Company did not undertake public participation and consultations to develop strategies and policies relating to climate change.

In the circumstances, the efficiency and effectiveness of controls in respect to climate change programmes 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

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Nakuru Rural Water and Sanitation Company Limited Trustees, so far as appears from the examination of those records; and,
- iii. The Nakuru Rural Water and Sanitation Company Limited's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and

regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

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

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

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

Those charged with governance are 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

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

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

06 November, 2025

Nakuru Rural Water and 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.

Income			
	Notes	2024-2025	2023-2024
Revenue			
Water bill	6	375,338,371	365,124,557.00
Income from VEI	7	14,587,288	2,579,318.00
Other incomes:	8	8,518,534	11,427,939.00
Total revenue		398,444,193	379,131,814
Operating Expenses			
Production cost	9	77,715,892	86,487,923
Administrative costs	10	55,518,723	54,862,067
Staff costs	11	191,104,631	167,726,229
Bank Charges	12	670,614	615,947
Contracted professional services	13	11,441,154	13,017,761
Hire of Transport, Plant & Machinery	14	3,235,780	2,259,790
Training Expenses	15	5,994,102	3,785,127
Regulatory fee	16	15,232,293	14,822,833
Water Users/Permit fees	17	3,589,556	3,741,425
Honoraria	18	780,000	780,000
Repairs & Maintenance	19	4,775,739	7,268,005
Board Expenses	20	7,233,415	4,715,100
Depreciation	21	44,166,589	44,644,460
Amortization	22	4,034,463	5,390,090
Audit fees	23	348,000	348,000
Penalties and Interest	24	235,330	-
AFDB LOAN	25	7,085,934	7,085,934
Provision for bad debts	26	-	-
Total Expenses		433,162,215	417,550,690
Deficit		(34,718,022)	(38,418,876)


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

Assets	Notes	2024-2025 Kshs	2023-2024 Kshs
Non-Current assets			
Property Plant & Equipment	27b	598,827,836	485,106,248
Intangible assets	28	2,063,498	6,097,961
Total non-current assets		600,891,334	491,204,208
Current Assets			
Inventories	29	919,485	1,920,027
Receivables	30	221,575,649	221,215,627
Deposits (Electricity)	31	4,707,500	4,707,500
Bank and Cash balances	33	44,592,748	100,702,705
KRA VAT Refund	32	4,605,749	4,605,749
Current assets		276,401,131	333,151,608
Total Assets		877,292,465	824,355,816
Equities and Liabilities			
Capital and Reserves			
Share capital	34(a)	500,000	500,000
Capital Reserve	34(b)	228,709,738	228,709,738
Revenue Reserve	34(c)	(494,956,443)	(460,238,420)
Grants	35	604,702,023	576,262,403
Capital & Reserves		338,955,318	345,233,721
Current Liabilities			
Trade and other Payables	36	472,793,327	419,872,873
Consumer Deposits	37	52,930,102	47,023,602
Prepayment income	38	9,179,718	9,139,621
Accruals (provision for Audit fees)	39	3,434,000	3,086,000
Total Current Liabilities		538,337,147	479,122,096
Total Liabilities		877,292,465	824,355,817

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



Florence Mungai
 Ag Managing Director



Teresia Ng'ang'a
 Head of Finance
 ICPAK M/No: 17256



James M Muhia
 Chairman of the Board

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

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

	Share	Capital	Revenue	WSTF Grant	Totals
	Capital	Reserve	Reserve		
As at 1 July 2024	500,000	228,709,738	(460,238,421)	576,262,403	345,233,720
Surplus (Deficit) for the year			(34,718,022)		(34,718,022)
Grants - Water worx/WSTF				35,554,037	35,554,037
Grant amortizations				(7,114,418)	(7,114,418)
As at 30th June 2025	500,000	228,709,738	(494,956,443)	604,702,023	338,955,318

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

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

	Notes	2024-2025	2023-2024
		Ksh	Ksh
Cash Flows from Operating Activities			
Operating profit/(loss)		(34,718,022)	(38,418,876)
Depreciation	21	44,166,589	44,644,460
Depreciation Recovery	27(c)	(4,758,999)	
Amortization	22	4,034,463	5,390,090
Operating profit/(loss) before working capital changes		8,724,031	11,615,674
Working capital changes			
(Increase)/decrease in inventories	40	1,000,542	(46,842)
(Increase)/decrease in trade and other receivables	40	(360,022)	(32,088,070)
(Increase)/decrease in electricity deposits	40	-	-
Increase/decrease in VAT refunds	40	-	-
Increase/(decrease) in trade and other payables	40	52,920,454	38,839,611
Increase/(decrease) in consumer deposits	40	5,906,500	4,024,509
Increase/(decrease) in prepayment income	40	40,097	32,801
Increase/(decrease) in accruals	40	348,000	648,000
Net Cash flows from Operating Activities		68,579,602	23,025,684
Cash flows from investing activities			
Fixed assets acquired	27	(160,243,595)	(47,472,411)
Intangible assets acquired		-	-
Net Cash flows from investing activities		(160,243,595)	(47,472,411)
Cash flows from financing activities			
Adjustment on revenue reserve			
Receipts from KeNHA	35	25,000,000	
Receipt from WSTF/VEI	35	7,934,037	20,671,899
Receipt from GATSBY			
Receipt from CLSG 11	35	2,620,000	61,114,693
Net Cash flows from financing activities		35,554,037	81,786,592
Increase (decrease) in cash and cash equivalents		(56,109,956)	57,339,865
Cash and cash equivalent at the beginning of the year		100,702,704	43,362,839
Cash and cash equivalent at the end of the year		44,592,748	100,702,704

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

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

ITEM DESCRIPTION	ORIGINAL BUDGET 2024/2025		ADJUSTMENT		FINAL BUDGET 2024/2025		ACTUAL PERFORMANCE		PERFORMANCE DIFFERENCE		% of Utilization
	KSH	a	KSH	b	KSH	C=a+b	KSH	d	KSH	e=c-d	
Income:											
Water sale	406,728,000		-		406,728,000		375,338,371		31,389,629		92
Molo Sewer Charges	2,340,000		-		2,340,000		1,024,287		1,315,713		44
New Connections	6,000,000		-		6,000,000		4,672,500		1,327,500		78
Penalties, Reconnections & Other Charges	10,763,589		-		10,763,589		2,821,747		7,941,842		26
Management fee VEI payroll	1,632,000		-		1,632,000		1,632,000		-		100
VEI Payroll	10,716,900		985,746		11,702,646		12,955,288		(1,252,642)		111
Sub total:	438,180,489				439,166,235		398,444,193		40,722,042		91
Other Incomes:											
CLSG 2	122,229,200		-		122,229,200						-
CLSG 2 Additional	-		5,240,000		5,240,000		2,620,000		2,620,000		50
Western NRW Project (VEI)	4,200,000		(3,700,000)		500,000		486,563		13,437		97
Molo sewer project - VEI	18,000,000		(1,905,768)		16,094,232		7,447,475		8,646,757		46
Sub total	144,429,200		(365,768)		144,063,432		10,554,037		133,509,394		7
Grand total	582,609,689		619,978		583,229,667		408,998,230		174,231,436		70
Expenditure:											
Personnel Emoluments											
Basic salaries	71,991,496		-		71,991,496		71,127,957		863,539		99
House allowances	34,350,724		2,500,000		36,850,724		36,552,546		298,178		99
Commuter Allowances	7,992,600		1,888,600		9,881,200		9,818,400		62,800		99
Pension (NWCPC, NSSF& CPF)	10,723,999		-		10,723,999		11,597,746		(873,747)		108
Acting/Responsibility allowance	150,000		(40,000)		110,000		103,032		6,968		94
Medical Allowances	9,174,000		(1,000,000)		8,174,000		8,100,000		74,000		99
Hazard allowances	1,892,900		(300,000)		1,592,900		1,476,000		116,900		93

