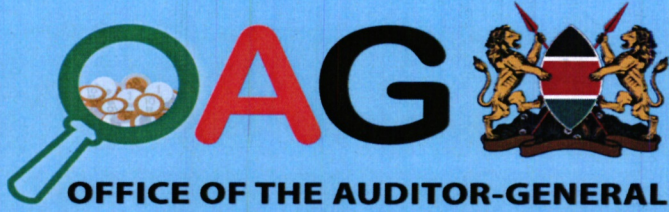


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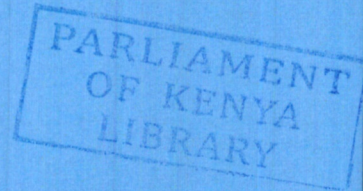


Enhancing Accountability

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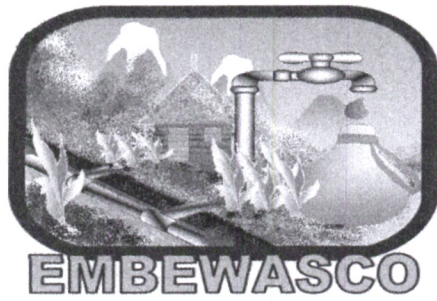


THE AUDITOR-GENERAL

ON

**EMBE WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



EMBE WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022

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EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022

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I. Key Entity Information

Embe Water and Sanitation Company Ltd (EMBEWASCO) was established by the Water Act 2006 under the company's Act Cap. 486 of the laws of Kenya in April 2006. 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 and has two schemes namely Ena-Siakago and Ishiara Schemes.

Principal Activities

The principal activity of the Company is provision of water and sanitation services within the designated SPA region of Mbeere North Sub-County of Embu County.

Vision Statement

“To be a model Rural and Peri-Urban Water & Sanitation Services Provider”

Mission Statement

“To provide quality, safe, affordable, reliable and accessible drinking water to the residents of Ena-Siakago and Ishiara Water supplies”

Motto

Water is life

Core Values

- **Responsiveness:** being sensitive to the needs of customers, other stakeholders and the environment
- **Innovation:** encouraging and rewarding creativity and positive risk taking
- **Fairness and caring:** acknowledging diversity of views and opinions; and promoting social equity
- **Accountability:** being transparent and accountable in the use of resources entrusted to the organization
- **Team work:** supporting each other and harnessing different skills to create a superior performance culture
- **Integrity:** embracing honesty and truthfulness in discharging responsibilities

EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022

Directors

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

- | | |
|--------------------------------------|----------------------------|
| 1. Christopher G. Ileri- Chairman | Appointed in December,2012 |
| 2. Jane Mugo- Director | Appointed in November,2021 |
| 3. LucetaNjeri- Director | Appointed in November,2021 |
| 4. GenesisNjukiNjiru- Director | Appointed in December,2012 |
| 5. Eng. Albert Gatuta - Director | Appointed in December,2019 |
| 6. Jackson K. Njana-Director | Appointed in November,2021 |
| 7. Daniel N. Mutuku -General Manager | Appointed in May 2021 |

Corporate Secretary

CPS Richard Gikuhi Kiana
P.O Box1271-10100,
Nyeri.

Registered Office

Mbeere North Sub- County Water Office Building,
Siakago-Ugweri Road,
P.O. Box 195,
Siakago, Embu

Corporate Headquarters

P.O.Box 195-60104,
Mbeere North Sub- County Water Office Building,
Siakago- Ugweri Road,
SIKAGO.

Corporate Contacts

Mobile: 0703192338
Email: embewater@yahoo.com
Website: www.embe.co.ke

Corporate Bankers

Cooperative Bank of Kenya,
P.O Box 193-60104,
Siakago.

Independent Auditors

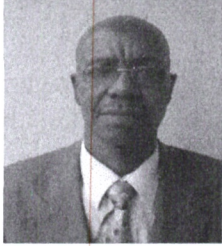


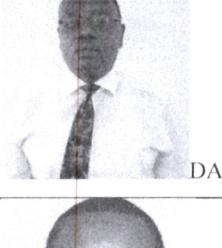
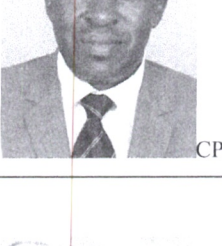

Auditor General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 GPO 00100
Nairobi, Kenya

Principal Legal Advisers

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



EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022

II. The Board of Directors

Ref	Directors	Details
1.	 CHRISTOPHER IRERI	Independent Director, Chairman Board. Date of Birth: 1959 Career Teacher, Head Teacher Maathai Primary School and Head of Kenya Primary School Heads Association Mbeere North.
2.	 JACKSON KINYUA NJANA	Independent Director, Chairman Audit Committee Date Of Birth: 1974 Bachelor Of Science Degree in Natural Resources Management, Post Graduate Diploma in Education. General Manager, Diocese of Embu -Caritas Mbeu Programme
3.	 GENESIO NJUKI NJIRU	Independent Director, Chairman Technical/Finance Committee Date Of Birth: 1971 Diploma In Customer Care & Public Relations. Business Man and A Farmer
4.	 DANIEL M. NJUGUNA	Executive Director, General Manager Date Of Birth: Masters in Business Administration in Procurement
5.	 CPS GIKUHI KIANA	Company Secretary, Certified Public Secretary of Kenya (CPSK) Aged 65 years. He has a wealth of experience having practised for over 20 years.
6.	 LUCETA NJERI NGARI	Independent Director Date Of Birth: 1989 Master of Art in Public Policy and Administration, Advanced Diploma in Counselling Psychology, Bachelor of Art in Social Sciences, Sociology and Political Science County Coordinator- Embu County






EMBE WATER AND SANITATION COMPANY

Annual Report and Financial Statements for the year ended June 30, 2022

7.	 <p>JANE GICUKU MUGO</p>	Independent Director Date Of Birth: 1968 Bachelor Of Management and Leadership (HRM), Diploma and Advanced Certificate in Human Resource Management Principal Human Resource Management and Development Assistant at The Eastern Region Police Headquarters Embu
8.	 <p>ENG. ALBERT GATUTA</p>	Embu County representative Date Of Birth: 1982 B.Sc. Water & Irrigation Engineering. Director Water and irrigation, Embu County Government

EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022

III. Management Team

Ref	Management	Details
1.	 DANIEL MUTUKU NJUGUNA	General Manager Masters in Business Administration- Procurement
2.	 CPS GIKUHI KIANA	Company Secretary Certified Public Secretary of Kenya (CPSK)
3.	 CPA JACKLINE KANINI NJUE	AG. Finance Officer CPAK BCOM Accounting
4.	 CPA NANCY MUCIA MWAKIRIE	Internal Auditor CPAK BCOM- Finance
5.	 ENG. PHILIP NGUMBI MUTUA	Technical Manager. Bachelor of Science in Water and Environmental Engineering.

IV. Chairman's Statement

It is with great pride that I report yet another year of solid growth and stellar financial performance for our company, in line with our expectations. We have remained steadfast in our commitment to transforming the lives of the community we serve through continuous provision of the water services that make a difference to our customers.

During the reporting period, significant achievements have been made in the key areas of water infrastructure, production capacity and efficiency in service delivery as well as the quality of the water supplied to our customers. With the support from the County government and other development partners, the company has continuously put efforts and mitigating measures in addressing the main challenges of -:

- Non- revenue water
- Frequent interruptions of the water supply and damage to the infrastructure by the road developments within our service area
- Old/ dilapidated infrastructure
- Competition for water sources with other increasing community projects during the dry seasons
- Low water coverage
- Lack of way leaves and rampant encroachments

The negative economic effects of Covid-19 on the Company cannot be over-emphasized during this period. At this juncture, I sincerely express my gratitude to WSTF for the support they gave us through the Conditional Liquidity Grant which really was of great help to us.

We continue to enjoy the support and goodwill inter alia of the regulatory Authority, the Board, our clients, our suppliers and service providers. I wish to record our appreciation to them all and note that we highly value their 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.

Finally, to my fellow directors, thank for your commitment, support and considered advice that is so essential in this extremely noble exercise.

JACKSON KINYUA NJANA

Sign.....Date



11/4/2023

.....
BOARD CHAIRMAN

V. Report of the Managing Director

OVERVIEW

The Financial Year 2021–2022 marked improved performance by posting an increase in revenue by 32%. The company faces financial constraints which increase the need for external sources of financial support in form of short-term loans, grants and Government of Kenya subsidy to ensure sustainability of the water service provider.

Change of altitude by employees, application of best management and professional practices and strengthened organization capacities have hitherto resulted to better service delivery by the WSP for the period under review. Low budgetary allocation by the Government toward improvement of dilapidated water system infrastructure remains ever a big challenge. There is need to recognize the important role that the private sector can play in increasing access, either, directly in water services provision or indirectly through financing.

FINANCIAL PERFORMANCE

The operating revenue increased from Kshs. 29,397,128 to Kshs. 38,946,898

INSTITUTIONAL CAPACITY

Among the company's core values is the continued improvement in customer services and innovation. The company has initiated information technology platform and is implementing web-based billing and accounts software which will offer a competitive advantage and ensure superior customer services. Our staffs are the greatest resource that the company attaches great importance towards its productivity. The WSP encourages staff training and development as a means of ensuring that the organization is fully and appropriately staffed with employees who have the requisite competence to perform their jobs and that all members of staff feel valued and supported.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES STATEMENT

The water service Provider recognizes that it has a corporate social and environmental responsibility. The company is partnering with groups with similar objectives towards social development and empowerment of the broader community through various corporate social initiatives, staff welfare and environmental conservation and improvement.

