**Office of the Auditor-General**
MONROVIA STREET, P.O.BOX
30084 00100 NAIROBI
NAIROBI, KE 00100 KE
oag@oagkenya.go.ke
Govt. UID PIN: P051098570M

OAG
OFFICE OF THE AUDITOR-GENERAL

22 DEC 2025
P.O. Box 3880 - 40200, KISII

# Fee Note

**BILL TO**
Gusii Water & Sewerage
Co.
P.o Box 3880-40200, Kisii

**INVOICE NO.** 13863 2024/25
**DATE** 18/12/2025
**DUE DATE** 17/01/2026
**TERMS** Net 30

| DESCRIPTION | RATE | AMOUNT |
|---|---|---|
| Audit Fees for the audit of Financial Statements for 2024/25 | 446,600.00 | 446,600.00 |

An ETR Receipt will be issued upon receipt of payment.
Thank you.

| | |
|---|---|
| INCLUDES TAX | 61,600.00 |
| TOTAL | 446,600.00 |
| BALANCE DUE | **Ksh446,600.00** |

Cheques should be made payable to: Auditor General

RTGS: A/C Name: Auditor General
Central Bank of Kenya
Haile Selassie Avenue Branch
Bank Code: 09000
A/C No: 1000181327

Our Vision: Making a Difference in the Lives and Livelihoods of the Kenyan People

**Office of the Auditor-General**
MONROVIA STREET, P.O.BOX 30084
00100 NAIROBI
NAIROBI, KE 00100 KE
oag@oagkenya.go.ke
www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

# Statement

**TO**
Gusii Water & Sewerage Co.
Gusii Water & Sewerage Co.
South Nyanza Reg. Kenya

**STATEMENT NO.** 5101
**DATE** 18/12/2025
**TOTAL DUE** Ksh6,402,400.00
**ENCLOSED**

| DATE | DESCRIPTION | AMOUNT | BALANCE |
|---|---|---|---|
| 31/12/1999 | Balance Forward | | 0.00 |
| 24/06/2013 | Invoice No.003218 11/12 | 446,600.00 | 446,600.00 |
| 02/12/2014 | Invoice No.003989 2012/13 | 446,600.00 | 893,200.00 |
| 01/07/2015 | Invoice No.003467 2010/11 | 450,000.00 | 1,343,200.00 |
| 01/07/2015 | Invoice No.INV 2013/14 | 446,600.00 | 1,789,800.00 |
| 15/06/2016 | Invoice No.10092 2014/15 | 446,600.00 | 2,236,400.00 |
| 21/11/2017 | Invoice No.10438 2015/16 | 446,600.00 | 2,683,000.00 |
| 30/06/2018 | Invoice No.11042 2017/18 | 446,600.00 | 3,129,600.00 |
| 15/11/2018 | Invoice No.10724 2016/17 | 446,600.00 | 3,576,200.00 |
| 01/03/2024 | Invoice No.12717 18/19-21/22 | 1,786,400.00 | 5,362,600.00 |
| 31/01/2025 | Payment No.6877836 | -300,000.00 | 5,062,600.00 |
| 25/03/2025 | Invoice No.13472 2022/2023 | 446,600.00 | 5,509,200.00 |
| 25/03/2025 | Invoice No.13473 2023/2024 | 446,600.00 | 5,955,800.00 |
| 18/12/2025 | Invoice No.13863 2024/25 | 446,600.00 | 6,402,400.00 |

| Current Due | 1-30 Days Past Due | 31-60 Days Past Due | 61-90 Days Past Due | 90+ Days Past Due | Amount Due |
|---|---|---|---|---|---|
| 446,600.00 | 0.00 | 0.00 | 0.00 | 5,955,800.00 | **Ksh6,402,400.00** |

# REPUBLIC OF KENYA

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

REPUBLIC OF KENYA

OAG
OFFICE OF THE AUDITOR-GENERAL
*Enhancing Accountability*

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

**Ref: OAG/HBRO/GWASCO/2024/2025/ (17)** **08 December, 2025**

**Mr. Jacob M. Onkeo**
Clerk to the County Assembly of Kisii
P.O Box 4552-40200
**KISII**

12 DEC 2025
P.O. Box 3880 - 40200, KISII

Dear Sir,

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

I transmit the report of the Auditor-General on the examination and audit of Gusii Water and Sanitation Company Limited for the year ended 30 June, 2025 in accordance with the provisions of Article 229(7) of the Constitution of Kenya for the necessary action as required by Article 229(8) of the Constitution.

Yours Sincerely

**FCPA Edwin Kamar**
**For: AUDITOR-GENERAL**

**Copy to:**

1. **Dr. Chris K. Kiptoo, PhD, CBS**
   Principal Secretary
   The National Treasury
   P. O. Box 30007-00100
   **NAIROBI**

2. **Mr. Jeremiah Nyengenye, CBS**
   Clerk to the Senate
   P.O Box 41842-00100
   **NAIROBI**

3. **Hon Richard Atandi**
   CECM- Finance and Economic Planning
   County Executive of Kisii
   P O Box 4550-40200
   **KISII**

4. **Ms. Lucy Wachira**
   Managing Director
   Gusii Water and Sanitation Company Limited
   P.O Box 3880-40200
   **KISII**

REPUBLIC OF KENYA

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

# REPORT

# OF

# THE AUDITOR-GENERAL

# ON

# GUSII WATER AND SANITATION COMPANY LIMITED

# FOR THE YEAR ENDED 30 JUNE, 2025

22 OCT 2025

# GUSII WATER AND SANITATION COMPANY LIMITED

## 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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## TABLE OF CONTENTS

# 1. ACRONYMS AND GLOSSARY OF TERMS

## A. Acronyms

| | |
|---|---|
| ***CEO*** | *Chief Executive Officer* |
| ***MD*** | *Managing Director* |
| ***IAS*** | *International Accounting Standards* |
| ***IASB*** | *International Accounting Standards Board* |
| ***IFRS*** | *International Financial Reporting Standards* |
| ***ICS*** | *Institute of Certified Secretaries* |
| ***LVSWWDA*** | *Lake Victoria South Water Works Development Agency* |
| ***NT*** | *National Treasury* |
| ***PFMA*** | *Public Finance Management Act.* |
| ***WASREB*** | *Water Services Regulatory Board* |
| ***KWASCO*** | *Kisii Water and Sanitation PLC* |
| ***NYAWASCO*** | *Nyamira Water and Sanitation PLC* |

## B. Definition of Key Terms

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

**Comparative Year-** Means the prior period.

## 2. KEY ENTITY INFORMATION

**Background information**

The Gusii Water and Sanitation Company Ltd was established as limited liability Company under Companies Act Cap 486 laws of Kenya on 12th June 2006 and commenced business on 1st August 2006. Following the Water Act 2016, the Company falls under the devolved structure of Government enshrined in the New Constitution of Kenya, 2010 and is wholly owned by the County Governments of Kisii and Nyamira by 68% and 32% shares respectively. At County level, the Company is represented by the County Executive Committee Members responsible for Environment, Water and Sanitation, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Ministry of Water & Irrigation is responsible for policy formulation to create an enabling environment for efficient operation and growth of the sector.

The Gusii Water and Sanitation Company Ltd is domiciled in Kenya and is licensed by Water Services Regulatory Board (WASREB) in line with Water Act 2016 to provide water and sanitation services in larger Gusii (Kisii and Nyamira) with an approximate area of 1,974 km2. The service area of jurisdiction includes 7 No. schemes in Kisii County namely Kegati, Nyakomisaro, Gesusu, Ogembo, Keumbu, Tabaka and Birongo and 1No. Wastewater Treatment Plant at Suneka. It further includes 4 Number schemes in Nyamira County namely; Nyamira, Keroka (Nyangori), Nyansiongo, and Ikonge. According to the 2019 Kenya Population and Housing Census the population for Kisii county was 1,266,860. The population density is 958 people per $Km^2$ with an annual growth rate of 2.75% while population for Nyamira County was 605,576 with a population density of 675 people per $Km^2$ and an annual growth rate of 2.4%, resulting to a combined population total of 1,872,436.

**Principal Activities**

Under Section 78 (1) of the Water Act 2016, the responsibilities and mandate of Gusii Water and Sanitation Company Ltd as a water service provider include:

a) Provision of water services within the area specified in the license

b) Development of County assets for water service provision.

In accordance with the Memorandum and Articles of Association, among the objects for which the company is established are:

a) To carry on the business of a Water Services Provider, as defined by the Water Act 2016
b) To manage and conserve the sources and supply of water in the area of the county governments and in particular, to conserve, redistribute and augment those water resources as consented to by the licensee.

c) To provide and distribute a constant supply of potable water for commercial, industrial and domestic purposes within the area of the county governments.

d) To be responsible for the provision, control and maintenance of sewerage and drainage for commercial, industrial and domestic purposes within the area of the county governments.

e) To maintain and rehabilitate existing water and sewerage infrastructure and facilities, as well as develop infrastructure or facilities for furthering the objects of the company.

f) To acquire for its own use water pumps, engines, tanks, pipes and any other equipment and chemicals that may be deemed necessary for and connected to the carrying out of the said business of the company.

g) To be responsible for the treatment and disposal of sewage within the area of the county governments by such times and locations as the company may deem appropriate.

The Company developed its strategic plan for the period 2023-2028 designed to tap into the potential that exists within its six schemes in Kisii County and four in Nyamira County to address issues of water and sanitation. The main objectives in the (2023-2028) Strategic blueprint was the realization of the following 4 Strategic Priorities that formed the core focus:

a) Enhanced Coverage
b) Institutional Capacity Strengthening
c) Financial Sustainability
d) Corporate Culture Change and Brand Improvement

**Vision**

A sustainable and accessible safe water and sanitation service provider.

**Mission**

To innovatively provide safe water and sanitation services to meet the expectations of our stakeholders.

**Core Values**

- **Integrity**: Commitment to demonstrate honesty, transparency and respect in delivering services to customers under all circumstances.
- **Professionalism**: Commitment to execute our duties with excellence and in line with sector standards
- **Teamwork**: Commitment to work as a team and collaborate to synergize our strengths in the fulfilment of our duties
- **Innovation**: Commitment to embrace new but appropriate ideas to improve our systems, processes and procedures in delivering services to our customers
- **Customer Focus**: Always thinking first of the customer's needs and expectations

- **Equity**: To embrace the principles of fairness and justice in the treatment of customers.
- **Gender Responsiveness**: Always addressing the different needs and priorities of all persons regardless of their sex to ensure that all staff are equally valued.

**Directors**

The Directors who served the Company during the year were as follows:

| | | |
|---|---|---|
| 1. Mr. David O. Obure | Chairman | - Appointed on 27th September 2022 |
| 2. Mr. Charles N. Moturi | Director | - Appointed on 27th September 2022 |
| 3. Ms. Jemimah M. Mosegere | Director | - Appointed on 27th September 2022 |
| 4. Mr. Isabella N. Lumumba | Director | - Appointed on 27th September 2022 |
| 5. Mr. Saboke O. Kiboma | Director | - Appointed on 27th September 2022 |
| 6. Mrs. Leah Bwari Ogega | Director | - Appointed on 1st July 2023 |
| 7. Mr. Kennedy Okemwa Abincha | Director | - Appointed on 27th September 2022 |
| 8. Dr. John Matiang'i | Director | - Appointed on 27th September 2022 |
| 9. Jones Omwenga | Director | - Appointed on 1st July 2023 |

**Company Secretary**

The Company has not appointed a Company Secretary. The Managing Director manages the Board's affairs as a Secretary to the Board of Directors.

**Registered Office**
Gusii Water & Sanitation Company Ltd.
P.O. Box 3880 - 40200
Bobaracho Main Office
Kisii-Keroka Highway
Kisii, Kenya

**Corporate Headquarters**
Gusii Water & Sanitation Co. Ltd.
Bobaracho Main Office
Kisii-Keroka Highway
Kisii, Kenya

**Corporate Contacts**
Telephone: (+254) 798754178
Email: info@gwasco.co.ke
Website: www.gwasco.co.ke

**Corporate Bankers**
Kenya Commercial Bank Limited
Co-operative Bank of Kenya Limited
Family Bank Limited

**Independent Auditors**
Auditor-General
The Office of the Auditor-General
Anniversary Towers, University Way
P.O. Box 30084GPO 00100
Nairobi, Kenya

**Principal Legal Advisers**
Nchogu, Omwanza & Company Advocates
Commissioner for Oaths and Notary Public
P.O.Box 4045-00200
Tel. 0732312183
Nairobi, Kenya

## 3. THE BOARD OF DIRECTORS

| Ref | Directors | Details |
|---|---|---|
| 1. |  David Ogega Obure | Mr. David O. Obure (62 years) joined the Board of Directors of the company on 29th June 2021, he is the Chairman of the Board. He holds a Bachelor of Commerce and Masters in Personnel Management. He represents Professional Associations in the Board. |
| 2. |  Charles N. Moturi | Mr. Charles Nemwel Moturi (67 years) joined the Board of the company on 29th June 2021 and was appointed the chairman Technical Board Committee. He holds BBA of purchasing and supplies. He represents Chamber of Commerce. |
| 3. |  Lucy Wachira | Lucy Wachira is the Managing Director. She holds MBA in Strategic Management, Bachelor in Business Administration and a Diploma in Business Administration |
| 4. |  Saboke O Kiboma | Mr. Saboke Obadiah Kiboma (69 years) joined the Board of Gwasco on 29th June 2023 and was appointed the Chairman Finance, HR and Admin. Committee. He holds Bachelor of Education. He represents Water Users Association in the Board. |
| 5. |  Isabella M Lumumba | M/S Isabella Lumumba (57 years joined the Board of GWASCO on 29th June 2021 she holds BA of Education & Masters in Project Management. She represents community Based Organizations/Non-Governmental Organizations in the Board. |
| 6. |  Jemimah Moraa | M/S Jemima Moraa Mosegere (50 Years) joined the board of the company on 29th June 2021. She is the Chair Audit Board Committee. She holds a Bachelor of Arts and Masters. She represents Institution and Gender in the Board. |
| 7. | Jones Omwenga | Jones Omwenga is the ECM Finance, ICT and Economic Planning in Nyamira County Government. He represents County Government of Nyamira |

| | | |
|---|---|---|
| 8. | <br>John Matiang'i | Mr. John Matiang'i is the CECM for Environment Water Energy Mining and Natural Resources, Nyamira County. Prior to his appointment as CECM, he worked as a deputy director of education in the Ministry of Education, as a Trustee at the Public Service Superannuation Scheme (PSSS) in the National Treasury and Planning, National Treasurer and Branch Executive Secretary at Kenya National Union of Teachers. |
| 9. | <br>Mrs. Leah Bwari Ogega | Mrs. Leah Bwari Ogega is the CECM for Water, Environment, Natural Resources and Climate Change, Kisii County. |
| 10. | <br>Mr. Kennedy Okemwa Abincha | Mr. Kennedy Okemwa Abincha is the ECM Finance and Economic Planning in Kisii County Government. |

## 4. KEY MANAGEMENT TEAM

| Managers | Details |
|---|---|
|  **Lucy Wahito** | Managing Director<br>MBA – Strategic Management, Bachelor in Business Administration, Diploma in Business Administration |
|  **Eng. Dominic Ayora** | Technical Manager<br>BSC Civil Engineering, P.E |
|  **Stephen Bosire Rosana** | Human Resource Manager<br>Bachelor Degree in Planning and Management, Higher Diploma in Human Resource Management, Degree in Human Resources, Masters ongoing |
|  **Wilfred Marita Onsomu** | Acting Commercial Manager<br>MBA, PSCM, BBA & Mgt, DSM, MKISM |
|  **Paul Nyasing'a Maragia** | Internal Auditor<br>BCOM (Accounting Option) CPA (K |
|  **CPA Jared Atemba Rasugu** | Finance Manager<br>B.COM CPA (K) |
|  **Wilfred Marita Onsomu** | Procurement Manager<br>MBA, PSCM, BBA & Mgt, DSM, MKISM |

## 5. CHAIRMAN'S STATEMENT

It is my honour to present the Chairman's Statement for the financial year ended 30 June 2025. This reporting period has been both challenging and transformative for Gusii Water and Sanitation Company Limited (GWASCO), as we navigated through major structural changes while remaining steadfast in our mandate to deliver safe, reliable, and sustainable water and sanitation services to the people of Kisii and Nyamira Counties.

The year under review marked the final operational year of GWASCO, as preparations were concluded for the transition into two new entities - Kisii Water and Sanitation PLC (KWASCO) and Nyamira Water and Sanitation PLC (NYAWASCO) - effective 1 July 2025. This institutional restructuring represents a significant milestone in the decentralization and strengthening of service delivery. It will enable greater operational efficiency, closer customer engagement, and improved accountability at the county level.

Despite the uncertainties surrounding the transition, the Company continued to demonstrate resilience in its operations. We recorded steady improvements in revenue mobilization, prudent financial management, and enhanced governance practices. Our staff remained committed to their duties, ensuring uninterrupted service to customers even in the face of restructuring anxieties.

During the year, the Board provided strategic oversight on critical matters including budget execution, tariff setting initiative, non-revenue water management, and corporate governance. While operational and financial challenges persisted, particularly in cost escalation and legacy receivables the progress achieved demonstrates our collective resolve to strengthen the foundations of sustainable service provision.

Looking ahead, we are confident that KWASCO and NYAWASCO will build on GWASCO's legacy, leveraging lessons learned over the past years to enhance water and sanitation services in their respective jurisdictions. The success of this transition will depend on continued stakeholder support, efficient governance structures, and the unwavering commitment of staff and management.

On behalf of the Board, I extend my gratitude to the management team, employees, customers, County Governments of Kisii and Nyamira, national agencies, and all partners who have walked with GWASCO during this journey. Your contributions have been instrumental in positioning the new companies for a stronger future.

As we close this chapter and usher in a new one, I am confident that the twin entities will serve our communities with renewed focus, efficiency, and accountability.

**Signed,**

**Mr. David Obure**
**Chairman, Board of Directors**
**14th October 2025**

## 6. REPORT OF THE MANAGING DIRECTOR

It is my pleasure to present this comprehensive report on the performance of Gusii Water and Sanitation Company Ltd (GWASCO) for the financial year ended 30 June 2025.
This period marked a defining phase in our institutional journey — a year characterized by strategic transition, governance realignment, and operational consolidation as we prepared to separate into two autonomous entities: Kisii Water and Sanitation Company PLC (KWASCO) and Nyamira Water and Sanitation Company PLC (NYAWASCO).
Effective 1 July 2025, GWASCO ceased operations as a joint utility. The groundwork laid over the past year empowers the new companies to deliver localized, customer-focused, and efficient water and sanitation services to the people of Kisii and Nyamira counties.

**Institutional Transition and Governance**
The transition was guided by national water sector reforms to align service provision with the devolved governance framework under the Constitution of Kenya, 2010. This complex process was implemented in collaboration with the County Governments of Kisii and Nyamira, the Lake Victoria South Water Works Development Agency (LVSWWDA), and other stakeholders.

**Key milestones achieved included:**

- Development of a framework to apportion assets and liabilities (68% to KWASCO, 32% to NYAWASCO).
- Human resource transition planning, including staff option forms and redeployment strategies.
- Separation of operational budgets, FMIS platforms, and customer management systems.
- Public and stakeholder sensitization forums to prepare customers and staff for the change.

Throughout this process, GWASCO maintained uninterrupted service delivery, a testament to the resilience and dedication of our teams.

**Operational Performance**
Despite the challenges of transition, GWASCO remained focused on delivering safe, reliable, and affordable water and sanitation services.

**Key Performance Indicators (KPIs)**

- Customer Accounts: Increased to 22,000+ active connections (4% growth).
- Water Coverage: Improved from 47% to 49%, supported by network extensions.
- Metering Ratio: Maintained at 98%, ensuring accurate billing.
- Non-Revenue Water (NRW): Reduced slightly from 56% to 55%, aided by leak detection and enforcement.
- Revenue Collection Efficiency: Averaged 87%, driven by improved billing and customer engagement.
- Customer Complaints Resolution: 92% of complaints addressed within service standards.
- Service Hours: Expanded across Kisii and Nyamira following system upgrades.

**Operational Efficiency**
The rollout of ERP modules in billing, finance, and HR improved data integrity and streamlined decision-making. Staff training in ICT and customer service further enhanced operational performance.

**Water Fund Projects**
GWASCO implemented infrastructure projects financed by the **Water Sector Trust Fund (WSTF)** under the **UPC 8th Call**, with co-financing from the Company.

| Project Name | Location | Project No. | Total Budget (Kshs.) | WSTF Contribution (84%) | WSP Contribution – VAT (16%) | Completion Status |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Kiogoro Water Project | Kisii County | 08W/KISII/GUSII/45 | 19,309,722.60 | 16,220,166.98 | 3,089,555.62 | 69% complete |
| Kebirigo Public Sanitation Block | Nyamira County | 08S/NYAMIRA/GUSII/44 | 6,199,218.90 | 5,207,343.88 | 991,875.02 | 72% complete |
| **Total** | | | **25,508,941.50** | **21,427,510.86** | **4,081,430.64** | |

Both financing agreements were signed on 6 April 2022, with GWASCO contributing 16% VAT and WSTF providing 84% grant funding.

**Financial Performance**
During the year ended 30 June 2025, Gusii Water and Sanitation Company Limited (GWASCO) recorded total revenue of Kshs 268.86 million compared to Kshs 256.99 million in the previous year, representing a 5% growth. This was primarily driven by increased operating revenue from water sales and related charges. However, grants income significantly reduced from Kshs 20.10 million in 2023/2024 to Kshs 1.68 million in 2024/2025 due to the winding down of donor-funded interventions. Other income rose to Kshs 11.49 million, reflecting higher miscellaneous recoveries and penalties.