**Nakuru Rural Water and Sanitation Company Ltd
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Leave Allowances	2,999,646	-	2,999,646	3,743,107	(743,461)	125
Transfer Allowances	200,000	-	200,000	244,000	(44,000)	122
Gratuity	3,007,488	-	3,007,488	2,934,723	72,765	98
Airtime allowance	360,000	-	360,000	360,000	-	100
Entertainment allowance non practising	120,000	-	120,000	120,000	-	100
Staff Welfare fund	60,000	-	60,000	60,000	-	100
Housing Levy	360,000	-	360,000	507,200	(147,200)	141
NITA	2,057,931	-	2,057,931	2,257,326	(199,395)	110
CBA Arrears	120,300	-	120,300	126,800	(6,500)	105
VEI Payroll	3,955,016	-	3,955,016	-	3,955,016	-
	10,716,900	1,053,481	11,770,381	13,323,651	(1,553,270)	113
Total Personnel Expenditure	160,232,999	4,102,081	164,335,080	162,452,488	1,882,592	99
Administration Expenses:						
Medical expenses	1,200,000	1,000,000	2,200,000	2,089,424	110,576	95
Staff compensation and other charges	-	-	-	-	-	-
Office Contract Staff	5,295,203	-	5,295,203	5,946,763	(651,560)	112
OSHA	200,000	-	200,000	5,050	194,950	3
O&M/NRW Contract Staff	20,000,000	-	20,000,000	23,067,146	(3,067,146)	115
Official Entertainment	1,000,000	-	1,000,000	682,580	317,420	68
Advertising & Publicity	500,000	100,000	600,000	613,752	(13,752)	102
Rent & Rates	700,000	-	700,000	604,000	96,000	86
General Office Supplies	1,700,000	(400,000)	1,300,000	1,185,911	114,089	91
Communication:						
Telephone /Airtime	3,200,000	-	3,200,000	2,801,985	398,015	88
Postal/ Courier Services	100,000	-	100,000	93,120	6,880	93
Internet /Data	2,000,000	(500,000)	1,500,000	1,333,608	166,392	89
Travelling & Accomodation						
Operations	14,000,000	-	14,000,000	14,424,755	(424,755)	103
Seminars/Workshops/Tours	9,000,000	7,000,000	16,000,000	15,534,704	465,297	97
Corporate Social Responsibility/donations	200,000	-	200,000	154,340	45,660	-

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Subscriptions	450,000	450,000	900,000	863,917	96
Training fees	2,050,000	2,950,000	5,000,000	4,885,698	98
Staff Welfare	4,500,000	-	4,500,000	4,222,738	94
Insurance:					
General & Motor	1,500,000	-	1,500,000	1,431,780	95
Purchase of Uniforms & Protective Clothing	1,300,000	(800,000)	500,000	446,356	89
Publishing & Printing	200,000	(130,000)	70,000	67,580	97
Contracted Professional Services					
Security	4,000,000	-	4,000,000	4,075,986	102
Sanitation Services	240,000	(90,000)	150,000	142,423	95
Legal Fees	1,000,000	(400,000)	600,000	565,525	94
Computer Services	4,400,000	-	4,400,000	4,808,266	109
Consultancy services	2,000,000	-	2,000,000	1,848,954	92
Bank charges/ Finance cost	1,000,000	(300,000)	700,000	670,614	96
Transport:					
Repairs & Maintenance	3,500,000	(900,000)	2,600,000	2,389,892	92
Fuel Exp.	9,200,000	-	9,200,000	8,210,785	89
Hire of Transport & other Misc	1,000,000	1,000,000	2,000,000	3,235,780	162
Chemicals:					
Chlorine	7,000,000	-	7,000,000	6,890,400	98
ALLUMINIUM SULP.	24,000,000	-	24,000,000	21,044,720	88
Soda Ash	-	-	-	-	
Lab Chemicals	500,000	(400,000)	100,000	72,682	73
Maintenance for plant & equipment	4,000,000	(1,000,000)	3,000,000	2,746,076	92
Maintenance buildings & stations	1,000,000	(600,000)	400,000	339,900	85
Maintenance of water supply & pipelines	4,000,000	(2,300,000)	1,700,000	1,689,763	99
Electricity Production	48,000,000	(6,000,000)	42,000,000	39,599,557	94
Electricity for office	500,000	(100,000)	400,000	394,020	99
Water and conservancy (Office Use)	200,000	-	200,000	57,850	29
Water for Distribution(Bulk Purchase)	6,000,000	5,000,000	11,000,000	10,108,533	92

**Nakuru Rural Water and Sanitation Company Ltd
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WRA	4,500,000	(1,000,000)	3,500,000	3,589,556	(89,556)	103
Licence operation fee - 4%	16,269,120	-	16,269,120	15,232,293	1,036,827	94
Kenya forest service	500,000	-	500,000	-	500,000	-
Board Expenses:						
Sitting Allowances	2,060,000	-	2,060,000	2,460,000	(400,000)	119
Honoraria & Airtime - Chair	780,000	-	780,000	780,000	-	100
Travelling & Accomodation	1,372,000	1,510,000	2,882,000	2,965,715	(83,715)	103
Lunch & Transport	1,000,000	-	1,000,000	1,309,000	(309,000)	131
Airtime allowance	120,000	-	120,000	27,000	93,000	23
BOD Training	500,000	-	500,000	471,700	28,300	94
Medical Allowances	1,000,000	-	1,000,000	-	1,000,000	-
Subtotal	218,736,323		222,836,323	216,182,196	6,483,505	97
Total	378,969,322		387,161,403	378,634,684	8,366,097	98
Fixed Assets:						
Purchase Of Office Equipment	1,400,000	(100,000)	1,300,000	292,412	1,007,588	22
Purchase Of Motor Cycles/Vehicles	-	-	-	-	-	-
Purchase of Meters	-	230,000	230,000	220,063	9,937	96
Land & Buildings	1,000,000	200,000	1,200,000	3,742,973	(2,542,973)	312
New Pipeline/Network Extensions	10,000,000	-	10,000,000	10,115,208	(115,208)	101
Software	-	-	-	-	-	-
East Gate Water Supply Project	27,019,047	(2,796,335)	24,222,712	2,644,961	21,577,751	11
Haraka Water Supply Project	-	-	-	-	-	-
Purchase of Plant and Lab Equipment	2,000,000	500,000	2,500,000	2,535,738	(35,738)	101
Utility Contribution-Molo sewer project	9,000,000	-	9,000,000	-	9,000,000	-
Utility Contribution-Muinithia Project	8,792,120	-	8,792,120	-	8,792,120	-
Sub-Total	59,211,167	(1,866,335)	57,244,832	19,551,356	37,693,476	34
VEI molo sewer project	18,000,000	(1,905,768)	16,094,232	7,447,475	8,646,757	46
CLSG 2 (WORK IN PROGRESS)	122,229,200	-	122,229,200	60,235,676	61,993,524	49
Western NRW project	4,200,000	(3,700,000)	500,000	260,363	239,137	53
Total	582,609,689	619,978	583,229,667	466,130,054	116,938,991	90

19. Notes To the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act, 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	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for	The amendments are effective for annual periods beginning on or after

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

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.