SERVICE DELIVERY

In the period under review, the WSP served 22,506 persons out of 43,929 persons with total active connections of 3,960.

These customers are served with 157 Kilometres pipeline network of various sizes, several storage tanks and other civil engineering infrastructure. The status of these infrastructures poses maintenance challenges due to their dilapidated condition which therefore require attention for them to work efficiently. This largely contributes to the high level of NRW reported at 55% in the year under review.

Report of the Managing Director (Continued)

EMBEWASCO is also facing the challenge of inadequate water supply systems to meet the ever-increasing demand for Water. There is an urgent need to construct new intakes so that the people of Embu can be served satisfactorily.

FUNDING

The main sources of income during the period under review were from WSTF as Conditional Liquidity Support Grant and internally generated revenue.

However, the Company expects, in its future endeavors, to enjoy funding from Government of Kenya, Embu County Government among other Development partners.


Traditionally the WSP funds its operations expenditure with internally generated revenue and capital expenditure from the Government and development partners. In the spirit of fulfillment and protection of this Constitutional duty of the right to water, I acknowledge this obligation and realize the need to strengthen the participation and empowerment of our Board of Directors, customers, collaborators and business partners.

APPRECIATION

In concurrence with the emerging issues, let me take this opportunity to thank you most sincerely for entrusting us with your investment and assure you that we will always endeavour to give you a fair return.

In conclusion I would like to recognize all the respective stakeholders, public, Board of Directors and management who have assisted Embe Water and Sanitation Company to realize the achievements it has made within the period under review. I request their continued support in provision of critical insight to ensure that the company achieves the primary strategic objective of being financially self-sustainable so as to fulfil its mandate of providing quality, affordable and reliable water and sanitation services to its customers.

Thank you and God bless us all.

CPA. NANCY M. MWAKIRIE Sign  Date 11/4/2023
.....
GENERAL MANAGER

VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022

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.

EMBEWASCO derives and aligns its key strategic thematic areas with the WASREB key performance indicators. These themes drive the key performance areas that EMBEWASCO strived to achieve for the period 2021 - 2022. These strategic themes are as follows:

1. *Water and sanitation infrastructure development*

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

2. *Financial sustainability*

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

3. *Service Delivery, Operational efficiency and customer service*

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

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 Trust is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders - these include its shareholders, management, customers, suppliers, financiers, government and the community.

Embewasco develops its annual work plans based on the above themes. Assessment of the Board's performance against its annual work plan is done on an annual basis. The *company* achieved its performance targets set for the FY 2021/2022 period for its strategic themes, as indicated in the diagram below:

EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022

Theme	Objective	Strategy	Activity	Achievements
		Construction of water storage tanks	<ul style="list-style-type: none"> i. Construct 1 No. 5000m³ RC storage tank at Riandu ii. Construct 1 No. 2000M³ RC tank at Ishiara 	Proposals done
		Installation of distribution lines	<ul style="list-style-type: none"> i. Install a 10Km, 315mm HDPE pipeline of different pressure ratings from Riandu to Siakago ii. Install a 17km, 160mm HDPE pipeline of different pressure ratings from Riandu to Gatitu iii. Install a 6km Ciaikungugu 110-90mm HDPE pipeline 	6Km Ciaikungugu 110-90mm HDPE pipeline done
			Re-installation distribution network at Ciaikungugu	On going
			Re-installation Mbaci Distribution line	Survey done
			Re-installation Murangu line	Plans underway
			Rehabilitation of Ishiara Mission Tank	In progress
			Rehabilitation of Riandu- Gatitu Line	Not done
		Water Quality Management	Replacement of the sand filters in Ena T. works	Not done
		Water Quality monitoring	Planned sample schedules	Done
		Water loss Management	Strengthening of the NRW team/ Unit	NRW Assistants engaged
		Increase billed Revenue	<ul style="list-style-type: none"> i. Reactivation of 20% dormant connections per year ii. Improve on service hrs. iii. GIS Mapping of the supply area and Installation of the billing software iv. Digital meter reading v. Revised Tariff 	<p>New software installation done</p> <p>Digital meter reading achieved</p>
		Increase the number of New connections	Increase of the service lines Customer sensitization Collaborate with other relevant government agencies (Public Health, schools)	Customer sensitization on going
			Upgrade or acquire a billing software that will automate entities from customer care, Technical team, stores, & personnel management	-
			Use alternative revenue collection means through available electronic networks	-
			Link & network Ishiara with Head Office	Done
			Improve on customer complains management.	Done

EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022

			Develop an ICT strategy/ Policy		
			Automate customer self-balance query (ATM type) & Automate the queuing system.	Done	
		To improve efficiency and effectiveness on functional activities	Progressively operationalize the organogram		
		To provide staff capacity building opportunities	Carryout a training needs assessment Ensure at least one training each for every staff member		
		Occupation safety health and work environment (OSH)	Base line survey/ audit on (OSH) Implement the recommendations of the base line survey/audit		
		Strengthen the capacity of the board on corporate governance	Develop a board manual Capacity building of the board members		
		Promote good corporate governance practices	Develop and implement a board performance evaluation system Develop annual work plans for the board		

VII. Corporate Governance Statement

Good corporate governance is key to the integrity of water sector institutions and markets. It is central to the health of our economics and their stability. Corporate governance plays a leading role in making certain, how corporations and their boards and management are directed, controlled and held to account. Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, ethical, sustainable and fair.

The Board of Directors of EMBEWASCO limited follows principles of openness, integrity and accountability in its stewardship of the company's affairs. It recognizes the developing nature of corporate governance and assesses the company's compliance with generally accepted corporate governance practice on a regular basis, directly and through its board committees and management. The role of the board is to ensure conformance by focusing on and providing the company's overall strategic direction and policy making, as well as performance review through accountability and ensuring appropriate monitoring and supervision. The board is also responsible for the overall system of internal control and for the reviewing its effectiveness. The controls are designed to both safeguard the company's assets and ensure the reliability of financial information.

A management team, comprising of the general manager, heads of departments and senior staff, meets regularly to consider issues of operational and strategic importance to the company. Here below are the key features of the existing corporate governance practices within the Company which are reviewed and improved on a regular basis: -

1. Board of Directors.

The Board of Directors is composed of six non- executive directors where the chairman is elected by the board members. Non- executive members are institutional and hold office for 3 years. They are independent of the Management. The executive member of the board is the General Manager. The execution of Board's policies is vested in the General Manager who is also responsible for the effective performance of the management which provides support to the Board and its committees.

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.

Corporate Governance Statement (Continued)

Certain functions are delegated to committees as detailed within this section. The board meets four times a year (once every quarter) and when necessary, to consider all matters relating to the overall control, company performance and strategy. A formal schedule of meetings is formulated with Notices and Agenda for all board meetings circulated to all Directors on a timely basis together with the respective documents for discussion. They are required to declare any conflicts of interests on any matters before the Board and are disqualified from participating in deliberations when there is such conflict.

The Board committees are constituted by the Board which sets out the responsibilities delegated by the Board to them and their structure and operations.

The role of a committee is to operate within the terms of its charter and to make recommendations to the Board for ratification and to determine certain matters with prior approval by the Board. Each committee meets regularly under the terms of reference set by the Board in their respective committee charters.

Board committees

The following are the current committees of the Board.

a) Audit Committee

The audit committee comprises of three directors and the Internal Auditor. The committee is responsible for inter alia, developing and advising on audit and financial controls and compliance issues of the company. It also defines the scope of the internal audit function and acts as a liaison between the external auditors and management. The current members of the committee are: - Mr.Jackson Kinyua, (Chairman), Embu County representative and Luceta Njeri.

b) Finance and Technical Committee

The finance and technical committee comprises of four directors, the Finance Officer and the Technical manager. The committee mandated to review and make recommendations on the company's financial and accounting policies, annual budgets, investment policy and asset management. The current members are Genesio Njuki, (Chairman), Christopher Ireri, Embu County representative and Jane Mugo.

Information and professional development

Keeping up-to-date with key business development is essential for the Board of Directors to maintain and enhance their effectiveness. On regular basis the Board receives corporate strategy, financial plans, including budgets and forecasts and discuss them during Board meetings.

Corporate Governance Statement (Continued)

New Board members are inducted and trained after which they are taken through the signing of the Code of Ethics. Employees sign the Code of Conduct.

2. Internal Controls

The company has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the company's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties.

The effectiveness of the system of internal controls is monitored regularly through internal audit functions, operational meetings and the annual external audit.

3. Related Party Transactions and Directors Remuneration.

The related party transactions with the company during the year ending 30th June 2022 are detailed under note 48 on page 56-57 of these annual report and financial statements.

The remuneration for directors consists of sitting allowances for their services in connection with the Board and committee meetings.


The aggregate amount of director's remuneration for services rendered during the year ending 30th June 2022 are contained under note 13 on page 31 of these annual report and financial statements.

4. Going Concern

The directors confirm that the company has adequate resources to continue in business for the feasible future and therefore the continued use of going concern as a basis of preparing the financial statements.

Signature.....
Name.....JACKSON KINYUA NJANI

Board Chairman

Signature.....
Name.....CPA NANCY M. MWAKIRE

General Manager.