Revenue Performance

- Operating Revenue: Increased by 12%, from Kshs 228.32 million to Kshs 255.69 million, attributed to improved billing efficiency and customer growth.
- Grants Income: Declined by 92%, as donor-related disbursements reduced significantly.
- Other Income: Grew by 34%, supported by surcharges, penalties, and miscellaneous receipts.

**Expenditure Performance**
Total expenses decreased by 10%, from Kshs 323.17 million in 2023/2024 to Kshs 291.12 million in 2024/2025, reflecting better cost management measures despite inflationary pressures.

- Staff Costs: Reduced slightly by 4% (Kshs 104.21 million vs Kshs 108.45 million), following natural attrition and rationalization.
- General & Operations Expenses: Dropped by 16%, from Kshs 188.92 million to Kshs 158.62 million, due to stringent expenditure controls.
- Board Expenses: Declined from Kshs 5.93 million to Kshs 5.09 million, reflecting cost containment on governance activities.
- Maintenance Costs: Increased by 8% to Kshs 17.13 million, owing to expanded infrastructure maintenance needs.
- Depreciation: Rose by 29% to Kshs 5.24 million.
- Finance Costs: Increased to Kshs 0.83 million, reflecting new short-term borrowings.

As a result, the Company posted a net operating loss before tax of Kshs 22.27 million compared to a loss of Kshs 66.18 million in 2023/2024. This represents a significant improvement of 66%, mainly due to enhanced revenue collection and cost containment.

Statement of Financial Position

The Company's asset base grew by 34%, from Kshs 204.28 million in 2023/2024 to Kshs 274.47 million in 2024/2025, driven by increases in both non-current and current assets.

- Non-Current Assets: Expanded to Kshs 95.15 million from Kshs 42.79 million, largely due to additions in property, plant, and equipment.
- Current Assets: Increased by 11%, to Kshs 179.32 million, with cash balances rising significantly to Kshs 49.86 million from Kshs 17.60 million, improving liquidity.

On the liabilities side, current obligations rose by 34%, from Kshs 267.37 million to Kshs 276.7 million. This was mainly due to service gratuity under retirement benefit obligations of Kshs. 38,673,333.29, which were recognised during the year, agency accounts of Kshs.19,121,847 payable to LVSWWDA

Consequently, the Company's accumulated deficit (retained earnings) widened to Kshs 85.46 million in 2024/2025 from Kshs 63.19 million in 2023/2024.

**Human Resource and Staff Welfare**

For the year ended 30 June 2025, GWASCO employed 155 staff.

- Staff option forms were issued and redeployment plans finalized for transition.
- Professional development programs focused on ICT, customer service, safety, and financial management.
- Performance appraisals were linked to training and career progression.
- Statutory obligations (NSSF, pensions, PAYE) maintained at 98% compliance.

**Statutory Compliance and Governance**

GWASCO upheld strong governance and compliance standards:

- Timely submission of statutory reports to WASREB, National Treasury, and county departments.
- Adherence to tax laws, pension rules, and procurement guidelines.
- Governance audits aligned to Mwongozo and MWSI principles.
- The Board provided strategic oversight during the transition.

**Risk Management**

Key risks and mitigation strategies included:

- Financial Strain: Depreciation and finance costs offset by phased tariff adjustments and tighter collections.
- High NRW: Leak detection, meter audits, and enforcement on illegal connections.
- Climate Variability: Watershed protection and borehole development prioritized.
- HR Transition: Phased implementation with regular staff engagement forums.

**Future Outlook**

The launch of KWASCO and NYAWASCO on 1 July 2025 marks a new era for water service delivery. The new utilities inherit:

- Modern infrastructure
- Digitized systems
- A skilled and motivated workforce
- Sound governance frameworks

With continued collaboration with counties, regulators, and development partners, they are well-positioned to expand coverage, improve cost recovery, and enhance customer satisfaction.

**Appreciation**

I sincerely thank:

- The Board of Directors – for their leadership and oversight.
- Our staff – for their professionalism and dedication through the transition.
- The County Governments of Kisii and Nyamira – for partnership and support.
- Our development partners – particularly WASREB, LVSWWDA, and WSTF – for financial and technical backing.
- Our customers – for their patience, trust, and loyalty during this transformation.

As GWASCO closes its chapter, we do so with pride in the legacy built and confidence that KWASCO and NYAWASCO will carry this foundation forward in delivering safe, reliable, and sustainable water and sanitation services.

**Signed,**

**Lucy Wachira**
**Managing Director**
**14th October 2025**

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

In compliance with Section 164(2)(f) of the Public Finance Management Act, 2012, Gusii Water and Sanitation Company Ltd (GWASCO) presents this Statement of Performance Against Predetermined Objectives for the financial year ended 30 June 2025.

GWASCO's performance was guided by the Strategic Plan for the period FY 2021/2022 – FY 2025/2026, which is anchored on four core strategic pillars:

1. Enhanced Coverage
2. Institutional Capacity Building
3. Financial Sustainability
4. Corporate Culture and Brand Improvement

Annual work plans, departmental targets, and performance contracts were aligned with these strategic pillars. Quarterly tracking, mid-year reviews, and a consolidated end-year evaluation were carried out to ensure accountability and continuous improvement.

The Company achieved a significant proportion of its performance targets set for the FY **2024/2025** period under the four strategic pillars, as indicated in the performance summary below:

| Strategic Pillar/Theme/Issue | Objective | Key Performance Indicators | Activities | Achievements (2024/2025) |
|---|---|---|---|---|
| 1. Enhanced Coverage | Increase water coverage from 45% to 55% | Expansion of water services to unserved and underserved areas | Finalized feasibility study zones | 48% |
| | | Rehabilitation of aged water infrastructure in high-density areas | Upgraded 4 schemes in Kisii and Nyamira counties | 60% |
| | | Strengthen water catchment collaboration | Joint sensitisation programs with WRMA and County Environment Units | 65% |
| 2. Institutional Capacity Building | Enhance institutional efficiency by 70% | Promote good governance and board compliance | Annual board evaluations, legal compliance checklist updated | 85% |
| | | Upskill workforce and deploy digital systems | Conducted ERP refresher training and inducted new staff on strategic plan | 75% |
| | | Improve internal controls and process efficiency | Implemented internal audit work plan and procurement risk matrix | 80% |

| | | | | |
|---|---|---|---|---|
| | | Strengthen corporate planning and transition management | Developed Transition Strategy for KWASCO and NYAWASCO | 100% |
| 3. Financial Sustainability | Improve revenue and manage costs efficiently | Raise revenue collection from 86% to 95% | Implemented zone-based collection strategy and USSD billing | 93% |
| | | Contain personnel costs within 20% of O&M | Revalidated payroll and conducted HR audit | 21% |
| | | Reduce NRW from 52% to 45% | Deployed pressure management, rapid leak response, and metering | 49% |
| | | Strengthen resource mobilisation | Developed proposals for water kiosk upgrades and sanitation projects | 35% |
| 4. Corporate Culture and Brand Improvement | Enhance customer satisfaction index to 75% | Improve communication and responsiveness | Piloted Customer Service Charter and toll-free line | 60% |
| | | Improve brand visibility and stakeholder relations | Participated in 2025 WASCO Games and county exhibitions | 80% |
| | | Conduct annual customer feedback survey | Survey done via SMS and field forms | |

# 8. CORPORATE GOVERNANCE STATEMENT

## a) Introduction

Gusii Water and Sanitation Company Limited (GWASCO) is committed to the principles of good corporate governance, transparency, and accountability as set out in the Mwongozo Code of Governance for State Corporations, the Water Act, 2016, and the Companies Act, 2015. The Board of Directors provides strategic leadership and oversight to ensure the efficient and sustainable delivery of water and sanitation services to the residents of Kisii and Nyamira Counties.

During the year under review, the Board continued to uphold integrity, stewardship, and stakeholder responsiveness in its oversight of the Company's transition process culminating in the formation of two successor entities - Kisii Water and Sanitation PLC (KWASCO) and Nyamira Water and Sanitation PLC (NYAWASCO) - effective 1 July 2025.

## b) Appointment of Board Members

The appointment of Board Members is guided by the Company's Articles of Association, the Water Act, 2016, and the Mwongozo Code. Board members are nominated by key stakeholder institutions including the County Governments of Kisii and Nyamira, One (1) director nominated to represent a duly registered business and manufacturing community, One (1) director nominated to represent a duly registered professional body, One (1) director from the Company's area of services representing domestic consumers, Two (2) directors nominated to represent duly registered resident organizations including but not limited to youths, women and PLWD.

Appointments are made based on competence, experience, integrity, and gender balance, consistent with Article 27(8) of the Constitution of Kenya on equal gender representation.

The Board comprises professionals from diverse fields including finance, engineering, law, human resource management, and corporate governance. Removal of Directors follows the due process prescribed under the Articles of Association and the Mwongozo Code, ensuring fairness and accountability.

## c) Board Charter

The Company has an approved Board Charter that defines the mandate, responsibilities, and operating procedures of the Board and its Committees.

## d) Roles and Functions of the Board

The primary role of the Board is to provide strategic direction and ensure effective governance of the Company. Key functions include:

- Approving the Company's strategic plan, policies, and budgets.
- Overseeing financial performance and ensuring accountability for resources.
- Approving key capital projects and major investment decisions.
- Ensuring compliance with all statutory, regulatory, and corporate governance requirements.
- Overseeing risk management and internal control systems.
- Appointing and evaluating the performance of the Managing Director and Senior Management.
- Protecting the interests of the shareholder, customers, and employees.

The separation of roles between the **Board Chairperson** and **Managing Director** ensures a clear distinction between policy oversight and day-to-day management.

### e) Induction, Training, and Development

All newly appointed Directors undergo a formal induction program to familiarize them with the Company's operations, governance structure, and regulatory environment.

In the year under review, Directors participated in several capacity-building sessions facilitated by the Water Services Regulatory Board (WASREB) and the Institute of Certified Public Secretaries of Kenya (ICPSK), covering topics such as enterprise risk management, financial oversight, climate governance, and strategic leadership.

Continuous training remains a priority to enhance Board effectiveness in a dynamic governance environment.

### f) Board and Members' Performance

The performance of the Board, its Committees, and individual Directors is evaluated annually in accordance with Mwongozo guidelines.

The 2024/2025 evaluation, conducted through an independent assessor, indicated that the Board performed satisfactorily in strategic oversight, policy formulation, and stakeholder engagement. The assessment identified opportunities for improvement in digital transformation governance and succession planning, which are being addressed in the ensuing year.

### g) Board Meetings and Attendance

During the financial year ended 30 June 2025, the Board of Gusii Water and Sanitation Company Limited (GWASCO) held regular meetings and special meetings to deliberate on key strategic, operational, and governance matters affecting the Company.

The meetings provided an avenue for the Board to review management performance, monitor progress on the Kisii–Nyamira Water Supply and Sanitation Project, approve the 2025/2026 budget, and oversee the transition and asset apportionment process leading to the establishment of Kisii Water and Sanitation PLC (KWASCO) and Nyamira Water and Sanitation PLC (NYAWASCO).

### h) Succession Planning

The Company has developed a **succession plan** covering critical management and technical positions to ensure leadership continuity and minimize disruptions in service delivery. In accordance to WASREB corporate governance guidelines, the Company plans to avoid a situation where all Board members retire at the same time. In order to avoid this situation, two thirds of the Board members other than those from the County Government, shall retire from office by rotation every three years. The retiring members shall be determined on the basis of those who have served longest and, if they have served for the same period of time, then the retirement will be determined by lot.

As part of the restructuring process, GWASCO has implemented a phased handover plan to the successor utilities, KWASCO and NYAWASCO, with clear transition and capacity-building measures for senior and mid-level managers.

### i) Conflict of Interest Policy

The Board enforces a strict Conflict of Interest Policy requiring Directors and Senior Management to declare any personal or professional interests that may conflict with the Company's operations.

Declarations are recorded in the Register of Interests, and conflicted individuals are recused from deliberations and decisions related to the declared matter.

### j) Board Remuneration

Board remuneration is determined in accordance with Corporate governance guidelines issued by the **Water Services Regulatory Board**. Non-Executive Directors are paid sitting allowances for meetings attended and reimbursable travel expenses.

All remuneration is disclosed in the Company's financial statements for transparency and accountability. To provide efficiency and act as an incentive to improve performance at oversight level, the following are the limits for sitting allowances and other expenditures of the board and its committees:

| Annual Turnover | Board Expenditure Limit |
|---|---|
| >5B | 0.4% of turnover or Kshs. 30 million, whichever is Lower |
| >1B-5B | 1.4% of turnover or Kshs. 20 million, whichever is Lower |
| >500M-1B | 2.1% of turnover or Kshs. 14 million, whichever is Lower |
| >250M-500M | 2.8% of turnover or Kshs. 10 million, whichever is Lower |
| >100-250M | 4% of turnover or Kshs. 7 million, whichever is Lower |
| <=100M | 5% of turnover or Kshs. 4 million, whichever is Lower |

*B – Billion (Ksh) *M – Million (Ksh)

### k) Ethics and Conduct

GWASCO upholds the highest standards of integrity and professionalism in line with the Leadership and Integrity Act (2012), the Public Officer Ethics Act (2003), and the Mwongozo Code.

The Company has implemented a Code of Conduct and Ethics and a Whistleblower Policy to promote ethical behavior and enable employees and stakeholders to report malpractices confidentially.

All employees sign an annual declaration of compliance with the Code of Conduct.

### l) Governance Audit

An independent Governance Audit was conducted by WASREB during the year in compliance with Mwongozo and WASREB requirements. The audit reviewed governance structures, leadership effectiveness, accountability, and stakeholder engagement. The results showed that GWASCO achieved an overall compliance score of 82%, with strong performance in transparency and accountability.

Areas identified for improvement include automation of governance processes and strengthening performance reporting at committee level.

### m) Communication Policy

The Company has a Communication and Disclosure Policy that guides both internal and external communications. It ensures that accurate and timely information is disseminated to stakeholders through press releases, community meetings, public notices, and the Company website.

Internal communication is enhanced through departmental circulars, emails, and employee engagement forums.

### n) Board Committees and Terms of Reference

The Board operates through specialized committees that enhance efficiency and accountability. Each committee has approved **Terms of Reference** defining its mandate, authority, and reporting responsibilities.

| Committee | Key Mandate |
|---|---|
| Audit Committee | Oversees financial reporting, risk management, internal control systems, and regulatory compliance. |
| Finance, Human Resource & Administration Committee | Addresses recruitment, performance appraisal, staff welfare, and succession planning. |
| Technical Services Committee | Supervises project implementation, service quality, and asset maintenance. |

Each committee submits periodic reports to the full Board for deliberation and approval.

### o) Related Party Transactions Policy

GWASCO has a Related Party Transactions Policy to ensure that any transactions involving directors, management, or related parties are conducted at arm's length and in the best interest of the Company. All related transactions are disclosed in the financial statements and reviewed by the Audit and Risk Committee to ensure compliance and transparency.

## 9. MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Management Discussion and Analysis (MD&A) provides an integrated review of the operational and financial performance of Gusii Water and Sanitation Company Limited (GWASCO) for the five-year period from FY 2020/21 to FY 2024/25. The analysis highlights the company's key achievements, challenges, investments, risks, and future outlook within the broader context of Kenya's economic and water sector environment.

GWASCO's core mandate is to provide safe, reliable, and affordable water and sanitation services to the residents of Kisii and Nyamira counties. The company's operations are licensed by the Water Services Regulatory Board (WASREB) and guided by the Water Act, 2016.

### i) Financial Performance

**Summary of Statement of Profit or Loss and Other Comprehensive Income**

| Financial Item | 2024/25 | 2023/24 | 2022/23 | 2021/22 | 2020/21 |
|---|---|---|---|---|---|
| Operating Revenue | 255,692,446 | 228,317,433 | 217,775,370 | 190,644,280 | 153,408,600 |
| Grant Income | 1,676,330 | 20,100,701 | 38,246,530 | 91,986,550 | 36,001,200 |
| Other Income | 11,486,600 | 8,571,636 | 13,581,030 | 13,606,320 | 26,163,400 |
| Total Revenue | 268,855,376 | 256,989,769 | 269,602,930 | 296,237,150 | 215,573,200 |
| Total Expenses | 291,083,128 | 323,169,465 | 264,306,680 | 270,082,000 | 206,760,500 |
| **Net Profit/(Loss)** | **(22,227,752)** | **(66,179,696)** | **5,296,250** | **26,155,150** | **8,812,700** |

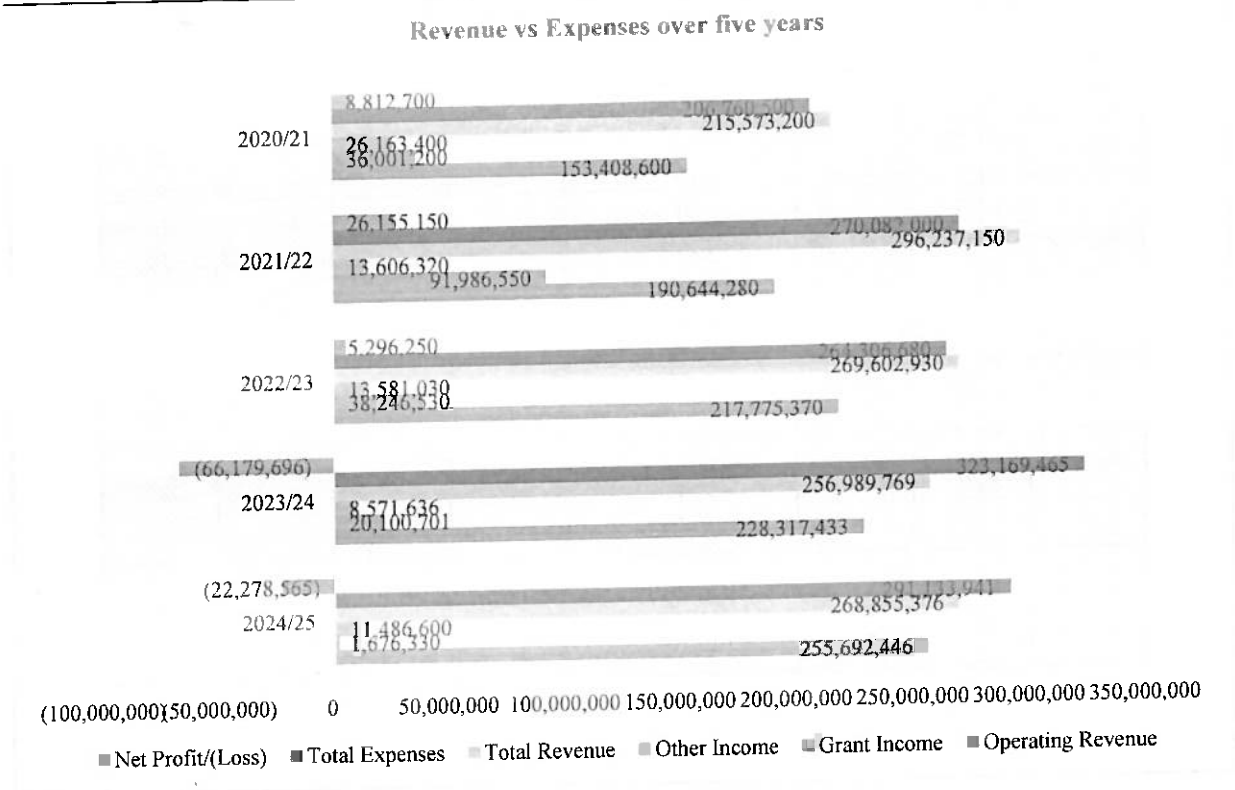
#### a) Performance Analysis

Over the five-year period, operating revenue increased steadily from KES 153.4 million in 2020/21 to KES 255.7 million in 2024/25, representing a compound annual growth rate (CAGR) of approximately 13.5%. The revenue growth reflects continuous expansion of the customer base, improved billing efficiency, and enhanced metering and collection systems.

Grant income, which had peaked at KES 91.9 million in 2021/22, declined sharply to KES 1.7 million in 2024/25, following the near completion of donor-funded infrastructure projects such as the Kisii–Nyamira Water Supply and Sanitation Project (KfW-funded).

Despite revenue growth, the Company recorded a net loss of KES 22.2 million in FY 2024/25, a significant improvement from the KES 66.2 million loss in FY 2023/24, mainly due to strict expenditure control and rationalization of operational costs. Total expenses declined by 10%, from KES 323.2 million in FY 2023/24 to KES 291.1 million in FY 2024/25.

Chart 1: Trend in Total Revenue and Expenses (KES Millions)




### b) Tariff Structure

**Overview**

The Company's revenue is derived primarily from the sale of water and sewerage services, regulated by the Water Services Regulatory Board (WASREB).

The Company applied and operated under the approved tariff structure issued through Gazette Notice No. 4631 of 18th May 2018, covering the tariff period 2017/2018 to 2020/2021.

This tariff framework was designed to promote equity, affordability, and cost recovery while ensuring financial sustainability and accessibility of water services to all customer categories within the Kisii-Nyamira Service Area.

