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REPORT

OF

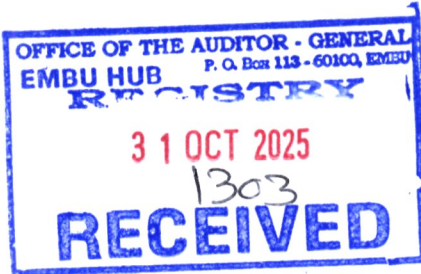
THE AUDITOR-GENERAL

ON

NGAGAKA WATER AND SANITATION
COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025

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NGAGAKA 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

DATE	19/11/2025
TABLED BY	Sen. Mutinda on behalf of Majority Leader
COMMITTEE	-
CLERK AT THE TABLE	Belinda

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



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1. Acronyms and Glossary of Terms

A. Acronyms

NGAWASCO	<i>Ngagaka Water and Sanitation Company Limited</i>
WSP	<i>Water Service Provider</i>
ICPAK	<i>Institute of Certified Public Accountants of Kenya</i>
CMT	<i>Corporate Management Team</i>
IAS	<i>International Accounting Standards</i>
IASB	<i>International Accounting Standards Board</i>
IFRS	<i>International Financial Reporting Standards</i>
ICS	<i>Institute of Certified Secretaries</i>
MD	<i>Managing Director</i>
PFMA	<i>Public Finance Management Act</i>
WASREB	<i>Water Services Regulatory Board</i>
WSTF	<i>Water Sector Trust Fund</i>
WRA	<i>Water Resources Authority</i>
TWWDA	<i>Tana Water Works Development Agency</i>
WASPA	<i>Water Services Providers Association</i>
HFCS	<i>Head of finance and Commercial Services</i>
HTS	<i>Head of Technical Services</i>
HARC	<i>Head of Audit Risk and Compliance</i>
BOD	<i>Board of Directors</i>
NRW	<i>Non-Revenue water</i>

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 Ngagaka Water and Sanitation Company was established under the Companies Act (Cap 486) in 15th March 2011. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya

Key Activities

The principal activity of **NGAWASCO** is provision of water and sanitation services within the designated service area.

Vision

To be a model water and sanitation services Company in Kenya.

Mission

To ensure provision of affordable, reliable and sustainable water and sanitation services by operating and maintaining the water and sanitation systems in most efficient and effective manner.

Core Objectives

- a). Awareness on water sector reforms
- b). Improving access to sustainable and safe water
- c). Increasing the demand for available safe water
- d). Increasing the access to improved sanitation
- e). Achieving operational and financial sustainability

Directors

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

S/no	Name	Particulars	Date of appointment
1.	Henry Kingora Josphat Mbeca	Chairman	02/05/2024
2.	Cyrus Mugendi Katheru	Managing Director	02/12/2024
3.	Grace Wanja Murithi	Director	30/10/2023
4.	Damiano Muthee Njagi	Director	11/03/2024
5.	Zipporah Thaara Njoka	Director	02/05/2024
6.	Ann Wambeti Njogu	Director	02/05/2024
7.	Cyrus Nyaga Muchangi	Director	02/05/2024
8.	Antony Murimi Mbogo	Director	02/05/2024

Corporate Secretary

FCS Richard K. Gikuhi
P. O. Box 1271-10100
Nyeri, Kenya

Registered Office

Kianjokoma Market
Mutunduri Irangi highway
P.O. Box 2507-60100
Embu, Kenya

Corporate Headquarters

P.O. Box 2507-60100
Mutunduri Irangi highway
Embu, KENYA

Corporate Contacts

Telephone: (254) 2701 084 424/0738 360 306
E-mail: info@ngawasco.co.ke
Website: ngawasco.co.ke

Corporate Bankers

1. Family Bank of Kenya
P. O. box 789-60100
Embu, Kenya
2. Consolidated Bank of Kenya
P. O. Box 1377-60100
Embu, Kenya
3. Equity Bank of Kenya
P. O. Box 1994-60100
Embu, Kenya

Independent Auditor

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

Principal Legal Adviser


The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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The Board of Directors

Directors	Details
<p>Henry Kingora Josphat Mbeca</p> 	<p>Board Chairperson Born in 1968 and was appointed May 2024 as an independent non-executive director representing Farmer’s Organization. He has a Bsc. Mathematics and Computer Science.</p>
<p>Cyrus Muchangi Nyaga</p> 	<p>Born in 1973 and was appointed in May 2024 as an independent non-executive director representing Business Community. He holds BA in Economics & Sociology. Currently he is the chair of Audit and Risk Committee.</p>
<p>Grace Wanja Murithi</p> 	<p>Born in 1972 and was appointed in October 2023 as a director representing County Government of Embu. She holds MBA, BBA in Education and Administration. She is currently the Chief Officer in charge of the Department of Water, Irrigation, Environment & Climate Change Embu.</p>
<p>Ann Wambeti Njogu</p> 	<p>Born in 1977 and was appointed May 2024 as an independent non-executive director representing Women’s Organization. She is a teacher by profession. Holds Bed. (Primary). Currently, she is the chair of Hr, Finance and Technical Committee.</p>
<p>Antony Murimi Mbogo</p> 	<p>Born in 1994 and was appointed in May 2024 as an independent non-executive director representing Youth Group. He holds BA in Economics.</p>
<p>Zipporah Thaara Njoka</p> 	<p>Born in 1975 and was appointed as an independent non-executive director representing Religious organization. She is a teacher by profession. Holds BED Arts.</p>

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<p>CPA Damiano Muthee Njagi</p> 	<p>Born 1973 and was appointed in March 2024 as a director representing County Government of Embu. He holds CPA(K)/CPS(K). Currently he is the Chief Officer in charge of the Department of Finance and Economic Planning.</p>
<p>Cyrus Mugendi Katheru</p> 	<p>He is the Managing Director, appointed in December 2024. Born in 1975, he brings over 22 years of experience in the water sector, having served in various capacities, including Head of the Non-Revenue Water (NRW) Unit in his previous role. He holds a MSC in Sanitation from Meru University of Science and Technology, a BDS degree and a Diploma in Water Engineering.</p>
<p>FCS Richard K. Gikuhi</p> 	<p>He holds a Master's Degree in Business Administration and Certified Secretary with wide range of experience in corporate governance and management over forty years. He is a fellow of Institute of Certified Secretaries of Kenya, an accredited Governance Auditor and a member of the Kenya Institute of Management.</p>

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4. Management Team

Managers	Details
<p>Cyrus Mugendi Katheru</p> 	<p>Managing Director MSC in Sanitation, BDS degree in Development Studies and Diploma in Water Engineering In charge of the overall business strategy of the Company and direction</p>
<p>CPA Agnes Murugi Ngondi</p> 	<p>Head of Finance and Commercial Services CPA (K)/BBA Accounting & Finance Account, Finance and Commercial Services</p>
<p>Anderson Gitonga Njeru</p> 	<p>Head of Technical Services BSC degree in Water and Environmental Engineering Technical Services</p>
<p>Alice Muthoni Njiru</p> 	<p>Human Resource Diploma-Human Resource Human Resource</p>
<p>CPA Peter Nyaga Njeru</p> 	<p>Head of Audit Risk and Compliance DIP BSM/CPA(K)/BCOM Audit Risk and Compliance</p>
<p>FCS Richard K. Gikuhi</p> 	<p>Company Secretary MBA/CPS(K) Corporate Governance and Management</p>

5. Chairman's Statement

On behalf of the Board of Directors, I am pleased to present this Year Report for the financial year ended 30th June 2025. This report outlines the company's overall performance, financial health, governance developments, and key strategic interventions undertaken during the year.

Despite a challenging operating environment, the company remained focused on its core mandate of delivering safe, affordable, and reliable water to our customers.

The financial growth rate has slightly improved due to the overall teamwork among all stakeholders and commitment of our staff.

On the governance front, the impact of devolution has continued to take shape. The executive of the County Government has been fully represented in the Board of Directors of the Company.

Our dedication to our strategy has yielded a relatively fair set of financial results, despite the several challenges witnessed in our country and across the border. This is a clear confirmation of our commitment to generating long term value for our stakeholders.

We continue to enjoy the support and goodwill inter alia of the County Government, Regulatory Authority, the board, our clients, suppliers and service providers. I wish to record our appreciation to them all and note that we highly value this relationship.

I also wish to thank and congratulate the management team and staff of the company for the loyalty, dedication and tireless efforts that have made these results possible.

The Board remains committed to transparent oversight, effective governance, and strategic growth of the utility. With the support of our staff, customers, partners, and regulators, NGAWASCO is on a promising path toward improved efficiency and sustainability.

To my fellow directors, thank you for your commitment, support and considered advice that is so essential in this extremely noble service.



Henry K. Mbeca
Chairman
22nd August 2025

6. Report of the Managing Director

I am honoured to report of another year of fairly performance in our duty of provision of water services to our customers. We have maintained our record of growth through superior commercial performance across our entire services. Our customers have rewarded us with loyalty as we strived to deliver on our promise of a superior customer service.

Despite a challenging economic and climatic environment, we made notable strides in delivering our mandate of affordable and reliable water supply. The utility continues to operate with a strong commitment to sustainability, community development, and service delivery. Our fairly financial performance has enabled us to continue with substantial investment in our network and other services. Customer satisfaction levels have continued to improve as evidenced by higher usage of our services and the response from stakeholder's conference held on 30th May 2025.

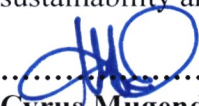
The Company's total revenue increased from Ksh. 42.2 million to Ksh. 52 million, reflecting the positive impact of collective operational improvements and strengthened internal processes.