Title	Description	Effective Date
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 Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

iii. Early adoption of standards

Nakuru Rural Water and Sanitation Company Ltd 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 principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established
- v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements
- vi) **Other income** is recognized as it accrues

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations 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 straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Rates
Buildings	4%
Plant and machinery	12.5%
Motor vehicles, including motorcycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

Summary of Accounting Policies

h) Right of Use Asset

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

i) Biological Assets

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

j) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at amortized cost or at fair value through profit or loss.

k) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

Summary of Accounting Policies

l) Unquoted investments

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

m) Inventories

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

n) Trade and other receivables

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

o) Taxation

i) Current income tax

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

p) Deferred tax

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

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

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

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

q) Borrowing costs

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

Restricted cash

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

s) Borrowings

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

t) Trade and other payables

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

u) Retirement benefit obligations

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

v) Provision for staff leave pay

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

w) Exchange rate differences

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

x) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on. 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. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using

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

y) Service concession arrangements

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

z) Comparative figures

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

aa) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

Notes to the financial statements (continues)

6. Operating Revenue

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	375,338,371	365,124,557
Total	375,338,371	365,124,557

7. Grants Income

	2024-2025	2023-2024
	Kshs	Kshs
Recurrent/operational grants from VEI	14,587,288	2,579,318
Total	14,587,288	2,579,318

8. Other Income

	2024-2025	2023-2024
	Kshs	Kshs
Molo Sewer charges	1,024,287	1,078,581
Penalties, reconnections and other charges	2,821,747	7,241,158
Connection	4,672,500	3,085,500
Tanker	0	22,700
Total	8,518,534	11,427,939

9. Cost of Sales

	2024-2025	2023-2024
Description	Kshs	Kshs
Electricity for Production	39,599,557	44,990,489
Supply for Production (Chemicals)	28,007,802	28,848,666
Bulk water purchase	10,108,533	12,648,768
Total	77,715,892	86,487,923

10. Administration Cost

	2024-2025	2023-2024
	Kshs	Kshs
Official Entertainment	682,580	1,089,706
Electricity for office	394,020	528,615
Water conservancy	57,850	121,496
Telephone expenses	2,801,985	2,777,691
Internet/Data	1,333,608	1,417,627
Postal and Courier Services	93,120	90,163
Travelling and operation	29,959,459	27,689,866
Publishing and Printing Services	67,580	64,332
Subscriptions	863,917	427,781
Advertisement and Publicity	613,752	383,460
Rent and Rates	604,000	532,000
Staff welfare	4,222,738	4,840,480
Insurance - motor	1,431,780	-
Supply of Uniforms	446,356	904,472
General Office Supplies	1,185,911	1,363,610
Transport and Operating expenses	10,600,677	12,464,343
Corporate Social Responsibility	154,340	136,424
OSHA	5,050	30,000
Total	55,518,723	54,862,067

11. Staff Cost

	2024-2025	2023-2024
	Kshs	Kshs
Salaries and Allowances	127,717,935	120,429,602
Vei salaries and Allowances	13,323,651	3,614,601
Wages -Temporary Employees	26,309,259	25,227,460
Gratuity Provisions	2,934,723	2,503,648
Pension and NSSF contribution	11,829,456	9,471,662
Leave pay	3,743,107	3,349,150
Medical Expenses	2,089,424	674,523
Transfer Allowance	244,000	0
NITA	131,150	124,650
Benevolent	507,200	513,600
Housing Levy	2,274,726	1,817,333
Total	191,104,631	167,726,229

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12. Bank charges	2024-2025	2023-2024
	Kshs	Kshs
KCB Revenue account	239,204	256,855
KCB Expenditure Account	344,250	302,376
KCB Contingency Account	11,155	10,108
KCB Deposit Account	9,392	10,403
Family Bank	3,600	14,400
KCB WSTF	-	3,020
KCB KENHA	2,899	1,525
Co-operative project	15,550	15,715
National Bank Revenue Account	18,980	695
National Bank Project Account	21,205	851
National Bank Escrow Account	4,380	0
Total	670,614	615,947

13. Contracted professional services	2024-2025	2023-2024
	Kshs	Kshs
Security	4,075,986	3,745,528
Sanitation	142,423	88,722
Legal services	565,525	606,350
Computer Services	4,808,266	5,035,637
Consultancy service	1,848,954	3,541,523
Total	11,441,154	13,017,760

14. Hire of transport and machinery	2024-2025	2023-2024
	Kshs	Kshs
	3,235,780	2,259,790
Total	3,235,780	2,259,790

15. Training	2024-2025	2023-2024
	Kshs	Kshs
Other	4,885,698	3,785,127
CLSG Training	1,108,404	0
Total	5,994,102	3,785,127

16. Regulatory fee	2024-2025	2023-2024
	Kshs	Kshs
License & Regulatory fee	15,232,293	14,822,833

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Notes to the financial statements (continued)

	2024-2025	2023-2024
	Kshs	Kshs
17. Water Users/Permit fees		
Water use fee	3,589,556	3,741,425
Total	3,589,556	3,741,425

	2024-2025	2023-2024
	Kshs	Kshs
18. Honoraria and airtime		
	780,000	780,000
Total	780,000	780,000

	2024-2025	2023-2024
	Kshs	Kshs
19. Repairs and Maintenance		
Maintenance of water supply	1,689,763	2,593,083
maintenance of building and station	339,900	625,721
Maintenance of plant & equipment	2,746,076	4,049,201
Total	4,775,739	7,268,005

	2024-2025	2023-2024
	Kshs	Kshs
20. Board expenses		
Sitting Allowance	2,460,000	2,400,000
Travel and accommodation	2,965,715	1,103,100
Lunch and transport	1,309,000	1,182,000
Airtime	27,000	30,000
Training	471,700	0
Total	7,233,415	4,715,100

	2024-2025	2023-2024
	Kshs	Kshs
21. Depreciation		
Furniture	201,800	219,367
Meters, and Equipment	39,260,529	40,859,222
Motorcycles	3,744,665	1,673,300
Computers office equipment	605,854	1,634,548
Building	353,742	258,023
Total	44,166,589	44,644,460