#### 1. Tariff Categories and Approved Rates

| Customer Category | Consumption Block ($m^3$) | Tariff (KSh/$m^3$) | Remarks |
|---|---|---|---|
| Domestic/Residential | 0 – 6 | 75 | Lifeline block promoting affordability |
| | 7 – 20 | 90 | Middle-tier consumption |
| | 21 – 50 | 105 | Average household users |
| | 51 – 100 | 115 | Moderate consumption range |
| | 101 – 300 | 125 | High consumption households |
| | > 300 | 135 | Premium consumption bracket |

| | | | |
|---|---|---|---|
| Multi-Dwelling Units (>10 residential units with one common meter) | Per m³ | 100 | Applicable to apartments, flats, and gated communities |
| Commercial/Industrial | 0 – 50 | 100 | Entry-level consumption |
| | 51 – 100 | 115 | Medium-level consumption |
| | 101 – 300 | 135 | Large-scale commercial/industrial users |
| | > 300 | 135 | Bulk or high-volume consumers |
| Government Institutions | 0 – 50 | 100 | Public offices and agencies |
| | 51 – 100 | 115 | |
| | 101 – 300 | 135 | |
| | > 300 | 135 | |
| Schools, Universities, and Colleges | 0 – 600 | 100 | Learning institutions |
| | 601 – 1200 | 115 | |
| | > 1200 | 135 | |
| Bulk Water Sales | - | 35 | Water kiosks and community resellers |
| Sewerage Services | - | 75% of water bill | Applied where sewer connections exist |

*Note: The above rates reflect the WASREB-approved tariff schedule under Gazette Notice No. 4631 of 18th May 2018.*

**2. Exemptions, Discounts, and Free Services**

- Public standpipes and communal water points in low-income settlements are subsidized or provided at reduced tariffs in line with County Government social support policies.
- No free services were extended to non-qualifying customers during the financial year.

**3. Revenue Impact**

The tariff structure directly influences the Company's revenue yield and financial sustainability. During the financial year, the following factors impacted revenue performance:

- Improved billing accuracy and meter coverage in high-consumption zones.
- Moderate billing adjustments consistent with the approved structure.
- Reduction in Non-Revenue Water (NRW) through network rehabilitation and improved monitoring systems.

**Future Outlook**

A comprehensive tariff review application has subsequently been prepared and submitted to the Water Services Regulatory Board (WASREB) in accordance with the Water Act, 2016 and the WASREB Tariff Guidelines. The final submission of the Company's tariff review proposal was done on 25 September 2025. The tariff review process has been finalized by WASREB, and the Company is now awaiting formal issuance and gazettement of the new tariff.

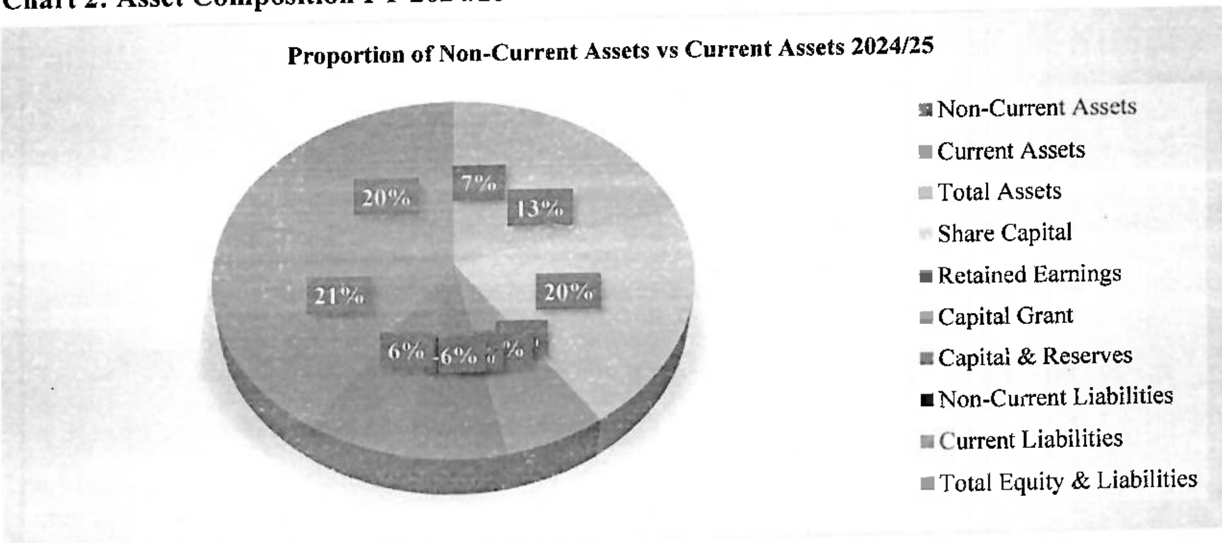
### ii) Financial Position

**Summary Statement of Financial Position**

| Item | 2024/25 | 2023/24 | 2022/23 | 2021/22 | 2020/21 |
|---|---|---|---|---|---|
| Non-Current Assets | 96,822,895 | 42,785,229 | 43,227,140 | 44,704,860 | 44,872,300 |
| Current Assets | 177,684,721 | 161,498,748 | 175,058,250 | 235,164,190 | 155,303,000 |
| **Total Assets** | **274,507,616** | **204,283,976** | **218,285,390** | **279,869,050** | **200,175,300** |
| Share Capital | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Retained Earnings | (85,414,798) | (63,187,046) | 2,521,700 | (2,774,550) | (28,929,700) |
| Capital Grant | 0 | 0 | 67,053,200 | 67,053,200 | 67,053,200 |
| **Capital & Reserves** | **(85,314,798)** | **(63,087,046)** | **69,674,900** | **64,378,650** | **38,223,500** |
| Non-Current Liabilities | 83,084,922 | 67,053,200 | - | - | - |
| Current Liabilities | 276,737,492 | 200,317,822 | 148,610,490 | 215,490,400 | 161,951,800 |
| **Total Equity & Liabilities** | **274,507,616** | **204,283,976** | **218,285,390** | **279,869,050** | **200,175,300** |

Total assets grew by 34% from KES 204.3 million in FY 2023/24 to KES 274.5 million in FY 2024/25. Non-current assets more than doubled, reflecting continued investment in water production and distribution systems.
However, negative retained earnings reflect accumulated losses, primarily attributable to high energy costs, depreciation, and maintenance of aging infrastructure. Current liabilities increased to KES 276.7 million, mainly due to short-term obligations relating to accrued operational expenses and pending supplier payments.
The Company is implementing a Legacy Receivables Recovery Plan and cost containment measures to improve liquidity and working capital management.

**Chart 2: Asset Composition FY 2024/25**




### iii) Operational Performance

During the period, GWASCO supplied an average of 13 million liters of water daily across its service area, covering major urban centers including Kisii Town, Nyamira, Keroka, and surrounding market centers. Key operational highlights include:

- Customer Connections: Increased to 23,000 connections.
- Automation: Expanded digital billing and M-Pesa payments, reducing collection turnaround time.
- Sanitation Services: Constructed new ablution blocks and desludging points under partnership with WSTF.

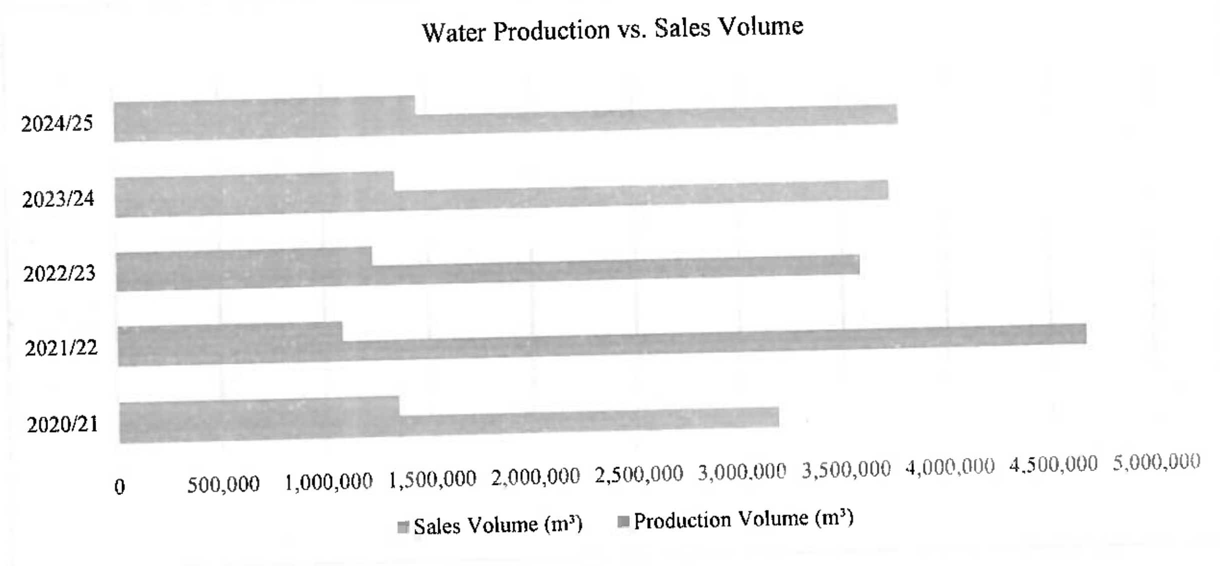
The Company maintained full compliance with WASREB performance indicators on service quality, customer complaints handling, and reporting timelines.

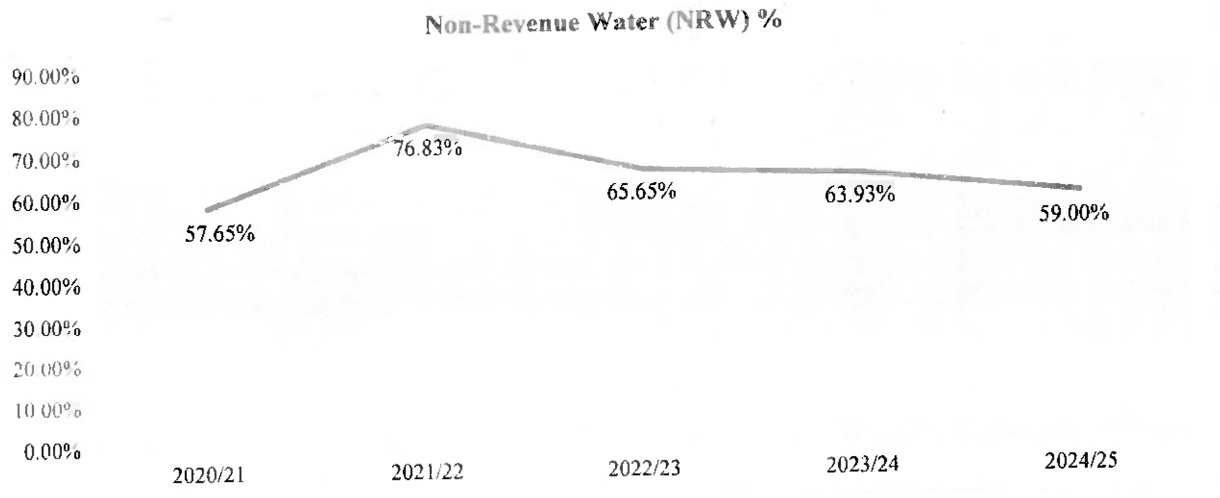
Further, GWASCO demonstrated commendable service continuity and operational improvements over the past five years, despite facing fiscal and structural challenges. Key operational indicators are summarized below:

**Table 1: Operational Performance Summary**

| Indicator | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|---|
| **Non-Revenue Water (NRW) %** | 57.65% | 76.83% | 65.65% | 63.93% | **59.00%** |
| Production Volume ($m^3$) | 3,183,301 | 4,670,000 | 3,583,935 | 3,728,152 | 3,780,755 |
| Sales Volume ($m^3$) | 1,348,000 | 1,082,000 | 1,231,000 | 1,344,595 | 1,451,822 |
| Active Connections | 16,530 | 16,790 | 18,930 | 19,079 | 20,956 |
| Water Quality Compliance | 96.1% | 96.1% | 96.1% | 96.1% | 100% |
| Staff Productivity (staff/1,000 connections) | 8.0 | 10.0 | 9.0 | 7.0 | 6.0 |

NRW reduction and staff productivity showed consistent improvement, reflecting better leak detection, metering, and performance monitoring.






## vi. Financial Performance and Ratio Analysis

**Overview**

For the financial year ended 30 June 2025, Gusii Water and Sanitation Company Limited (GWASCO) recorded a net loss of Kshs. 22,227,752, compared to a loss of Kshs. 66,179,696 in the previous year. The improved performance was primarily driven by effective cost containment measures and stabilization of operational efficiency.

Although the Company remained in a loss position, the reduction in deficit reflects Management's commitment to financial prudence, improved billing and collection systems, and better management of donor-funded assets.

**Summary of Key Financial Results**

| Item | 2024/2025 (KShs) | 2023/2024 (KShs) | Variance (KShs) | % Change |
|---|---|---|---|---|
| Operating Revenue | 255,692,446 | 228,317,433 | +27,375,013 | +12.0% |
| Grants Income | 1,676,330 | 20,100,701 | (18,424,371) | -91.7% |
| Other Income | 11,486,600 | 8,571,636 | +2,914,964 | +34.0% |
| **Total Revenue** | **268,855,376** | **256,989,769** | **+11,865,607** | **+4.6%** |
| Staff Costs | 104,212,898 | 108,454,746 | (4,241,848) | -3.9% |
| General & Operations Expenses | 158,582,226 | 188,915,410 | (30,333,184) | -16.1% |
| Board Expenses | 5,089,200 | 5,931,653 | (842,453) | -14.2% |
| Maintenance Expenses | 17,128,558 | 15,819,552 | +1,309,006 | +8.3% |
| Depreciation & mortization | 5,237,784 | 4,048,105 | +1,189,679 | +29.4% |
| Finance Costs | 832,463 | - | +832,463 | - |
| **Total Expenses** | **291,083,128** | **323,169,465** | **(32,086,337)** | **-9.9%** |
| **Profit/(Loss) Before Tax** | **(22,227,752)** | **(66,179,696)** | **+43,951,944** | **+66.4%** |
| **Total Assets** | **274,507,616** | **204,283,976** | **+70,223,640** | **+34.4%** |
| **Total Liabilities** | **359,822,414** | **267,371,022** | **+92,451,392** | **+34.6%** |
| **Net Assets / (Equity)** | **(85,314,798)** | **(63,087,046)** | **(22,227,752)** | **(35.2%)** |

**Liquidity and Working Capital Position**

| Item | 2024/2025 (KShs) | 2023/2024 (KShs) | Change | Comment |
|---|---|---|---|---|
| Current Assets | 177,684,721 | 161,498,748 | +16,185,973 | Increase due to higher cash balances |
| Current Liabilities | 276,737,492 | 200,317,822 | +76,419,670 | Increase in trade and retirement obligations |
| Net Working Capital | (99,052,771) | (38,819,074) | (60,233,697) | Negative working capital indicates liquidity strain |

The Company's current ratio deteriorated from 0.81 in FY 2023/2024 to 0.64 in FY 2024/2025, indicating tighter liquidity conditions. The negative working capital position results mainly from accumulated payables and retirement benefit obligations.

**Key Financial Ratios**

The Company's financial performance for the year ended 30 June 2025 reflects improved operational efficiency despite persistent liquidity constraints. Key financial ratios and indicators are summarized below:

| Ratio | Formula | 2024/2025 | 2023/2024 | Interpretation |
|---|---|---|---|---|
| Current Ratio | Current Assets ÷ Current Liabilities | 0.64 | 0.92 | Below the ideal benchmark of 1, indicating short-term liquidity pressure and reliance on creditor financing. |
| Quick Ratio | (Current Assets - Inventories) ÷ Current Liabilities | 0.64 | 0.78 | Low quick ratio signals constrained immediate liquidity, though inventory levels remain modest. |
| Operating Margin | (Total Revenue - Operating Expenses) ÷ Total Revenue | (8.27%) | (39.35%) | Operating deficit narrowed substantially due to improved cost control and revenue growth. |
| Net Profit Margin | Net Profit ÷ Total Revenue | (8.27%) | (39.35%) | Loss after tax reduced significantly, demonstrating progress toward financial recovery. |
| Return on Assets (ROA) | Net Profit ÷ Total Assets | (8.10%) | (34.75%) | Efficiency in asset utilisation improved |
| Asset Turnover Ratio | Revenue ÷ Total Assets | 0.98 | 0.88 | Stable turnover despite asset base expansion, showing better operational leverage. |
| Staff Cost Ratio | Staff Costs ÷ Total Revenue | 39% | 42% | Improved efficiency in personnel expenditure management. |
| Collection Efficiency | Actual Collections ÷ Billed Revenue | 95% | 93% | Collection rate improved, reflecting stronger credit control and customer engagement. |
| Non-Revenue Water (NRW) | (Water Produced - Water Billed) ÷ Water Produced | 59% | 64% | Continued reduction in system losses through network rehabilitation and metering interventions. |

During FY 2024/2025, GWASCO recorded a notable turnaround in operational performance, with the operating deficit reducing from 39% to 8% of total revenue. This improvement was supported by enhanced billing and collection efficiency and prudent cost management.
However, the current ratio of 0.64 and negative working capital of Kshs 99.1 million indicate persistent liquidity challenges. The management continues to prioritize measures such as legacy receivable recovery, tariff rationalization, and expenditure optimization to restore sustainable cash flows.
Overall, the Company's performance trajectory is positive, showing progress toward financial stability despite short-term constraints.

**Solvency**
The company's negative equity reflects historical losses and unrecouped operating deficits, but the deferred income balance of Kshs. 83 million provides long-term service potential for sustainability.

**Non-Current Asset Movement and Capital Grants**
Property, plant and equipment increased from Kshs. 41.5 million to Kshs. 96.2 million, mainly due to capitalization of completed projects under WSTF. The corresponding Capital Grants of Kshs. 67,053,200 were reclassified to Deferred Income, which will be amortized over the useful life of 40 years to match the related depreciation charges.

**v) Review of the Economy and the Sector**

**Review of the Economy**
Kenya's economy continued to exhibit resilience in the financial year 2024/2025 despite global economic headwinds. The economy grew by an estimated 5.6% in 2024, up from 5.3% in 2023, supported by the recovery of agriculture, stable macroeconomic policies, and increased infrastructure investment. Inflation averaged 6.4%, largely driven by elevated fuel and food prices, while the Kenya Shilling stabilized at around KES 147 per US dollar due to improved foreign exchange inflows from remittances and tourism.
Public investment in infrastructure, particularly in water, housing, energy, and roads, remained a key driver of economic activity. However, fiscal pressures persisted due to high public debt servicing costs, affecting disbursements to state-owned enterprises and county governments.
At the county level, Kisii and Nyamira counties experienced steady urban expansion and increased demand for water and sanitation services. Economic activities in the region — particularly in agriculture, trade, and small-scale manufacturing — continued to grow, placing additional pressure on existing water infrastructure and necessitating expanded service coverage and efficiency in utility operations.
The Government's focus on the Bottom-Up Economic Transformation Agenda (BETA) also placed renewed emphasis on water as a driver of agricultural productivity, public health, and industrial development. GWASCO aligned its operations with this agenda through improved access to clean water, expansion of sanitation facilities, and strengthening of institutional efficiency.

**Review of the Water and Sanitation Sector**
The water and sanitation sector in Kenya continued to evolve under the policy direction of the Water Act, 2016, which emphasizes service delivery through licensed Water Service Providers (WSPs) under the oversight of the Water Services Regulatory Board (WASREB). The national target remains universal access to safe and affordable water and sanitation by 2030, consistent with Sustainable Development Goal (SDG) 6.
During the year under review, the sector recorded notable progress, including:

- Strengthening of regulatory oversight through the annual IMPACT Report by WASREB, promoting performance benchmarking and accountability among WSPs.
- Increased adoption of digital billing, automated meter reading, and mobile payment systems to improve revenue collection and customer experience.

However, the sector continued to face several challenges:

- Climate variability resulting in water source depletion, flooding, and pollution of surface water bodies.
- High energy costs affecting operational sustainability of water utilities.
- Inadequate cost-reflective tariffs, limiting the ability of WSPs to reinvest in infrastructure and meet maintenance obligations.
- High Non-Revenue Water (NRW), averaging above 45% nationally, mainly due to aging networks, illegal connections, and meter inaccuracies.

GWASCO operated within this broader sector context and continued to align its strategies with both national and county-level water and sanitation priorities. The company strengthened its collaboration with the Lake Victoria South Water Works Development Agency (LVSWWDA) and county governments to enhance infrastructure delivery and ensure efficient utilization of donor resources.

**Sectoral Outlook**

Looking ahead, the water sector is expected to benefit from continued investments in:

- Water storage and resilience projects to mitigate climate change effects.
- Solar energy integration to reduce operational costs.
- Public–private partnerships (PPPs) for wastewater treatment and water reuse initiatives.
- Digitization and automation of customer service and asset management.

GWASCO intends to position itself strategically to take advantage of these opportunities by expanding service coverage, enhancing financial sustainability, and deepening its commitment to environmental and social responsibility.

**v) Statutory Compliance**

The Company remained compliant with key statutory obligations including:

- Timely submission of audited financial statements to WASREB and the County Governments.
- Compliance with the Public Finance Management Act, 2012 and Public Procurement and Asset Disposal Act, 2015.
- Full compliance with NSSF, SHA, and PAYE remittances.

No material statutory arrears were outstanding as of 30 June 2025.