VIII. Management Discussion and Analysis

EMBEWASCO is licensed by Water Services Regulatory Board to engage in provision of water and sanitation services in Mbeere North Sub County of Embu County.

Since inception in 2006 of the Water service providers, Embe water and Sanitation Company has been endeavoring to offer quality provision of water services within legal and regulatory framework.

Over the period under review, the area under water service coverage has continued to increase and is projected to rise higher in the medium term. This forms the need to increase and ensure efficiency in the water supply systems and high production water abstraction sources.

Operational Performance

The company performance is reported under water coverage. Water coverage currently stands at 339km² serving a population of 43,929. The increased performance is attributed to internally generated funds coupled with assistance of development partners such as WSTF, CDF, TWWDA and the County government of Embu.

However, the company faces challenges in financial resources for development, decline in water resource capture, inadequate hydro-logical data for planning. The continued consumer demand for water is rising at a higher rate than current water service provision supply. This calls for a collaborated effort to increase water production and supply capacity by designing and developing a new water supply system or at least, expanding the current ones.

The company will continue engaging its current financial partners in financing the required projects, while at the same time, looking for other sources of finance, more so commercial financing concept.

Financial Performance.

During the year 2021-2022, Embewasco registered 32% increase in the operating revenue from Kshs. 29,397,128.00 in the year 2020-2021 to Kshs.38, 946,898.

The company received a grant totaling to Kshs. 7,584,368 from Water Services Trust Fund (WSTF) as liquidity grant. The grant was of great help to the company which is currently facing financial difficulties. High inflation rates have increased the operations and maintenance costs.

Corporate Governance.

EMBEWASCO strives to comply with the company's Act, Cap 486, water Act 2016, the Constitution of Kenya 2010 and all other laws and guidelines as spelt out by WASREB. The key issues raised by WASREB guidelines include: Public participation in appointment of directors, oversight and supervision roles of the Board, information and control systems checks and balances in operations and compliance to set Water Service Providers (WSP) systems; financial management to measure compliance with applicable IFRS and IPSAS.

EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022

Management Discussion and Analysis (continued)

SECTOR PERFORMANCE OVERVIEW

In the year under review the WSP posted positive improvement in some areas as indicated in the following key performance indicators as illustrated below.

<i>Item</i>	<i>Description</i>	<i>Units</i>	<i>2021/22</i>	<i>2020/21</i>	<i>% increase</i>
1.	<i>Water coverage</i>	<i>%</i>	<i>52</i>	<i>51</i>	<i>1</i>
2.	<i>Sanitation coverage</i>	<i>%</i>	<i>91</i>	<i>91</i>	<i>0</i>
3.	<i>Drinking water quality</i>	<i>%</i>	<i>96</i>	<i>92</i>	<i>4</i>
4.	<i>Hours of services</i>	<i>No</i>	<i>18</i>	<i>18</i>	<i>0</i>
5.	<i>Non-Revenue Water</i>	<i>%</i>	<i>55</i>	<i>56</i>	<i>-1</i>
6.	<i>Metering ratio</i>	<i>%</i>	<i>100</i>	<i>100</i>	<i>0</i>
7.	<i>Annual turnover</i>	<i>Kshs. (M)</i>	<i>38.9</i>	<i>29.4</i>	<i>32</i>
8.	<i>Collection Efficiency</i>	<i>%</i>	<i>65</i>	<i>65</i>	<i>0</i>
9.	<i>Staffing per 1,000 connections</i>	<i>No</i>	<i>14</i>	<i>13</i>	<i>1</i>

IX. Environmental and Sustainability Reporting

Embe water and Sanitation Company Limited exists 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 organization's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

The company's main goal is being financially self sustainable. Customer satisfaction through provision of quality and affordable water services is key to achieve this goal. Customer complaints are attended to immediately. Automation of services like billing where billing software has been installed to ensure accurate and billing is done on time and customers are served with bills when they fall due.

The scarcity of water has made it difficult to provide our customers with adequate water. However, the company has still continued to mobilize resources from development partners by writing proposals of improving the intakes.

ii) Environmental performance

The Company relies on the environment which provides water which is produced, treated and transmitted via pipeline to respective customers. Over the time the company has been advocating for water catchment protection and it has been represented in meetings for Water Resource Users Association (WRUA).

iii) Employee welfare

The Company recognizes that health, safety and training, play a key role in ensuring our employees commitment to responsibility in the workplace and their working environment in which personal and employment rights are upheld. Effective policies and procedures are aligned with Company needs and the promotion of good communication processes, to assist timely and consistent delivery of relevant information to employees.

The Company provides equal opportunity for all employees and job applicants. It has in place policies covering issues such as performance management, training and family friendly policies. E.g., Compassionate Leave, Paternity Leave among others. The employees of the Company are active players of various teams which compete locally and nationally.

IX. Environmental and Sustainability Reporting (continued)

iv) Market place practices-

The company operates in a market where competition is stiff. The company strives to achieve a competitive advantage through the following practices:-

a) Responsible competition practice.

Embewasco is a corruption free company. All our customers are served equally without discrimination. Respect is given to other water provision entities where the company serves within its area of jurisdiction.

b) Responsible Supply chain and supplier relations

The company values its suppliers to a great extent. Nothing can be achieved without the assistance of the suppliers. Their satisfaction is achieved by giving them equal opportunities of supplying the company with necessities. Prequalification is done without discrimination. The suppliers are paid on time and communication done in case of any delays.

c) Responsible marketing and advertisement

Marketing is done on a daily basis. Embewasco staff team and stakeholders sell the company to the outside world.

d) Product stewardship

Efficient delivery of services to our customer is one of the crucial areas of the Company. The aim is to sustain 24hour service delivery and minimum interruptions to the flow of water. The current water supply hours per day stands at 18 hours.

Customer service is an area of high priority as the Company is cognizant of the importance of the customer in the service delivery process and indeed to its overall performance. The Company is therefore committed to effective communication with the customers and sensitizing them on key issues in the management of water resource especially at the consumption point.

Though the company has not fully met needs of un-served customers, the company has endeavored to extend service using its own resources and has even mobilized funds from donors and commercial loans to extend service to customers.

v) Corporate Social Responsibility / Community Engagements

The company upholds its core values which enshrine ethical business practices, compliance with regulatory and other legal requirements and respect for humanity, communities and the environment. The company's corporate social responsibility (CSR) hinges on two key pillars, employees and welfare programmes.

During the year, our employees have become an important part of this noble objective. The employees are the backbone of our success.

Therefore, we have unrelentingly ensured that they have a favourable work environment. Training and development of staff has continued to be an important part of our business. All staffs are encouraged to attend internal and external training sessions in order to upgrade themselves technically and professionally. The internship placement programme has continued with several

EMBE WATER AND SANITATION COMPANY

Annual Report and Financial Statements for the year ended June 30, 2022

students working as interns in various departments. Those students are drawn from various colleges.

The company recognizes co-existence with others and hence it has been actively involved in activities and social events occurring within its area of jurisdiction. Several events of social nature in which company has been involved with include:

a) National Holidays:

The Company actively participates in national holidays such as Jamhuri day and Madaraka day and provides snacks and drinks through its CSR kitty

b) Disability Day:

The Company participates annually in supporting activities during disability day.

EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022

I. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company are (continue to be) provision of water services.

ii) Results

The results of the company for the year ended June 30, 2022 are set out on page 1. Below is summary of the profit or loss made during the year.

iii) Dividends

The company has not declared dividends for the year ended 2022 due to its incorporation as a legal company under the Companies Act 2015 Laws of Kenya as a Limited company guaranteed by the Government of Kenya with no shareholding but with Stakeholders. Any profits made are ploughed back to finance the extension of services in the underserved areas.

iv) Directors

The members of the Board of Directors who served during the year are shown on page VII-VIII In accordance with the Company's Articles of Association.

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The auditor general carried out the audit of the Financial Statements for the year ended 30th June, 2022.

By Order of the Board

Name: **FCS RICHARD K. GIKUHI**

Signature: 

Date: **11TH APRIL 2023**

Corporate Secretary/~~Secretary to the Board~~



II. Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015- (*County corporations*) require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2022. 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 judgments 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– County Corporations.

EMBE WATER AND SANITATION COMPANY
Annual Report and Financial Statements for the year ended June 30, 2022


Statement of Directors' Responsibilities (Continued)


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, 2022, 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

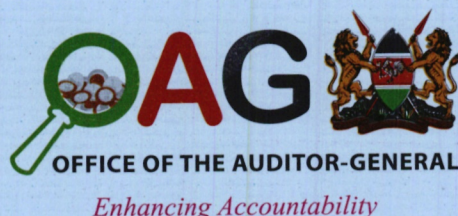
The company financial statements were approved by the Board on 30th September, 2022 and signed on its behalf by:

Signature 
Name JACKSON KINYUA NJANI
Chairperson of the Board

Signature 
Name CPA. NANCY M. MWAKIDZE
General Manager

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EMBE WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

Adverse Opinion

I have audited the accompanying financial statements of the Embe Water and Sanitation Company Limited set out on pages 1 to 70, which comprise of the statement of financial position as at 30 June, 2022 and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Embe Water and Sanitation Company Limited as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Adverse Opinion

1. Inaccuracies in Financial Statements

The financial statements presented for audit had the following inaccuracies;

- 1.1 The statement of cashflows reflects purchase of property, plant and equipment (PPE) cash outflow of Kshs.1,819,634 while Note 20 reflects additions of Kshs.1,828,600 resulting to unexplained variance of Kshs.8,966.
- 1.2 The current account cashbook reflects an overdraft of Kshs.4,833,071 which is not disclosed in Note 32 to the financial statements.