Our staffs are the greatest resource and we have an exciting mix of skills in various disciplines blended with wealth of experiences. The Recruitment of the full CMT during the financial will see the company improve in performance. They are enthusiastic to make certain that the Company is always in the lead. These employees are always ready to roll up their sleeves whenever required to perform specific tasks to ensure that customers' needs are met and our goals achieved. During the period we were able to hold both stakeholders conference and the AGM to report on our progress.

Strategic priorities

Our goal is to continue transforming the lives of our fellow Kenyans and delighting our customers with great value and services. Meter reading using smart phone and capturing the image has increased billing efficiency. This has ensured accuracy and timely billing data. We have implemented Kobo data collection tool kit enable more reports from the field. Further the company's automation of bills payment has been going on well. M-pesa payment has given our customers the opportunity to choose their preferred mode of payment and this has increased revenue collection efficiency. Our priority this year is to reduce the number of dormant connections, Reduction of the Non-revenue water and seeking development partners to improve on water quality. This will make a significant contribution to the lives of our customers and the economy at large.

NGAWASCO water has continued to be the front runner and this can only be due to the commitment and persistence by the board, management and staff who have worked vigorously to satisfy our clients, and through collaboration to all stakeholders. We are committed to ensure sustainability and prosperity of the Company.


.....
Cyrus Mugendi
Managing Director
22nd August 2025

7. Statement of Performance Against Predetermined Objectives for the FY 2024-2025

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

Ngagaka Water and Sanitation has 5 Strategic Pillars/ Themes/Issues and Objectives within the current Strategic Plan for the year **2025 – 2029**. The Strategic pillars are as follows:

1. *Water and sanitation infrastructure development*

This thematic area includes hardware investments like water treatment plants, new pipelines, storage tanks and sanitation infrastructure.

2. *Operational efficiency and customer service*

This thematic area includes internal systems improvements that reduce operational costs and water losses, increase revenues, as well as activities to promote customer satisfaction like call centres, community outreach activities and customer satisfaction surveys.

3. *Financial sustainability*

This thematic area refers to activities that have an impact on the financial position of the WSP including billing and collections, new connections, strong accounting and financial management systems, and proper procurement procedures and controls.

4. *Institutional capacity/strengthening*

This thematic area refers to human resource policies, procedures, training and incentives as well as abiding by the Labour Laws of the country.

5. *Corporate governance*

This thematic area refers to the system of rules, practices and processes by which the WSP is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders - these include its stakeholders, Bod, management, customers, suppliers, financiers, government and the community.

We develop our annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Company* achieved its performance targets set for the FY 2025-2029 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1. Water and sanitation infrastructure development	Increase water supply coverage from 97% to towards 100% by the year 2029 Improve sanitation coverage to 100% by 2029	Total production of 7,000 m ³ per day Increased production Increased new connections Improved water quality	Extension of Service Area, rehabilitation of distribution network, construction of sanitation in small markets	Increased in new connections by 3% Improved water quality
2. Operational efficiency and customer service	Optimize operational efficiencies and reduce costs Reduce Non-Revenue Water from 34% to 25% by 2029 Improve customer satisfaction to 95%	Improved efficiency and institutional performance All utility operations are automated Monthly maintenance & implementation reports, Daily/Monthly consumption reports, Meters installation, Abnormal consumption reports, Aged meter report Accurate meter readings Replace non-functional aged meters	Automate all undertakings of the organizations Install Master/Zonal meters Replace meters more than 8 years old 2000 in Number	Digitizing Operations especially the meter reading. Automation is the process 4 DMA meters installed 2000 meter replaced Customer satisfaction at 80% Non-Revenue Reduced to 33.9%

<p>3.Financial Sustainability</p>	<p>Improve O&M cost coverage from 104% to towards 120%</p>	<p>Projected increase in annual revenue, Increase meter reading from 98% to 100%, Procurement Procedures that are efficient and aligned to PFMA, Increased annual collection by 10% per year and collection efficiency by 0.5 per annum</p>	<p>Increased Water sales E-Collections & E-Billings</p>	<p>Increase in Annual Revenue Currently OCCR at 113% Efficient E-billing/Collect ions</p>
<p>4.Institutional capacity/strengthening</p>	<p>Strengthen staff capacity, efficiency and satisfaction</p>	<p>Operational structure, Number of staffs trained Compliance with OSH guidelines External Training Attendance</p>	<p>Staff Training E-Platform Implemented</p>	<p>There has been staff training Structured Yearly Plan for Staff Training</p>
<p>5.Corporate governance</p>	<p>Clear and responsible corporate governance policies, procedures and practices</p>	<p>Board manual, Periodic progress reports, Succession management policy in place,</p>	<p>Develop board management manual, Develop annual work plans for the board & Develop a succession management policy Develop a risk management plan</p>	<p>Board training on corporate governance, Existence of a Formal Board, Improved performance & accountability of the board, Risk management plan & risk register in place</p>

8. Corporate Governance Statement

Good corporate governance is fundamental to the integrity of water sector institutions and markets and its central to the overall health and stability of our economy. It provides the framework through which corporations, their boards, and management are directed, controlled, and held accountable. Corporate governance therefore encompasses the systems, practices, and procedures that guide organizations to remain competitive, ethical, sustainable, and fair.

Board members are nominated by stakeholder institutions through a competitive and transparent process. Removal of directors follows due process as guided by governance regulations, non-performance, misconduct, or breach of the Board Charter or Code of Conduct. The Board comprises 7 members drawn from diverse professional backgrounds including Stakeholders representatives of different bodies, two representatives from the County Government. The Board embraces gender balance, professional diversity, and age representation to enhance inclusiveness and effectiveness. The Board operates under a formally adopted Board Charter that outlines its mandate, powers, and responsibilities.

The board is responsible for setting the direction of the company through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by management and consequent accountability.

The non-executive directors are actively involved in and bring strong independent judgment on board deliberations and discussions. These directors have a wide range of knowledge and experience of local markets that is applied to the formulation of strategic objectives and decision making.

The board meets regularly and retains full and effective control over the company in all strategic, financial, operational and compliance areas.

During the financial year, 2024-2025, the Board held four full Board meetings, four committee meetings consisting for each committee and two special board meeting. Board members underwent an induction program covering the company's operations, financials, regulatory environment, and governance framework. During the year, the Board enhanced its capacity through Governance training conducted at the Kenya School of Government.

The current board has just completed one year in office hence the individual evaluation of each board member will be conducted by the company secretary in the First Quarter of the next financial year 2025-2026.

The company adapts the succession planning framework that ensures leadership continuity at the Board as per the WASREB corporate governance guideline 2024.

The Board has adopted a Conflict-of-Interest Policy requiring full disclosure of any personal interest in company matters. Members sign a declaration register during any meeting.

Directors remuneration consists of sitting allowances for their services relating to the Board and committee meetings. The aggregate amount of director's remuneration for services rendered during the year ended 30th June 2025 is contained under note 31 on page 20 of these annual report and financial statements

9. Management Discussion and Analysis

Operational Review through Key Performance Data Analysis

The right to water is best achieved in a sector operating under uniform norms and standards, where performance is measured against agreed set bench marks and is reported.

Ngawasco's reporting and monitoring is therefore key in mapping the WSPs progress in meeting the right to water and sanitation to the consumers.

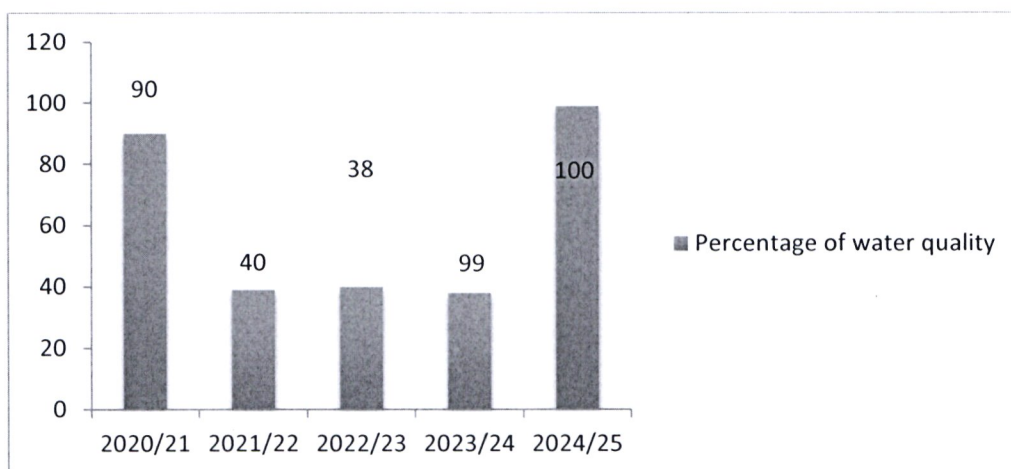
The progress on key performance indicators is as here below: -

a) Drinking Water Quality

Access to clean water and safe drinking water is vital for public health. The Regulator has continued to monitor the set water quality standards and compliance. The key performance indicator is the weighted factor of compliance to the residual chlorine and bacteriological standards.

To this end Ngawasco has strived to ensure the set standards are met as depicted by the below chart over a period of the last five years.