**vi) Key Risks and Mitigation Measures**

| Risk Category | Description | Mitigation Measures |
|---|---|---|
| Climate Change | Reduced raw water availability during dry seasons | Water source protection, rainwater harvesting, and exploration of alternative sources |
| Energy Costs | High electricity bills affecting cost of production | Solarization and energy-efficient pumps |
| Non-Revenue Water | Leakages, illegal connections | Network audits and customer metering |
| Financial Sustainability | Slow debt collection and tariff inadequacy | Legacy debt recovery strategy and tariff review |
| Governance & Compliance | Regulatory non-compliance risks | Internal controls, periodic audits, and compliance training |

### vii) Future Outlook

Effective 1st July 2025, GWASCO operations will be fully succeeded by:

- Kisii Water and Sanitation Company (KWASCO)
- Nyamira Water and Sanitation Company (NYAWASCO)

Both are poised to perform better based on:

- Expanded infrastructure via KfW-funded project
- Modern ICT and ERP platforms
- Stronger governance under the PLC model
- Enhanced customer service strategies

GWASCO leaves a legacy of strengthened systems, staff capacity, and service reach, ready for the future.

Management remains confident that with continued stakeholder support and prudent financial management, the Company will achieve sustainable profitability and deliver quality services to the citizens of Kisii and Nyamira counties.

# 10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

**Introduction**

Gusii Water and Sanitation Company Limited (GWASCO) is mandated to provide safe, reliable, and sustainable water and sanitation services to the residents of Kisii and Nyamira counties in line with the Water Act, 2016 and the national development agenda. Our sustainability strategy is anchored on ensuring continuous, affordable, and environmentally responsible service delivery to current and future generations.

Sustainability to GWASCO means maintaining and expanding water and sanitation services while safeguarding environmental resources, empowering communities, ensuring financial viability, and fostering strong stakeholder partnerships. The Company aligns its operations with the Kenya Vision 2030, the Sustainable Development Goals (SDGs) - particularly SDG 6 (Clean Water and Sanitation), SDG 13 (Climate Action), and SDG 12 (Responsible Consumption and Production) - and the National Water Master Plan 2030.

**i) Sustainability Strategy and Profile**

The global and national sustainability landscape continues to be shaped by climate change, economic instability, population growth, and urbanization, all of which impact the availability and management of water resources. GWASCO has therefore prioritized climate resilience, efficient resource utilization, and community-centered service delivery as key sustainability drivers.

During the year under review, the Company continued to operationalize its Sustainability and Environmental Management Policy (2023), which guides strategic planning, operational practices, and stakeholder engagement. Key initiatives included:

- Strengthening water loss control and non-revenue water (NRW) reduction programs.
- Expanding access to improved sanitation in partnership with county governments and development partners.
- Promoting automation and digitization to enhance efficiency and minimize environmental footprint.
- Supporting youth and women enterprises through inclusive procurement opportunities.

Approximately 31% of procurement contracts were awarded to AGPO-certified groups (Women, Youth, and Persons with Disabilities), consistent with the Public Procurement and Asset Disposal Act, 2015.

Challenges included intermittent water supply during drought periods and increasing cost of electricity for pumping. Mitigation measures implemented include transitioning to solar-powered pumping systems in Ikonge and Keroka funded through USAID, intensified water source protection, and adoption of energy-efficient equipment.

The Company's Service Delivery Charter continued to guide service standards, citizen engagement, and accountability in line with its commitment to responsible service provision.

**ii) Environmental Performance**

GWASCO operates under a formal Environmental Policy aimed at minimizing negative environmental impacts, conserving biodiversity, and promoting sustainable resource use. The Company is compliant with the Environmental Management and Coordination Act (EMCA, 1999) and collaborates closely with NEMA and other regulators.

Key environmental performance milestones for FY 2024/2025 included:

- Waste Management: Introduction of waste segregation bins in company offices and depots to enhance recycling and responsible disposal.
- Green Practices: Transition to paperless operations through electronic billing, e-receipts, and digital correspondence.
- Reduced Plastic Use: Elimination of single-use plastic bottles during official functions and substitution with refillable containers.
- Vehicle Maintenance: Regular servicing of company vehicles to minimize fuel consumption and $CO_2$ emissions.
- Climate Action: Implementation of climate-smart initiatives such as rainwater harvesting at company facilities, and adoption of solar lighting systems at the Head Office and select treatment plants.
- Tree Planting: Over 3,000 indigenous tree seedlings planted around water catchment areas, intakes, and public institutions in partnership with county governments, community groups, and schools.

Challenges included illegal abstraction and pollution of water sources by informal settlements. The Company has initiated community sensitization programs and increased surveillance in collaboration with the County Environment Office.

**iii) Employee Welfare**

GWASCO recognizes that its employees are central to sustainable service delivery. The Human Resource Policy upholds inclusivity, fairness, and equal opportunity in line with the Employment Act, 2007 and the Persons with Disabilities Act, 2003. Recruitment processes observe gender balance and affirmative action principles—current workforce composition stands at 63% male and 37% female, with increasing participation of youth and PWDs.

Employee welfare initiatives during the period included:

- Continuous professional development and technical training in water operations, finance, and customer service.
- Implementation of a Performance Appraisal System (PAS) linked to merit-based recognition and promotion.
- Periodic review of HR policies through stakeholder consultations and benchmarking.
- Enforcement of Occupational Safety and Health Act (OSHA, 2007) provisions—workplace safety audits were conducted and corrective measures implemented.
- Medical cover and counseling support to promote employee well-being.

The Company recorded no major work-related injuries during the reporting period, affirming its strong safety culture.

### iv) Market Place Practices

#### a) Responsible Competition Practice

GWASCO promotes transparency and integrity in all business dealings. The Company enforces a Zero-Tolerance Policy on Corruption and has established an Integrity Reporting Desk and whistleblowing channels. Procurement is fully guided by the Public Procurement and Asset Disposal Act (PPADA, 2015), ensuring fair competition and accountability. Service delivery has been enhanced through automation - customers can now access self-service portals, pay bills cashlessly via M-Pesa, and access real-time updates through the official website and social media platforms.

#### b) Responsible Supply Chain and Supplier Relations

GWASCO maintains strong partnerships with suppliers by adhering to transparent procurement procedures in line with Public Procurement and Assets Disposal Act and the Company's Procurement Policy, prompt contract payments, and equitable treatment. Supplier performance is reviewed regularly to enhance quality and reliability of service delivery

.

#### c) Responsible Marketing and Citizen Engagement

The Company emphasizes truthful and ethical communication with consumers through public barazas, radio talk shows, social media, and the corporate website. Customer information is factual, timely, and respectful of diversity.

#### d) Product Stewardship and Customer Protection

GWASCO is committed to protecting consumer health and rights by ensuring that supplied water meets KEBS and WHO standards. Customer complaints are handled promptly through the Customer Care Unit and Toll-Free Line. Personal data and billing information are safeguarded under the Data Protection Act, 2019.

### v) Corporate Social Responsibility (CSR) and Community Engagement

GWASCO's CSR agenda is guided by its core mandate of enhancing water and sanitation access and contributing to community well-being. Key CSR activities during the year included:

- Water and Sanitation Support: Construction of public sanitation blocks in Nyamaiya Market funded by WSTF and learning institutions initially funded through KFW.
- Tree Planting Campaigns: Conducted during World Water Day and World Environment Day, supporting local schools and community-based organizations.
- Community Education: Hygiene and water conservation campaigns reaching over 5,000 residents across the service area.
- Youth Engagement: Partnership with local technical institutions for industrial attachments and internship programs.
- Public Participation: Active involvement in county planning forums, budget consultations, and project validation meetings to ensure alignment with community priorities.

Through these initiatives, GWASCO continues to build public trust, strengthen stakeholder relations, and promote environmental stewardship within the Gusii region.

## 11. REPORT OF THE DIRECTORS

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

### i) Principal activities

The principal activities of the entity are the provision of water and sewerage services.

### ii) Results

The results of the company for the year ended 30 June 2025 are set out on pages 1-54. Below is a summary of the profit or loss made during the year.

| | 2024-2025<br>Kshs. | 2023-2024<br>Kshs. |
|---|---|---|
| Loss Before Taxation | (22,227,752) | (66,179,696) |
| Income Tax Expense | - | - |
| **Loss for the year** | (22,227,752) | (66,179,696) |

### iii) Dividends

The company has not declared dividends for the year ended 30 June 2025.

### iv) Directors

The members of the Board of Directors who served during the year are shown on page (v) in accordance with Regulation 68 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 to carry out the audit of the Company for the year ended 30 June, 2025, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to audit.

**By Order of the Board**

**Signature:**

Lucy Wahito Wachira
**Managing Director/Secretary to the Board**
**14th October 2025**

## 12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012, The Companies Act 2015 and Section 129 of the Water Act 2016 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. 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 company's assets.
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 ended on 30 June 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, Water Act 2016 and Companies Act 2015.
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of the Company's transactions during the financial year ended 30 June 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements, as well as the adequacy of the systems of internal financial control.
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**
The Company's financial statements were approved by the Board on 14th October 2025 and signed on its behalf by:

| | |
|---|---|
| David Obure | Lucy Wahito Wachira |
| Chairman | Managing Director |
| **14th October 2025** | **14th October 2025** |

# REPUBLIC OF KENYA

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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
*Enhancing Accountability*

**HEADQUARTERS**
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NAIROBI

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

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

**Qualified Opinion**

I have audited the accompanying financial statements of Gusii Water and Sanitation Company Limited set out on pages 1 to 71, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

**Basis for Qualified Opinion**

**1.0. Variances between Statement of Cash Flows and Statement of Comparison of Budget and Actual Amounts**

Receipt and payment amounts reflected in the statement of comparison of budget and actual amounts differ with corresponding amounts shown in the statement of cash flows, resulting in unreconciled variances as summarized below, despite the fact that both financial statements are required to be prepared on cash basis.

| | Statement of Cash Flows (Kshs) | Statement Of Comparison of Budget and Actual Amounts (Kshs.) | Variance (Kshs.) |
|---|---|---|---|
| **Receipts:** | | | |
| Operating Receipts | 271,175,127 | 267,197,046 | 3,978,081 |
| Other Income | 11,486,600 | 0 | 11,486,600 |
| **Payments:** | | | |
| Staff Costs | 54,658,145 | 104,212,898 | (49,554,753) |
| General and Operations Expenses | 134,180,694 | 158,622,554 | (24,441,860) |

Management has admitted that the statement of comparison of budget and actual amounts was prepared on accrual basis, contrary to the requirements of the prescribed template.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

## 2.0. Bank and Cash Balances

The statement of financial position reflected bank and cash balances of Kshs.49,866,743 as disclosed in Note 19 to the financial statements. The following unsatisfactory matters were noted during audit of the balance.

## 2.1. Inadequately Supported Bank Balances

The balances of Kshs.49,866,743 includes a balance of Kshs.707,925 held in a Kenya Commercial Bank account, which differs with the cash book balance of Kshs.583,785, resulting in an unexplained variance of Kshs.124,140.

The balances of Kshs.49,866,743 also includes Kshs.1,699,478 held in a Family Bank account. The bank reconciliation statement reflects net reconciling items amount of Kshs.947,340. However, details of key reconciling items amounting to Kshs.1,061,340 (cleared cheques) and Kshs.114,000 (dishonoured cheques) are not indicated in the reconciling items schedule. These include the transaction date, reference, cheque number, payee/received. Additionally, specific details regarding the dishonoured cheques totalling Kshs.114,000 were also not disclosed. The reasons for dishonouring the same and if they were later replaced or recoveries made were also not provided.

Further, the balances of Kshs.49,866,743 includes balances of Kshs.24,996,396 and Kshs.3,861,143, totalling Kshs.28,857,539 held in two (2) accounts at the Family Bank. However, cash books and bank reconciliation statements in support of the two (2) balances were not provided for audit. Also not supported by a cash book and bank reconciliation statement is a balance of Kshs.13,000,000 held in a fixed deposit account at the Family Bank.

## 2.2. Weaknesses in Recording and Management of Cash Transactions

Review of internal controls over bank and cash balances revealed the following weaknesses:

i. The cash book entries were not complete as they did not include or capture key details like entry date, receipts or payment voucher number/reference, payee or receipt from, cheque number.

ii. There was no evidence that copies of bank reconciliation statements were send to the relevant authorities on timely basis in line with the law.

iii. No system generated cash books and ledgers were provided for audit review.

iv. The Company applied standing imprest system in some cases. However, there was no evidence of approved cash floats being applied.

v. The Company's cash books were manual (excel prepared) hence, were prone to errors, inaccuracies and possible manipulations of amounts and single entry.

In the circumstances, the accuracy and completeness of the bank and cash balances of Kshs.49,358,611, and the effectiveness of internal controls over bank and cash transactions could not be confirmed.

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

**Material Uncertainty Related to Going Concern**

I draw attention to Note 2 to the financial statements which indicates that the Company made a loss of Kshs.22,227,752 during the year under review and its current liabilities of Kshs.276,737,492 as at 30 June 2025 exceeded the current assets of Kshs.177,684,721, resulting in a negative working capital of Kshs.99,052,771. These conditions indicate the existence of a material uncertainty, which may lead to significant doubt on the Company's ability to continue as a going concern.

In the circumstances, the Company is technically insolvent, and the financial statements have been prepared on a going concern basis on the assumption of continued financial support from the County Government and its creditors.

**Emphasis of Matter**

**Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects total revenue budget of Kshs.375,732,571 and actual receipts on comparable basis of Kshs.268,855,376, resulting in underfunding of Kshs.106,877,195 or 28% of the budget.

In addition, the Company incurred capital expenditure of Kshs.2,280,230 against a budget of Kshs.58,099,890, resulting in under expenditure of Kshs.55,819,660 or 96%.

The underfunding and under expenditure affected planned activities and may have negatively impacted supply of water to the residents of Kisii and Nyamira Counties.

My opinion is not modified in respect of this matter.

**Key Audit Matters**

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

**Other matter**

**Unresolved Prior Year Matters**

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

| S/No. | Financial Year | Audit Issue |
|---|---|---|
| 1 | 2023/2024 | Accuracy of Customer Deposits |
| 2 | 2023/2024 | Accuracy of Cash and Cash Equivalents |
| 3 | 2023/2024 | Budgetary Control and Performance |
| 4 | 2023/2024 | Material Uncertainty in Relation to Going Concern |
| 5 | 2023/2024 | Non-Revenue Water |
| 6 | 2023/2024 | Long Outstanding Audit Fees |
| 7 | 2023/2024 | Failure to Comply with Fiscal Responsibility Principals on Wage Bill |
| 8 | 2023/2024 | Long Outstanding Retirement Benefit Obligations |
| 9 | 2023/2024 | Lack of Approved Tariffs |

**Other Information**

The management is responsible for the Other Information set out on page iii to xxxvi which comprises Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statements, 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 Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

### Conclusion

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

### Basis for Conclusion

### 1.0. Use of Expired Tariff

The statement of profit or loss and other comprehensive income reflects other income amount of Kshs.11,486,600 as disclosed in Note 8 to the financial statements. Review of records revealed that the water tariff used in billing was approved through Gazette Notice No. 4631 dated 18th May 2018 for the financial years 2017/2018 to 2020/2021 and was not renewed by the Water Services Regulatory Board (WASREB) as required.

In the circumstance, the legality and regularity of the other income balance of Kshs.11,486,600 collected during the year could not be confirmed.

### 2.0. Long Outstanding Retirement Benefits Obligations

The statement of financial position, and as disclosed in Note 24 to the financial statements reflects retirement benefits obligations balance of Kshs.87,660,393 which had increased by Kshs.49,554,753, or 130%, from the previous year's balance of Kshs.38,105,640. Analysis of the data provided for audit revealed that some of the obligations had accrued from 2016 and management has not outlined significant steps taken to ensure the obligations are cleared. This is contrary to Section 53A of the Retirement Benefits Act, 1997, which states that the proceedings for recovery of deductions from employers (1) where an employer, having with the agreement of an employee who is a member of a scheme, made a deduction from the employee's emoluments for remittance to the scheme, fails to remit the deduction within fifteen days of the deduction, the scheme may, after giving such employer not less than seven days' notice, institute proceedings for the recovery of the deduction.

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

### 3.0. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 25 to the financial statements reflects a balance of Kshs.91,635,626 in respect to trade and other payables. Included in the balance are trade payables amounting to Kshs.82,936,309 which had been outstanding for over one (1) year. Further, review of records revealed that the long outstanding trade payables balance includes accrued audit fees of Kshs.5,809,200 payable to the Office of the Auditor-General. This is contrary to Section 53(8) of the Public Procurement and Asset Disposal Act, 2015, which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract(s) are reflected in approved budget estimates.

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

### 4.0. Non-compliance with the Law on Ethnic Diversity in Staffing

Review of employee records and details in the main payroll revealed that 93% of the staff in the Company were from one community, contrary to the provisions of Section 7 (1) and (2) of the National Cohesion and Integration Act, 2008.

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

### 5.0. Non-compliance with Fiscal Responsibility Principles on Wage Bill

The statement of profit and loss and other comprehensive income, and as disclosed in Note 9 to the financial statements, reflects Kshs.104,212,898 in respect to staff costs. This represents 39% of the total revenue of Kshs.268,855,376, contrary to Section 25(1)(a) and (b) of the Public Finance Management (County Governments) Regulations, 2015, which stipulates that county government's expenditure on wages and benefits for its public officers, shall not exceed thirty-five (35) percent of the county government entity's total revenue.

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

### 6.0. Non-Revenue Water (NRW) Losses

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.255,692,446 as disclosed in Note 6 to the financial statements. Included in this amount is Kshs.160,110,341 in respect of water sales. However, examination of water production data provided for audit revealed that the Company produced 3,780,755 cubic meters ($M^3$) of water out of which, only 1,451,822 cubic meters ($M^3$) were billed to customers, resulting in the balance of 2,328,933 cubic meters (or approximately 62% of the volume produced) representing Non-Revenue Water (NRW) which is 37% above the allowable set benchmark loss of 25% prescribed by the Water Services Regulatory Board Guidelines, 2010.

This NRW may have resulted in loss of sales estimated at Kshs.256,881,310 (at the average rate of Kshs.110.3 per cubic meter) out which, Kshs.152,626,991 which is above allowable benchmark was not acceptable.

The significant-non revenue water is an indication of inefficiency and ineffectiveness in the management of water as a public resource.

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 and based on the audit procedures performed, except for the effects of the matter 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**

**Weaknesses in Accounting System**

Review of the existing accounting system (Quick books) revealed that the system-generated ledgers, trial balances and some other reports were un-reliable and differed with the financial statements balances and their supporting schedules. The system generated reports and records usually underwent some data clean up and editing manually through excel worksheets to come up with the financial statements balances and the supporting schedules.

In the circumstances, the effectiveness and reliability of the accounting system 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.