In the circumstances, the accuracy and completeness of the above balances could not be confirmed.

2. Unsupported Customer Deposits

The statement of financial position and as disclosed in Note 43 to the financial statements reflects customer deposits balance of Kshs.5,532,190. However, only Kshs.256,208 is reflected as cash and bank balance as at 30 June, 2022. This implies that deposits funds have been utilised on other payments without evidence of approval and the Company may not be able to refund deposits when demanded. In addition, there was no evidence that deposit money was deposited in a separate bank account since the corresponding bank statements were not provided for audit.

In the circumstances, the accuracy and existence of the customer deposits balance of Kshs.5,532,190 could not be confirmed.

3. Lack of Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.52,835,806 as disclosed in Note 20 to the financial statements. The balance includes land at Kshs.4,850,000 and buildings at Kshs.11,752,335 which were inherited from Tana Water Works Development Agency. However, there was no evidence of transfer of ownership documents to the Company. In addition, logbooks for four (4) motorcycles valued at Kshs.930,000 were not provided for audit.

In the circumstances, the ownership of property, plant and equipment balance of Kshs.17,532,335 could not be confirmed.

4. Inaccuracy of Bank and Cash Balance

The statement of financial position reflects bank and cash balance of Kshs.256,208 as disclosed in Note 32 to the financial statements. The amount includes cash in hand balance of Kshs.95,764 being un surrendered imprest issued on 16 December, 2020 to a staff who has since retired and whose recoverability is doubtful. In addition, the amount was wrongly classified under bank and cash balances instead of trade and receivables. Further, the balance was not supported by imprest warrant and register.

In the circumstances, the accuracy and completeness of bank and cash balance of Kshs.95,764 could not be confirmed.

5. Unsupported Employer's Contribution Expenditure

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.19,893,183 as disclosed in Note 11 to the financial statements. However, expenditure of Kshs.1,114,956 relating to employer's contribution to social security schemes, pension schemes and medical insurance schemes was not supported by schedules.

In the circumstances, the accuracy and completeness of staff costs of Kshs.1,114,956 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Embe Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing 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 adverse Opinion.

Emphasis of Matter

Material Uncertainty to Going Concern

The statement of profit or loss and other comprehensive income reflects a deficit of Kshs.5,682,809 in comparison with deficit of Kshs.8,543,765 for the comparative period leading to a decline in the retained earnings from negative Kshs.128,847,673 in 2020/2021 to negative Kshs.134,530,482 in the current period. In addition, the statement of financial position reflects trade and other payables balance of Kshs.10,079,238 (2021 - Kshs.4,940,368) an increase by Kshs.5,138,870. If the trend continues into the foreseeable future, the Company may not be able to meet its obligations as and when they fall due.

In the circumstances, the Company sustainability of providing safe, affordable and accessible clean water to the residents is heavily dependent on continued support by the National and County Governments, bankers, donors and creditors.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budgeted revenue of Kshs.42,888,468 and actual revenue of Kshs.38,946,898 resulting to a revenue shortfall of Kshs.3,941,570. Similarly, the statement reflects final budgeted expenditure of Kshs.42,888,468 and actual expenditure of Kshs.46,458,307 resulting to an over expenditure of Kshs.3,569,839.

In the circumstances, the Company needs to adopt realistic budgeting to avoid instances of excess or under budgeting for efficient and effective delivery of goods and services.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

Other Information

The Management are responsible for the other information, which comprises the chairman's statement, report of the managing director, the statement of corporate governance, management discussions and analysis, environment and sustainability reporting, report of directors and statement of directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unapproved Salaries

During the year under review, Management approved and processed salaries for staff and casuals amounting to Kshs.19,893,183 through Company's salary scale. However,

the board minutes that discussed, adopted and approved these salary scales together with approval from the Salaries and Remuneration Commission (SRC) were not provided for audit. This was contrary to Article 230(4)(a) of the Constitution of Kenya, 2010 which stipulates the powers and functions of the Salaries and Remuneration Commission shall be to set and regularly review the remuneration and benefits of all state officers.

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

2. Unsupported Expenditure on Water System Repairs

The statement of profit or loss and other comprehensive income reflects maintenance expenses of Kshs.6,052,024 as disclosed in Note 14 to the financial statements. Included in the expenditure is Kshs.3,196,444 on plant and equipment out of which Kshs.321,580 paid for supply of water fittings equipment had inconsistencies in the dates on the Local Purchase Orders (LPOs), invoices, counter receipt vouchers and inspection reports. In addition, water systems repair expenditure of Kshs.851,280 was paid through petty cash and was not supported with requisition, approvals and evidence that the items purchased were captured in the stores records.

In the circumstances, value for money on maintenance expenses of Kshs.1,172,860 could not be confirmed.

3. Irregular Procurement of ERP Software

The statement of profit or loss and other comprehensive income reflects maintenance expenses of Kshs.6,052,024 as disclosed in Note 14 to the financial statements. Included in the expenditure is Kshs.1,725,720 on software for supply, implementation and commissioning of an integrated Electronic Resource Planning software (ERP). However, the contract dated 12 June, 2021 for Kshs.1,701,720 omitted timelines and was not included in the annual budget and procurement plan. This was contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which states that (3) all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement. In addition, there was no evidence of competitive bidding contrary to Section 29(1)(d) of the Public Procurement and Asset Disposal Regulations, 2020 which states that in using the single source selection (SSS) method, a procuring entity shall first prepare the justification for use of the method in the context of clear advantage over competition. Further, the system has not been put into use.

In the circumstances, Management was in breach of the law and value for money on expenditure of Kshs.1,725,720 on software for supply, implementation and commissioning of an integrated Electronic Resource Planning software (ERP) could not be confirmed.

4. Irregular Engagement of Casuals

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs.19,893,183 in respect to staff costs which includes Kshs.2,550,642 for casual labor. Review of the payroll data indicated that thirty-three (33) casual workers were engaged during the year out of which twenty-three (23) worked for more than three (3) months continuously. This was contrary to Section

37(1)(b) of the Employment Act, 2007 which stipulates that notwithstanding any provisions of this Act, where a casual employee performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of 3 months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly and Section 35(1)(c) shall apply to that contract or service.

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

5. Non-Adherence to One Third Gender Rule

The Company had a staff establishment of thirty-six (36) employees out of which twenty-seven (27) or 75% were male. This is contrary to Section B22(2) of the Public Service Human Resource Manual 2016 which states that the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than 2/3 of positions in its establishment are filled by either gender.

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

6. Acting Beyond Six Months

Review of the personal files revealed that one officer was in acting capacity for more than six months receiving acting allowance. This was contrary to Section C.14 (1) of the Public Service Human Resource Policies and Procedures Manual, 2016 which provides that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

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

7. Irregular Procurement

The statement of profit or loss and other comprehensive income reflects maintenance expenses of Kshs.6,052,024 as disclosed in Note 14 to the financial statements. The amount includes motor vehicle expenses of Kshs.576,626 out of which Kshs.141,787 was for repair of motor cycles. However, the advertisement, bidding, evaluation and competitive awarding of provision of motor vehicles repairs were not provided. This was contrary to Section 9(1)(e)(i) of the Public Audit Act, 2015 which states that without prejudice to the powers given under the Constitution and this Act and for the purposes of carrying out his or her duties effectively, the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229(4) of the Constitution.

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

8. Excessive Staff Costs

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.19,893,183 as disclosed in Note 11 to the financial statements which constitute fifty one percent (51%) of the total receipts for the year under review. This was contrary to

Section 3.9(10) of WASREB Corporate Governance Guidelines 2018 which provides that the staff costs should not exceed 40% of the total revenue.

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

9. Non-Compliance with Mwongozo

The Management did not provide for audit review the evaluation of its Board performance for the financial year 2021/2022 contrary to Mwongozo 2015 Chapter 1 paragraph 1.12. In addition, Management did not provide the gazette notice appointing the Board members in accordance with the Mwongozo 2015 Chapter 1 section 1.1 subsection 13.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Irregular Recruitments

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects Kshs.19,893,183 in respect to staff costs. During the year under review, the Company recruited two artisans, a chemical attendant and a registry clerk on contract terms. However, recruitment list of all applicants, interview register, minimum requirements, evaluation minutes, list of short-listed candidates, invitation letters, interview questionnaire, interview results were not provided for audit to verify competitive recruitment. In addition, thirty-three (33) were engaged without evidence of departmental requisitions for casuals, application letters, interview minutes, engagement letters and the master roll files.

In the circumstances, internal controls on Company's recruitment process could not be confirmed.

2. Weak Controls in Maintenance of Cashbooks

The statement of financial position reflects bank and cash balance of Kshs.256,208 as disclosed in Note 32 to the financial statements. However, the Company used Microsoft

Excel office software in recording and maintaining the cashbook which is vulnerable to fraud and susceptible to human errors. Further, the cash books were not reviewed, approved and signed by the accountant and the General Manager at the end of each month. In addition, there was no backup strategy in case of loss of data.

In the circumstances, the internal controls in maintenance of cashbooks could not be confirmed.

3. Non-Revenue Water (NRW)

During the year, the Company produced 1,158,306 cubic meters (m³) of water. However, only 523,026 m³ were billed to customers. The balance of 635,280 m³ or 55% of the total volume represented Non-Revenue Water (NRW) which is 30% above the allowable loss of 25% in accordance with Schedule E of the Water Services Regulatory Board guidelines which allows a maximum loss of 25% for every cubic meter of water produced. The NRW of 635,280 m³ may have resulted in loss of sales estimated at Kshs.38,339,148 at the rate of Kshs.60.35 per m³.