Figure 1.1: Water quality as a percentage

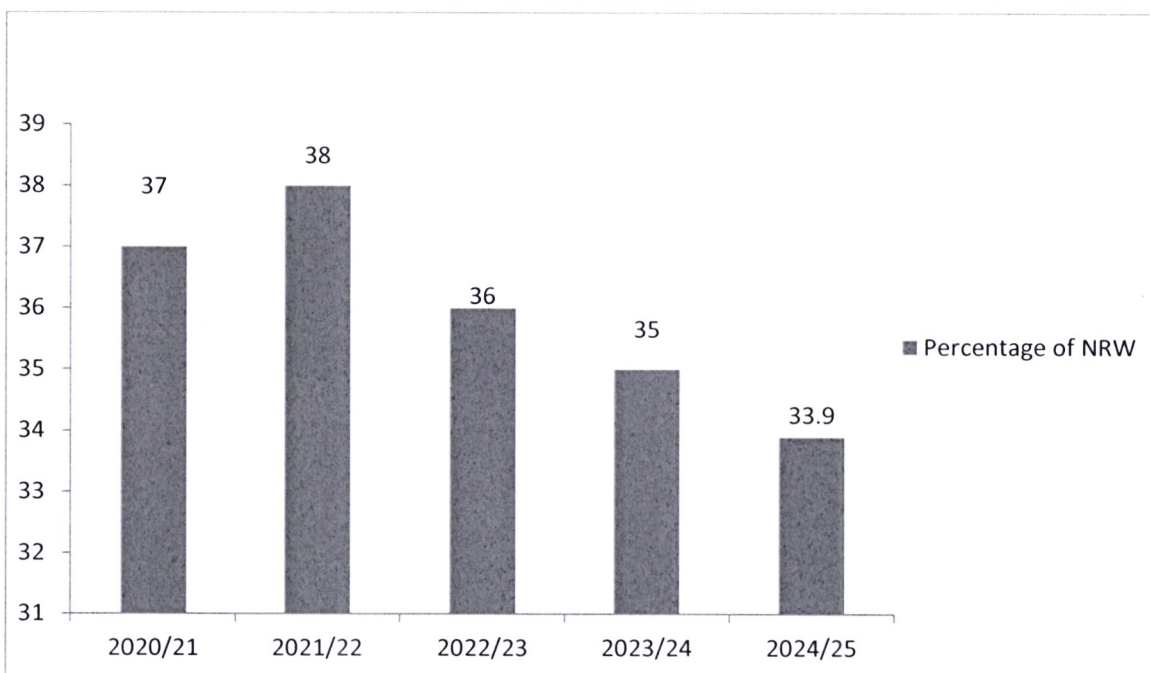


b) Non-Revenue Water

Non-Revenue Water refers to the difference between the amount of water put into the distribution system and the amount of water billed or authorized as consumption. It includes both commercial (apparent) losses, such as billing inaccuracies and physical (real) losses, which include leaks in the distribution system. NRW is an operational indicator that measures efficiency of operations by the Wsp, contributing to sustainability of the water supply system.

The allowable bench mark for NRW is 25%. As indicated below, over a period of five years, the NRW has gone down by five (5) digits signifying a positive trend.

Figure 1.2: Percentage of Non-Revenue Water

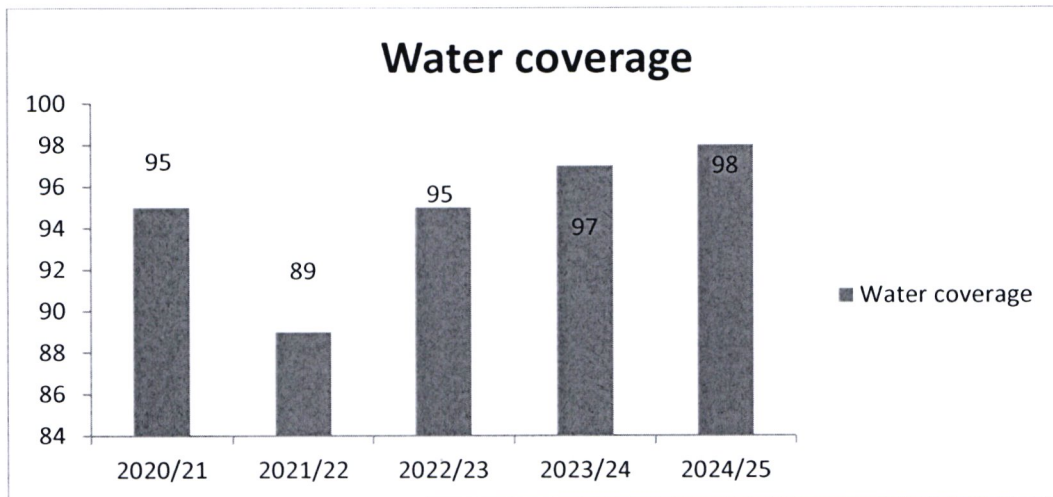


c) Water Coverage

During the current reporting period, the total population within the service area was approximately 84,135 out of which 97% are served by water.

The growth is evidenced by the number of connections which stood at 12,353 as at the end of the reporting period.

Figure 1.3: Water coverage



d) Hours of supply

This metric is an important indicator of the continuity and availability of the water services to the customers and reflects the quality of service provided by the utility.

Ngawasco has ensured the average hours of supply remained 24 per day.

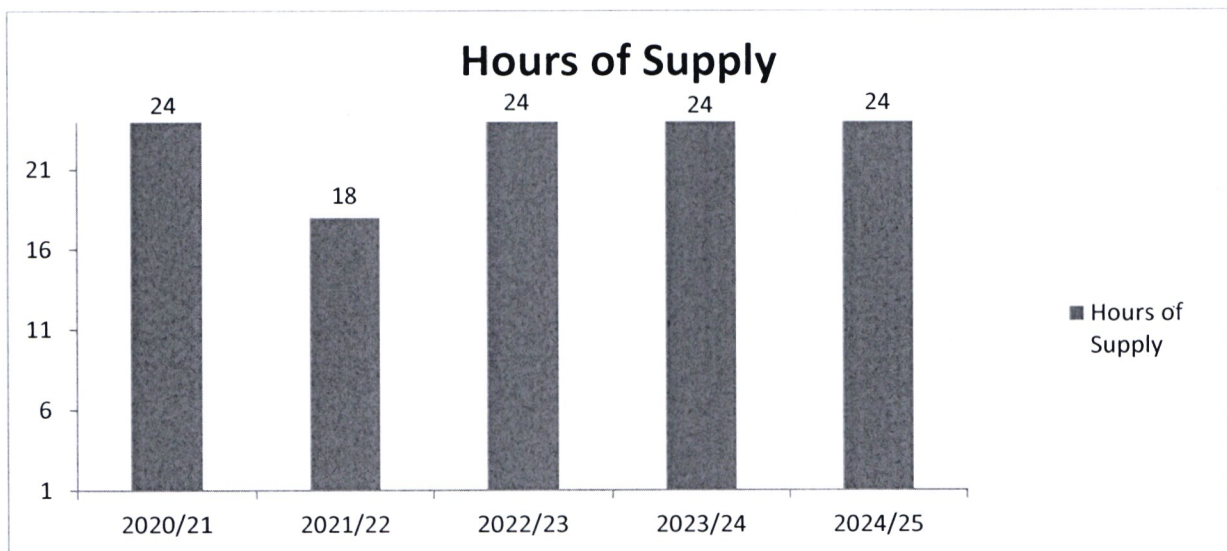


Figure 1.4: Hours of Supply

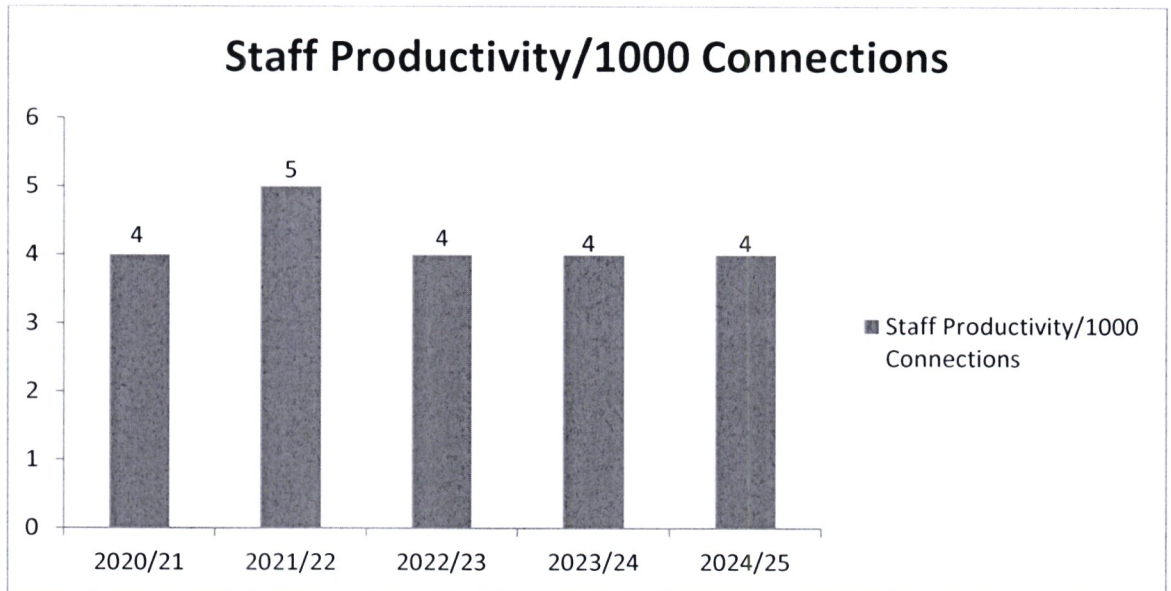
e) Staff Productivity (Staff per 1000 Connections)

Staff productivity refers to efficiency of employee utilization in delivering services to customers. In the water sector, it is measured as the number of personnel employed per 1,000 connections, which include both water and sanitation connections. Staff productivity is crucial aspect of

evaluating the overall efficiency of a WSP, as it impacts the cost of delivering services to customers.

Like the previous years, Ngawasco has continued to shine on this key indicator and looking forward to either maintain the four or below.