**Responsibilities of the Management and Board of Directors**

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

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

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

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

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

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

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

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

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

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

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

**Nairobi**

**27 November, 2025**

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

| | Note | 2024-2025 Kshs | 2023-2024 Kshs |
|---|---|---|---|
| **Revenue** | | | |
| Operating Revenue | 6 | 255,692,446 | 228,317,433 |
| Grants Income | 7 | 1,676,330 | 20,100,701 |
| Other Income | 8 | 11,486,600 | 8,571,636 |
| **Total Revenue** | | **268,855,376** | **256,989,769** |
| | | | |
| **Expenses** | | | |
| Staff Costs | 9 | 104,212,898 | 108,454,746 |
| General and Operations expenses | 10 | 158,582,226 | 188,915,410 |
| Board Expenses | 11 | 5,089,200 | 5,931,653 |
| Maintenance Expenses | 12 | 17,128,558 | 15,819,552 |
| Depreciation and Amortization expenses | 13 | 5,237,784 | 4,048,105 |
| Finance costs | 14 | 832,463 | - |
| **Total Expenses** | | **291,083,128** | **323,169,465** |
| **Profit/(Loss) Before Taxation** | | **(22,227,752)** | **(66,179,696)** |
| **Income Tax Expense/(Credit)** | | - | |
| **Profit/(Loss) After Taxation** | | **(22,227,752)** | **(66,179,696)** |
| **Earnings per share – basic and diluted** | | - | - |
| **Dividend per share** | | - | - |
| | | | |
| **Other Comprehensive Income** | | | |
| **Profit/ (Loss) after taxation** | | **(22,227,752)** | **(66,179,696)** |
| Surplus or deficit on revaluation of PPE | | - | |
| Remeasurement of net defined benefit liability | | - | |
| Fair value gain/(loss) on investments in equity instruments designated as at FVTOCI | | | |
| **Total Comprehensive Income For The Year** | | **(22,227,752)** | **(66,179,696)** |

## 15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

| | Note | 2024-2025 Kshs | (Restated) 2023-2024 Kshs | Audited 2023-2024 Kshs |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-Current Assets** | | | | |
| Property, plant and equipment | 15 | 96,196,740 | 41,532,918 | 41,532,918 |
| Intangible assets | 16 | 626,155 | 1,252,311 | 1,252,311 |
| **Total Non-Current Assets** | | **96,822,895** | **42,785,229** | **42,785,229** |
| **Current Assets** | | | | |
| Inventories | 17 | 1,346,110 | 1,491,383 | 1,491,383 |
| Trade and other receivables | 18 | 126,471,867 | 142,411,867 | 142,411,867 |
| Bank and cash balances | 19 | 49,866,743 | 17,595,498 | 17,595,498 |
| **Total Current Assets** | | **177,684,721** | **161,498,748** | **161,498,748** |
| **Total Current and Non-Current Assets** | | **274,507.616** | **204,283,976** | **204,283,976** |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and Reserves** | | | | |
| Ordinary share capital | 20 | 100,000 | 100,000 | 100,000 |
| Capital Grant | 21 | - | - | 67,053,200 |
| Retained earnings | 22 | (85,414,798) | (63,187,046) | (63,187,046) |
| **Capital and Reserves** | | **(85,314,798)** | **(63,087,046)** | **3,966,154** |
| **Non-Current Liabilities** | | | | |
| Deferred tax liability | | - | - | - |
| Deferred Income | 27 | 83,084,922 | 67,053,200 | - |
| Borrowings | | - | - | - |
| **Total Non-Current Liabilities** | | **83,084,922** | **67,053,200** | - |
| **Current Liabilities** | | | | |
| Borrowings | 23 | 2,170,399 | - | - |
| Retirement benefit obligations | 24 | 87,660;393 | 38,105,640 | 38,105,640 |
| Trade and other payables | 25 | 91,635,626 | 96,836,713 | 96,836,713 |
| Cash Overdraft | 25(b) | - | 2,312,982 | 2,312,982 |
| Customer Deposits | 26 | 32,415,791 | 29,715,363 | 29,715,363 |
| Agency Account | 29 | 62,855,284 | 33,347,124 | 33,347,124 |
| **Total Current Liabilities** | | **276,737,492** | **200,317,822** | **200,317,822** |
| **TOTAL EQUITY AND LIABILITIES** | | **274,507,616** | **204,283,976** | **204,283,976** |

The financial statements were approved by the Board on 14th October 2025 and signed on its behalf by:

| | | |
|---|---|---|
| ............................. | ............................. | ............................. |
| **David Obure** | **Lucy Wachira** | **Jared Rasugu** |
| **Chairman of the Board** | **Managing Director** | **Head of Finance** |
| | | **ICPAK M/No: 28053** |

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

| 2025 | Notes | Ordinary share capital | Revaluation Reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/ Development Fund | Total |
|---|---|---|---|---|---|---|---|---|
| | | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| **As at the beginning of the previous year - July 1, 2023** | | 100,000 | - | - | 2,992,551 | - | 67,053,200 | 70,145,750 |
| New capital issued | | - | - | - | - | - | - | - |
| Revaluation gain | | - | - | - | - | - | - | - |
| Transfer of excess depreciation on revaluation | | - | - | - | - | - | - | - |
| Deferred tax on excess depreciation | | - | - | - | - | - | - | - |
| Fair value adjustment on quoted investments | | - | - | - | - | - | - | - |
| Profit for the period | | - | - | - | (66,179,696) | - | - | (66,179,696) |
| Capital/Development grants received during the period | | - | - | - | - | - | - | - |
| Transfer of depreciation/amortisation from capital fund to retained earnings | | - | - | - | - | - | - | - |
| Deferred Income – WSTF Capital Grant (Prior Years Error Correction) | | - | - | - | - | - | (67,053,200) | (67,053,200) |
| Dividends paid – prior years | | - | - | - | - | - | - | - |
| Interim dividends paid – current period | | - | - | - | - | - | - | - |
| **As at the end of the previous year 30 June 2024** | | 100,000 | - | - | (63,187,145) | - | - | (63,087,145) |
| **As at the beginning of the current year, July 1, 2024** | | 100,000 | - | - | (63,187,145) | - | - | (63,087,145) |
| New capital issued | | - | - | - | - | - | - | - |
| Revaluation gain | | - | - | - | - | - | - | - |
| Transfer of excess depreciation on revaluation | | - | - | - | - | - | - | - |
| Deferred tax on excess depreciation | | - | - | - | - | - | - | - |
| Profit for the period | | - | - | - | (22,278,466) | - | - | (22,278,466) |
| Dividends paid – prior years | | - | - | - | - | - | - | - |
| Interim dividends paid – current period | | - | - | - | - | - | - | - |
| Proposed final dividends | | - | - | - | - | - | - | - |
| **As at the end of the current period (30 June 2025)** | | 100,000 | - | - | (85,465,611) | - | - | (85,365,611) |

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025 (RESTATED)

| 2024 | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/ Development Fund | Total |
|---|---|---|---|---|---|---|---|
| **As at the end of the year ended 1 July 2022** | **100,000** | - | - | **(2,774,650)** | - | **67,053,200** | **64,378,550** |
| New capital issued | - | - | - | - | - | - | - |
| Revaluation gain | - | - | - | - | - | - | - |
| Transfer of excess depreciation on revaluation | - | - | - | - | - | - | - |
| Deferred tax on excess depreciation | - | - | - | - | - | - | - |
| Fair value adjustment on quoted investments | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | 5,767,200 | - | - | **5,767,200** |
| Capital/Development grants received during the year | - | - | - | - | - | - | - |
| **As at the end of the year ended 30 June 2023** | **100,000** | - | - | **2,992,551** | - | **67,053,200** | **70,145,750** |
| **As at the end of the year ended 1 July 2023** | **100,000** | - | - | **2,992,551** | - | **67,053,200** | **70,145,750** |
| New capital issued | - | - | - | - | - | - | - |
| Revaluation gain | - | - | - | - | - | - | - |
| Transfer of excess depreciation on revaluation | - | - | - | - | - | - | - |
| Deferred tax on excess depreciation | - | - | - | - | - | - | - |
| Fair value adjustment on quoted investments | - | - | - | - | - | - | - |
| Profit for the period | - | - | - | (66,179,696) | - | - | **(66,179,696)** |
| Capital/Development grants received during the period | - | - | - | - | - | - | - |
| Transfer of depreciation/amortisation from capital fund to retained earnings | - | - | - | - | - | - | - |
| Deferred Income – Prior Years Error Correction | - | - | - | - | - | (67,053,200) | **(67,053,200)** |
| Dividends paid – prior years | - | - | - | - | - | - | - |
| Interim dividends paid – current period | - | - | - | - | - | - | - |
| Proposed final dividends | - | - | - | - | - | - | - |
| **As at the end of the year ended 30 June 2024** | **100,000** | - | - | **(63,187,145)** | - | - | **(63,087,145)** |

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024 (AUDITED)

| | Notes | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/Development Fund | Total |
|---|---|---|---|---|---|---|---|---|
| | | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| As at July 1, 2022 | | 100,000 | - | - | (2,774,650) | 0 | 67,053,200 | **64,378,550** |
| New capital issued | | - | - | - | - | - | - | - |
| Revaluation gain | | - | - | - | - | - | - | - |
| Transfer of excess depreciation on revaluation | | - | - | - | - | - | - | - |
| Deferred tax on excess depreciation | | - | - | - | - | - | - | - |
| Fair value adjustment on quoted investments | | - | - | - | - | - | - | - |
| **Profit for the year** | | - | - | - | 5,767,200 | - | - | **5,767,200** |
| Capital/Development grants received during the year | | - | - | - | - | - | - | - |
| Transfer of depreciation/amortisation from capital fund to retained earnings | | - | - | - | - | - | - | - |
| As at June 30, 2023 | | **100,000** | - | - | **2,992,551** | - | **67,053,200** | **70,145,750** |
| **As at July 1, 2023** | | **100,000** | - | - | **2,992,551** | - | **67,053,200** | **70,145,750** |
| Issue of new share capital | | - | - | - | - | - | - | - |
| Revaluation gain | | - | - | - | - | - | - | - |
| Transfer of excess depreciation on revaluation | | - | - | - | - | - | - | - |
| Deferred tax on excess depreciation | | - | - | - | - | - | - | - |
| Fair value adjustment on quoted investments | | - | - | - | - | - | - | - |
| **Profit for the year** | | - | - | - | (66,179,696) | - | - | **(66,179,696)** |
| Capital/Development grants received during the year | | - | - | - | - | - | - | - |
| Transfer of depreciation/amortisation from capital fund to retained earnings | | - | - | - | - | - | - | - |
| **At June 30, 2024** | | **100,000** | - | - | **(63,187,045)** | - | **67,053,200** | **3,966,154** |

**Capital / Development Fund (WSTF Grants)**

**Nature and Source of the Fund**
The Capital / Development Fund represents cash grants received from the Water Sector Trust Fund (WSTF) between 2016 and 2018 for the development of water and sanitation infrastructure within the Company's area of jurisdiction. The total amount received and capitalized as part of the Company's fixed assets was KShs. 67,053,200. The related projects were completed and commissioned in 2018 and subsequently handed over to the Company for operation.

**Accounting Policy**
In line with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, capital grants relating to the acquisition or construction of depreciable assets are recognized as deferred income (capital/development fund) and amortized to income over the useful life of the related assets (estimated at 40 years).

Until 30 June 2024, the amount was presented within equity under Capital/Development Fund.
Effective 1 July 2024, the Company began systematic amortization of the grant over the remaining useful life of the assets, to ensure compliance with IFRS and better matching of income and expense.

**c) Correction and Impact**

| Adjustment | Amount (KShs) | Description |
|---|---|---|
| Reclassification from Capital & Reserves to Deferred Income | 67,053,200 | To properly recognise the WSTF grant as deferred income. |
| Cumulative Amortisation (FY 2018/19 – 2023/24; 6 years × 1,676,330) | 10,057,980 | To recognise accumulated grant income amortisation for prior years. |
| Current Year Amortisation (FY 2024/25) | 1,676,330 | To recognise grant income for the current financial year. |

**Movement Schedule for the Year Ended 30 June 2025**

| Description | 2024/2025 (KShs) | 2023/2024 (KShs) | Cumulative to 30 June 2025 (KShs) |
|---|---|---|---|
| Gross Capital Grant (WSTF) | 67,053,200 | 67,053,200 | 67,053,200 |
| Accumulated Amortization at 1 July 2024 (2018 - 2024 = 6 yrs) | (10,057,980) | (8,381,650) | (10,057,980) |
| Net Deferred Income at 1 July 2024 (reclassified from equity) | 56,995,220 | – | 56,995,220 |
| Amortization for the current year (2024/2025) | (1,676,330) | – | (11,734,310) |
| **Closing Deferred Income at 30 June 2025** | **55,318,890** | – | **55,318,890** |

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

| | Note | 2024-2025 | 2023-2024 | Restated 2022-2023 |
|---|---|---|---|---|
| | | Kshs | Kshs | Kshs |
| **Cash Flows From Operating Activities** | | | | |
| **Receipts** | | | | |
| Operating Receipts | | 271,632,446 | 214,990,156 | 260.697.630 |
| Grants Income | | 1,676,330 | 20,100,701 | 38.246.530 |
| Other Income | | 11,486,600 | 8,571,636 | 13,581,030 |
| Customer Deposits | | 2,700.428 | 3,939,883 | 3,114,020 |
| **Total Receipts** | | **287,495,804** | **247,602,376** | **315,639,210** |
| | | | | |
| **Payments** | | | | |
| Staff Costs | | 54,658,145 | 84,754,597 | 96,574,099 |
| General and Operations expenses | | 134,129,881 | 166,163,125 | 218,219.520 |
| Board Expenses | | 5,089,205 | 5,931,658 | 4,770.770 |
| Maintenance Expenses | | 17,128,558 | 15,819.552 | 11,078,890 |
| Depreciation and Amortization expenses | | - | - | - |
| Finance costs | | 832.463 | - | - |
| **Total Payments** | | **211,838,251** | **272,668,932** | **330,643,280** |
| **Net Cash From/ (Used In) Operating Activities** | 28 | **75,657,552** | **(25,066,556)** | **(15,004,070)** |
| | | | | |
| **Cash Flows from Investing Activities** | | | | |
| **Purchase Of Property, Plant And Equipment (PPE)** | 15 | (2.280,230) | (3,135,442) | (3,350,000) |
| Proceeds From Disposal Of PPE | | - | - | - |
| Purchase Of Intangible Assets | | - | - | - |
| Capital Grants Received – Water Fund | | - | - | - |
| Transfer to fixed deposit account | | - | - | - |
| **Transfer from Water Sector Trust Fund to CLSG II** | | (25,000,000) | - | - |
| **Net Cash From/(Used In) Investing Activities** | | **(27,280,230)** | **(3,135,442)** | **(3,350,000)** |
| Cash Flows from Financing Activities | | | | |
| Increase in Escrow Account | | (4.298,566) | - | - |
| Proceeds From Borrowings Family Bank | | - | - | - |
| Loan principal repayments (Family Bank) | | (8.662,065) | - | - |

| | | | | |
|---|---|---|---|---|
| Interest paid | | (832,463) | - | - |
| **Net Cash From/(Used In) Financing Activities** | | **(13,793,094)** | - | - |
| **Increase/(Decrease) In Cash And Cash Equivalents (A)** | | **34,584,228** | **(28,201,998)** | **(18,354,070)** |
| **Cash And Cash Equivalents At Beginning Of Year (B)** | | **15,282,516** | **43,484,514** | **62,091,420** |
| **Effects Of Foreign Exchanges Rate Fluctuations** | | - | - | - |
| **Cash and Cash Equivalents for the year ended 30 June 2025** | **19** | **49,866,744** | **17,595,498** | **43,484,514** |
| **Cash Overdraft** | **25(b)** | - | **(2,312,982)** | - |
| **Cash and Cash Equivalents At End Of The Year** | | **49,866,744** | **15,282,516** | **43,484,514** |

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

| | Original budget | Adjustments | Final Budget | Actual on comparable basis | Performance difference | Percentage of utilisation |
|---|---|---|---|---|---|---|
| | 30-Jun-2025 | 30-Jun-2025 | 30-Jun-2025 | 30-Jun-2025 | 30-Jun-2025 | 30-Jun-2025 |
| | a | b | C=a+b | d | e= c-d | f=d/c % |
| | Kshs | Kshs | Kshs | Kshs | Kshs | % |
| **Budget carryovers from the previous year*** | - | - | - | - | - | - |
| **REVENUE** | | | | | | |
| Operating Revenue | 259,012,571 | - | 259,012,571 | 267,179,046 | (8,166,475) | 103% |
| Non-Operating Revenue | 36,720,000 | - | 36,720,000 | 0 | 36,720,000 | 0% |
| Grants | 80,000,000 | - | 80,000,000 | 1,676,330 | 78,323,670 | 2% |
| **Total Revenue** | **375,732,571** | - | **375,732,571** | **268,855,376** | **106,877,195** | 72% |
| | | | | | | |
| **EXPENDITURE** | | | | | | |
| Staff Costs | 114,077,763 | - | 114,077,763 | 104,212,898 | 9,864,865 | 91% |
| Board Expenses | 7,000,000 | - | 7,000,000 | 5,089,200 | 1,910,800 | 73% |
| General and operations Expenses | 179,719,495 | - | 179,719,495 | 158,633,039 | 21,086,456 | 88% |
| Maintenance | 16,835,423 | - | 16,835,423 | 17,128,558 | (293,134) | 102% |
| Depreciation and amortization expenses | 0 | - | - | 5,237,784 | (5,237,784) | 100% |
| Finance costs | 0 | - | - | 832,463 | (832,463) | 100% |
| **Total Recurrent Expenditure** | **317,632,681** | - | **317,632,681** | **291,133,941** | **26,498,740** | 92% |
| **Total Expenditure** | **317,632,681** | - | **375,732,571** | **293,414,171** | **82,318,400** | 78% |
| Capital Expenditure Payments | 58,099,890 | - | 58,099,890 | 2,280,230 | 55,819,660 | 4% |
| **Surplus** | **58,099,890** | - | **58,099,890** | **(22,278,565)** | **80,378,455** | |

## Budget Notes and Variance Explanations for the Year Ended 30 June 2025

In accordance with Section 164(2)(f) of the Public Finance Management Act, 2012, the following notes provide an explanation of significant variances (≥10%) between budgeted and actual performance, and between the original and final budget:

1. **Operating Revenue (+3%)**
   - Actual collections exceeded budget by Kshs 8.17 million (103% performance) due to enhanced metering, improved billing efficiency, and strengthened revenue collection enforcement.
2. **Non-Operating Revenue (–100%)**
   - The budgeted **Kshs 36.72 million** was not realised as anticipated property lease income, interest, and other miscellaneous revenues did not materialise.
3. **Grants (–98%)**
   - Only Kshs 1.68 million was realised against the budgeted Kshs 80 million, primarily due to delays in donor disbursements and non-materialisation of some conditional grants.
4. **Staff Costs (–9%)**
   - Underspend of Kshs 9.86 million arose from staff attrition, delayed recruitments, and implementation of cost-containment measures.
5. **Board Expenses (–27%)**
   - Savings of Kshs 1.91 million were recorded, attributed to prudent management of sitting allowances, trainings, and related costs
6. **General and Operations Expenses (–12%)**
   - Actual expenditure was Kshs 158.62 million against a budget of Kshs 179.72 million due to austerity measures, reduced travel and subsistence, and negotiated savings on key operational inputs.
7. **Maintenance (+2%)**
   - Slight overspend of Kshs 0.29 million (102% utilisation) due to unplanned emergency repairs and network breakdowns during the year.
8. **Depreciation & Finance Costs (Unbudgeted)**
   - Kshs 5.24 million depreciation and Kshs 0.83 million finance costs were not budgeted but recognised in line with IFRS requirements for asset accounting and loan obligations.
9. **Capital Expenditure (–96%)**
   - Only Kshs 2.28 million was incurred against the Kshs 58.10 million budget, reflecting deferment of major projects pending the institutional split into KWASCO and NYAWASCO.
10. **Overall Result**

- The Company posted a deficit of Kshs 22.27 million, compared to a projected surplus of Kshs 58.10 million, mainly due to shortfalls in grants and non-operating revenues, and unbudgeted depreciation and finance costs.

## 19. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

The Gusii Water and Sanitation Company Ltd is established by and derives its authority and accountability from the Water Act. The Company is wholly owned by the County Governments of Kisii and Nyamira and is domiciled in Kenya. The Company's principal activity is provision of Water and Sewerage 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.

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.

**Going Concern Assessment**

The financial statements for the year ended 30 June 2025 have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During the year, the Company recorded a net loss of **Kshs. 22,227,752**, and as at 30 June 2025, its current liabilities of **Kshs. 276,737,492** exceeded its current assets of **Kshs. 177,684,721**, resulting in a negative working capital position of **Kshs. 99,052,771**. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Despite these conditions, the Board of Directors and Management have assessed the Company's ability to continue as a going concern and remain confident that operations have continued without significant curtailment up to the reporting date. The following mitigating factors have been considered:

i). **Operational Restructuring:**

Effective **1 July 2025**, the Company was restructured into two successor entities — *Kisii Water and Sanitation Public Limited Company (KWASCO)* and *Nyamira Water and Sanitation Public Limited Company (NYAWASCO)* — to enhance operational efficiency, financial sustainability, and accountability through region-specific management. The restructuring is expected to strengthen governance and improve service delivery.

ii). **Revenue Enhancement Measures:**

Management has implemented comprehensive strategies to improve liquidity, including legacy receivables recovery, enhanced billing accuracy, and non-revenue water reduction programs aimed at improving cash flow performance.

iii). **County Government Support:**

The County Governments of Kisii and Nyamira, as the principal shareholders, have expressed their commitment to support the successor entities through policy direction, budgetary interventions, and operational facilitation to ensure continuity of water and sanitation services.

Based on these factors and the transition arrangements already in place, the Board and Management believe that the Company's obligations will be appropriately managed through the successor entities, and that the provision of water and sanitation services within the region will continue without interruption. Accordingly, these financial statements have been prepared on a going concern basis.

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

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

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

| Title | Description | Effective Date |
|---|---|---|
| Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022) | The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022) | The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7 | The amendments specify:<br>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.<br>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<br>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. | 1 January 2026 |

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

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

| Title | Description | Effective Date |
|---|---|---|
| IFRS 18 Presentation and Disclosure in Financial statements | The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. | The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted. |
| IFRS 19 Subsidiaries without Public Accountability | IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting 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 January2027.Earlier application is permitted. |

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

***iii. Early adoption of standards***

The company did not early–adopt any new or amended standards in the year under review.

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

## 4. Summary of Accounting Policies

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

### a) Revenue recognition

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

i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.

ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

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

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

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

**Summary of Accounting Policies**

**b) In-kind contributions**

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations 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 of Property, Plant and Equipment | Useful life (years) | Rate |
|---|---|---|
| Pipeline (Infrastructure work) | 40 | 2.5% |
| Building & civil work | 40 | 2.5% |
| Plant & machinery | 8 | 12.5% |
| Motor vehicle and motor cycles | 4 | 25.0% |
| Computers | 3 | 33.3% |
| Office equipment, furniture and fittings | 8 | 12.5% |

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

### e) Intangible assets

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

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

### f) Amortization and impairment of intangible assets

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

### g) Investment property

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

**Summary of Accounting Policies**

**h) Right of Use Asset**

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

**i) Biological Assets**

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

**j) Fixed interest investments (bonds)**

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

**k) Quoted investments**

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

## Summary of Accounting Policies

### l) Unquoted investments

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

### m) Inventories

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

### n) Trade and other receivables

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

### o) Taxation

#### i) Current income tax

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

### p) Deferred tax

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

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

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

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

**q) Borrowing costs**

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

**r) Cash and cash equivalents**

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

**Restricted cash**

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

**s) Borrowings**

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

**t) Trade and other payables**

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

**u) Retirement benefit obligations**

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

**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 30 June 2025. Subsequent revisions or additional appropriations were not made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company did not record any additional appropriations. The Company's budget is prepared on the same basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is presented in the statement of comparison of budget and actual amounts.