22. Amortization	4,034,463	5,390,090
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Nakuru Rural Water and Sanitation Company Ltd
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23. Audit (Provision of Audit fees)	2024-2025	2023-2024
	Kshs	Kshs
Audit fees	348,000	348,000
Total	348,000	348,000

24. Penalties and Interest	2024-2025	2023-2024
	Kshs	Kshs
	235,330	0

25. ADB Loan:	2024-2025	2023-2024
	Kshs	Kshs
	7,085,934	7,085,934
Total	7,085,934	7,085,934

26. Bad debts provision	-	-
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27.(a) Property plant and equipment													
	Furniture and &Fittings	Meter Plant & Equipment	Land	Building	Motorcycle/ Vehicles	Office Equipment's	WIP	Total					
Depreciation Rate	12.5%	12.5%			4%	25%	30%						
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs					Kshs
Opening Bal as at 1st July 2024	2,731,309	317,525,945	1,350,000	5,100,575	16,692,418	10,721,580	319,275,847	673,397,674					
Grant Project		25,660,558						25,660,558					
Additional	292,412	12,871,010		3,742,973	8,615,160	901,618	133,820,423	160,243,595					
Sub totals	3,023,721	356,057,513	1,350,000	8,843,548	25,307,578	11,623,198	453,096,270	859,301,827					
Mutirithia Capitalization		31,254,783					(31,254,783)	-					
Fully depreciated assets	(1,409,325)	(16,312,725)											
As at June 2025	1,614,396	370,999,571	1,350,000	8,843,548	(10,328,918)	(9,603,684)	421,841,487	(37,654,651)					
Depreciation								821,647,176					
Depreciation	(201,800)	(39,260,529)	-	(353,742)	(3,744,665)	(605,854)	-	(44,166,589)					
Depreciation (Grant projects)		(7,114,418)	-					(7,114,418)					
Over Depreciation Recovery	59,194	3,821,471	-	54,000	14,158	810,176		4,758,999					
Net book value													
Opening Bal as at 1st July 2024	577,843	158,589,077	1,350,000	4,080,121	1,642,562	(409,201)	319,275,847	485,106,248					
As at 30th June 2025	727,649	160,161,395	1,350,000	7,523,352	6,527,215	696,739	421,841,486	598,827,836					

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27. b	Cost	Accumulated Depreciation	Over Depreciation Recovery	NBV
	Kshs	Kshs		Kshs
Land	1,350,000	-	-	1,350,000
Buildings	8,843,548	(1,374,196)	54,000	7,523,352
Plant and machinery	387,312,296	(230,972,372)	3,821,471	160,161,395
Motor vehicles, including motorcycles	25,307,578	(18,794,521)	14,158	6,527,215
Computers and related equipment	11,623,198	(11,736,635)	810,176	696,739
Office equipment, furniture, and fittings	3,023,721	(2,355,266)	59,194	727,649
WIP	421,841,487	-	-	421,841,487
TOTAL	859,301,827	(265,232,990)	4,758,999	598,827,836

27. c	NBV As per Calculation	NBV As per Asset Register	Over Depreciation Recovery
Furniture and Fittings	668,455	727,649	59,194
Meter, Plant & Equip	156,339,924	160,161,395	3,821,471
Building	7,469,352	7,523,352	54,000
Motor Vehicle	6,513,057	6,527,215	14,158
Comp Office Equip	(113,437)	696,739	810,176
Land	1,350,000	1,350,000	-
WIP	421,841,487	421,841,487	-
Total	594,068,836	598,827,836	4,758,999

28. Intangible Assets	2024-2025	2023-2024
	Kshs	Kshs
Cost as at July 1st 2024	35,357,703	35,357,703
Additions		
At June 30	35,357,703	35,357,703
Fully depreciated asset	(15,185,388)	8,407,253
	20,172,315	26,950,450
Amortization At July 1	29,259,742	23,869,652
Charge for the year	4,034,463	5,390,090
Total amortization	33,294,205	29,259,742
NBV As At June 30	2,063,498	6,097,961

29. Inventories	2024-2025	2023-2024
	Kshs	Kshs
Aluminum	198,998	575,186
Chlorine	516,780	572,460
Soda Ash	26,970	26,970
Stationaries	129,495	19,860
Transport Repair	23,832	21,111
Tools and Equipment	23,410	320,840
Water in reservoirs and Pipeline		383,600
Total	919,485	1,920,027

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30.a Trade and Other Receivables		
Trade Receivables	2024-2025	2023-2024
	Kshs	Kshs
DOD	15,061,907	26,649,206
NAWASCO	7,801,600	7,630,000
Other Trade receivables	198,712,142	186,936,420
Total trade receivables (note 15 a)	221,575,649	221,215,627
Electricity/Rent Deposits	4,707,500	4,707,500
VAT refunds	4,605,749	4,605,749
Gross trade and other receivables	230,888,898	230,528,876
Net trade and other receivables	230,888,898	230,528,876

30. b	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	221,575,649	221,215,627
Provision for doubtful receivables		
Net trade receivables	221,575,649	221,215,627

At June 30, the ageing analysis of the gross trade receivables was as follows:

	2024-2025	2023-2024
Less than 30 days	27,643,180	31,115,236
Between 30 and 60 days	12,811,917	10,539,762
Between 61 and 90 days	7,574,342	10,335,946
Between 91 and 120 days	5,955,950	9,753,916
Over 120 days	167,590,260	161,044,993
Total	221,575,649	221,215,627

31. Deposits		
	2024-2025	2023-2024
	Kshs	Kshs
Bal b/f	4,707,500	4,707,500
Deposits for the year	-	-
Total	4,707,500	4,707,500

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32. KRA VAT Refund	2024-2025	2023-2024
	Kshs	Kshs
Bal BF	4,605,749	4,605,749
Total	4,605,749	4,605,749

33.a Bank and cash balance	2024-2025	2023-2024
	Kshs	Kshs
Cash at hand	-	-
Cash at bank	44,137,677	99,524,696
M-Pesa	455,071	1,178,010
	44,592,748	100,702,705

33. b Detailed analysis of the cash and cash equivalents

	Account Number	2024-2025	2023-2024
		Kshs	Kshs
Cash in hand		-	-
KCB Deposit account	1120914175	29,910,980	24,023,872
KCB Revenue	1108148859	84,563	188,093
KCB Expenditure	1108149162	(10,252,263)	(8,287,946)
KCB Contingency account	1139635891	29,754	9,193
Family Bank	19000038996	20,442	24,042
Kenya Post Office Saving Bank	744130012558	211,332	350,682
M-Pesa	706138	455,071	1,178,010
WSTF	1281804193	899	899
KCB KENHA Account	1285173503	41,626	17,764,556
Co-operative Bank	01141883105201	215,295	3,978,924
National Bank Revenue Account	7715996084	430,342	358,376
National Bank Project Account	7700140987	3,137,595	60,774,478
National Bank Escrow Account	7700636591	20,307,113	339,526
Total		44,592,748	100,702,705