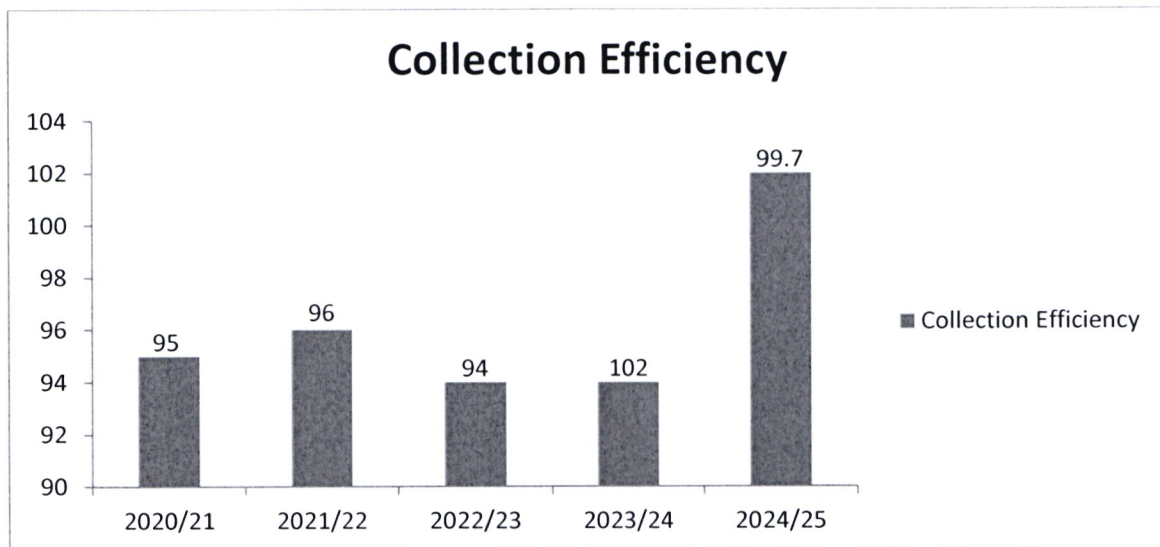
Figure 1.5: Staff Productivity/1000 Connections



f) Revenue Collection efficiency

Revenue Collection Efficiency refers to consistency between amount of revenue collected and the amount billed. This indicator assesses efficiency of revenue management system in a utility. It is crucial because only the collected revenue provides reliable funding for the WSPs operations. Ngawasco has maintained over 90% collection efficiency.

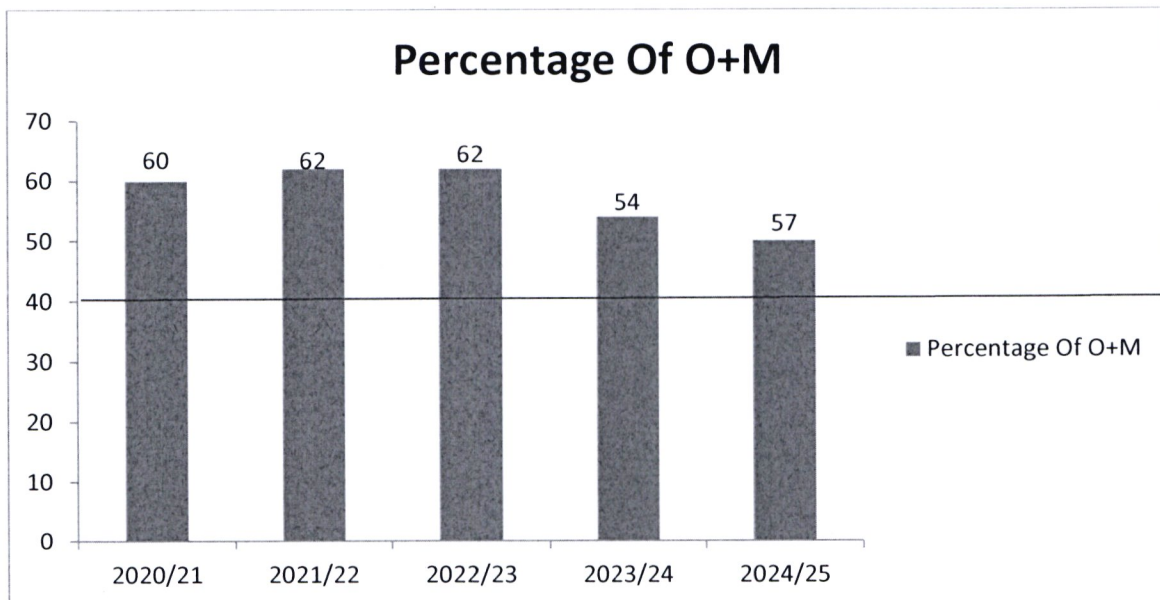
Figure 1.6: Revenue Collection efficiency as a percentage



g) **Personnel Expenditure as a percentage of O+M**

The proportion of personnel expenses in relation to total O + M (Operation and Maintenance) expenses is used to assess whether personnel expenses are aligned with the sector bench marks.

Figure 1.7: Personnel Expenditure as a percentage of O+M



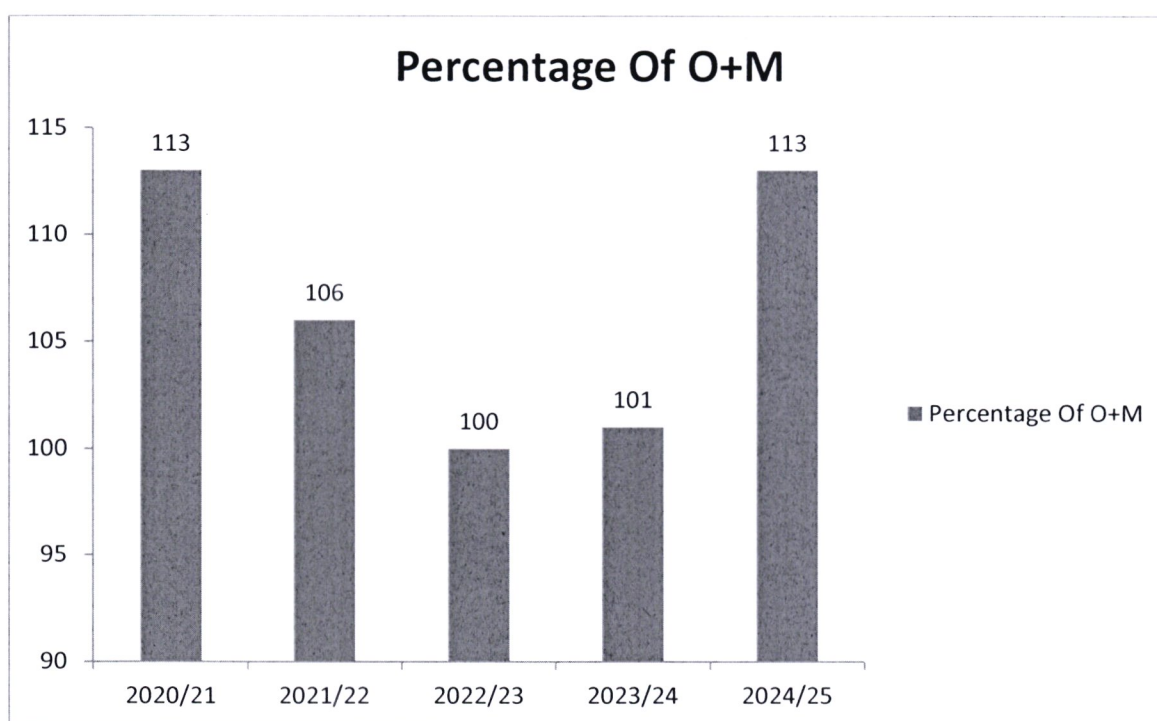
h) Operation and Maintenance Cost Coverage

Operation and maintenance (O+M) Cost Coverage is a measure of a utility's ability to break even in its operational costs, while relying on internally generated revenue. This indicator is a proxy measure for financial stability and resilience from external shocks.

Essentially, an O+M coverage above 150% positions a utility at full cost coverage implying the financial muscle to meet its O+M costs, service debts and renew its assets.

Ngawasco's O+M cost coverage has improved from the previous year as a result implementation of the new tariff in January 2024. During the period it was at 113.6% meaning operation and maintenance can be financed comfortably through internally generated revenues. However, debt servicing and minor investments could be a challenge to the Wsp.

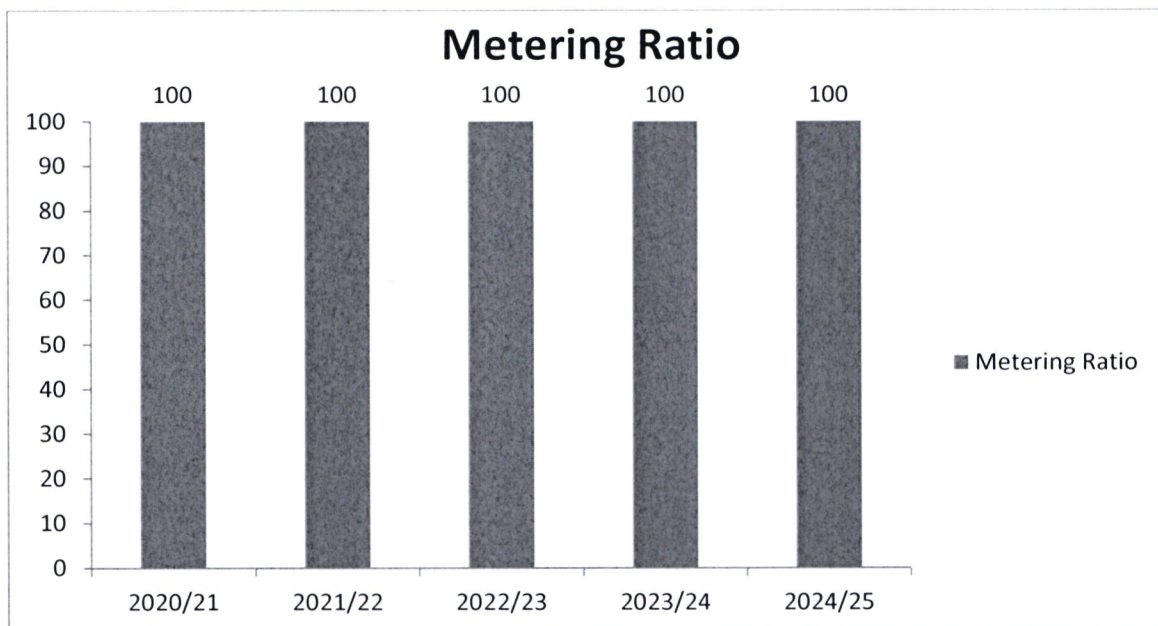
Figure 1.8: O+M Cost coverage as a Percentage



i) **Metering Ratio**

This quantifies the number of connections with functional meters as a proportion of the total number of active water connections. Metering of connections is designed to ensure that billing is based on actual consumption and hence customers only pay for what they use. As part of routine maintenance, Ngawasco tests functionality of these meters on a regular basis, either by sampling them for calibration or by replacing the old ones through implementation of a metering policy. To this end Ngawasco prides its self-100% metered.