### y) Service concession arrangements

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

### z) Comparative figures

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

### aa) Subsequent events

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

## 5. Significant Judgments and Sources of Estimation Uncertainty

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

### a) Estimates and assumptions

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

### b) Useful lives and residual values

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

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

### c) Provisions

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

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 | 160,110,341 | 149,285,051 |
| Sewer | 91,003,156 | 74,703,881 |
| Refuse | 4,950 | 9,750 |
| Meter Rent | 4,574,000 | 4,318,750 |
| Other Income | - | 0 |
| **Total** | **255,692,446** | **228,317,433** |

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

### 7. Grants Income

| **Grants Income** | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| Operational grants from Government entities | - | 12,000,000 |
| Recurrent/operational grants from other agencies | - | - |
| Capital grants amortised | | - |
| Water Sector Trust Fund | 1,676,330 | 8,100,701 |
| Donations from County Governments | - | - |
| In-kind contributions/donations from other agencies | - | - |
| **Total** | **1,676,330** | **20,100,701** |

*Detailed Analysis Of Grants Received From The Government*

| Name of the Entity sending the grant | Amount recognised in the Statement of Comprehensive Income | Amount deferred under deferred income | Amount recognised in the capital fund. | Total grant income during the period | Comparative period prior year |
|---|---|---|---|---|---|
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| National/County Government | - | - | - | - | - |
| Water Sector Trust Fund (WSTF) | 1,676,330 | 81,578,272 | - | 83,254,602 | - |
| Public Contributions (WSP - VAT) | - | 1,506,650 | - | 1,506,650 | - |
| **Total** | **1,676,330** | **83,084,922** | - | **84,761,252** | - |

## Notes to the financial statements (continued)

### 8. Other Income

| Other Income | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | |
| Change of Name | - | 0 |
| Renewal | 2,700 | 8,100 |
| Stop cork charges | - | 200 |
| Labour | - | 2,700 |
| Exhauster Charges | 2,602,000 | 44,000 |
| Exhauster permit | - | 0 |
| Meter Testing | 357,350 | 3,600 |
| Stolen meters | 79,000 | 19,500 |
| Damaged meter charges | 25,500 | 18,500 |
| New Connection | 94,900 | 88,900 |
| Reconnection Fee | 291,000 | 239,000 |
| Sewer | - | 0 |
| Sewer disposal | - | 487,000 |
| Sewer unblocking | 30,000 | 60,000 |
| Sewer upgrade | - | 100,000 |
| Sewer New Connection | 930,000 | 857,500 |
| Sewer Charges | - | 0 |
| Sewer Discharge | - | 0 |
| Survey Fee | 2,729,000 | 2,946,502 |
| Surcharge | 618,000 | 2,199,780 |
| Bank charges | - | 118,500 |
| Illegal connection penalties | 240,000 | 261,000 |
| Statement charges | 89,600 | 112,200 |
| Termination | - | 0 |
| Turn off fee | 19,000 | 31,304 |
| Turn on fee | 208,500 | 23,700 |
| Refuse | - | 0 |
| Meter Rent | - | 0 |
| Water Bowser | 3,169,750 | 895,500 |
| Direct-water-sale | - | 54,150 |
| Meter Inspection | 300 | 0 |
| | **11,486,600** | **8,571,636** |

## 9. Staff Costs

| Staff cost | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | |
| Gross salary and allowances | 72,366,148 | 79,526,120 |
| Wages of temporary employees | 11,090,180 | 9,107,623 |
| Medical insurance schemes | - | 6,631,875 |
| Employer's contributions to national social security schemes | 3,121,962 | - |
| Employer's contributions to pension scheme | | - |
| CPF Financial Services | 3,017,274 | 9,499,280 |
| LAp Fund | - | 28,260 |
| NW Pension | 5,469,936 | 465,612 |
| Leave pay | - | - |
| Gratuity provisions | 8,041,008 | 3,195,977 |
| Fringe Benefit tax | - | - |
| Housing Levy | 1,106,391 | - |
| Staff welfare | - | - |
| **Total** | **104,212,898** | **108,454,746** |
| The average number of employees during the year | **155** | **164** |

## 10. General and Operations Expenses

| | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| Chemicals | 10,390,787 | 10,531,228 |
| Water Quality Resting | - | 20,000 |
| Regulatory Levy (WASREB) | 10,005,466 | 12,128,840 |
| Abstraction Levy (WRA) | 905,848 | - |
| Electricity | 71,505,927 | 93,667,056 |
| Travelling& accommodation | 7,892,550 | 10,001,486 |
| Transport & Lunch | 1,107,310 | 3,601,610 |
| Health, Hygiene and Safety | 377,708 | 204,025 |
| Protective clothing/ Uniforms | 950,449 | 165,244 |
| Staff welfare | 854,240 | 1,092,000 |
| Staff entertainment & others | 1,554,588 | 1,970,196 |
| Printing & Photocopy | 25,730 | 179,540 |
| Stationery | 890,325 | 1,038,518 |
| Consumables | 429,249 | 198,295 |
| Advertising & Publicity | 1,580,677 | 557,527 |
| Mobile Airtime | 512,048 | 898,125 |
| Postage | 22,965 | 10,006 |
| Repair of office equipment | 158,300 | 278,202 |
| Software/Licences | 225,000 | 26,886 |
| Computer Softwares [ICT Maintenance] | 2,022,271 | 2,387,584 |
| Insurance Expense | 2,301,335 | 2,154,833 |
| Security Services | 10,605,200 | 8,290,900 |
| Audit fee | 446,600 | 446,600 |
| Legal fees | 4,459,974 | 3,344,200 |
| Environmental Impact Asses | - | 283,040 |
| Consultancy Services | 941,000 | 2,987,864 |
| Fees and Fines | 347,591 | 5,351,490 |
| Cleaning Services | 4,086,330 | 3,936,864 |
| Subscriptions | 415,650 | 424,600 |
| Donations | 63,535 | 203,475 |
| Corporate Social Responsibility | 100,000 | 194,800 |
| Staff Training | 277,500 | 563,660 |
| Bank charges and commissions | 506,010 | - |
| Medical Insurance Schemes | - | - |
| Provision for Expected Credit Losses | 22,390,775 | 21,776,716 |
| **Total** | **158,633,039** | **188,915,410** |

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

## 11. Board Expenses

| | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| Chairman Honoraria | 264,000 | 242,100 |
| Sitting allowances | 3,139,500 | 2,298,700 |
| Travel and accommodation | 1,405,600 | 2,581,200 |
| Other Expenses | 280,100 | 809,653 |
| **Total Board Expenses** | **5,089,200** | **5,931,653** |

## 12. Maintenance Expenses

| | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| Rentals & Hired Services | 180,193 | 337,348 |
| Ground maintenance | 633,584 | 333,526 |
| Electrical appliances | 37,500 | 39,600 |
| Cleaning materials | 10,950 | 55,645 |
| Maintenance of buildings | 122,440 | 579,490 |
| Repair & Maintenance of Plant/Tank | 1,306,490 | 406,956 |
| Sewer network repairs | 2,805,012 | 1,505,800 |
| Pipe repair materials & Services | 2,679,804 | 3,917,489 |
| Plant and machinery repairs | 1,931,951 | 868,094 |
| Fuel & Oil | 4,389,823 | 4,607,694 |
| Hired Transport | 130,500 | 46,000 |
| Vehicle repair & maintenance | 1,476,202 | 3,121,910 |
| Servicing/Repairs | 1,424,109 | - |
| **Total** | **17,128,558** | **15,819,552** |

## 13. Depreciation and Amortization Expenses

| | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| Depreciation | 4,611,628 | 3,421,949 |
| Amortization of Intangible Assets | 626,155 | 626,156 |
| **Total** | **5,237,784** | **4,048,105** |

## 14. Finance costs

| Finance costs | 2024-2025 | 2023-2024 |
|---|---|---|
| **Description** | **Kshs** | **Kshs** |
| Interest expense on loans | 832,463 | - |
| Interest expense on bank overdrafts | - | - |
| Interest on lease liabilities | - | - |
| Others (specify) | - | - |
| **Total** | **832,463** | - |

## 15. PROPERTY, PLANT AND EQUIPMENT

| 2024-2025 | Pipeline | Buildings/ Civil works | Plant and Machinery | Motor Vehicles | Computers | Office Equipment | Capital Work in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| **At July 1, 2024** | 60,602,330 | 69,582,200 | 5,714,500 | 3,350,000 | 2,895,484 | 328,032 | - | **142,472,546** |
| Additions | - | - | - | - | - | 2,280,230 | - | **2,280,230** |
| Transfers | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| **At 30 June, 2025** | **60,602,330** | **69,582,200** | **5,714,500** | **3,350,000** | **2,895,484** | **2,608,262** | - | **144,752,776** |
| Depreciation | | | | | | | | |
| At July 1, 2024 | 21,702,408 | 2,362,525 | 5,662,700 | 1,340,000 | 2,702,001 | 116,794 | - | **33,886,428** |
| **Accumulated Amortisation (2018–2024)** | - | 10,057,980 | - | - | - | - | - | **10,057,980** |
| Charge for the year | 1,515,058 | 1,739,555 | - | 837,500 | 193,482 | 326,033 | - | **4,611,628** |
| Impairment loss | - | - | - | - | - | - | - | - |
| Eliminated on disposal | - | - | - | - | - | - | - | - |
| **At 30 June, 2025** | **23,217,466** | **14,160,060** | **5,662,700** | **2,177,500** | **2,895,484** | **442,827** | - | **48,556,037** |
| **Net Book Value as at 30 June, 2025** | **37,384,864** | **55,422,140** | **51,800** | **1,172,500** | **0** | **2,165,435** | - | **96,196,740** |
| **Net Book Value as at June 30, 2024** | **38,899,922** | **166,475** | **51,800** | **2,010,000** | **193,483** | **211,238** | - | **41,532,918** |

The Water Sector Trust Fund (WSTF) financed water and sanitation infrastructure works which were completed and commissioned in 2018 and subsequently handed over to the Company for operation. The total project value of KShs. 67,053,200 have been capitalised as part of Property, Plant, and Equipment.

Depreciation is charged over an estimated useful life of 40 years. The related capital grant was recognised as deferred income and is amortised annually to the Statement of Comprehensive Income to match the depreciation expense.

## 15 PROPERTY, PLANT AND EQUIPMENT (RESTATED)

| 2024 | Pipeline | Buildings/ Civil works | Plant and Machinery | Motor Vehicles | Computers | Office Equipment | Capital Work in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| **At July 1, 2023** | 60,602,330 | 2,529,000 | 5,714,500 | 3,350,000 | 1,790,040 | 176,500 | - | **74,162,370** |
| **Additions** | - | 67,053,200 | - | - | 1,105,444 | 151,532 | - | **68,310,176** |
| Transfers | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| **At June 30, 2024** | **60,602,330** | **69,582,200** | **5,714,500** | **3,350,000** | **2,895,484** | **328,032** | - | **142,472,546** |
| **Depreciation** | | | | | | | | |
| **At July 1, 2023** | 20,187,350 | 2,299,300 | 5,662,700 | 502,500 | 1,736,840 | 75,790 | - | **30,464,480** |
| **Cumulative Depreciation for Capitalised grants** | - | 10,057,980 | - | - | - | - | - | **10,057,980** |
| Charge for the year | 1,515,058 | 63,225 | - | 837,500 | 965,161 | 41,004 | - | 3,421,949 |
| Impairment loss | - | - | - | - | - | - | - | - |
| Eliminated on disposal | - | - | - | - | - | - | - | - |
| **At June 30, 2024** | **21,702,408** | **12,420,505** | **5,662,700** | **1,340,000** | **2,702,001** | **116,794** | - | **43,944,408** |
| **Net Book Value as at June 30, 2024** | **38,899,922** | **57,161,695** | **51,800** | **2,010,000** | **193,483** | **211,238** | - | **98,528,138** |
| **Net Book Value as at June 30, 2023** | **40,414,980** | **229,700** | **51,800** | **2,847,500** | **53,200** | **100,710** | **0** | **43,697,891** |

## 15 PROPERTY, PLANT AND EQUIPMENT (AUDITED)

| 2024 | Pipeline | Buildings/ Civil works | Plant and Machinery | Motor Vehicles | Computers | Office Equipment | Capital Work in progress | Total |
|---|---|---|---|---|---|---|---|---|
| Cost or Valuation | | | | | | | | |
| **At July 1, 2023** | 60,602,330 | 2,529,000 | 5,714,500 | 3,350,000 | 1,790,040 | 176,500 | - | **74,162,370** |
| **Additions** | - | - | - | - | 1,105,444 | 151,532 | - | **1,256,976** |
| **Transfers** | - | - | - | - | - | - | - | - |
| **Disposals** | - | - | - | - | - | - | - | - |
| At June 30, 2024 | **60,602,330** | **2,529,000** | **5,714,500** | **3,350,000** | **2,895,484** | **328,032** | - | **75,419,346** |
| Depreciation | | | | | | | | |
| **At July 1, 2023** | 20,187,350 | 2,299,300 | 5,662,700 | 502,500 | 1,736,840 | 75,790 | - | **30,464,480** |
| **Charge for the year** | 1,515,058 | 63,225 | - | 837,500 | 965,161 | 41,004 | - | **3,421,949** |
| **Impairment loss** | - | - | - | - | - | - | - | - |
| **Eliminated on disposal** | - | - | - | - | - | - | - | - |
| At June 30, 2024 | **21,702,408** | **2,362,525** | **5,662,700** | **1,340,000** | **2,702,001** | **116,794** | - | **33,886,428** |
| Net Book Value as at June 30, 2024 | **38,899,922** | **166,475** | **51,800** | **2,010,000** | **193,483** | **211,238** | - | **41,532,918** |
| Net Book Value as at June 30, 2023 | **40,414,980** | **229,700** | **51,800** | **2,847,500** | **53,200** | **100,710** | - | **43,697,891** |

**Valuation**

Land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. No revaluation was carried out during the year.

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

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

| Details | Cost | Accumulated Depreciation | NBV |
|---|---|---|---|
| | Kshs | Kshs | Kshs |
| **Pipeline** | 60,602,330 | 23,217,466 | 37,384.864 |
| **Buildings/ Civil works** | 69,582,200 | 15,836,390 | 53,745.810 |
| **Plant and Machinery** | 5,714,500 | 5,662,700 | 51,800 |
| **Motor Vehicles** | 3,350,000 | 2,177,500 | 1,172,500 |
| **Computers** | 2,895,484 | 2,895,484 | 0 |
| **Office Equipment** | 2,608,262 | 442.827 | 2,165,435 |
| **Capital Work in progress** | 0 | 0 | 0 |
| **Total** | **144,752,776** | **50,232,367** | **94,520,410** |

## 16. Intangible Assets

| **Intangible Assets** | **2024-2025** | **2023-2024** |
|---|---|---|
| | **Kshs** | **Kshs** |
| **COST** | 301,500 | 0 |
| At July 1 | 1,878,466 | 301,500 |
| Fully armotised | 0 | 1,878,466 |
| Qualifying Amount | 0 | 0 |
| Additions | 2,179,966 | 2,179,966 |
| At June 30 | | |
| AMORTISATION | 927,655 | 301,500 |
| At July 1 | 33% | 0 |
| | 626,155 | 626,155 |
| Charge for the year | 0 | 0 |
| Disposals | 0 | 0 |
| Impairment loss | 1,553,811 | 927,655 |
| At June 30 | | 0 |
| **NET BOOK VALUE** | **626,155** | **1,252,311** |
| **At June 30** | | |

## 17. Inventories

| Inventories | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| Calcium Hypochlorite | 601,344 | 698,581 |
| Soda Ash | 69,426 | 147,784 |
| Aluminium Sulphate | 360,934 | 645,018 |
| Polmar | 314,406 | 0 |
| Engineering stores | - | 0 |
| Fuel, oil and lubricants | - | 0 |
| Motor vehicle spare parts | - | 0 |
| Goods in transit | - | 0 |
| Stationery and general stores | - | 0 |
| Finished goods | - | 0 |
| Work in progress | - | 0 |
| Less: Impairment of stocks | - | 0 |
| **Total** | **1,346,110** | **1,491,383** |

## 18. Trade and Other Receivables

| Trade and Other Receivables | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| **Trade receivables (note 18 (a))** | 223,399,595 | 217,767,133 |
| Deposits and prepayments | - | - |
| VAT (Value Added Tax) recoverable | - | - |
| Staff receivables (note 18 (c)) | 767,500 | - |
| Other receivables | - | - |
| Gross trade and other receivables | 224,167,095 | 217,767,133 |
| Provision for bad and doubtful receivable | (97,695,228) | (75,355,266) |
| **Net trade and other receivables** | **126,471,867** | **142,411,867** |

## 18. (a) Trade Receivables

| Trade Receivables | 2024-2025 | 30-Jun-2024 |
|---|---|---|
| | Kshs | Kshs |
| Gross trade receivables | 223,399,595 | 217,767,133 |
| Provision for doubtful receivables | (22,339,962) | (21,776,716) |
| **Net trade receivables** | **201,059,633** | **195,990,417** |
| **At June 30, the ageing analysis of the gross trade receivables was as follows** | | |
| Less than 30 days | 10,286,928 | 10,207,743 |
| Between 30 and 60 days | 9,319,948 | 10,806,767 |
| Between 61 and 90 days | 16,400,399 | 6,435,781 |
| Between 91 and 120 days | 7,042,302 | 6,650,547 |
| Over 120 days | 180,350,018 | 183,666,285 |
| **Total** | **223,399,595** | **217,767,123** |

## 18. (b) Reconciliation of Impairment Allowance for Trade Receivables

| Description | 2024-2025 Kshs | 30-Jun-2024 Kshs |
|---|---|---|
| At the beginning of the year | (75,355,266) | (53,578,550) |
| Additional provisions during the year | (22,339,962) | (21,776,716) |
| **At the end of the year** | **(97,695,228)** | **(75,355,266)** |

## 18.(c) Employee Payable

| | 2024-2025 Kshs | 2023-2024 Kshs |
|---|---|---|
| Employee Receivable | **767,500** | - |

## 19. Bank and Cash Balances

| | 2024-2025 Kshs | 2023-2024 Kshs |
|---|---|---|
| Cash at bank | | |
| KCB - 1106368436 | 686,400 | 2,151,938 |
| KCB - 1132172489 | 707,925 | 13,060,857 |
| Co-operative Bank - 01141364702000 | 6,470 | 674,546 |
| Co-operative Bank - 01141364702001 | 2,254,126 | 1,299,299 |
| Co-operative Bank - 01141364702002 | 1,000 | 1,000 |
| Family Bank 027000065250 | 1,699,478 | - |
| Family Bank 027000065251 | 2,145,673 | - |
| Family Bank 027000070459 | 13,000,000 | - |
| Family Bank 027000074822 | 24,996,396 | - |
| Family Bank 027000074827 | 3,861,143 | - |
| Mobile money account | | |
| M-pesa Business | 508,132 | 407,858 |
| Cash in hand | - | - |
| **Total** | **49,866,743** | **17,595,498** |

| Detailed analysis of the cash and cash equivalents | | 2023-2024 |
|---|---|---|
| **Financial institution** | **Kshs** | **Kshs** |
| **a) Current account** | | |
| KCB - 1106368436 | 686,400 | 2,151,938 |
| KCB - 1132172489 | 707,925 | 13,060,857 |
| Co-operative Bank - 01141364702000 | 6,470 | 674,546 |
| Co-operative Bank - 01141364702001 | 2,254,126 | 1,299,299 |
| Co-operative Bank - 01141364702002 | 1,000 | 1,000 |
| Family Bank 027000065250 | 1,699,478 | - |
| Family Bank 027000065251 | 2,145,673 | - |
| Family Bank 027000074822 | 24,996,396 | - |
| Family Bank 027000074827 | 3,861,143 | - |
| Mobile money account | - | - |
| Cash in hand | - | - |
| | | - |
| **Sub- total** | **36,358,611** | **17,187,640** |
| | | - |
| **b) On – call deposits** | | - |
| Commercial banks | - | - |
| Others | - | - |
| **Sub- total** | - | - |
| **c) Fixed deposits account** | | - |
| Commercial Banks | | - |
| Family Bank 027000070459 | 13,000,000 | - |
| Others | - | - |
| **Sub- total** | **13,000,000** | - |
| **d) Others(specify)** | | - |
| Cash in transit | - | - |
| Cash in hand | - | - |
| Mobile money account: M-pesa Business - 993600 | 508,132 | 407,858 |
| **Sub- total** | **508,132** | **407,858** |
| Book/Cash Overdraft | | (2,312,982) |
| **Total Cash and Cash Equivalents** | **49,866,743** | **15,282,516** |

## 20. Ordinary Share Capital

| | 2024-2025 | 2023-2024 |
|---|---|---|
| | **Kshs** | **Kshs** |
| Authorised: | | |
| 5,000 ordinary shares of Kshs. 20 par value each | 100,000 | 100,000 |
| Issued and fully paid: | - | - |
| 5,000 ordinary shares of Kshs. 20 par value each | 100,000 | 100,000 |

## 21. Capital Grant

| Capital Grant | 2024-2025 Kshs | (Restated) 2023-2024 Kshs | 2023-2024 Kshs |
|---|---|---|---|
| Reserves as at 1st. July | - | - | 67,053,200 |
| Additions | - | | - |
| **As at 30 June 2025** | - | - | **67,053,200** |

**Prior Period Classification and IFRS Alignment (IAS 8 and IAS 20)**

Background

During the year ended 30 June 2025, management reviewed the historical presentation of capital grants from the Water Sector Trust Fund (WSTF). The review established that the WSTF-funded assets, commissioned in 2018, were previously recognized under Capital Reserves instead of Deferred Income as required by IAS 20.

To align with IFRS requirements, the Company reclassified the capital grant balance of KSh 67,053,200 from Capital Reserves to Deferred Income effective 1 July 2024. This correction does not affect prior-year profit or loss but ensures that future income recognition follows the amortization model consistent with IAS 20.