In the circumstances, the Non-Revenue Water estimated at Kshs.38,339,148 may have negatively impacted on the Company's profitability and its long-term sustainability.

4. Weaknesses in Tagging and Disposing Assets

Physical verification of the assets and review of the assets register revealed that the assets were not coded or tagged for ease of identification and tracking. This was contrary to Section 139(1)(b) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to ensure that movement and conditions of assets can be tracked. In addition, three (3) motorcycles were verified to be grounded and unserviceable and there was no evidence of commencing disposal process.

In the circumstances, the internal controls on coding, tagging and disposing of assets could not be confirmed.

5. Weaknesses in the Information Technology (IT) System

During the year under review, it was observed that the Company reverted to using the earlier installed Electronic Resource Planning (ERP) system since the new system was not put into use. In addition, verification revealed that the developers of the system were active users with full control of the system which is likely to compromise the security of the system. Further, the Company has no Information Technology policy in place.

In the circumstances, the effectiveness of internal controls and risk management of Electronic Resource Planning (ERP) system could not be confirmed.

6. Long Outstanding Accounts Receivables

Note 29 to the financial statements reflects gross trade and other receivables balance of Kshs.28,037,606 which includes Kshs.22,038,124 that has been outstanding for more than two (2) years. However, the Company has only made a general provision for bad and doubtful debts of Kshs.1,395,736 which is 5% on gross receivables which may be inadequate considering the period they have been outstanding. In addition, the Company does not have a debt management policy.

In the circumstances, the internal controls on recovery of receivables could not be confirmed.

7. Lack of Internal Audit Charter

The Company did not have an internal audit charter to guide in carrying out internal audit functions contrary to Section 73(1) (a) of the Public Finance Management Act, 2012 which stipulates that every county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the effectiveness of internal audit to offer assurance services could not be confirmed.

8. Lack of Risk Management Policy

Review of the Company's internal controls revealed there was no approved risk management policy being the framework for risk identification and management. This was contrary to Section 158 (1) of the Public Finance Management (County Governments) Regulations, 2015 which states that the accounting officer shall ensure that the county government entity develops risk management strategies, which include fraud prevention mechanism and develop a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on my audit, that:

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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 control, risk management and overall governance.

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 May, 2023

EMBE WATER AND SANITATION COMPANY LTD
Annual Report and Financial Statements for the year ended June 30, 2022

IV. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	31,265,029	29,042,663
Grants Income	7	7,584,368	-
Other Income	8	97,501	270,000
Finance income	9	-	84,465
Other gains/(losses)	10	-	-
Total Revenue		38,946,898	29,397,128
Expenses			
Staff Costs	11	19,893,183	18,094,454
General and Operations expenses	12	11,731,380	9,104,305
Board Expenses	13	1,164,000	738,000
Maintenance Expenses	14	6,052,024	3,571,903
Depreciation and Amortization expenses	15	5,789,120	6,432,230
Finance Costs	16	-	-
Total Expenses		44,629,707	37,940,892
Profit/(Loss) Before Taxation		(5,682,809)	(8,543,764)
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		(5,682,809)	(8,543,764)
Earnings Per Share – Basic And Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(5,682,809)	(8,543,764)
Surplus Or Deficit On Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		-	-
Total Comprehensive Income For The Year		(5,682,809)	(8,543,764)

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V. Statement Of Financial Position As at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			(Restatement)
Non-Current Assets			
Property, plant and equipment	20	52,835,806	56,796,327
Intangible assets	21	-	-
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological Assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
Total Non-Current Assets		52,835,806	56,796,327
Current Assets			
Inventories	28	535,214	721,934
Trade and receivable	29	26,641,870	22,944,864
Tax recoverable	30	-	-
Short-term deposits	31	-	601,894
Bank and cash balances	32	256,208	589,678
Total Non-Current Assets		27,433,292	24,858,369
Total Assets		80,269,098	81,654,700
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	33	-	-
Revaluation reserve	34	-	-
Fair value adjustment reserve	35	-	-
Retained earnings	36	55,966,536	61,649,345
Capital and Reserves		55,966,536	61,649,345
Non-Current Liabilities			
Deferred tax liability	37	-	-
Borrowings	38	-	-
Lease Liability	39	-	-
Provisions	40	2,598,872	2,083,397
Retirement Benefits	41	-	-
Total Non-Current Liabilities		2,598,872	2,083,397
Current Liabilities			
Borrowings	38	-	-
Lease Liability	39	-	-
Provisions	40	6,092,262	7,882,400
Retirement benefit obligations	41	-	-

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Trade and other payables	42	10,079,238	4,940,368
Customer Deposits	43	5,532,190	5,099,190
Deferred Income	44	-	-
Dividends payable	45	-	-
Taxation	46	-	-
Total Current Liabilities		21,703,690	17,921,958
TOTAL EQUITY AND LIABILITIES		80,269,098	81,654,700

The financial statements were approved by the Board on 30/9/2022 and signed on its behalf by:



General Manager



Jackline KaniniNjue

Acting Finance Officer

ICPAK M/No: 29967



Chairman of the Board

VI. Statement Of Changes In Equity For The Year Ended 30 June 2022

	Notes	Ordinary share capital	Revaluatio n reserve	Fair value adjustmen t reserve	Retained earnings	Proposed dividend s	Capital/ Developme nt Fund	Total
As at July 1, 2020		-	-	-	(120,303,909)	-	190,497,018	70,193,109
New capital issued		-						-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(8,543,764)	-	-	(8,543,764)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2021		-	-	-	(128,847,673)	-	190,497,018	61,649,345
As at July 1, 2021		-	-	-	(128,847,673)	-	190,497,018	61,649,345

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	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(5,682,809)	-	-	(5,682,809)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2022		-	-	-	(134,530,482)	-	190,497,018	55,966,536

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VII. Statement Of Cash Flows for The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows From Operating Activities			Restatement
Receipts			
Operating Revenue	55	23,760,739	23,927,017
Non-Operating Revenue	10	-	-
Other Income	8	97,501	270,000
Finance Income	9	-	84,465
Grants	7	7,584,368	-
Customer Deposits	43	433,000	464,600
Total Receipts		31,875,608	24,746,082
Payments			
Staff Costs	56	15,005,441	14,965,055
Board Expenses	13	1,164,000	738,000
General And Operation Expenses	57	9,282,316	7,903,491
Maintenance	58	4,937,686	2,909,504
Finance Costs	16	-	-
Refund Of Customer Deposits	43	-	1,200
Total Payments		30,389,443	26,517,250
Net Cash From/(Used In) Operating Activities		1,486,165	(1,771,168)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	20	(1,819,634)	(1,359,260)
Proceeds From Disposal Of PPE	20	-	-
Purchase Of Intangible Assets	21	(-)	(-)
Purchase Of Investment Property	22	(-)	(-)
Purchase Of Quoted Investments	26	(-)	-
Maturity of Quoted Investments	25	-	3,500,000
Net Cash From/(Used In) Investing Activities		(1,819,634)	2,140,740
Cash Flows from Financing Activities			
Proceeds From Issues Of New Share Capital	33	-	-
Proceeds From Borrowings	35	-	-
Repayment Of Borrowings	35	(-)	(-)
Dividends Paid	41	(-)	(-)
Net Cash From/(Used In) Financing Activities		-	-
Increase/(Decrease) In Cash And Cash Equivalents		(333,469)	369,572

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	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash And Cash Equivalents At Beginning Of Year		589,677	220,105
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End Of The Year		256,208	589,677

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VIII. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2022

	Originalbudget	Adjustments	Finalbudget	Actualon comparable basis	Performance difference	%ofutilization
	2021-2022	2021-2022	2021-2022	2021-2022		
	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Revenue						
Operating Revenue	35,100,000	-	35,100,000	31,265,029	3,834,971	10.93
Non-Operating Revenue	204,100	-	204,100	97,501	106,599	52.23
Grants	3,900,000	3,684,368	7,584,368	7,584,368	-	-
Finance Income	-	-	-	-	-	-
Other gains	-	-	-	-	-	-
Total Revenue	39,204,100	3,684,368	42,888,468	38,946,898	3,941,570	9.9
Expenses						
Staff Costs	17,171,124	3,326,368	20,497,492	19,893,183	604,309	2.95
Board Expenses	806,400	358,000	1,164,400	1,164,000	400	0.03
General and operations Expenses	11,726,643	496,000	12,222,643	11,731,380	491,263	4.02
Maintenance	4,972,967	1,004,000	5,976,967	6,052,024	(75,057)	(1.26)
Depreciation and amortization	-	-	-	5,789,120	(5,789,120)	(100)
Finance costs	-	-	-	-	-	-
Total Recurrent Expenditure	34,677,134	5,184,368	39,861,502	44,629,707	(4,768,205)	(11.96)
Profit or Loss	4,526,966	(1,500,000)	3,026,966	(5,682,809)	8,709,775	287.74
Capital Expenditure	4,526,966	(1,500,000)	3,026,966	1,828,600	1,198,366	39.59
Total Expenditure	39,204,100	3,684,368	42,888,468	46,458,307	(3,569,839)	(8.32)

BUDGET NOTES

Revenue

1. Operating Revenue

The budgeted amount of Ksh. 35,100,000 was not met by collecting Ksh. 31,265,029. The variance of Ksh. 3,834,971 was due to normal disconnections and disconnections from the main for unpaid bills. Most of the customers never reconnected their connections thereby reducing expected consumption.