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34.(a) Share Capital	2024-2025	2023-2024
	Kshs	Kshs
Authorized:		
5,000 Ordinary shares of Kshs. 100 each	500,000	500,000
Issued and Fully Paid:		
5,000 ordinary shares of Kshs. 100 each	500,000	500,000
	2024-2025	2023-2024
	Kshs	Kshs
(b) Capital Reserve	228,709,738	228,709,738
	228,709,738	228,709,738
(c) Revenue Reserve		
	2024-2025	2023-2024
	Kshs	Kshs
This item is made up of the following:		
Balance b/f	(460,238,421)	(421,819,545)
Profit (Loss)	(34,718,022)	(38,418,876)
Adjustment tax amnesty		
Total	(494,956,443)	(460,238,421)
35.Grants		
	2024-2025	2023-2024
	Kshs	Kshs
Balance brought forward	576,262,403	494,475,811
KeNHA	25,000,000	
VEI	7,934,037	3,641,436
VEI Mutirithia		13,195,501
CLSG II	2,620,000	61,114,693
WSTF		3,834,962
Sub Total	35,554,037	81,786,592
Amortization	(7,114,418)	
Total	604,702,023	576,262,403

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36. Trade and Other Payables	2024-2025	2023-2024
	Kshs	Kshs
Trade Payables	53,774,039	33,424,543
Salaries Statutory deductions and other deductions	64,498,319	52,839,783
CRWDA	214,025,320	214,025,320
Water Resources Authority	20,941,756	18,149,560
WASREB	62,866,423	51,832,131
AFDB Loan	56,687,470	49,601,536
(a). Total trade payables	472,793,327	419,872,873
37. Consumer deposits		
Opening balance	47,023,602	42,999,093
Deposits for the year	5,921,500	4,024,509
Deposit Refund	(15,000)	
Consumer deposits	52,930,102	47,023,602
38. Prepayment income	9,179,718	9,139,621
39. Accrued audit fees	3,434,000	3,086,000

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40. Notes to the cash flows.		2024-2025	2023-2024
		Kshs	Kshs
Operating profit/(loss)		(34,718,022)	(38,418,876)
Depreciation	21	44,166,589	44,644,460
Depreciation recovery	27c	(4,758,999)	
Amortizations	22	4,034,463	5,390,090
Operating profit/(loss) before working capital changes		8,724,031	11,615,674
Working capital changes			
(Increase)/decrease in inventories		1,000,542	(46,842)
(Increase)/decrease in trade and other receivables		(360,022)	(32,088,070)
Increase/(decrease) in trade and other payables		52,920,454	38,839,611
(Increase)/decrease in electricity deposits		-	-
Increase/(decrease) in consumer deposits		5,906,500	4,024,509
Increase/decrease in VAT refunds		-	-
Increase/(decrease) in prepayment income		40,097	32,801
Increase/(decrease) in accruals		348,000	648,000
		59,855,572	23,025,684
		68,579,603	34,435,693

Notes to the financial statements (continued)

Other Disclosures

41. Related Party Disclosures

County Government of Nakuru

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

Other related parties include:

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

Transactions with related parties

	2024-2025	2023-2024
	Kshs	Kshs
a) Sales to related parties		
Rent Income from govt. agencies	0	0
Water sales to Govt. agencies	129,996,454	141,851,870
Interest income from Govt Commercial Banks	0	0
Interest income from T-bills and Bonds	0	0
Others (Specify)	0	0
Total	129,996,454	141,851,870
b) Purchases from related parties		
Purchase of water from govt service providers	10,108,533	12,648,768
Rent expenses paid to govt agencies	0	0
Training and conference fees paid to govt. agencies	6,465,802	3,785,127
Bank charges paid to Govt Commercial banks	670,614	615,947
Interest expense to investments by other govt. entities	0	0

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	2024-2025	2023-2024
	Kshs	Kshs
Others (specify)	0	0
Total	0	0
b) Grants from the Government		
Grants from National Govt Agencies	0	0
Grants from County Government	0	0
Donations in kind	0	0
Total	0	0
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	0	0
Payments for goods and services for	0	0
Total	0	0
d) Key management compensation		
Directors' emoluments	8,013,415	5,495,100
Compensation to key management	10,702,956	9,039,966
Total	18,716,371	14,535,066

Notes to the financial statements (continued)

42. Contingent Assets and Liabilities

Contingent Assets

	2024-2025	2023-2024
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0
Receivables from other government entities	0	0
Others (Specify)	0	0
Total	0	0

Contingent Liabilities

	2024-2025	2023-2024
	Kshs	Kshs
Contingent liabilities		
Court case against the entity	0	0
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	38,240,816	0
Others (Specify)	0	0
Total	38,240,816	0

The contingent Liability may arise from CLSG II contract which states that if the company does not achieve 70% of the grant output/outcome 30% of the grant amount of Ksh 127,469,200 shall be payable by the WSP.

43. Financial Risk Management

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

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Notes to the financial statements (continued)

(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:

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	221,575,649	221,575,649	0	0
Other Receivables	9,313,249	9,313,249	0	0
Investments	598,827,836	598,827,836	0	0
Bank balances	44,592,748	44,592,748	0	0
Total	874,309,482	874,309,482	0	0
At 30 June 2024				
Receivables	221,215,627	221,215,627	0	0
Other Receivables	9,313,249	9,313,249	0	0
Investments	491,204,208	491,204,208	0	0
	0	0	0	0
Bank balances	100,702,705	100,702,705	0	0
Total	822,435,788	822,435,788	0	0

Notes to the financial statements (continued)

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June current year				
Trade payables	5,668,226	13,204,100	34,901,711	53,774,038
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	15,484,174	10,567,731	38,698,689	64,498,319
Total	21,152,400	23,771,831	73,600,400	118,272,357
At 30 June previous year				
Trade payables	7,818,896	9,551,488.72	16,054,158	33,424,543
Current portion of borrowings	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	14,939,837	4,235,331	33,664,614	52,839,783
Total	22,758,733	13,786,819	49,718,772	86,264,326

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Notes to the financial statements (continued)

(iii) Market risk

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

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

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

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

iv) Capital Risk Management

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

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve		0
Retained earnings	(494,956,443)	(460,238,420)
Capital reserve	228,709,738	228,709,738
Total funds	(266,246,705)	(231,528,682)
Total borrowings	0	0
Less: cash and bank balances	(44,592,748)	(100,702,705)
Net debt/ (excess cash and cash equivalents)	(44,592,748)	(100,702,705)
Gearing	17%	43%