**Impact on the Statement of Financial Position**

| Line Item | Before Correction | Adjustment | After Correction |
|---|---|---|---|
| | Kshs | Kshs | Kshs |
| Capital/ Development Fund (Equity) | 67,053,200 | (67,053,200) | - |
| Deferred Income (Liability) | - | 67,053,200 | 67,053,200 |

## 22. Retained Earnings

| Retained earnings | 2024-2025 Kshs | 2023-2024 Kshs |
|---|---|---|
| Reserves as at 1st. July | (63,187,046) | 2,992,650 |
| Profit/(Loss) for the Year | (22,278,565) | (66,179,696) |
| **Total** | **(85,465,611)** | **(63,187,046)** |

## 23. Borrowings

| Borrowings | 2024-2025<br>Kshs | 2023-2024<br>Kshs |
|---|---|---|
| **Borrowings** | | |
| **External Borrowings** | | |
| Balance at beginning of the year | 0 | 0 |
| External borrowings | 0 | 0 |
| Repayments of borrowings | 0 | 0 |
| **Balance at end of the period/year** | **0** | 0 |
| Domestic Borrowings | | 0 |
| Balance at beginning of the year | 0 | 0 |
| Domestic borrowings | 10,000,000 | 0 |
| Interest Charged | 832,463 | 0 |
| Repayments | (8,662,065) | 0 |
| **Balance at end of the period/ year** | **2,170,399** | 0 |
| **Total Balance at end of the period c = a+b** | **2,170,399** | 0 |

| **The analyses of both external and domestic borrowings are as follows:** | **Kshs** | |
|---|---|---|
| External Borrowings | | |
| Dollar denominated loan from 'xxx Organization' | 0 | 0 |
| Sterling Pound denominated loan from 'yyy organization' | 0 | 0 |
| Euro denominated loan from zzz organization' | 0 | 0 |
| Domestic Borrowings | | 0 |
| Kenya Shilling loan from Family Bank | 10,000,000 | 0 |
| Kenya Shilling loan from Barclays Bank | 0 | 0 |
| Kenya Shilling loan from Consolidated Bank | 0 | 0 |
| Total balance at end of the period/year | 10,000,000 | 0 |
| | | 0 |
| **Short term borrowings (current portion)** | 2,170,399 | 0 |
| **Long term borrowings** | 0 | 0 |
| **Total** | **2,170,399** | **0** |

### i). Disclosure of Loan Facility – Family Bank Secured Loan

Gusii Water and Sanitation Company Limited (GWASCO) secured a KShs. 10,000,000 loan facility from Family Bank under Account No. 027SERL242780001 and Customer No. 003254314, disbursed in two tranches: Kshs. 5,000,000 on 3 September 2024 and Kshs. 5,000,000 on 4 October 2024. The facility is secured against Deposit Account No. 027000065251 for the purpose of meeting outstanding electricity obligations.

## 24. Retirement Benefit Obligations

| Retirement Benefit Obligations | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| CPF Financial Services | 21,920,357 | 17,037,301 |
| Lap fund | 12,950,839 | 12,950,839 |
| NSSF | 577,598 | 0 |
| Service gratuity | 38,673,333 | 0 |
| Standard Chartered Security Services | 13,538,265 | 8,117,500 |
| **Total Retirement Benefit Obligations** | **87,660,393** | **38,105,641** |

### Retirement benefit Asset/ Liability

The Company does not operate any defined benefit retirement scheme for its employees. Retirement benefits are provided through statutory contributions to the National Social Security Fund (NSSF) and to the County Pension Fund (CPF) for eligible employees.

Contributions to the NSSF are made in accordance with the NSSF Act, 2013, at rates specified in the law. Contributions to CPF are made at the agreed percentage of pensionable salaries, as per the CPF Trust Deed and Rules.

The Company's obligation is limited to the periodic contributions. These are recognised as an expense in the period in which the employees render service and are remitted to the respective schemes when due.

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

The entity contributes to the statutory National Social Security Fund (NSSF), a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 200 per employee per month (Tier I) and additional amounts as per the NSSF Act, 2013 (Tier II, where applicable).
In addition to NSSF, the entity operates a defined contribution scheme through the County Pension Fund (CPF). Under this scheme, employees contribute 5% of their basic salary, while the employer contributes 15% of the basic salary. Employer contributions are recognized as expenses in the statement of financial performance in the period in which they are incurred.

## 25. Trade and Other Payables

| Trade and Other Payables | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| Trade payables | 82,936,309 | 96,238,629 |
| Other payables | | - |
| Accrued expenses | | - |
| Retention/ contract monies | | - |
| | | - |
| Employee payables | 8,699,317 | 598,084 |
| Other payables | - | - |
| **Total** | **91,635,626** | **96,836,713** |

**Aging Analysis for Trade and other Payables**

| | 2024-2025 | 2023-2024 | 2023-2024 | |
|---|---|---|---|---|
| | Kshs | Kshs | | % of the total |
| | | | Kshs | |
| **Under one year** | | 38,674,552 | 38,674,552 | 40% |
| **1-2 years** | 19,785,719 | 57,564,077 | 57,564,077 | 60% |
| **2-3 years** | 63,150,590 | - | | 0% |
| **Over 3 years** | | - | | 0% |
| **Total** | **82,936,309** | **96,238,629** | **96,238,629** | |

## 26. Refundable Deposits and Prepayments

| Refundable Deposits and Prepayments | 2024-2025 | 2023-2024 |
|---|---|---|
| **Description** | **Kshs** | **Kshs** |
| Balance at beginning of the year | 29,715,363 | 25,775,480 |
| Customer Deposits Received | 2,700,428 | 3,939,883 |
| Direct Credits on Customer Deposits | | 0 |
| Deposit refund | | 0 |
| **Balance at end of the year** | **32,415,791** | **29,715,363** |

**Ageing Analysis for Refundable Deposits and Prepayments**

| | 2024-2025 | 2023-2024 |
|---|---|---|
| | **Kshs** | **Kshs** |
| **Under one year** | 4,297,926 | 3,939,883 |
| **1-2 years** | 3,397,011 | 3,114,020 |
| **2-3 years** | 4,254,964 | 3,900,500 |
| **Over 3 years** | 20,465,890 | 18,760,960 |
| **Total** | **32,415,791** | **29,715,363** |

## 27. Deferred Income

| Deferred Income | | Restated | Audited |
|---|---|---|---|
| | 2024-2025 | 2023-2024 | 2023-2024 |
| | Kshs | Kshs | Kshs |
| National/County Government | - | - | - |
| International Funders (WSTF) | 81,578,272 | 67,053,200 | - |
| Public Contributions (WSP – VAT) | 1,506,650 | - | - |
| **Total deferred income** | **83,084,922** | **67,053,200** | - |

**The deferred income movement is as follows:**

| | County government | International Funders (WSTF) | Public Contributions (WSP - VAT) | Total |
|---|---|---|---|---|
| | Kshs | Kshs | Kshs | Kshs |
| Opening Balances (01-July-2024); | | | | |
| Capital Grant | - | 67,053,200 | - | 67,053,200 |
| Contributions 2023-2024 | - | 8,100,701 | 1,506,650 | 9,607,351 |
| Additions during the year | - | 8,100,701 | - | 8,100,701 |
| Transfers to Capital Fund (PPE): (-) | - | - | - | - |
| Transfers to SOCI (Amortised): (-) | - | - | - | - |
| Capital Grants – WSTF (amortised) | - | (1,676,330) | - | (1,676,330) |
| **Other transfers: (-)** | - | - | - | - |
| **Balance carried forward at 30 June 2025** | - | **81,578,272** | **1,506,650** | **83,084,922** |

**Nature and Source of Grant**

The Company received capital grants from the Water Sector Trust Fund (WSTF) between financial years 2016 and 2018 to finance various water and sanitation infrastructure projects, including public sanitation facilities and distribution pipelines within its area of operation.

The projects were completed and commissioned in 2018, and ownership was formally transferred to the Company for operational use. The total grant received amounted to KSh 67,053,200, which was previously presented under Capital Reserves in prior audited financial statements.

In accordance with IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance, capital grants related to the acquisition or construction of depreciable assets are recognized as deferred income and amortized to income over the useful life of the related assets, on a systematic basis consistent with the depreciation of those assets.

Accordingly, beginning from the financial year 2018/2019, the Company commenced annual amortization of the grant over the assets' estimated useful life of 40 years.

**Grant Movement Schedule**

| Description | KSh |
|---|---|
| Original grant received (2016–2018) | 67,053,200 |
| Amortization: Financial years 2018/2019 – 2023/2024 | (10,057,980) |
| Amortization for the year ended 30 June 2025 | (1,676,330) |
| **Closing balance as at 30 June 2025** | **55,318,890** |

The amortization of capital grants is presented as *Other Income* in the Statement of Profit or Loss

**b) Movement in Deferred Income (WSTF Grants)**

| Movement Description | KShs |
|---|---|
| Opening Balance (1 July 2024) | - |
| Add: Reclassification from Capital & Reserves (Note 17, 18) | 67,053,200 |
| Less: Cumulative Amortisation (2018–2024) | (10,057,980) |
| Restated Opening Balance (1 July 2024) | 56,995,220 |
| Add: Amortisation for the Current Year (FY 2024/2025)** | (1,676,330) |
| Closing Balance (30 June 2025) | 55,318,890 |

**c) Summary of Amortisation Schedule**

| Year | Amortisation (KShs) | Cumulative (KShs) | Closing Deferred Income (KShs) |
|---|---|---|---|
| 2018/2019 | 1,676,330 | 1,676,330 | 65,376,870 |
| 2019/2020 | 1,676,330 | 3,352,660 | 63,700,540 |
| 2020/2021 | 1.676,330 | 5,028,990 | 62,024,210 |
| 2021/2022 | 1,676,330 | 6,705,320 | 60,347,880 |
| 2022/2023 | 1,676,330 | 8,381,650 | 58,671,550 |
| 2023/2024 | 1,676,330 | 10,057,980 | 56,995,220 |
| 2024/2025 | 1,676,330 | 11,734,310 | 55,318,890 |

Useful life: 40 years. Annual amortisation rate: 2.5% of the total grant. Grant total: KShs. 67,053,200

**Movement in Capital/Development Fund and Deferred income**

| Line Item | Before Correction | Adjustment | After Correction |
|---|---|---|---|
| | Kshs | Kshs | Kshs |
| Capital/ Development Fund (Equity) | 67,053,200 | (67,053,200) | 0 |
| Deferred Income (Liability) | 0 | 67,053,200 | 67,053,200 |

**Infrastructure Development and Funding**

Gusii Water and Sanitation Company Limited signed a financing agreement with the Water Sector Trust Fund for the construction of the Kiogoro Water Project, UPC 8th Call in Kisii Project Number 08W/KISII/GUSII/45 on 6th April 2022 and Kebirigo Public Sanitation Facility Project, UPC 8th Call in Nyamira Project Number 08S/NYAMIRA/GUSII/44 on 6th April 2022 at a project cost of Kshs. 19,309,722.60 and Kshs. 6,199,218.90 respectively. In line with the Financing agreement clause 5.1.4 of the WSP obligations, the Company was required to contribute a mandatory 16% of the project cost as VAT.

Below is a budget summary of the funding:

| Project Name | Project Number | Total Budget Breakdown | WSTF Contribution (Less 16% VAT Amount) | WSP Contribution (VAT Amount) | Total Contribution |
|---|---|---|---|---|---|
| | | 100% | 84% | 16% | 100% |
| | | (Kshs.) | (Kshs.) | (Kshs.) | (Kshs.) |
| Kiogoro Water Project | 08W/KISII/GUSII/45 | 19,309,722.60 | 16,220,166.98 | 3,089,555.62 | 19,309,722.60 |
| Kebirigo Public Sanitation Facility Project | 08S/NYAMIRA/GUSII/44 | 6,199,218.90 | 5,207,343.88 | 991,875.02 | 6,199,218.90 |
| **Total Funding** | | **25,508,941.50** | **21,427,510.86** | **4,081,430.64** | **25,508,941.50** |

The commencement date for the Kiogoro Water Project was 22nd August 2023, while the Kebirigo Public Sanitation Facility was on 15th September 2023.

**The following are the details of Grant contributions:**

| Contributor | Amount (Kshs.) | Date Received |
|---|---|---|
| Gwasco WSP (VAT Contribution) | 1,503,950 | June 2023 |
| Gwasco WSP (VAT Contribution) | 2,700 | December 2023 |
| WSTF | 8,100,701 | January 2024 |
| WSTF | 8,100,701 | September 2024 |
| Total | **17,708,052** | |

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

**28. Notes to The Statement of Cash Flows**

| | 2024-2025 | 2023-2024 |
|---|---|---|
| | Kshs | Kshs |
| **(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations** | | |
| **Profit or loss before tax** | **(22,227,752)** | **(66,179,696)** |
| Depreciation | 4,611,628 | 3,421,949 |
| Amortization | 626,155 | 626,156 |
| **Total** | **(16,989,968)** | **(62,131,591)** |
| Operating profit/(loss) before working capital changes | | |
| Working capital changes: | | |
| (Increase)/decrease in inventories | 145,273 | 997,767 |
| (Increase)/decrease in trade and other receivables | 15,939,999 | (13,327,277) |
| Increase/(decrease) in Retirement Benefit Obligations | 49,554,753 | 23,700,149 |
| Increase/(decrease) in trade and other payables | (5,201,087) | 31,719,503 |
| Increase/(decrease) in Customer Deposits | 2,700,428 | 3,939,883 |
| Increase/(decrease) in Agency Account | 29,508,159 | (9,964,986) |
| Cash generated from/(used in) operations | - | - |
| **Cash generated from/ (used in) operation** | **75,657,556** | **(25,066,552)** |

**(b) Analysis of cash and cash equivalents**

| | 2024-2025 | 2023-2024 |
|---|---|---|
| **Short term deposits** | | |
| **Cash at bank** | 49,866,743 | 17,595,498 |
| **Cash in hand** | | |
| **Balance at end of the year** | **49,866,743** | **17,595,498** |

Following the restatement, the opening balance of cash and cash equivalents for the year ended 30 June 2025 now agrees with the restated closing balance for the prior year (2023/2024). The corrected figures ensure consistency and full reconciliation between the **Statement of Cash Flows** and the **Statement of Financial Position** for all comparative periods presented.

The summary effect of the restatement is as follows:

| **Description** | **2024/2025 (Kshs)** | **2023/2024 (Restated) (Kshs)** | **2022/2023 (Restated) (Kshs)** |
|---|---|---|---|
| Cash and Cash Equivalents at Beginning of Year | 15,282,516 | 43,484,514 | 62,091,420 |
| Cash and Cash Equivalents at End of Year | 49,866,744 | 15,282,516 | 43,484,514 |

Management confirms that these adjustments did not have any impact on the reported surplus or deficit for the prior year. The restatement was limited to presentation and reconciliation within the Statement of Cash Flows to enhance accuracy and compliance with **IAS 7 – Statement of Cash Flows.**

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

**29. Related Party Disclosures**

**County Government of Kisii and Nyamira**

The County Government of Kisii and Nyamira is the principal shareholder of the Company, holding 68% and 32% respectively of the Company's equity interest. The County of Government of Kisii and Nyamira 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
- Lake Victoria South Water Works Development Agency
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

**Transactions with related parties**

| Agency Account | 2024-2025<br>Kshs | 2023-2024<br>Kshs |
|---|---|---|
| **a) Sales to related parties** | | - |
| Sales of electricity to Govt agencies | - | - |
| Rent Income from govt. agencies | - | - |
| Water sales to Govt. agencies | - | - |
| Interest income from Govt Commercial Banks | - | - |
| Interest income from Tbills and Bonds | - | - |
| **Total** | - | - |
| | | - |
| **b) Purchases from related parties** | | - |
| SPA Fee (LVSWWDA) | 19,121,847 | - |
| Regulatory fee (WASREB) | 43,259,526 | 33,404,300 |
| Water abstraction fee (WARMA) | 473,911 | (57,176) |
| Rent expenses paid to govt agencies | | - |
| Training and conference fees paid to govt. agencies | | - |
| Bank charges paid to Govt Commercial banks | | - |
| Interest expense to investments by other govt. entities | | - |
| **Total** | **62,855,284** | **33,347,124** |
| **b) Grants from the County Government** | | - |
| Grants from National Govt | | - |
| Grants from County Government | | - |
| Donations in kind | | - |
| **Total** | - | - |
| | | - |
| **c) Expenses incurred on behalf of related party** | | - |

| | | |
|---|---|---|
| Payments of salaries and wages for employees | | - |
| Payments for goods and services | | - |
| **Total** | | - |
| | | - |
| **d) Key management compensation** | | - |
| **Directors' emoluments** | **5,089,200** | **5,931,653** |
| **Compensation to key management** | | - |
| **Total** | **5,089,200** | **5,931,653** |

**f) Related Parties and Management Agreements: Infrastructure Under Service-Level Agreement (SLA) – Keroka Water Project**

The Keroka Water Supply and Sanitation Project was implemented by the Lake Victoria South Water Works Development Agency (LVSWWDA) as part of the Lake Victoria Water and Sanitation Programme Phase II (LVWATSAN II), funded by the African Development Bank (AfDB). The project was completed in 2016 and is operated and managed by Gusii Water and Sanitation Company Limited (GWASCO) for operation and service provision.

Project Summary

- Implementing Agency: LVSWWDA
- Funding Source: African Development Bank (AfDB)
- Total Investment: Approx. KES 366 million (incl. KES 31 million for rehabilitation)
- Output: New infrastructure increased daily water production from 300,000 to 3,300,000 litres, serving up to 59,400 residents in Keroka Town (Kisii and Nyamira counties)

**Legal and Operational Framework**

While legal ownership of the assets remains with LVSWWDA, GWASCO operates the infrastructure under the guidance of:

- Section 68 of the Water Act 2016, and
- An Operational Mandate from the County Governments of Kisii and Nyamira, who are the joint owners/shareholders of GWASCO.

This outlines GWASCO's role in:

- Operation and maintenance of the infrastructure,
- Water service delivery to consumers,
- Revenue collection and reporting,
- Compliance with performance targets set by WASREB.

**Financial Reporting Treatment**

In accordance with **IAS 16**, **IAS 20**, and **IPSAS 17**, the infrastructure and related grants are **not** recognised in GWASCO's financial statements because:

- GWASCO does not hold legal title to the assets,
- It cannot claim control over the residual economic benefits,
- There is no Asset Transfer Agreement (ATA) executed to transfer ownership from LVSWWDA to GWASCO or the counties.

The infrastructure, though not capitalised, plays a critical role in GWASCO's operational performance.

**30. Capital Commitments**

As at 30 June 2025, the Company had no material capital commitments for which no provision has been made in the financial statements. Management confirms that no authorisations to enter into capital contracts were outstanding at year end. Planned capital works for the coming year will be considered within the approved budget and financed from internally generated funds and/or donor support as appropriate.

**31. Contingent Assets and Liabilities**

**Contingent Assets**

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

There were no contingent assets during the year under review (prior year: Nil).

**Contingent Liabilities**

| | 2024-2025 (Kshs) | 2023-2024 (Kshs) |
|---|---|---|
| Court case against the entity | - | - |
| Bank guarantees in favour of subsidiary | - | - |
| Contingent liabilities arising from contracts including PPPs | - | - |
| Others (Specify) | - | - |
| **Total** | - | - |

In the opinion of the directors, no provision is required in these financial statements as no contingent liabilities are expected to crystallize.