2. Non-operating Revenue

The budget amount of Kshs. 204,100 was not met by collecting Kshs. 97,501. The variance of Kshs. 106,599 was brought about by reduction in fines and penalties expected from customers.

3. Grants

The original budget reflected Ksh. 3,900,000 to be received as grants. However, the company received Ksh 7,584,368 in respect to WSTF liquidity grant thereby increasing the budgetary allocation.

Expenses

1. Depreciation Charge

The depreciation charge of Kshs. 5,789,120 was not budgeted for due to its non-cash nature.

2. Capital Expenditure

The expected capital expenditure was under absorbed due to the company's status quo. Lack of enough revenue meant that much spending was minimised.

IX. Notes To the Financial Statements

1. General Information

Embe Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water 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 services.

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

2. Statement of Compliance and Basis of Preparation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes	The amendments are effective for annual periods beginning on or after January 1,

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Title	Description	Effective Date
cent' Test for Derecognition of Financial Liabilities	when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, 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, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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 realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	-	-
Leasehold Land	-	-
Buildings and civil works	-	2.5%
Infrastructure works	-	-
Plant and machinery	-	12.5%
Motor vehicles, including motor cycles	-	25%
Computers and related equipment	-	30%
Office equipment, furniture and fittings	-	12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) 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.

m) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

p) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

q) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

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

s) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised 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.

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2010. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 21st of June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of 3,684,368 on the 2021-2022 budget following the governing body'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 financial performance, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 VIII of these financial statements.

x) Service concession arrangements

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

y) Comparative figures

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

z) 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 March 31, 2023.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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 from 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 40.

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 provision for bad debts is estimated at 5% of the total trade payables, provisions for gratuity is 31% of an employee's basic salary, The amount payable to WASREB is provided at 4% of the total billing in Kenya Shillings and the amount payable to WARMA is provided at 50 cents per M3 billed)

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021-1
	Kshs	Kshs
Water sales	27,858,940	24,408,215
Sewerage Services	-	-
Billing for other services*	3,406,089	4,634,448
Total	31,265,029	29,042,663

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

7. Grants Income

	2021-2022	2020-2021-1
	Kshs	Kshs
Operational grants from Government entities	7,584,368	-
Recurrent/operational grants from other agencies	-	-
Capital grants amortized	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	-
Total	7,584,368	-

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

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2020-2021 KShs
Water Sector Trust Fund	7,584,368	-	-	7,584,368	-
Ministry	-	-	-	-	-
Total	7,584,368	-	-	7,584,368	-

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Sale of Tender	-	-
Fine and penalties	-	-
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (Refund of defrauded money)	97,501	270,000
Total	97,501	270,000

(This was received from a former employee who had defrauded the company Ksh. 367,501)

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	84,465
Interest on staff loans	-	-
Dividends	-	-
Total	-	84,465

(This was amount received from investment on Treasury Bill)

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	16,009,362	13,442,453
Casual workers Wages	2,550,642	3,472,849
Medical insurance schemes	-	-
Employer's contributions to social security schemes	-	-
Employer's contributions to pension scheme	-	-
Provisions for Leave pay	-	-
Gratuity provisions	860,954	711,452
Fringe Benefit tax	-	-
Staff welfare	472,225	467,700
Other allowances	-	-
Total	19,893,183	18,094,454
The averagenumber of employees during the year	36	33

EMBE WATER AND SANITATION COMPANY LTD
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Chemicals	1,407,312	1,063,848
Electricity	216,047	241,590
Fuel, oil, lubricants, and gases	1,035,000	844,850
Bulk water Costs	-	-
Office supplies	205,713	323,475
Uniform and protective clothing	26,500	99,600
Telecommunication	780,217	618,922
Postage and courier	10,270	18,900
Water and sewerage	-	-
Insurance	190,129	145,753
Rent and Rates	-	-
Hire of Equipment and vehicles	108,610	21,000
Claims and compensation	-	-
Domestic Traveling and subsistence	2,359,084	2,542,715
Foreign travel and accommodation	-	-
Staff training and development	455,800	64,000
Bank Charges	403,329	413,840
Security services	802,700	764,560
Agency commissions	-	-
Publicity and advertising	119,220	76,400
Audit fees	100,000	100,000
Legal fees	-	-
Consultancy fees	409,119	158,232
Licensing and levies	2,075,871	1,393,036
Sports and recreation	-	-
Stakeholders' expenses	612,238	-
Donations/CSR	-	-
Hospitality expenses	226,110	173,310
Research and Development	-	-
Conservation expenses	-	-
Provision for doubtful debts	188,112	40,274
Others (Specify)	-	-
Total	11,731,380	9,104,305

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	-	-
Sitting allowances	519,000	369,000
Medical Insurance	-	-
Induction and Training	126,000	-
Travel and accommodation	519,000	369,000
Other allowances	-	-
Total Board Expenses	1,164,000	738,000

14. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Plant and Equipment	3,196,444	2,179,506
Buildings	22,850	4,000
Infrastructural networks	-	-
Grounds	389,437	403,091
Motor vehicles	576,626	824,656
Software	1,725,720	-
ICT	140,947	160,650
Furniture	-	-
Water Meter	-	-
Access roads	-	-
Total Maintenance Expenses	6,052,024	3,571,903

15. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	5,789,120	6,432,230
Right of Use Assets	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortization	5,789,120	6,432,230

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Finance costs

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
Total	-	-

17. Income Tax Expense/(Credit)

Current taxation

	2021-2022	2020-2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

(There was no income tax paid during the year)

Reconciliation of tax expense/ (credit) to the expected tax based on accounting profit

	2021-2022	2020-2021
	Kshs	Kshs
Profit before taxation	(5,682,809)	(8,543,764)
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total	(5,682,809)	(8,543,764)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Earnings Per Share

The Company is incorporated as a legal company under the Company's Act Cap. 486 law of Kenya as a Public Limited company guaranteed by the Government of Kenya with no shareholding but with Stakeholders. Any profits made are ploughed back to finance the extension of services in the underserved areas hence no earnings per share.

19. Dividend Per Share

The company has not declared dividends for the year ended 2022 due to its incorporation as a legal company under the Company's Act Cap. 486 law of Kenya as a Public Limited company guaranteed by the Government of Kenya with no shareholding but with Stakeholders. Any profits made are ploughed back to finance the extension of services in the underserved areas.

EMBE WATER AND SANITATION COMPANY LTD

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

2021-2022	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost Or Valuation	-	2.5%	-	12.5%	25.0%	30.0%	12.5%	-	
At July 1, 2021	4,850,000	15,160,344	-	94,014,052	4,802,378	1,710,950	246,162	-	120,783,886
Additions	-	-	-	1,820,000	-	8,600	-	-	1,828,600
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2021	4,850,000	15,160,344	-	95,834,052	4,802,378	1,719,550	246,162	-	122,612,486
Depreciation									
At July 1, 2021	-	3,106,667	-	56,203,588	3,447,841	1,129,239	100,226	-	63,987,561
Charge For The Year	-	301,342	-	4,953,808	338,634	177,093	18,242	-	5,789,120
Impairment Loss	-	-	-	-	-	-	-	-	-
Eliminated On Disposal	-	-	-	-	-	-	-	-	-
At June 30, 2022	-	3,408,009	-	61,157,396	3,786,475	1,306,332	118,468	-	69,776,680
Net Book ValueAt June 30, 2022	4,850,000	11,752,335	-	34,676,656	1,015,903	413,218	127,694	-	52,835,806

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2020/2021	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST OR VALUATION		2.5%	-	12.5%	25.0%	30.0%	12.5%	-	
As at 1 July 2020	4,850,000	15,160,344	-	93,494,052	4,382,378	1,333,250	204,602	-	119,424,626
Additions	-	-	-	520,000	420,000	377,700	41,560	-	1,359,260
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
As at 30th June 2021	4,850,000	15,160,344	-	94,014,052	4,802,378	1,710,950	246,162	-	120,783,886
DEPRECIATION									
At July 1, 2020	-	2,797,598	-	50,802,093	2,996,328	879,934	79,378	-	57,555,331
Charge for the year	-	309,069	-	5,401,495	451,513	249,305	20,848	-	6,432,230
Impairment loss	-	-	-	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-	-	-	-
As at 30th June 2021	-	3,106,667	-	56,203,588	3,447,841	1,129,239	100,226	-	63,987,560
NET BOOK VALUE									
At June 30, 2021	4,850,000	12,053,678	-	37,810,464	1,354,538	581,711	145,936	-	56,796,327

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

No valuation was done on assets in the year 2021-2022.