Figure 1.9: Metering Ratio as a percentage



10. Environmental and Sustainability Reporting

We, *Ngagaka Water and Sanitation Company Limited*, exist to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability Strategy and Profile

The sustainability of the company is dependent, among others, on the following key factors



Water Sources

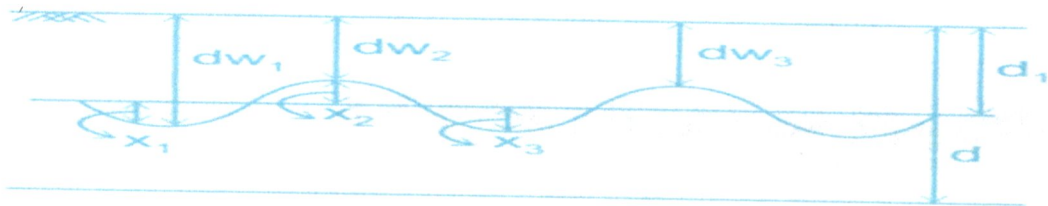


Collection and Distribution Infrastructure

The sustainability of the company is dependent, among others, on the following key factors (continued)

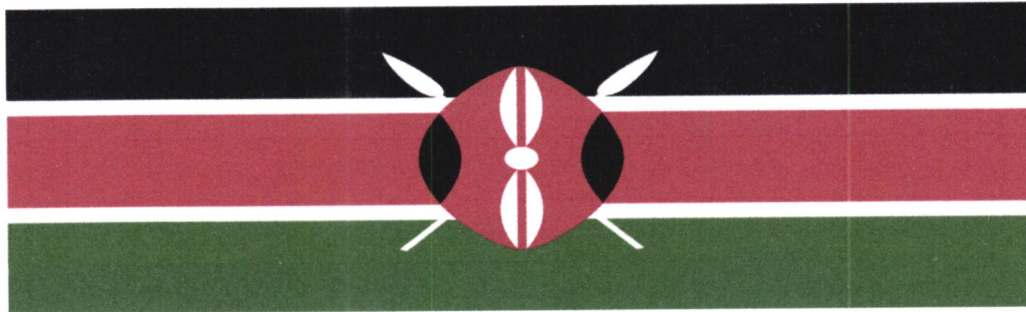


Water Production Levels



Installation of bulk meter to help in the computation of NRW

The sustainability of the company is dependent, among others, on the following key factors (continued)



Political Support/Goodwill from Government of Kenya

ii) Environmental Performance

The company acknowledges the critical role of climatic environment (weather and weather patterns) as a foundation for our existence as a corporate.

In this regard management has formulated an environmental policy and regularly commits resources to fund environmental conservation initiatives

In the coming years the management endeavours to commit more resources on environmental promotion and conservation activities

iii) Employee Welfare

Staffs are a critical resource for the attainment of our corporate objectives and personal development of the staff themselves. The company therefore, prioritizes employee welfare, among other employee management initiatives, the following are emphasized:

- i) Policies guiding the hiring process
- ii) Capacity Building
- iii) Performance management – appraisal system
- iv) Safe work environmental practices

iv) Market Place Practices

The company aspires to be a responsible open and trustworthy market player. In this regard, the company ensures that all its commercial transactions are undertaken openly, fairly and to the best interest of the parties involved.

a) Responsible Competition Practice

- b)** While we are a commercial company and accordingly seek to be more competitive than our competitors, including Bottled Water, we consciously don't engage in deriding the competition. Indeed, we capitalise on any collaboration opportunities in the market, even when they involve water companies.

c) Responsible Supply Chain and Supplier Relations

The company acknowledges the importance of managing suppliers through prompt payment. We endeavour to pay supplier invoices within the credit period. Where the company is unable to meet these obligations on due dates, we pro-act by notifying suppliers of the intended delays and communicate in writing alternative payment plans. A policy on Pending bills and their management is in place

d) Responsible Marketing and Advertisement

The company, while publicizing its products, ensures that our marketing and advertisements campaigns are conducted using fair language are morally upright and adhere to other fair advertising and marketing practices.

The company is in the process of formalizing a policy on marketing and advertisement

e) Product Stewardship

The Production and Distribution Process of Water holds Safety Sacred. This includes Anti- Contamination Safeguards. An internal Quality Assurance System ensures that all our product sanitization processes uphold industry regulator standards.

v) Corporate Social Responsibility Statement (CSR)

During the year the company engaged in corporate social responsibility. The activities involved were;

- ✓ Partnered with Kianjokoma Pafoda Disability Group during their 16th Anniversary celebration.
- ✓ Donated and planted 300 trees i.e. the Hass Avocado and Macadamia at Kavutiri Primary School and both at Kianjuki primary and secondary school. This is going to result in environment conservation and also a way of bringing revenue to the school
- ✓ Planted 200 trees in Mt. Kenya Forest near our intake at Kathuniri to conserve the catchment area.



Tree planting at Kavutiri Primary School, Kianjuki primary and Secondary School

11. Report of the Directors

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

Principal activity

The principal activity of the entity is provision of water and sanitation services within the area specified in the licence.

Results

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

	Ksh
Total Revenue	52,040,796
Total Expenses	(50,207,304)
Profit/(Loss) Before Taxation	1,833,492

Directors

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

Auditors

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

By Order of the Board



.....

Cyrus Mugendi
Secretary to the Board
Date: 22nd August 2025

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the directors to prepare financial statements in respect of the 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 assets of the company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

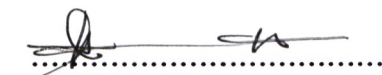
The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM 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 Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company 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 22/08/2025 and signed on its behalf by:


.....
Henry K. Mbeca
Chairman of the Board


.....
Cyrus Mugendi
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON NGAGAKA 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.
- 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 Ngagaka water and sanitation company limited set out on pages 1 to 24 , 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 Ngagaka 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 Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012, Companies Act.

Basis for Qualified Opinion

1. Long Outstanding Receivables

As previously reported, the statement of financial position and as disclosed in Note 19 to the financial statements reflects a balance of Kshs.16,652,831 in respect to trade and other receivables. However, review of the ageing analysis provided for audit revealed that trade and other receivables totaling Kshs.2,804,016 (17%) were ninety (90) days and beyond past due date and Kshs.2,886,441 (17%) had been outstanding for over one hundred and twenty (120) days.

However, although a provision for doubtful receivables balance of Kshs.1,850,315 has been made, no evidence was provided on efforts made to recover the overdue debts. This was contrary to Regulation 83 (2)(f) of the Public Finance Management (County Governments) Regulations, 2015 which requires that entities pursue debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the County Government are collected and banked promptly.

In the circumstances, the recoverability of the trade and other receivables balance of Kshs.16,652,831 could not be confirmed.

2. Undisclosed Water Inventory Held in the Distribution Infrastructure

As previously reported, the statement of financial position reflects inventories balance of Kshs.715,374 as disclosed in Note 18 to the financial statements. However, the Company has disclosed in in Note 30 under other disclosures to the financial statements, water inventory balance of Kshs.13,500 which has not been reported in the statement of financial position. Further, no valuation report on the water inventory was provided for audit. This has subsequently understated the inventory balance.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.715,374 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.56,911,275 and Kshs.60,040,148 respectively, resulting in over - funding of Kshs.3,128,873 or 5% of the budget. Similarly, the Company spent Kshs.54,939,758 against actual receipts amount of Kshs.60,040,148 resulting to an under-utilization of Kshs.5,100,390 or 9% of the actual receipts

The under-utilization affected the implementation of the planned activities and may have impacted negatively on service delivery to the public.

My Opinion is not modified in respect of these matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Audit Matters

In the previous years, audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Ngagaka Water and Sanitation Company in 2024/2025 revealed that the matters remained unresolved and have been attached in **Appendix**.

Other Information

Management is responsible for the Other Information set out on pages i to xxvi which comprise of Key Company's Information, Board of Directors, Chairman's statement, Report of the Managing Director, Statement of Performance Against Company's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Report of the Directors, and Statement of Company's Management

Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with WASREB Guidelines on Incorporation and Shareholding of the Water Company

As previously reported, the Company Memorandum and Articles of Association, 2011 indicates the Company is a private company limited by guarantee. This is contrary to Section 3.1(d) of the Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that the recommended model for Water Service Providers (WSP) is that they be public limited liability companies established under the Companies Act, 2015 under Section 77(3) and Section 3.3.1 (3) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that if their memorandum of objects and articles of association do not already state that they are owned by the county government which has taken up the shares of the defunct local authorities, amendments should be made to reflect this legal reality.