**32. 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:

**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 | 223,399,595 | 223,399,595 | - | - |
| Other Receivables | | | | |
| Investments | - | - | - | - |
| Bank balances | 49,866,743 | 49,866,743 | - | - |
| **Total** | **173,532,852.00** | **173,532,852.00** | **0** | **0** |
| **At 30 June 2024 (previous Year)** | | | | |
| Receivables | 217,767,133 | 217,767,133 | - | - |
| Other Receivables | - | - | - | - |
| Investments | - | - | - | - |
| | 217,767,133 | 217,767,133 | - | - |
| Bank balances | 17,595,498 | 17,595,498 | - | - |
| **Total** | **235,362,630** | **235,362,630** | - | - |

***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 Kshs | Between 1-3 months Kshs | Over 5 months Kshs | Total Kshs |
|---|---|---|---|---|
| **At 30 June current year** | | | | |
| Trade payables | 7,041,566 | 12,744,153 | 63,150,590 | 82,936,309 |
| Current portion of borrowings | - | - | 2,170,399 | 2,170,399 |
| Provisions | - | - | 22,660,391 | 22,660,391 |
| Deferred income | - | - | 16,201,402 | 16,201,402 |
| Employee benefit obligation | 1,895,521 | 3,953,768 | 81,811,104 | 87,660,393 |
| **Total** | **8,937,087** | **16,697,921** | **185,993,885** | **211,628,893** |
| **At 30 June previous year** | | | | |
| Trade payables | 6,570,828 | 14,688,080 | 73,012,827 | 94,271,735 |
| Current portion of borrowings | - | - | - | - |
| Provisions | 21,776,716 | - | - | 21,776,716 |
| Deferred income | - | - | - | - |
| Employee benefit obligation | 1,317,923 | 3,597,063 | 80,841,239 | 85,756,225 |
| **Total** | **29,665,467** | **18,285,143** | **153,854,066** | **201,804,675** |

### (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.

**a) Foreign currency risk**

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| | **Kshs** | **Other currencies** | **Total** |
|---|---|---|---|
| | **Kshs** | **Kshs** | **Kshs** |
| **At 30 June Current Year** | | | |
| **Financial assets** | | | |
| Investments | - | - | - |
| Cash | - | - | - |
| Debtors | - | - | - |
| **Financial Liabilities** | | | |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

The Company manages foreign exchange risk form future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

| | **Kshs** | **Other currencies** | **Total** |
|---|---|---|---|
| | **Kshs** | **Kshs** | **Kshs** |
| **At 30 June Previous year** | | | |
| **Financial assets** | | | |
| Investments | - | - | - |
| Cash | - | - | - |
| Debtors | - | - | - |

| | | | |
|---|---|---|---|
| **Financial Liabilities** | | | |
| Trade and other payables | - | - | - |
| Borrowings | - | - | - |
| Net foreign currency asset/(liability) | - | - | - |

**b) Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

| | Change in currency rate | Effect on Profit before tax | Effect on equity |
|---|---|---|---|
| | Kshs | Kshs | Kshs |
| **20xxCurrent FY** | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |
| **20xx Previous FY** | | | |
| Euro | 10% | - | - |
| USD | 10% | - | - |

**c) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs 0 (2024: KShs 0). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2024 – KShs 0)

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

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

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

Determination of fair value and fair values hierarchy

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

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

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

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

| | | | | |
|---|---|---|---|---|
| **At 30 June 20xx Current FY** | **Level 1 Kshs** | **Level 2 Kshs** | **Level 3 Kshs** | **Total Kshs** |
| **Financial Assets** | | | | |
| Quoted equity investments | - | - | - | - |
| **Non-financial Assets** | | | | |
| Investment property | - | - | - | - |
| Land and buildings | - | - | - | - |
| **At 30 June 2024 Previous FY** | | | | |
| **Financial Assets** | | | | |
| Quoted equity investments | - | - | - | - |
| **Non-financial Assets** | | | | |
| Investment property | - | - | - | - |
| Land and buildings | - | - | - | - |
| | - | - | - | - |

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

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

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

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

### iv) Capital Risk Management

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

| Item | 2025 (KShs) | 2024 (KShs) |
|---|---|---|
| **Revaluation reserve** | - | - |
| Retained earnings | (85,455,126) | (67,876,949) |
| Capital reserve | - | - |
| **Total funds (Equity)** | **(85,455,126)** | **(67,876,949)** |
| Total borrowings | 2,170,399 | - |
| Less: Cash and bank balances | 49,866,743 | 17,595,498 |
| **Net debt / (excess cash)** | **(47,696,344)** | **(17,595,498)** |
| **Gearing ratio (%)** | **0** | **0** |

*The Company maintained a net cash position of KShs 47.7 million (2024: KShs 17.6 million) as at 30 June 2025. Consequently, the gearing ratio remains effectively 0%, indicating no reliance on borrowed funds for capital financing.*

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

### 34. Events After the Reporting Period
There were no material adjusting and non- adjusting events after the reporting period.

## 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 |
|---|---|---|---|---|
| 1.0 | **Accuracy of the Statement of Cashflows** The statement of cashflows reflects Kshs. 43,484,514 in respect to cash and cash equivalents at the beginning of the year. However, the audited financial statements for 2022-2023 reflects Kshs.43,737,350 on the same resulting to unreconciled variance of Kshs.252,836. In addition, the statement of cashflows reflects Kshs. 15,282,516 in respect to cash and cash equivalent at the end of the year which differs with bank and cash balances of Kshs. 15,443,560 in the statement of financial position resulting to unreconciled variance of Kshs. 161,044. In the circumstances, the accuracy of the statement of cash flows for the year ended 30 | The adjustment has been fully corrected in the subsequent year's financial statements (2023/2024) to ensure consistency between the Statement of Financial Position and the Statement of Cash Flows in accordance with IAS 7 – Statement of Cash Flows and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | June, 2024 could not be confirmed. | | | |
| 2.0 | **Accuracy of Customer Deposits:**<br><br>The statement of financial position and as disclosed in Note 24 to the financial statements reflects customer deposits balance of Kshs, 29,715,363 which represents amounts deposited by customers for new water meter paid upon connections. These funds are retained in the company's deposit account with Kenya Commercial Bank Limited. However, review of supporting documents provided for audit revealed that the balance of Kshs. 29,715,363 differs with closing balance of Kshs. 13,060,658 reflected in the deposits account bank statement, resulting to an unexplained variance of Kshs. 16,654,705.<br>In the circumstances, the accuracy of Kshs. 29,715,363 could not be confirmed | Management concurs with the Auditor's observation regarding the variance of Kshs. 16,654,705 in the customer deposit account balances. The variance arose from borrowings made between the 2014/2015 and 2020/2021 financial years to settle electricity bills.<br>The current Board reviewed the matter and resolved that the amount be refunded progressively with the following strategies<br>a) Own source revenue as they become available.<br>b) Generate revenue from interest on fixed deposit income.<br>In the financial year 2024-2025, the account generated Kshs. Kshs. 1,558,131.59 on 25 July 2025 and recouped back to partially offset the deficit.<br><br>The Company will continue implementing this strategy until the | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | | customer deposit balance is fully settled. | | |
| 3.0 | **Accuracy of Cash and Cash Equivalents**<br><br>The statement of financial position as at 30 June 2024 reflects a balance of Kshs. 17,595,498 in respect of cash and cash equivalents and as disclosed in Note 18 to the financial statements. However, review of cash book, bank reconciliation and bank statement provided for audit revealed that KCB revenue account number 1106368436 cash book has been overdrawn by Kshs. 2,312,982.31 but reflected as 2,151,938 balance in the financial statements. The resultant variances were however not explained.<br>In the circumstances, the accuracy of the Kshs. 15,443,560 cash and cash equivalents balance as at 30 June, 2024 could not be confirmed. | Management acknowledges the auditor's observation that as at 30 June 2024, the company's KCB revenue Account No. 1106368436 reflected an overdraft balance of Kshs. 2,312,982.31. Management had raised payments for outstanding goods and services with the expectation that improved cash flows would facilitate the clearance of these obligations. The cheques were cleared in the subsequent month. | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| 1.0 | **1.0 Budgetary Control and Performance**<br><br>**1.1 Revenue analysis**<br>The statement of comparison of budget and actual amounts for the year ended 30 June 2024 reflects budgeted receipts of Kshs. 506,425,522 and actual receipts of Kshs. 256,989,769 resulting to a revenue shortfall of Kshs. 249,435,753 or 49%.<br>In overall, the water company failed to meet its target revenue by Kshs.249,425,753 an indication of weak budget planning process. There is need for the company to relook at its budget making process with a view to planning a realistic budget to achieve its intended objectives. | Management acknowledges the auditor's observation on budgetary control and performance. The reported budget shortfall of Kshs. 249,435,753 was primarily due to the following factors:<br>• **Unrealized Grants** – The Company did not receive the expected grant from the Water Sector Trust Fund and the County Government, which the company had budgeted for Kshs. 136,627,511, but only Kshs. 20,100,701 (15%) was received, resulting in a shortfall of Kshs. 116,526,810, equivalent to 25% of the expected budget.<br>• **Revenue-Based Budget Adjustments** – The management has revised budget estimates to align with the company's | Resolved | |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | | collectable revenue.<br>Also, in order to improve on budgetary control and financial planning, the Company has taken the following measures:<br>• **Regular Budget Reviews** – The Company continuously revises its budgets based on performance to enhance budgetary controls<br>**Enhanced Budgeting Process** – Management is committed to refining the budget-making process to establish more realistic and achievable financial projections aligned with the Company's objectives | | |
| | **1.1 Expenditure analysis**<br>The statement of comparison of budget and actual amounts reflects an expenditure budget of Kshs. 354,425,771 and an actual expenditure of Kshs. 326,681,176 resulting to a net under expenditure of Kshs. 27,844,595. | Management acknowledges the auditor's observation on budgetary control and performance on the under expenditure of funds. Going forward the management will utilize any surplus on areas of need. | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | In overall, the Company under absorbed its budget by Kshs. 27,844,595(7%) of the total budget allocation. The funds could have been allocated to other deserving areas that would have improved delivery of goods and services to stakeholders. There is need therefore for the management to relook at its budgeting mechanism with a view to focusing on areas which will improve service delivery to the stakeholders. | | | |
| 2.0 | **2.0 Material Uncertainty in Relation to Going Concern** The statement of profit or loss and other comprehensive income reflects a loss of Kshs. 66,280,188 (Kshs. 5,296,250 profits in 2022-2023). The statement also reflects operating expenses of Kshs. 323,269,958 (Kshs. 264,306,680 in 2022-2023 indicating a loss-making trend. In addition, the current liabilities of Kshs. 198,266,484 as at 30 | We acknowledge the Auditor-General's report highlighting the material uncertainty regarding the company's ability to continue as a going concern. To address the going concern risk and ensure financial sustainability, the company has implemented a series of mitigation measures as part of its 2024-2025 strategic plan. <br>• Under revenue growth initiatives, the company is actively | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | June 2024 exceeded the current assets of Kshs. 159,346,810 resulting into a negative working capital of Kshs. 38,919,674. The Water Company is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption of continued financial support from the county government and its creditors. | expanding customer connectivity to increase the number of active connections and enhance revenue collection.<br>• The Company is reviewing the tariff to obtain a cost-reflective one to manage costs as well as finish declusturing process to improve efficiency in the cost centers<br>• The company is focusing on enhancing operational efficiency by implementing infrastructure improvements, further reducing NRW.<br>• Finally, the company is reviewing and streamlining expenditures, with a particular focus on energy efficiency initiatives to lower electricity costs. | | |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | | It is also important to note that in 2021-2022, the Company received Kshs. 91,986,550 in grants for operation and maintenance costs.<br>In 2022-2023, the Company received Kshs. 38,246,530, also for operations and maintenance. In 2023-2024, the Company received Kshs 20,100,701 being Kshs. 8,100,701 for water connectivity and 12,000,000 from County government for electricity costs.<br>The company did not receive any grant to support its operational expenses during the current year under review 2023-2024 and thus the cause of the downward trend. | | |
| | **1.0 Non-Revenue Water**<br>The statement of profit and loss and other comprehensive income reflects operating revenue of Kshs. 228,317,433 as disclosed in Note 6 to the financial statements. Included in the balance is Kshs 149,285,051 in respect of water sales. Records | Management acknowledges that the Company still has high non-revenue water being attributed to:<br>• Aging Infrastructure – Frequent pipe bursts and leakages due to old and deteriorated pipelines. | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | provided for review indicated that the Company produced a total of 3,785,933 cubic meters ($M^3$) of water during the year under review out of which 1,545,478 cubic meters (M3) of water was billed to customers for Kshs. 149,285,051.45 while the balance of 2,240,455 cubic meters ($M^3$) or approximately 59.2% of the total volume of water produced represents non-revenue water. This is contrary to WASREB guidelines which sets the acceptable level of non-revenue water at 25% of the total water production. Management has not explained the measures which have been put in place to control the losses. | • Water theft and Illegal Connections – Unauthorized water connections leading to unbilled consumption.<br>• Metering inaccuracies – Inaccurate, stuck, or vandalized meters leading to underreporting of water consumption.<br>However, significant progress has been made in reducing NRW over the past three years, from 77% in 2022-2023 to 59% in 2023-2024 having implemented the following measures:<br>i. Establishment of an NRW Unit – A dedicated NRW unit, led by a senior officer, has been set up to oversee and coordinate reduction efforts.<br>ii. Implementation of an NRW Strategy – The Company has developed and executed an NRW strategy in | | |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | | alignment with guidelines issued by WASREB<br>iii. Mobilized materials for timely repair of burst and leakages, replaced stuck, old and vandalized meters.<br>iv. Embraced the use of water police unit to address the illegal connections. | | |
| 1.0 | **1.0 Long Outstanding Audit Fees**<br>The statement of financial position and as disclosed in note 23 to the financial statements reflects Kshs. 96,471,152 in respect to trade and other payables. Included in the Kshs. 96,471,152 is Kshs. 5,809,200 accrued audit fees payable to the office of the Auditor-General which has however remained unpaid. Although management has created a provision of Kshs.. 446,600 for this current year under review, this is still | We acknowledge the auditor's observation regarding the outstanding audit fees amounting to Kshs 5,809,200, which has accrued over the years and remains unpaid. This was due to cashflow challenges. The company has taken measures to ensure compliance with Section 41(1)(c) of the Public Audit Act, 2015. As a commitment, we have paid Kshs. 300,000 vide cheque number 009298 dated 28 November 2024. Further, we have committed to clearing the outstanding balance within the year in a | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | 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.<br>In the circumstances, Management was in breach of the law. | staggered phase to settle the matter. | | |
| 2.0 | **2.0 Failure to Comply with Fiscal Responsibility principles on wage bill**<br>The statement of profit and loss and other comprehensive income and as disclosed in note 9 to the financial statements for the year ended 30 June 2024 reflects Kshs.108,454,746 in respect of staff costs. The Kshs. 108,454,746 translates to forty-two percent (42%) of the total revenue of Kshs 256, 989,769 contrary to section 25 (1)(a) and (b) of the Public Finance Management (County Government) Regulations, 2015 which stipulates that county governments expenditure on wages | We acknowledge the findings of the auditor relating to the staff costs for the year ended 30 June 2024, which are disclosed in **Note 9** to the financial statements. The management has taken the following mitigation measures:<br>1. Freezing of new employment or new recruitment<br>2. Undertaking a comprehensive review of the staffing levels to match some departments.<br>3. Boosting the revenue collection | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | and benefits for its public officers shall not exceed thirty-five per cent of the county government entity total revenue<br>In the circumstances, management was in breach of the law. | | | |
| 3.0 | **3.0 Long outstanding retirement benefit obligations**<br>The statement of financial position and as disclosed in Note 22 of the financial statement is Kshs 38,105,640 in respect of retirement benefits obligations. Analysis of the data provided for audit review revealed that the obligations had accrued from 2016 and management has not outlined significant steps taken to ensure the obligations are cleared.<br>In the circumstances, the Company is exposed to litigations and the regularity of the Kshs. 38,105,640 could not be confirmed. | The company acknowledges the outstanding retirement benefits obligations amounting to Kshs. 38,105,640 as disclosed in Note 22 to the financial statements. This relate to County Pension Fund, National Water pension Scheme, and gratuity which have accumulated over the years due to cash flow challenges. However, the Company is making partial payments of the accrued arrears in addition to current obligation as evidenced in the annex | Resolved | Friday, 21st March, 2025 |
| 4.0 | **4.0 Fees and Fines**<br>The statement of profit or loss and other comprehensive | We acknowledge the auditor's observation regarding the expenditure of Kshs. 5,351,490 incurred in | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | income reflects Kshs. 188,915,410 in respect to general and operational expenses which further includes Kshs 5,351,490 in respect of fees and fines. The amount related to payment to various advocates for legal services rendered and costs related to enforcement of judgements through auctioneers. However, there was no professional opinion and letter of no objection from the County attorney who is indicated in the annual report and financial statements as the Principal legal advisor<br>In the circumstances, the regularity of the Kshs. 5,351,490 during the year could not be confirmed. | fees and fines related to the enforcement of judgments. Moving forward, the Company will proactively ensure that all fees and fines receive a formal professional opinion or letter of no objection from the County Attorney. | | |
| 5.0 | **5.0 Lack of approved tariffs**<br>The statement of profit or loss and other comprehensive income and as disclosed in note | We acknowledge expiry of Regular Tariff Adjustment applied and approved by Water Services Regulatory Board. Management | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | 6 to the financial statements reflects total operating income of Kshs. 228,318,433. It was however noted that the company was billing customers using tariffs that expired in the financial year 2020/2021. No evidence was provided of any tariff review request has been forwarded to Water Services Regulatory Board (Wasreb) in seeking approval. Consequently, the lawfulness of the tariffs applied in billing customers' accounts could not be confirmed. Consequently, the lawfulness of tariffs applied in billing customers could not be confirmed. | concluded Tariff Adjustment Process by engaging a consultant to undertake a Feasibility Study on Economical Charges for Water and Sanitation Services and a tariff adjustment proposal in the prescribed format by the Regulator. Due to the process of declustering the Company, the process was put on hold to allow the process to be concluded. | | |
| | **6.0 Regularity of Imprest Management** Review of payment records revealed that Kshs. 1,633,200 imprest was advanced to staff for various assignments during the year under review. The imprest was however not recorded in the imprest register as the management did not | We acknowledge the issues raised by the auditor in the review of the payment records and recognize the importance of ensuring strict adherence to established financial management protocols. The management has taken the following steps to address imprest management: | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | use the imprest issuance and accountability process where imprest warrants is raised with details including staff name, date of issuance, staff number, imprest warrant number and due date for ease of managing and controlling of imprest amount recorded thus making it difficult to determine the actual date for surrendering the imprest.<br>In addition, the imprest was expensed at source instead of charging the below the line accounts and charging respective expenditure accounts on surrender hence casting doubt on whether the imprest was properly and promptly surrendered contrary to Regulation 91(1), and Regulation 93(5) of the Public Finance Management (County Governments) Regulations, 2015 which require a holder of a temporary imprest to account for or surrender the imprest within seven (7) working days after returning to duty station and the | a) Establishment of imprest registers.<br>b) Officers surrendering their imprest within the required seven day. | | |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | Company's Financial Systems Policies and Procedures 6.2.1 which states that and imprest will be issued to officers for specific purposes and will be accounted for by submission of cash receipts and refund of the cash balance. In circumstances, Management in breach of the law. | | | |
| | **Board Work Plan** Included in the statement of profit or loss and other comprehensive income and as disclosed in note 11 to the financial statements is Kshs. 5,931,653 being board expense. However, it was noted that the board committees had in operation a calendar of events but lacked a documented and approved board work plan, contrary to the requirements of the Mwongozo code of Governance for state corporations, 2015, which mandates the preparation and implementation of such a plan to ensure structured strategic | Management acknowledges the auditor's observation regarding the need for a documented and approved board work plan. | Resolved | Friday, 21st March, 2025 |

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe |
|---|---|---|---|---|
| | execution of the board's responsibilities. In the circumstances, the effectiveness of the internal controls over board operations could not be confirmed. | | | |

*Guidance Notes:*

(i) The same reference numbers are used as contained in the external audit report.

(ii) We obtained the "Issue/Observation" and "management comments" required above from final external audit report that is signed by Management.

(iii) The reports and accounts of the Company and the report of the Auditor-General on the financial statements for the year ended 30 June 2024 were examined on Friday, 21st March, 2025, by the County Public Investments and Special Funds Committee

Signature

**Lucy Wachira**
**Managing Director**
**14th October 2025**

## Appendix II: Projects Implemented by the Company

### Projects

Projects implemented by the Company Funded by development partners.

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---|---|---|---|---|---|---|
| 1 | 08W/KISII/GUSII/45 | WSTF | | Kiogoro Water Project) | Yes | Yes |
| 2 | 08S/NYAMIRA/GUSII/44 | WSTF | | Kebirigo Public Sanitation Facility | Yes | Yes |

### Status of Project Completion

| | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual | Sources of funds |
|---|---|---|---|---|---|---|---|
| 1 | Kiogoro Water Project) | 19,309,722.60 | 13,238,577 | 69% | 19,309,722.60 | 13,238,577.25 | WSTF & Gwasco |
| 2 | Kebirigo Public Sanitation Facility | 6,199,218.90 | 4,469,475 | 72% | 6,199,218.90 | 4,469,475.00 | WSTF & Gwasco |
| | | 25,508,941.50 | 17,708,052.25 | | 25,508,941.50 | 17,708,052.25 | |

## APPENDIX III- INTER-ENTITY CONFIRMATION LETTER

**Name of Transferring Entity:** *Not Applicable*

**Name of Beneficiary Entity:** *Not Applicable*

**Confirmation of amounts received by Gusii Water and Sanitation Company Limited as at 30 June 2025**

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

**Statement:**
Gusii Water and Sanitation Company Limited neither transferred nor received any inter-entity funds during the financial year ended 30 June 2025.

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**.................

## APPENDIX IV: REPORTING OF CLIMATE RELEVANT EXPENDITURES

| Project Name | Project Description | Project Objectives | Project Activities | Q1 | Q2 | Q3 | Q4 | Source of Funds | Implementing Partners |
|---|---|---|---|---|---|---|---|---|---|
| Tree Planting Exercises | Kisii South, Kisii Central, Kenyenya, and Nyamache sub-counties | Over 12,000 tree seedlings planted to support county-wide reforestation, catchment protection, and climate change mitigation | Tree nursery establishment; community mobilization; seedling distribution; planting and follow-up care | 0 | 0 | 0 | 0 | Company own sources | Gusii Water & Sanitation Company Ltd, County Government of Kisii, Local Communities |

## APPENDIX V: REPORTING DISASTER MANAGEMENT EXPENDITURE

Entity: Gusii Water & Sanitation Company Ltd

| **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 |
| - | - | - | - | - | - | No disaster management expenditure was incurred during the financial year 2024–2025 |

**Note:**

The company did not undertake any disaster management-related expenditure during the year under review. No incidents requiring financial intervention occurred, and therefore no allocations or disbursements were made for response, recovery, mitigation, or preparedness activities.

## Appendix VI: Recording of Transfers from Other Government Entities

| Name of the County/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 | - | Recurrent | - | - | - | - | - | - | - |
| Ministry/County Department of water. | - | Development | - | - | - | - | - | - | - |
| USAID | - | Donor Fund | - | - | - | - | - | - | - |
| name of Development partner/County department etc. | - | Direct Payment | - | - | - | - | - | - | - |
| | | | - | - | - | - | - | - | - |
| **Total** | | | - | - | - | - | - | - | - |

No Transfers have been received from Other Government Entities during the financial year ended 30 June 2025.