44. Incorporation

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

45. 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	<p>Unsupported Transport and Operating Expenses The statement of profit or loss and other comprehensive income reflects administrative costs amounting to Kshs 54,862,067 as disclosed in Note 10 to the financial statements. The amount includes transport and operating expenses amounting to Kshs.12,464,343 which were incurred on fuel and repair of motor vehicles. However, the expenditure was not supported with contract agreements, fuel registers, supplier/card statements, details of motor vehicles drawing fuel or repaired, pre and post inspection reports to confirm repairs carried out and registers of repairs per motor vehicle. In the circumstances, the accuracy, completeness and propriety of transport and operating expenses totalling Kshs.12,464,343 could not be confirmed</p>	<ul style="list-style-type: none"> • Management provided supporting documents for the transport and operating expenditure for audit verification. • Note that service providers for services were prequalified and tendering process was available for audit; local purchase orders and local service orders serve as contracts for pre-qualified suppliers. • Fuel statements / registers were availed in soft copy. • Motor vehicle pre inspection represented by service requisition by transport manager in charge of transport and post inspection reports are issued together with invoice so as to trigger payment. 	Resolved	
2	<p>Unsupported Inventories The statement of financial position reflects inventories balance of Kshs.1,920,027 as disclosed in Note 28 to the financial statements. However, the balance is not supported</p>	<ul style="list-style-type: none"> • Management has maintained all the requisite inventories records for all inventories during stock taking exercise. 	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>by inventories valuation report showing stock descriptions, system stock balances, actual stock balances, unit costs, total costs, grand inventories balance and ledger cards reconciled with physical stock take sheets.</p> <p>In the circumstances, the accuracy and completeness of the inventories balance of Kshs. 1,920,027 could not be confirmed.</p>	<ul style="list-style-type: none"> Further management shall ensure the stock take is conducted as prescribed and ensure closing stock reports are reconciled with physical stock take. Management is also working on updating our fixed assets register on our ERP system. 		
3	<p>Long Outstanding Receivables</p> <p>The statement of financial position reflects receivables balance of Kshs.221,215,627 incorrectly referenced to Note 29 to the financial statements instead of Note 30 which relates to trade receivables and includes an amount of Kshs.186,936,421 in respect of other trade receivables. However, the ageing analysis report provided for audit review reflects an amount of Kshs.188,510,618 resulting into an unexplained variance of Kshs.1,574,197.</p> <p>Further, included in the trade receivables balance of Kshs.221,215,627 is a balance of Kshs.161,044,993 or 73% that was outstanding for over one hundred and twenty (120) days. In addition, the balance includes an amount of Kshs.4,605,749 in respect of Kenya Revenue Authority (KRA) VAT refund that had been outstanding since the year 2018.</p> <p>Management did not provide evidence of follow up on the outstanding debtors including the VAT refund due from KRA, casting doubt on the ability of the Company to</p>	<ul style="list-style-type: none"> Management shall enhance follow up of receivables including KRA VAT refund during the next financial year though also acknowledges the rarity of refund from the revenue authority. The company board has also approved the debt management policy and this is available for audit verification The company has established a credit control department to deal with billing arrears 	unresolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	<p>recover all the outstanding debts. There was no approved debt policy or a provision for bad and doubtful debts. In the circumstances, the accuracy, completeness, propriety and recoverability of the receivables balance of Kshs.221,215,626.91 could not be confirmed.</p> <p>Unsupported and Inaccurate Cash and Bank Balances The statement of financial position reflects bank and cash balances amounting to Kshs.100,702,705 as disclosed in Note 34 to the financial statements. However, review of records revealed that the account opening authority and certificates of bank balances for three (3) accounts held at National Bank of Kenya and the Board of Survey reports for all the thirteen (13) bank accounts held by the Company were not provided for audit verification. In addition, a balance of Kshs.11,479 held in an account maintained by the Company was not included in the bank and cash balance. Further, stale cheques totalling Kshs.74,495 in respect to Kenya commercial Bank operations account had not been reversed in the cash book as at 30 June,2024 with the cashbook for the same account having been overdrawn by an amount of Kshs.8,287,946 hence casting doubt on the liquidity of the Company. In the circumstances, the accuracy, completeness and existence of the bank balance of Kshs.100,702,704.63 could not be confirmed.</p>		Resolved	
5	<p>Unsupported Balance of Customer Deposits The statement of financial position reflects consumer deposits balance of Kshs.47,023,602 as disclosed in Note</p>	<ul style="list-style-type: none"> Management has availed all the supporting documents for bank and cash balances and amended the financial statements to reflect the correct balances. The overdrawn cash book was as a result of salary cheques for June 2024 which had not been presented/banked as at the close of the financial year. Management shall make an effort to make sure salary cheques for the year end are banked by the close of the financial year. A detailed register for deposits paid by the individual customers is being generated and shall be 	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
6	<p>37 to the financial statements. However, a comprehensive ledger of the customers, showing detail of the meter numbers and receipt numbers for the amount paid by the respective customers has not been provided for audit verification.</p> <p>In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs.47,023,602 could not be confirmed.</p>	<p>available for audit verification during the subsequent audit.</p> <ul style="list-style-type: none"> The delay in availing the list has been occasioned by reconciliation challenges between several historical systems earlier used by the institution since inception (Ministry of water, National water and pipeline corporation, Rift valley water services board and Naruwasco) 	Resolved	
7	<p>Long Outstanding Trades Payables The statement of financial position reflects trade and other payables balance of Kshs.419,872,873 as disclosed in Note 36 to the financial statements. The balance includes an amount of Kshs33,424,543 in respect of trade payables which further includes a balance of Kshs.16,054,158 or 48% which remained outstanding for over sixty (60) days. There was no explanation for failure to settle the payables. In the circumstances, the validity of long outstanding trade payables could not be confirmed.</p> <p>Unsupported and Long Outstanding Rift Valley Water Works Development Agency Levy Included in the trade and other payables balance of Kshs.419,872,873 is an amount of Kshs.214,025,320 owed</p>	<ul style="list-style-type: none"> Management undertakes periodic analysis of the payables ageing report and strives to honor financial obligations as they fall due as per the recommended credit period of 90 days The debt owed to CRVWDA arose due to effecting of the Water Act 2002 where 30% of revenue was accruing to the institution. 	Unresolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
8	<p>to Central Rift Valley Water Works Development Agency (CRWDA). However, as previously reported, no payments have been made for a number of years and remained unchanged from the previous year's balance. Further, the amount of Kshs.214,025,320 has not been disclosed in the Agency's books as receivable from the Company. In the circumstances, the accuracy and validity of the payable to CRWDA amounting to Kshs.214,025,320 could not be confirmed.</p>	<ul style="list-style-type: none"> The amount is in dispute and an appeal for write off is underway. 	Resolved	