Further, related party disclosure in Note 31 to the financial statements indicates that the Company is fully owned by the County Government of Embu. However, the share certificate relating to the paid-up share capital was not provided for audit review.

This is contrary to Section 495 of part XVIII of the Companies Act, 2015 which states that a certificate duly executed in accordance with section 37 specifying any shares held by a

member is, in the absence of proof to the contrary, evidence of the member's title to the shares.

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

3. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 26 to the financial statements reflects trade and other payables balance of Kshs.6,214,126. This was a decrease of Kshs.2,918,986 from the previous year's balance of Kshs.9,133,112. However, included in the balance is a debt of Kshs.750,000 which had been outstanding for more than two years exposing the Company to risk of litigations. This was 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 contracts are reflected in approved budget estimates.

In the circumstances the company risks payment of penalties and interest in case of litigation from the suppliers and Management was in breach of the law.

4. Failure to Comply with Fiscal Responsibility Principle on Wages and Benefits

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.26,113,171 in respect to staff costs. The total revenue received in the year under review amounted to Kshs.52,040,796. However, the wage bill was at 50% which is above the 35% allowed limit contrary to Regulation 25(1)(b) of the Public Finance Management Act (County Government) Regulations, 2015 which states that the wage bill shall not exceed thirty-five (35) percent of the County Government's total revenue.

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

5. Failure to Deduct and Remit Public Procurement Capacity Building Levy

The Public Procurement Capacity Building Levy of 0.03% was not deducted from contract payments and remitted to the Public Procurement Regulatory Authority (PPRA) effective on 1 September, 2024. This was contrary to circular No. 01/2024 referenced PPRA/6/5 VOL II (224) dated 30 August, 2024 which requires that all procuring entities should collect the levy from all suppliers on all procurement contracts signed between the supplier and a procuring entity. The amount should be remitted through e- citizen platform and file monthly returns to the Authority by 20 day of the subsequent month.

In the circumstances, Management was in breach of law.

6. Staff Ethnic Composition

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects an amount of Kshs.26,113,171 in respect to staff costs. Review of the payroll documents provided for audit revealed that out of the thirty-six (36) employees in the manual payroll, thirty-five

(35) representing 97% of the total employees were from the dominant ethnic community. This was contrary to the provision of Section 7(2) of the National Cohesion and Integration Commission Act, 2008 which provides that no public establishment shall have more than one-third of its staff from the same ethnic group. In the circumstance, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

As previously reported, the statement of profit or loss and other comprehensive Income as disclosed in Note 6 to the financial statements reflects an amount of Kshs.48,977,917 in respect of operating revenue which includes an amount of Kshs.48,977,917 from water sales. Records provided for review revealed that the Company produced 1,442,361 cubic meters of water. However, only 952,834 cubic meters (m³) of water was billed to customers. The balance of 489,527 cubic meters (m³) of water produced with estimated sales revenue of Kshs.25,162,843 at the rate of Kshs.51 per cubic meter of water (m³) representing non-revenue water implied a 34% level which is 9% above the acceptable limit of 25% as per Water Services Regulatory Board Guidelines.

In the circumstances, the non-revenue water level is still high and Management should strategize to reduce it to the acceptable level.

2. Un-Integrated Management Information System

As previously reported, the audit revealed that the Water Company operated three separate systems; Sage (accounting system), Payroll system and Sikika (revenue system), which are not integrated. The lack of integration results in manual data transfers between the systems, leading to inefficiencies as manual data entry and transfers between systems increases the likelihood of inaccuracies, discrepancies, or incomplete records.

In the circumstances, the effectiveness of controls in the management of the system could not be confirmed.

3. Failure to Transfer Land Title

As previously reported, the financial statements reflect a balance of Kshs.27,401,183 in relation to property, plant and equipment and also as disclosed in Note 16. The balance includes land value amounting to Kshs.2,000,000. Review of the title deed revealed that title is in the name of Ngagaka Water Consumers Association. Management has never transferred the ownership of the land to Ngagaka water and Sanitation Company.

In the circumstances, the ownership of the land by the company is doubtful.

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 Management and Board of Directors

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

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

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

07 November, 2025

Appendix Unresolved Prior Year Audit Matters

	Description	Amount Kshs.
1	Long Outstanding Receivables	8,409,079
2	Undisclosed Water Inventory Held in the Distribution Infrastructure	
3	Budgetary Control and Performance	
4	Non-Compliance with WASREB Guidelines on Incorporation and Shareholding of the Water Company	
5	Non-Revenue Water	
6	Staff Ethnic Composition	
7	Un Integrated Management Information System	
8	Failure to Transfer Land Title	

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

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

	Note	2024-2025	2023-2024
		Ksh	Ksh
Revenue			
Operating Revenue	6	48,977,917	39,781,890
Grant from National Govt.	7	1,193,216	171,675
Other Income	8	2,628,512	2,197,210
Finance Income	9	39,719	-
Other gains/(losses)	10	(798,568)	97,123
Total Revenue		52,040,796	42,247,898
Expenses			
Staff Costs	11	26,113,171	22,568,893
General and Operations Expenses	12	12,765,174	12,211,242
Board Expenses	13	1,271,650	1,245,225
Maintenance Expenses	14	5,731,110	5,916,450
Depreciation and Amortization Expenses	15	4,326,200	3,485,770
Total Expenses		50,207,304	45,427,580
Profit/(Loss) Before Taxation		1,833,492	(3,179,682)
Total Comprehensive Income for the Year		1,833,492	(3,179,682)

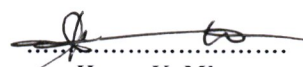
15. Statement of Financial Position as at 30 June 2025

		2024-2025	2023-2024
	Note	Ksh	Ksh
ASSETS			
Non-Current Assets			
Property, plant and equipment	16	27,401,183	21,310,007
Intangible assets	17	874,650	1,249,500
Total Non-Current Assets		28,275,833	22,559,507
Current Assets			
Inventories	18	715,374	1,348,172
Trade and other receivables	19	16,652,831	18,721,137
Prepayments	20	2,500	2,500
Bank and cash balances	21	11,659,679	7,665,611
Total Current Assets		29,030,384	27,737,420
Total Assets		57,306,217	50,296,927
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital fund / reserves	22	9,965,875	9,965,875
Retained earnings	23	19,606,274	17,772,782
Capital and Reserves		29,572,149	27,738,657
Non-Current Liabilities			
Deferred income	25	12,910,942	5,710,158
Total Non-Current Liabilities		12,910,942	5,710,158
Current Liabilities			
Trade and other payables	26	6,214,126	9,133,112
Customer Deposits	27	8,609,000	7,715,000
Total Current Liabilities		14,823,126	16,848,112
TOTAL EQUITY AND LIABILITIES		57,306,217	50,296,927

The financial statements were approved by the Board on 22/08/2025 and signed on its behalf by:


.....
Cyrus Mugendi
Managing Director


.....
Agnes Murugi
HFCS
ICPAK MNO: 11786


.....
Henry K. Mbeka
Chairman of the Board

16. Statement of Changes in Equity for the year ended 30 June 2025

	Capital fund/ reserves	Revenue reserve	Total
	Kshs	Kshs	Kshs
As at July 1, 2023	9,965,875	20,952,464	30,918,339
Profit for the year	-	(3,179,682)	(3,179,682)
As at June 30,2024	9,965,875	17,772,782	27,738,657
As at July 1, 2024	9,965,875	17,772,782	27,738,657
Profit for the year	-	1,833,492	1,833,492
As at June 30,2025	9,965,875	19,606,274	29,572,149

17. Statement of Cash Flows for the year ended 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		49,257,588	40,783,734
Grants Income		8,394,000	4,200,000
Finance Income		39,719	-
Other Income		2,628,512	219,721
Customer Deposits		894,000	455,000
Total Receipts		61,213,819	47,635,944
Payments			
Staff Costs		26,113,171	24,465,912
General And Operation Expenses		12,117,725	7,902,862
Board Expenses		1,271,650	1,245,225
Maintenance Expenses		5,699,800	6,951,597
Total Payments		45,202,346	40,565,596
Net Cash From/ (Used In) Operating Activities	28	16,011,473	7,070,348
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(12,017,405)	(2,668,000)
Net Cash From/ (Used In) Investing Activities		(12,017,405)	(2,668,000)
Increase/(Decrease) In Cash and Cash Equivalents		3,994,068	4,402,348
Cash And Cash Equivalents At Beginning Of Year		7,665,611	3,263,263
Cash And Cash Equivalents At End of the Year	28	11,659,679	7,665,611

18. Statement of Comparison of Budget and Actual Amounts for the Period ended 30 June 2025

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	% of Utilization
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Operating Revenue	48,163,800	363,475	48,527,275	51,606,429	3,079,154	
Operating Revenue	48,163,800	363,475	48,527,275	51,606,429	3,079,154	
Capital Grant from WSTF	4,200,000	4,144,000	8,344,000	8,394,000	50,000	
Finance Income	-	40,000	40,000	39,719	(281)	
Total Revenue	52,363,800	4,547,475	56,911,275	60,040,148	3,128,873	
Expenses						
Staff Costs	27,810,336	(276,000)	27,534,336	26,113,171	1,421,165	
Board Expenses	1,101,000	179,000	1,280,000	1,271,650	8,350	
General & Operation Expenses	10,781,904	253,675	11,035,579	10,746,727	288,852	
Maintenance Expenses	5,732,760	205,000	5,937,760	5,731,110	206,650	
Total Recurrent Expenditure	45,426,000	361,675	45,787,675	43,862,658	1,925,017	
Capital Expenditure	6,937,800	4,185,800	11,123,600	11,077,100	46,500	
Total Expenditure	52,363,800	4,547,475	56,911,275	54,939,758	1,971,517	
Profit or Loss	-	-	-	5,100,390	1,157,356	