20 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	4,850,000	-	4,850,000
Buildings	15,160,344	3,408,009	11,752,335
Plant and machinery	95,834,052	61,157,396	34,676,656
Motor vehicles, including motorcycles	4,802,378	3,786,475	1,015,903
Computers and related equipment	1,719,550	1,306,332	413,218
Office equipment, furniture, and fittings	246,162	118,468	127,694
	122,612,486	69,776,680	52,835,806

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles, including motor cycles	-	-
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	-	-
Additions	-	-
Disposals	-	-
At June 30	-	-
AMORTISATION		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	-	-
NET BOOK VALUE		
At June 30	-	-

22. Investment Property

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-
DEPRECIATION (IF AT COST)		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	-	-
NET BOOK VALUE		
At June 30	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Right-of-use assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2020	-	-	-	-
Additions	-	-	-	-
As at 30 June 2021	-	-	-	-
Additions	-	-	-	-
As at 30 June 2022	=	=	=	=
Accumulated Depreciation				
As at 1 July 2020	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2021	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2022	=	=	=	=
Carrying Amount				
As at 30 June 2021	=	=	=	=
As at 30 June 2022	=	=	=	=

24. Biological Assets

	2021-2022	2020-2021
	Kshs	Kshs
Cattle	-	-
Trees	-	-
Others (Specify)	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Fixed Interest Investments (Bonds)

	2021-2022	2020-2021
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Bond	-	-
Investment in Treasury Bill	-	3,500,000
CD Corporate Bond (give details)	-	-
Total	-	3,500,000

[The movement in investment during the year is as follows:]

Details	2021-2022	2020-2021
	Kshs	Kshs
Balance at 1 July	-	3,500,000
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	(3,500,000)
Balance at 30 June	-	-

26. Quoted Investments

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price Shs	Fair value of shares Current year Shs	Fair value of shares Prior year Shs
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No			
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
	-	-	-	-	-	-

27. Unquoted Investments

	2021-2022 Kshs	2020-2021 Kshs
COST		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	-	-
IMPAIRMENT		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	-	-
NET BOOK VALUE	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Current year Shs	Prior year Shs
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
	-	-	-	-	-	-

28. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
General stores	-	-
Chemicals & Laboratory items	-	-
Water fittings and Accessories	535,214	721,934
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery and general stores	-	-
Finished goods	-	-
Work in progress	-	-
Less: Impairment of stocks	-	-
Total	535,214	721,934

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 a) Reconciliation of Impairment Allowance for Inventories

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29.) Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (29a))	27,914,727	24,152,488
Deposits and prepayments	-	-
VAT recoverable	-	-
Staff receivables (note 29 (c))	122,879	-
Other receivables	-	-
Gross trade and other receivables	28,037,606	24,152,488
Provision for bad and doubtful receivable	(1,395,736)	(1,207,624)
Net trade and other receivables	26,641,870	22,944,864

29 (a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	27,914,727	24,152,488
Provision for doubtful receivables	(1,395,736)	(1,207,624)
Net trade receivables	26,518,991	22,944,864
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	2,696,864	2,339,363
Between 30 and 60 days	1,313,058	836,621
Between 61 and 90 days	1,072,552	744,483
Between 91 and 120 days	794,079	650,500
Over 120 days	22,038,174	19,581,521
Total	27,914,727	24,152,488

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29 (c) Staff Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross staff loans and advances	122,879	-
Provision for impairment loss	-	-
Net staff loans	122,879	-
Less: Amounts due within one year	(122,879)	-
Amounts due after one year	-	-

[All staff advances are payable within one year]

29 (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

30. Tax Recoverable

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Short Term Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Commercial banks		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (Payments made in advance)	-	601,894
	-	-

32. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	160,444	493,914
Cash in hand	95,764	95,764
Mobile money account	-	-
	256,208	589,678

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
a) Current account			
Cooperative bank	01120051633800	-	356,565
Cooperative bank	01120051633805	-	-
Sub- total		-	356,565
b) On – call deposits			
Cooperative bank	01100051633800	160,444	137,350
others		-	-
Sub- total		160,444	137,350
c) Fixed deposits account			
Other Commercial banks		-	-
others		-	-
Sub- total		-	-
Sub- total		-	-
d) Others(specify)			
Cash in transit		-	-
cash in hand		95,764	95,764
Mobile money account		-	-
Sub- total		95,764	95,764
Grand total		256,208	589,678

33. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
XXX ordinary shares of Kshs par value each	-	-
Issued and fully paid:		
XXX ordinary shares of Kshs par value each	-	-

[No shares were issued during the year]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

35. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

36. Retained Earnings

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2021-2022	2020-2021
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealized exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

38. Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-
C) Total Balance at end of the period c = a+b	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The analyses of both external and domestic borrowings are as follows:

	2021-2022	2020-2021
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2021-2022	2020-2021
	KShs	KShs
Short term borrowings (current portion)	-	-
Long term borrowings	5,532,190	5,099,190
Total	5,532,190	5,099,190

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. The long term borrowings are customer deposits.)

[Foreign denominated loans should be restated based on CBK closing mean rates at the end of financial year]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. Lease Liability

Description	2021-2022	2020-2021
	KShs	KShs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

Maturity analysis	2021-2022	2020-2021
	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
	=	=
Less: unearned interest	-	-
	=	=
Analysed as:		
Non-Current	-	-
Current	-	-

40. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	2,083,398	7,882,400	9,965,798
Additional Provisions	-	-	860,954	2,175,871	3,036,825
Provision utilized	-	-	(-)	(484,063)	(484,063)
Change due to discount and time value for money	-	-	(345,480)	(3,481,946)	(3,827,426)
Balance at the end of the year	-	-	2,598,872	6,092,262	8,691,134

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions details

Description	2021-2022	2020-2019
	Kshs	Kshs
Current Portion of Provisions	6,092,262	7,882,400
Long-term portion of Provisions	2,598,872	2,083,397
Total	8,691,134	9,965,797

41. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Totale mployee benefits obligation	-	-	-	-	-

Retirement benefit Asset/ Liability

The entity didn't accrue any liability at the end of the year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
	Kshs	Kshs
Discount rates	-%	-%
Future salary increases	-%	-%
Future pension increases	-%	-%
Mortality (Pre- retirement)	-%	-%
Mortality (Post- retirement)	-%	-%
Withdrawals	-	-
Ill health	-	-
Retirement	- years	- years

Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognized under other gains/ Losses in the statement of Comprehensive Income

	2021-2022	2020-2021
Description	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Re measurement of the net defined benefit liability (asset)	-	-

b) Amounts recognized in the Statement of Financial Position

	2021-2022	2020-2021
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The entity contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Britam Pension Fund. Employees contribute 12.5% while employers contribute 7.5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

42. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	3,282,107	1,626,628
Accrued expenses	-	-
Revenue received in advance	749,859	-
Retention/ contract monies	-	-
Employee payables	6,047,272	3,313,740
Other payables	-	-
Total	10,079,238	4,940,368

[The revenue received in advance represents the overpayments by customers]

43. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	5,099,190	4,634,590
Add: deposits received during the year	433,000	464,600
Less: Refunded deposits during the year	-	-
Closing balance	5,532,190	5,099,190
Total	5,532,190	5,099,190

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Deferred Income

Description	2021-2022	2020-2021
	KShs	KShs
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
Totaldeferredincome	-	-

The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward	-	-	-	-
Additions	-	-	-	-
Transfers to Capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	-	-	-	-

45. Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analysed in annual amount below.

	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	(-)	(-)
Balance at end of the year	-	-

[No Dividends payable to ordinary shareholders and to preference shareholders since the company has no shareholders]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. Taxation

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	(-)	(-)
At end of the year	-	-

[Provide short appropriate explanations as necessary]

47. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(5,682,809)	(8,543,765)
Depreciation	5,789,120	6,432,229
Amortisation	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	106,311	(2,111,536)
(Increase)/decrease in inventories	186,720	(251,980)
(Increase)/decrease in trade and other receivables	(3,697,006)	(765,205)
Increase/(decrease) in trade and other payables	3,114,348	(5,917,809)
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Increase in customer deposits	433,000	464,600
Cash generated from/(used in) operations	143,373	3,253,688
Reconciliation of Actual receipts and payments	1,342,792	(5,024,856)
Actual Cash generated from/(used in) operations	1,486,165	(1,771,168)
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	(-)	(-)
Repayments of previous year's accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	(-)
Accrued interest	-	-

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	2021-2022	2020-2021
	Kshs	Kshs
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	160,444	493,914
Cash in hand	95,764	95,764
Balance at end of the year	256,208	589,678

	2021-2022	2020-2021
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	(-)	(-)
Interest paid	-	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2019 dividends paid	-	-
2020 dividends paid	-	-
2021 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

48. 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
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	625,300	580,853
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	625,300	580,853
b) Purchases from related parties		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-

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	2021-2022	2020-2021
	Kshs	Kshs
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt Agencies	7,584,368	-
Grants from County Government	-	-
Donations in kind	-	-
Total	7,584,368	-
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for WARMA and WASREB	2,075,871	1,393,036
Total	2,075,871	1,393,036
d) Key management compensation		
Directors' emoluments	1,164,000	738,000
Compensation to key management	860,954	711,452
Total	2,024,954	1,449,452

49. Capital Commitments

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2021-2022	2020-2021
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

The company did not have capital commitments as at 30 June 2022.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

50. Contingent Assets and Liabilities

Contingent Assets

	2021-2022	2020-2021
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

(No contingent assets for the period)

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent liabilities	-	-
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
Total	-	-

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

51. Financial Risk Management

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

The company's financial risk management objectives and policies are detailed below:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2022				
Trade Receivables	27,914,727	27,914,727	27,914,727	-
Other Receivables	122,879	122,879	-	-
Investments	-	-	-	-
Bank balances	256,208	256,208	-	-
Total	28,293,814	28,293,814	27,914,727	-
At 30 June 2021 (previous Year)				
Receivables	24,152,488	24,152,488	24,152,488	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
	-	-	-	-
Bank balances	589,678	589,678	-	-
Total	24,742,166	24,742,166	24,152,488	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from 30 days.