9	<p>Undisclosed payables to Kenya Power and Lighting Company (KPLC) The statement of financial position reflects trade and other payables balance of Kshs.419,872,873 as disclosed in Note 36 the financial statements. However, review of KPLC electricity bills provided for audit revealed that power bills payable to KPLC amounting to Kshs.3,354,425 were excluded from the balance. In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.419,872,873 could not be confirmed.</p>	<ul style="list-style-type: none"> KPLC bill are processed into the system as soon as they are received; the discrepancy therefore arose since June bills had not been received by the end of the financial year. 	Resolved	
	<p>Inaccuracies in the Staff Costs The statement of profit or loss and other comprehensive income reflects staff costs amounting to Kshs.167,726,229, as disclosed in Note 11 to the financial statements. However, the supporting ledger reflects an amount of</p>	<ul style="list-style-type: none"> Difference in the staff cost was explained. Once the discrepancies are considered staff cost discrepancies do not exist. 	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10.1	<p>Kshs 165,843,437 resulting to unexplained variance of Kshs 1,882,792. In the circumstances, the accuracy and completeness of the staff costs amounting to Kshs 167,726,229 could not be confirmed.</p> <p>Lack of Up-to-date the Non-Current Asset Register The PPE balance was not supported by accurate and up-to-date assets register to confirm the assets acquisition, maintenance, and disposal.</p>	<p>The Company maintains a fixed assets listing and depreciation is captured in the PPE schedule.</p> <p>Subsequently the management shall maintain a fixed assets register that captured cost, accumulated depreciation and net book values of all assets as recommended by the auditor</p>		
10.2	<p>Undisclosed Value of Land The balance excludes value of land on which the Company offices are located. In addition, ownership documents in respect to the land was not provided for audit verification. Further, during the year under review, Company acquired land with a value of Kshs 1,350,000 which was wrongly reported as additions of buildings.</p>	<p>Management has amended the financial statements to correctly reflect the land separately in the property plant and equipment schedule</p> <p>The land where the company headquarters is based has not yet been transferred to the company and hence excluded in the company's financial statements.</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10.3	Lack Ownership Documents for Motor Vehicles and Motor Cycles The balance includes an amount of Kshs. 1,642,562 in respect of motor cycles/ vehicles. However, several motor vehicles and motor cycles in use by the Company had logbooks which were not registered in the name of the Company.	<ul style="list-style-type: none"> Transfer of assets has yet to be done after the effecting of the water act 2016. 	Unresolved	
10.4	Inaccuracy in the Office Equipment Balance The balance includes a negative net book value of Kshs.409,201 in respect of office equipment comprising of the cost of Kshs.10,721,580 and accumulated depreciation amount of Kshs.11,130,781. However, it is not clear how Management arrived at a depreciation amount higher than the original cost of the office equipment.	<ul style="list-style-type: none"> Some office equipment has been fully depreciated hence the need for revaluation, which when done will eliminate the existence of negative depreciation figures. The company shall initiate revaluation exercise in the financial year 2024-2025. 	Resolved	
10.5	Unsupported Working in Progress The property, plant and equipment balance include work in progress balance of Kshs.319,275,847 which further includes additions during the year amounting to Kshs.25,142,462. However, the supporting documents such as; list of tenders, quotations awarded during the year, bills of quantities, joint measurements, inspection and acceptance reports and interim certificates were not provided for audit verification.	<ul style="list-style-type: none"> As advised by the auditor, management has supported all the works implemented during the financial year under review therefore all documents with respect to tendering process and acceptance of the projects are available for audit review 	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10.6	<p>Failure to Revalue Fully Depreciated Assets The balance includes fully depreciated assets with acquisition cost of Kshs.32,561,405 which are still in use by the Company but have not been revalued. In the circumstances, the accuracy, completeness ownership and valuation of the property, plant and equipment balance of Kshs.485,106,248 could not be confirmed.</p>	<ul style="list-style-type: none"> Management shall make sure to undertake revaluation exercise for all the company assets in the subsequent financial year. 	Unresolved	
11	<p>Unsupported Repayment AFDB Loan The statement of profit or loss and other comprehensive income and as disclosed in Note 24 to the financial statements reflects African Development Bank (AFDB) loan repayment amounting to Kshs 7,085,934 in respect to loan disbursed to Rift Valley Water Services Board for development of various infrastructure. However, no supporting documents to confirm the involvement of Naruwasco in acquisition and repayment of the loan was provided for audit review. In addition, no infrastructure project undertaken by the Board has been handed over to the Water Company. In the circumstances, the accuracy, completeness and validity of the AFDB Loan repayment amounting to Kshs 7,085,934 could not be confirmed</p>	<ul style="list-style-type: none"> The company does a provision for the repayment of the AFDB loan which has also been provided for in the approved tariffs. Despite the provision, the infrastructure developed under AFDB loan have yet to be transferred to the company hence the disparity in compliance as it goes against the matching concept of accounting. Management shall therefore review the reporting of the loan in the financial statements as recommended by the auditor. 	Unresolved	
12	<p>Material Uncertainty Related to Going Concern</p>	<ul style="list-style-type: none"> The auditor recommendation on disclosure of the material 		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The statement of financial position reflects current assets totalling Kshs.333,151,608 against current liabilities totalling Kshs.479,122,096 resulting to negative working capital of Kshs.145,970,488. The negative liquidity position was an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern. Further, the statement of profit or loss and other comprehensive income reflects a loss of Kshs.38,418,876 for the year under review while in the previous year the Company made a loss of Kshs.41,950,880.</p> <p>The financial statements, however, were prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Nakuru and its creditors. Management did not disclose the material uncertainty related to going concern or measures taken to mitigate this.</p> <p>In the circumstances, the sustainability of the Company could not be confirmed.</p>	<p>uncertainty has been considered and can be confirmed in the amended Financial Statements. In addition, the company management has put in place measures to ensure the company is financially sustainable and able to continue providing water services to residents of Nakuru county, among them are:</p> <ul style="list-style-type: none"> • Implemented new indexed tariff in September 2023 • The company has also continued to develop and implement programs aimed at reducing NRW levels and increase billing revenue and enable the company to cover costs. <p>Accordingly, we have substantially reduced the NRW from previous level of 49% to 43% as of 30th June 2024. The current target level is 40% as at June 2025. Reduction in NRW shall result in improved billing.</p> <ul style="list-style-type: none"> • The payable amounts due CRVWDA shall be considered for write-off in the subsequent financial year. This shall lead to 		