Reconciliation of Budget Surplus to Surplus per Statement of Comprehensive Income

The following reconciliation explains the difference between the budget surplus and the surplus reported in the Statement of Profit or Loss and Other Comprehensive Income

Budget Reconciliation

Description of Particulars	Amount (Kshs)
Surplus as per Budget Comparison	5,100,390
Less: Grant income in Budget and transferred to the deferred income	(8,394,000)
Grant amortization in the profit and loss	1,193,216
Less: Other losses not in budget	(798,568)
Add: Capex charged in budget	11,077,100
Less: Depreciation and amortization expenses	(4,326,200)
Less: Increase in provision for bad debts	(2,018,446)
Surplus as per Statement of Profit or Loss	1,833,492

Explanatory Notes on Key Differences

- Grant Income:** In the budget, the full WSTF grant of Kshs 8,394,000 was recognized as income. However, Kshs 1,193,216 the portion relating to the current year was recognized in the profit and loss and other comprehensive income
- Other Gains/Losses:** The Statement of profit and loss and other comprehensive income includes other losses amounting to Kshs 798,568, which were not budgeted for, hence the adjustment.
- Capital Expenditure vs. Depreciation:** In the budget, the entire capital expenditure of Kshs 11,077,100 was charged as an expense, reducing the surplus. In the Statement of Comprehensive Income, this expenditure was capitalized as assets depreciation charge of Kshs 4,326,200 was recognized.
- General and Operational Expenses:** The Statement of Comprehensive Income reflects Kshs 2,018,446 increase in provision for bad debts not anticipated at the budgeting stage.

19. Notes to the Financial Statements

1. General Information

Ngagaka Water and Company Ltd is established by and derives its authority and accountability from Companies Act. The Company is wholly owned by the Embu County Government and is domiciled in Kenya. The Company’s principal activity is provision of water and sanitation services within the designated service area. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of compliance and basis of preparation

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

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

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

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

i) New and amended standards and interpretations in issue 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.

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Title	Description	Effective Date
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 IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

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

iii. Early adoption of standards

The company did adopt any new or amended standards in year under review.

4. Summary of Significant 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) Other income** is recognized as it accrues.

b. In-kind contributions

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

c. Property, plant and equipment

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

d. Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance 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:

Buildings and civil works	2%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers, software and related equipment	30%
Office equipment, furniture and fittings	12.5%

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

e. Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a reducing balance basis over their estimated useful lives. 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 reducing balance 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. 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.

h. 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 of 10% 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.

i. Cash and cash equivalents

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

j. Trade and other payables

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

k. Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2020. The scheme is administered by Co-trust Investment Retirement Benefits Scheme and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh 1,080 per employee per month.

l. Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 14/06/2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations on the 2024-2025 budget following the Bod's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 18 of these financial statements.

m. Comparative figures

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

n. Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 19(a). Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The company has provision for doubtful receivables.

6. Operating Revenue

	2024-2025	2023-2024
	Kshs	Kshs
Water Sales	48,977,917	37,313,090
Billing for Other Services	-	2,468,800
Total	48,977,917	39,781,890

Billing for other services refers to income generated from services such as meter maintenance

7. Grant from National Government

Capital grant realized (TWWDA)	150,216	171,675
Capital grant realized (WSTF)	1,043,000	-
Total	1,193,216	171,675

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[Capital grant - water meters received from TWWDA& WSTF]

8. Other Income

	2024-2025	2023-2024
	Kshs	Kshs
Fines and penalties	560,000	548,000
Miscellaneous income	2,068,512	1,649,210
Total	2,628,512	2,197,210

9. Finance Income

	2024-2025	2023-2024
	Kshs	Kshs
Interest from commercial bank	39,719	-
Total	39,719	-

10. Other Gains/ (Losses)

	2024-2025	2023-2024
	Kshs	Kshs
Decrease in provision for bad and doubtful receivables	229,811	122,199
Gain/(loss) on disposal (Note)9(a)	(1,028,379)	(25,076)
Total	(798,568)	97,123

10(a)Gain or loss on disposal

Water meters at cost	6,219,313	565,000
Accumulated depreciation written off	(5,190,934)	(539,924)
Disposal Amount	-	-
Gain/(loss) on disposal	(1,028,379)	(25,076)

11. Staff Costs

	2024-2025	2023-2024
	Kshs	Kshs
Salaries and allowances of permanent employees	21,404,302	19,099,473
Wages of contracted staff	-	294,060
Employer's contributions to social security schemes	899,442	538,440
Employer's contributions to pension scheme	1,167,800	1,262,175
Employer's contributions to affordable housing Levy	318,205	239,183
Employer's contributions to NITA Levy	21,200	5,100
Other Staff payments (retirement benefits)	2,302,222	1,130,462
Total	26,113,171	22,568,893
The average number of employees at the end of the year was:		
Top Management	5	5
Other employees	31	29
Total	36	34

[Being number of staff throughout the year]

12. General and Operation Expenses

	2024-2025	2023-2024
	Kshs	Kshs
Water chemicals	387,822	288,300
Electricity	209,840	95,303
Fuels and oil	1,038,083	1,181,251
Office suppliers	233,561	316,712
Uniform and protective clothing	269,350	58,400
Telecommunication	511,754	519,925
Postage and courier	91,971	10,250
Water & sewerage	15,330	14,245
Insurance	22,602	234,513
Rent and rates	60,000	60,000
Hire of equipment and vehicles	3,000	10,400
Domestic travelling and subsistence	1,243,200	1,243,300
Staff training and development	947,540	679,000
Bank charges	72,162	65,762
Publicity and advertising	150,768	-
Audit fees	290,000	290,000
Legal fees	3,000	65,000
Consultancy fees	301,150	35,000
Licensing and levies	2,963,290	4,704,440
Corporate Social Responsibility	71,820	-
Stakeholders	281,725	544,150
Hospitality	748,018	705,924
Provision for doubtful debts	2,018,446	-
Waspa expenses	373,000	271,300
Cleaning	69,858	96,080
AGM/EGM	382,434	716,607
Other general expenses	5,450	5,380
Total	12,765,174	12,211,242

13. Board expenses

	2024-2025	2023-2024
	Kshs	Kshs
Sitting allowances	837,500	546,500
Travel and accommodation	43,900	47,000
Induction and training	329,000	451,225
Other allowances/Expenses	61,250	200,500
Total	1,271,650	1,245,225

14. Maintenance Expenses

	2024-2025	2023-,2024
	Kshs	Kshs
Buildings	239,605	149,459
Infrastructural networks	4,636,378	5,044,329
Motor vehicles/cycles	476,810	516,288
Software	207,182	119,364
ICT	171,135	87,010
Total	5,731,110	5,916,450

15. Depreciation and Amortization Expenses

	2024-2025	2023-2024
	Kshs	Kshs
Property, plant and equipment	3,951,350	2,950,270
Intangible assets	374,850	535,500
Total	4,326,200	3,485,770

Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

	Land	Building	Plant & machinery	Water Meters	Motor Vehicle	Computers	Motor Cycle	Furniture & fittings	Tools & Equip.	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As July 1, 2023	2,000,000	854,816	3,255,510	33,162,995	7,296,692	1,762,022	836,390	326,020	231,890	49,726,335
Additions	-	-	-	3,380,500	-	48,000	-	-	-	3,428,500
Write off	-	-	-	-	-	(565,000)	-	-	-	(565,000)
As at June 30, 2024	2,000,000	854,816	3,255,510	36,543,495	7,296,692	1,245,022	836,390	326,020	231,890	52,589,835
Depreciation										
As at July 1, 2023	-	155,442	2,210,012	17,972,749	5,924,749	1,646,972	532,318	240,390	186,850	28,869,482
Charge for the period	-	13,987	130,687	2,321,343	342,986	48,915	76,018	10,704	5,630	2,950,270
Acc, Depr w/off	-	-	-	-	-	(539,924)	-	-	-	(539,924)
As at June 30, 2024	-	169,429	2,340,699	20,294,092	6,267,735	1,155,963	608,336	251,094	192,480	31,279,828
NBV As at June 30, 2024	2,000,000	685,387	914,811	16,249,403	1,028,957	89,059	228,054	74,926	39,410	21,310,007
Cost										
At July 1, 2024	2,000,000	854,816	3,255,510	36,543,495	7,296,692	1,245,022	836,390	326,020	231,890	52,589,835
Additions	-	-	570,605	10,197,500	-	302,800	-	-	-	11,070,905
Write off	-	-	-	(6,219,313)	-	-	-	-	-	(6,219,313)
As at June 30, 2025	2,000,000	854,816	3,826,115	40,521,682	7,296,692	1,547,822	836,390	326,020	231,890	57,441,427
DEPRECIATION										
As at 1st July 2024	-	169,429	2,340,699	20,294,092	6,267,735	1,155,963	608,336	251,094	192,480	31,279,828
Charge for the period	-	13,708	185,677	3,305,863	257,239	117,558	57,014	9,366	4,926	3,951,350
Acc, Depr w/off	-	-	-	(5,190,934)	-	-	-	-	-	(5,190,934)
As at 30th June 2025	-	183,137	2,526,376	18,409,021	6,524,974	1,273,521	665,350	260,460	197,406	30,040,244
As at 30th June 2025	2,000,000	671,679	1,299,739	22,112,661	771,718	274,301	171,041	65,560	34,484	27,401,183

Notes to the Financial Statements (Continued)

17. Intangible Assets

	2024-2025	2023-2024
	Kshs	Kshs
Cost		
As at July 1	2,550,000	2,550,000
Additions	-	-
As at June 30	2,550,000	2,550,000
Amortization		
As at July 1	1,300,500	765,000
Charge for the year	374,850	535,500
As at June 30	1,675,350	1,300,500
Net book value as at June 30	874,650	1,249,500

18. Inventories

	2024-2025	2023-2024
	Kshs	Kshs
Water fittings and accessories	536,684	429,772
Water meters	144,900	918,400
Motor cycle spare parts	17,608	-
Water Chemicals	16,182	-
Total	715,374	1,348,172

19. Trade and other receivables

	2024-2025	2023-2024
	Kshs	Kshs
Trade receivables note 19(a)	18,503,146	30,807,519
Gross trade and other receivables	18,503,146	30,807,519
Provision for doubtful receivables (note 19(b))	(1,850,315)	(12,086,382)
Net trade and other receivables	16,652,831	18,721,137

19(a) Trade Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables before adjustment	30,527,848	30,807,519
Adjustment of trade receivables	(12,024,702)	-
Gross Trade Receivables	18,503,146	30,807,519

Adjustment of receivables is after the review of outstanding balances to ensure accuracy financial reporting.