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 2022 current year				
Trade payables	1,340,819	698,658	1,242,630	3,282,107
Current portion of borrowings	35,000	73,000	5,424,190	5,532,190
Provisions	1,699,463	262,586	6,729,085	8,691,134
Deferred income	749,859	-	-	749,859
Employee benefit obligation	1,664,423	882,728	3,500,121	6,047,272
Total	5,489,564	1,916,972	16,896,026	24,302,562
At 30 June 2021 previous year				
Trade payables	470,000	575,000	581,628	1,626,628
Current portion of borrowings	30,000	90,000	4,979,190	5,099,190
Provisions	754,000	363,000	8,848,797	9,965,797
Deferred income	-	-	-	-
Employee benefit obligation	1,230,000	782,000	1,301,740	3,313,740
Total	2,484,000	1,810,000	15,711,355	20,005,355

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

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

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

a) Foreign currency risk

The Company had no transactional currency exposures during the year. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. When such transactions arise, Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk (Continued)

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022 Current Year			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021 Previous year			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2022 Current FY			
Euro	10%	-	-
USD	10%	-	-
2021 Previous FY			
Euro	10%	-	-
USD	10%	-	-

c) Interest rate risk

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

i) Management of interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2020: KShsxxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx).

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

- i)** Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii)** Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii)** Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

At 30 June 2022 Current FY	Level 1 Kshs	Level 2Kshs	Level 3Kshs	TotalKshs
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
At 30 June 2021 Previous FY				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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

Financial instruments not measured at fair value

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	(134,530,482)	(128,847,673)
Capital reserve	190,497,018	190,497,018
Total funds	55,966,536	61,649,345
Total borrowings	5,532,190	5,099,190
Less: cash and bank balances	(256,208)	(589,678)
Net debt/(excess cash and cash equivalents)	(5,275,982)	(4,509,512)
Gearing	-9.4%	-7.3%

52. Incorporation

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

53. Events After the Reporting Period

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

54. Currency

The financial statements are presented in Kenya Shillings (Kshs).

55. Notes to the Statement of Cash Flows- Operating Revenue

	2021-2022	2020-2021
Description(Receipts)	Kshs	Kshs
Water Sales	21,404,199	21,064,747
Sewerage services	-	-
Receipts from other billing services	2,356,540	2,862,270
Total	23,760,739	23,927,017

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56. Notes to the Statement of Cash Flows- Payments

Description	2021-2022(KSH)			2020-2021(KSH)		
	Original amount	Reversals	Payments	Original Amount	Reversals	Payments
Gross Salary and Allowances	19,643,803	(7,751,060)	11,892,743	13,967,711	(3,242,697)	10,725,014
Casual workers Wages	2,640,473	-	2,640,473	3,472,849	-	3,472,849
Medical insurance schemes	-	-	-	-	-	-
Employer's contributions to social security schemes	-	-	-	-	-	-
Employer's contributions to pension scheme	-	-	-	-	-	-
Provisions for Leave pay	-	-	-	-	-	-
Gratuity provisions	-	-	-	299,492	-	299,492
Fringe Benefit tax	-	-	-	-	-	-
Staff welfare	472,225	-	472,225	467,700	-	467,700
Other allowances	-	-	-	-	-	-
Total	22,756,501	(7,751,060)	15,005,441	18,207,752	(3,242,697)	14,965,055

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

57. Notes to the Statement of Cash Flows-General and Operations Expenses

Description	2021-2022(KSHS)			2020-2021(KSHS)		
	Original Amount	Reversals	Payments	Original Amount	Reversals	Payments
Chemicals	1,407,312	(331,363)	1,075,949	1,063,848	(151,712)	912,136
Electricity	216,047	-	216,047	241,590	-	241,590
Fuel, oil, lubricants, and gases	1,035,000	(60,000)	975,000	844,850	-	844,850
Bulk water Costs	-	-	-	-	-	-
Office supplies	205,713	(2,119)	203,594	323,477	-	323,477
Uniform and protective clothing	26,500	-	26,500	99,600	(107,058)	(7,458)
Telecommunication	780,217	-	780,217	618,922	-	618,922
Postage and courier	10,270	-	10,270	18,900	-	18,900
Water and sewerage	-	-	-	-	-	-
Insurance	190,129	(117,263)	72,866	145,753	-	145,753
Rent and Rates	-	-	-	-	-	-
Hire of Equipment and vehicles	108,610	-	108,610	21,000	-	21,000
Claims and compensation	-	-	-	-	-	-
Domestic Traveling and subsistence	2,359,084	(39,500)	2,319,584	2,542,715	-	2,542,715
Foreign travel and accommodation	-	-	-	-	-	-
Staff training and development	455,800	-	455,800	64,000	-	64,000
Bank Charges	403,329	-	403,329	413,840	-	413,840
Security services	802,700	(73,900)	728,800	713,980	(1,920)	712,060
Agency commissions	-	-	-	-	-	-
Publicity and advertising	119,220	-	119,220	76,400	-	76,400
Audit fees	-	-	-	-	-	-
Legal fees	-	-	-	-	-	-
Consultancy fees	409,119	(100,000)	309,119	158,232	-	158,232
Licensing and levies	669,063	(30,000)	639,063	2,263,609	(1,672,345)	591,264
Sports and recreation	-	-	-	-	-	--
Stakeholders' expenses	612,238	-	612,238	-	-	-
Donations/CSR	-	-	-	-	-	-

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Hospitality expenses	226,110		226,110	173,310	-	173,310
Research and Development	-	-	-	-	-	-
Conservation expenses	-	-	-	-	-	-
Provision for doubtful debts	-	-	-	-	-	-
Others (Specify)	-			52,500	-	52,500
Total	10,036,461	(754,145)	9,282,316	9,836,526	(1,933,035)	7,903,491

58. Notes to the Statement of Cash Flows -Maintenance Expenses

Description	2021-2022(KSHS)			2020-2021(KSHS)		
	Original Amount	Reversals	Payments	Original Amount	Reversals	Payments
Plant and Equipment	3,196,444	(1,079,409)	2,117,035	2,232,147	(582,132)	1,650,015
Buildings	22,850	-	22,850	4,000	-	4,000
Infrastructural networks	-	-	-	-	-	-
Grounds	389,437	-	389,437	403,091	-	403,091
Motor vehicles	576,626	(33,489)	543,137	874,656	(182,908)	691,748
Software	1,725,720	-	1,725,720	-	-	-
ICT	140,947	(1,440)	139,507	160,650	-	160,650
Furniture	-	-	-	-	-	-
Water Meter	-	-	-	-	-	-
Access roads	-	-	-	-	-	-
Total Maintenance Expenses	6,052,024	(1,114,338)	4,937,686	3,674,544	(765,040)	2,909,504

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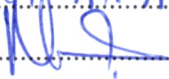
X. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
--	--------------------------------------	---------------------	---	--

The report of the Auditor General for the Financial year 2020-2021 is being re-checked due to the discrepancy of the basis of the opinion and the Financial reports.

Name CPA. NANCY M. MWAKWIRI
 Signature 
 General Manager
 Date 11/4/2023

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Appendix II: Projects Implemented By The Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

(No development projects were funded by development partners in the year 2021-2022)

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Appendix III- Inter-Entity Confirmation Letter



EMBE WATER AND SANITATION COMPANY
P O Box 146, Tel 068-21001, Mobile: 0703 192 338
SIKAGO E-mail: embewater@yahoo.com

Water Services Trust Fund (WSTF) wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Embe Water and Sanitation Company Limited as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by WSTF (KShs) as at 30 th June 2022				Amount Received by EMBEWASCO (KShs) as at 30 th June 2022 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
WSTF: CLSG/VOL 1/219/ (22)	5 th Aug, 2021	3,986,328	-		3,986,328	3,986,328	-
WSTF: CLSG/VOL 1/219/ (115)	26 th Jan, 2022	3,598,040	-		3,598,040	3,598,040	-
Total		7,684,368			7,684,368	7,684,368	-

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

Head of Accountants department of beneficiary entity:

Name: CPA Jackline Kanini Njue Sign *[Signature]* Date..... *11/4/2023*

Appendix IV: Reporting of Climate Relevant Expenditures

EMBE Water and Sanitation Company Limited
 0703192338
 embewater@yahoo.com
 Daniel Mutuku Njuguna

Name and contact details of contact person (in case of any clarifications) CPA Jackline KaniniNjue, Mobile Phone No :0728711251

(There was no expenditure relevant to climate)

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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Appendix V: Disaster Expenditure Reporting Template

Date:						
Entity:						
Period to which this report refers (FY)	Year 2021--2022			Quarter		
Name of Reporting Officer	Jackline KaniniNjue					
Contact details of the reporting officer:	Email: Jackie.kanini@gmail.com			Telephone: 0728711251		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

(There were no expenditure incurred in relation to disaster.)

Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry/County department of Water	-	Recurrent	0	0	0	0	0	0	0
Ministry/County Department of water.	-	Development	0	0	0	0	0	0	0
USAID	-	Donor Fund	0	0	0	0	0	0	0
Water Services Trust Fund(WSTF)	5 th Aug, 2021	Grant	3,986,328	3,986,328	0	0	0	0	3,986,328
Water Services Trust Fund (WSTF)	26 th Jan, 2022	Grant	3,598,040	3,598,040	0	0	0	0	3,598,040
Total			7,684,368	7,684,368	0	0	0	0	7,684,368