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For the year ended June 30 2025

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)
		<ul style="list-style-type: none"> improved current ratio of the company. The amount has also not been reflected in the financial statements of Central Rift Valley Water Works Development Agency and therefore reason for write off. CRVWDA books and recommendation for right off from OAG report 2022-2023) 		
	<p>Budgetary Control and Performance The statement of comparison of budget and actual amounts reflects budgeted revenue and actual on comparable amounts of Kshs.454,909,562 and Kshs.439,935,847respectively an under collection of Kshs.14,973,715 or 3% of the budget. The Company spent an amount of Kshs.381,593,891 against the actual receipts of Kshs.439,935,847resulting in an under-utilization of Kshs.Kshs.58,341,956 or 13% of the actual receipts. The under-performance and under-utilization may have negatively impacted on the planned activities of the Company which affected service delivery to the public. My opinion is not modified in respect of this matter.</p>	<ul style="list-style-type: none"> Management shall ensure that all budgetary estimates are adhered to and ensure that there are no cases of over or under budgeting. 	Resolved	

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	<p>Unresolved Prior Year Matters In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not explained how the issues were addressed or resolved or disclosed the progress on follow up on prior year auditor's recommendations as an Annex to the financial statements as required by the recommended reporting template.</p>	<p>Management shall ensure full adherence to the law in respect of audit recommendations. Our internal audit department has been tasked to ensure compliance on this</p>	<p>Not resolved</p>	
<p align="center">1</p>	<p>Non-Remittance Salaries Statutory Deductions and Other Deductions The statement of financial position and as disclosed in Note 36 to the financial statements reflected trade and other payable balances of 419,872,873. Included in the balance are amounts of Kshs.52,839,783 and Kshs.34,376,494 in respect to salaries statutory and other deductions and pensions deductions respectively which were deducted from employees of the Company but had not been remitted to the various beneficiary institutions. This is contrary to Regulation 22(2) of the Public Finance Management (County Governments) Regulations, 2015, which provides that in addition to the responsibilities of Accounting Officers provided in the Act, an Accounting Officer designated under the Act or any other Act, shall - (a) comply with any tax, levy, duty, pension, commitments as may be provided for by legislation.</p>	<ul style="list-style-type: none"> The company has put in place measures to ensure timely remittance of statutory deductions. During the financial year under review, the company completed servicing a payment plan for pension arrears as at 2011/2013 (Kshs 16,450,975) which was fully paid by August 2023. To ensure no interest or penalties accrue to the company, the company has entered payment plan for remittance of the outstanding amounts. The Company is currently saving up Kshs 2,000,000 per month as a requirement to projects funded via Water Sector Trust Fund, at the end 	<p>Not resolved</p>	

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	In the circumstances, the non-remittance of salaries and pension deductions may attract penalties and interest from the receiving institutions and deny the staff Company respective services and benefits.	of the project the finances shall be used to offset arrears. Current savings is Kshs 14,046,612.76		
2	Failure to Remit Regulatory Fees Included in the trade and other payables balance of Kshs.419,872,873 are amounts of unpaid regulatory fees to Water Resources Authority and Water Services Regulatory Board of Kshs.18,149,560 and Kshs.51,832,131 respectively. However, review of records revealed that the amounts have accumulated over the years and no explanation was provided for non-payment of the levies. In the circumstances, the Company risks legal suits which may lead to avoidable additional costs due to litigations, fine, penalties and interest.	The company has in place a weekly standing order of Kshs 300,000 from the revenue account to WASREB on a weekly basis in order to reduce the regulatory fees balance. In addition, payment plan for the long outstanding amounts is under negotiation with WASREB.	Not resolved	
3	Non-Revenue Water The statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.365,124,557 which as disclosed in Note 6 to the financial statements related to water sales. However, review of the water records revealed that the Company produced 7,482,850 cubic meters (M3) of water out of which only 4,234,030 cubic meters (M3) were billed to customers resulting to unbilled water or Non-Revenue Water (NRW) of 3,248,820 M3 or 43% of the produced	<ul style="list-style-type: none"> The company has continued to develop and implement programs aimed at managing the NRW problem. Accordingly, we have sustainably reduced the NRW from a high of 45% last year to 43% as of 30th June 2024. We are targeting to reduce NRW further during the financial year 2024/2025 to below 40%. 	Not resolved	

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	<p>water. This exceeded the set threshold of 25% as recommended by the Water Services Regulatory Board (WASREB) Guidelines by 18%. In addition, the Non-Revenue Water amounting to 3,248,820 cubic meters (M3) resulted in loss of sales amounting to Kshs. 280,164,279. Further, the Company has not established a Non-Revenue Water function contrary to Paragraph 16.2 of Non-Revenue Water Management Standards in Kenya Guidelines of June, 2022.</p> <p>In the circumstances, the significant level of Non-Revenue Water may be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.</p>	<ul style="list-style-type: none"> Currently, we are implementing specific NRW investment plans/programs which shall lead to reducing NRW to below 40% in the next financial year. (Annex 16 specific strategies we are implementing to further reduce NRW) Management has established an NRW coordinating unit in accordance with the regulations. The unit is headed by a NRW Officer with two staff one data analyst and senior artisan. 	Not Resolved	
4	<p>Long Outstanding Audit Fees Arrears</p> <p>The statement of financial position reflects a balance of Kshs. 3,086,000 in respect of accruals (provision of audit fees), which as disclosed in Note 39 to the financial statements relates to audit fees payable to the Office of the Auditor-General. However, the audit fees have not been paid to the Office of the Auditor-General since the year 2007. This is contrary to Section 41(1)(c) of the Public Audit Act, 2015 which states that the funds of the office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.</p> <p>In the circumstances, Management was in breach of the law.</p>	<ul style="list-style-type: none"> Management shall engage the Auditor General on provision of invoices for respective audit periods to facilitate payment of the same. The Company has done reconciliation of balances in conjunction with the office of the auditor general and agreed to settle a single invoice every month until the debt is cleared. 	Not resolved	


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Lack of Disaster Recovery Plan or Business Continuity Plan During the year under review, the Company did not have a disaster recovery plan or business continuity plan which outlines how it will continue operating during an unplanned disruption in service. In addition, Management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure. In the circumstances, the Company may be exposed in case of a disaster.</p>	<ul style="list-style-type: none"> As advise by the office of the auditor general, management is in the process of developing a disaster recovery plan and have it available for audit verification during the subsequent audit 	Not resolved	
2	<p>Failure to Establish Audit Committee During the year under review, the Company did not establish an audit committee responsible for monitoring the Company's governance process, accountability process and control system of the entity and follow up on the implementation of the recommendations of internal and external audit. This was contrary to Regulation 155 (5) of the Public Finance Management Act, 2012. In the circumstances, the effectiveness of controls in respect to risk management, internal controls and governance process in the Company could not be ascertained.</p>	<ul style="list-style-type: none"> Management shall engage with the shareholder to have the full board constituted and subsequently lead to the constitution of audit committee to ensure the Company function's effectively and to add value to Management's decision-making process and risk management 	Resolved	

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2	<p>Lack of a Climate Change Action Plan Review of records provided for audit review revealed that the Company did not have an Integrated Climate Change Action Plan and other implementation projections for the Company's legislative and policy functions. In addition, the Company did not designate a unit with sufficient staff and financial resources to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions into sectoral strategies. Further, there are no monitoring and review mechanisms, no sustainability mechanisms, and the Company did not undertake public participation and consultations to develop strategies and policies relating to climate change. In the circumstances, the efficiency and effectiveness of controls in respect to climate change programs could not be confirmed.</p> <p>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</p>	<ul style="list-style-type: none"> As advised by audit, Management is prioritizing actions enhancing climate change, related policies and Integrate Climate Change into action Plan (Process ongoing). 	Not resolved	

Name **FLORENCE W. MURGIT**

Signature 

Managing Director

Date: **30/9/2025**.....

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Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY)

Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:

Name Sign Date

Head of Accounts Department - Beneficiary Entity:

Name Sign Date

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Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	
Rongai South River	Tree planting exercise	Protection of catchment area	Tree planting			690,000		External and Internal National Bank Kenya Forest Service Nakuru Super Hardware Post Bank County Government of Nakuru.

Appendix V: Reporting Disaster Management Expenditure

Date:	Entity	Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
		Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments
		0	0	0	0	0	0	0

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the Country/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Total Amount - KES	Where Recorded/recognized						
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year	
Ministry/County department of Water	0	0	0	0	0	0	0	0	0	
Ministry/County Department of water.	0	0	0	0	0	0	0	0	0	
USAID	0	0	0	0	0	0	0	0	0	
name of Development partner/County department etc.	0	0	0	0	0	0	0	0	0	
Total	0	0	0	0	0	0	0	0	0	