Notes to the Financial Statements (Continued)

19(b) Provision for doubtful receivables

	2024-2025	2023-2024
	Kshs	Kshs
Specific Provision	-	10,006,256
General Provision (10%)	1,850,315	2,080,126
Total	1,850,315	12,086,382

At June 30, 2025, the ageing analysis of the gross trade receivables was as follows:		
	2024-2025	2023-2024
	Kshs	Kshs
Less than 30 days	4,076,260	3,720,110
Between 30 and 60 days	5,260,946	7,094,425
Between 61 and 90 days	3,475,483	3,585,275
Between 91 and 120 days	2,804,016	7,998,630
Over 120 days	2,886,441	8,409,079
Total	18,503,146	30,807,519

20. Prepayments

	2024-2025	2023-2024
	Kshs	Kshs
KPLC	2,500	2,500
Total	2,500	2,500

[Being accounts deposit]

21. Bank and Cash Balances

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	10,924,033	6,929,965
Others (Wasreb bond guarantee)	735,646	735,646
Total	11,659,679	7,665,611

Detailed analysis of the cash and cash equivalents

		2024-2025	2023-2024
Financial institution	Account number	Kshs	Kshs
a) Current account			
Family Bank Current Account	075000019139	97,700	28,266
Family Bank Savings Account	075000019872	3,290,501	1,245,780
Family Bank - Grant Account	075000047664	4,279,760	4,194,804
Family Bank - Escrow Account	075000066981	2,526,668	280,000
Consolidated Bank Current Account	1041202000049	382,688	196,793

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Equity Bank	0190261966763	346,716	984,322
Sub- total		10,924,033	6,929,965
b) Others			
Wasreb Bond Guarantee		735,646	735,646
Sub- total		735,646	735,646
Grand total		11,659,679	7,665,611

22. Capital Fund/Reserves

	2024-2025	2023-2024
	Kshs	Kshs
As at June	9,965,875	9,965,875
Total	9,965,875	9,965,875

23. Retained Earnings

As at 1 st July	17,772,782	20,952,464
Surplus/ (deficit) for the year	1,833,492	(3,179,682)
Total	19,606,274	17,772,782

24. Borrowings

Balance at the beginning of the year	-	5,973,723
Borrowings during the year	-	-
Repayments of domestic borrowings during the year	-	(210,000)
Transfer to customer deposits	-	(5,763,723)
Balance at end of the year	-	-
<i>[Being amount from customer deposits for the purchase of motor vehicle KCV 349R/billing software and land]</i>		

25. Deferred Income

	2024-2025	2023-2024
	Kshs	Kshs
At 1 July	5,710,158	1,681,833
CLSG II from WSTF	8,394,000	4,200,000
Transfer to the income statement	(1,193,216)	(171,675)
Total	12,910,942	5,710,158

[Deferred income relates to water meters donated by TWWDA and CLSG II grant from WSTF Meant to procure water meters. Deferred income is recognised as income in the statement of financial performance over the expected useful lives of the assets.]

Notes to the Financial Statements (Continued)

26. Trade and Other Payables

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	6,214,126	9,133,112
Total	6,214,126	9,133,112

27. Customer Deposits

	2024-2025	2023-2024
	Kshs	Kshs
Opening Balance	7,715,000	1,286,277
Add: Deposits received during the year	894,000	455,000
Reimbursement during the year	-	210,000
Transfer from the internal loan account	-	5,763,723
Total	8,609,000	7,715,000

[The amount Ksh 5,763,723 was for the purchase of land/billing software and the reimbursements are done on monthly basis. As at 30th June 2025 the balance was Ksh 5,240,499).

28. Notes to The Statement of Cash flow

	2024-2025	2023-2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	1,833,492	(3,179,682)
Depreciation	4,326,200	3,485,770
Adjustment for provision for bad debts	2,018,446	(122,199)
Amortization	(1,193,216)	(171,675)
(Gain)/loss on disposal of property, plant and equipment	798,568	25,076
Operating profit/(loss) before working capital changes	7,783,490	37,290
Working capital changes:		
(Increase)/decrease in inventories	(140,702)	165,869
(Increase)/decrease in trade and other receivables	279,671	1,001,844
Increase/(decrease) in trade and other payables	(1,198,986)	1,210,345
Increase/(decrease) in customer deposits	894,000	455,000
Cash generated from/(used) in operation	7,617,473	2,870,348
(b) Analysis of cash and cash equivalents		
Cash at bank	11,659,679	7,665,611
Balance at the end of the year	11,659,679	7,665,611

29. Retirement Benefit Obligations

Retirement Benefit Liability

As per [IAS 19(2011).63] the Company recognised the net defined benefit liability for the staff up to June 2020 amounting to Ksh 7,863,200. The determination of the net defined benefit liability was carried out with sufficient regularity such that the amounts recognised in the financial statements do not differ materially with those that would be determined at the end of the reporting period. [IAS 19 (2011). 58]

Other Disclosures

30. Water Inventory held reservoirs at the treatment plant

As at 30th June 2025, the Company held 300m³ of water in the reservoirs, valued at Kes 13,500. The valuation is based on the production cost per cubic metre.

31. Related Party Disclosures

County Government of Embu

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

Other related parties include:

- The County Department in charge of Water
- County Government of Embu
- Tana Water Works Agencies
- WASREB (Water Services Regulatory Board)
- WRA (Water Resources Authority)
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	2024-2025	2023-2024
a) Expenses incurred on behalf of related party	Kshs	Kshs
Water Services Regulatory Board	3,912,087	4,047,906
Water Management Authority	490,179	606,484
Total	4,402,266	4,654,390

	2024-2025	2023-2024
b) Key Management Compensation	Kshs	Kshs
Directors' emoluments	1,271,650	1,245,225
Compensation of key management	7,828,650	9,545,473
Total	9,100,300	10,790,698

32. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks. 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's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
30 June 2024				
Bank balances	7,665,611	7,665,611	-	-
Trade receivables	18,721,137	-	30,807,519	(12,086,382)
Total	26,386,748	7,665,611	30,807,519	(12,086,382)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
30 June 2025				
Bank balances	11,659,679	11,659,679	-	-
Trade receivables	16,652,831	-	18,503,146	(1,850,146)
Total	28,312,510	11,659,679	18,503,146	(1,850,146)

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 been recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due.

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

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables	225,458	573,160	5,415,508	6,214,126
Deferred income	-	4,250,000	8,660,942	12,910,942
Total	225,458	4,823,160	14,076,450	19,125,068
At 30 June 2024				
Trade payables	887,926	2,089,154	6,156,032	9,133,112
Deferred income	-	4,200,000	1,510,158	5,710,158
Total	887,926	6,289,154	7,666,190	14,843,270

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The

objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

iv) Capital risk management

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

	2024-2025	2023-2024
	Kshs	Kshs
Capital fund / reserves	9,965,875	9,965,875
Retained earnings	19,606,274	17,772,782
Total funds	29,572,149	27,738,657
Less: cash and bank balances	(11,659,679)	(7,665,611)
Net	17,912,470	20,073,046

33. Contingent Liabilities

The organization is exposed to various contingent liabilities in the normal course of operations. Management evaluates the status of these exposures on a regular basis to assess the probability of the organization incurring related liabilities. However, provisions are only made in the financial statements where, based on the management's evaluation, a present obligation has been established.

34. Capital Commitments

The Company did not have capital commitments as at 30 June 2025.

35. Incorporation

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

36. Events After the Reporting Period

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

Appendices

37. Appendix I: Progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Long Outstanding Trade and other receivables	The Company is analysing debts to identify the recoverable and irrecoverable. Also its putting in measures to increase the collection efficiency through daily debt monitoring.	Resolved	Continuous
2.	Undisclosed Water Inventory Held in the Distribution Infrastructure	The company has done the estimation of of average volume within the reservoirs	Resolved	Done
3.	Budgetary control and performance	The management has always put an effort to ensure revenue is within the planned budget. The underfunding was due to the non-implementation of new tariff.	Resolved	Done
4	Non-Compliance with WASREB Guidelines on Incorporation and Shareholding of the Water Company	The company has initiated the process of re-incorporation	Unresolved	In progress
5	High Level of NRW	Non-revenue team is working on the same to ensure the set bench mark is attained.	Unresolved	Continuous
6	Staff Ethnic Composition	The management will ensure that future recruitment to fill any new or existing vacancy shall take into account the ethnic distribution.	Unresolved	Continuous
7	Un integrated management information system	The management has initiated plans to acquire a fully integrated Enterprise Resource Planning (ERP) system to address these challenges	Unresolved	In progress
8	Failure to Transfer Land Title	The company has initiated the process of re-incorporation	Unresolved	In progress



Cyrus Mugendi
Managing Director
22nd August 2025