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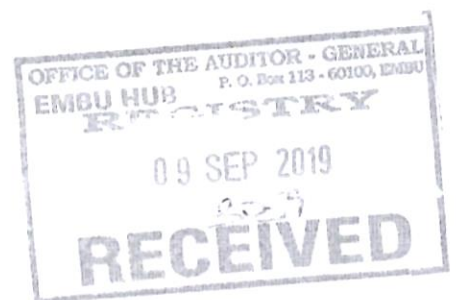
OF

THE AUDITOR-GENERAL

ON

**EMBU WATER AND SANITATION
 COMPANY LIMITED**

**FOR THE YEAR ENDED
 30 JUNE, 2019**



EMBU WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

EMBU WATER AND SANITATION COMPANY LIMITED
Annual Reports and Financial Statements
For the year ended June 30, 2019

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KEY ENTITY INFORMATION

BACKGROUND INFORMATION

The company was established by the company's Act 486 and fully owned by Embu County Government.

Principal Activities

The principal activities of the company are the provision of water and sanitation services within former Embu municipality and its environs.

Directors

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

- | | | | |
|-----|------------------------------|--------------------|--|
| 1. | Mr. Joel Julius Ngatiari OGW | - Chairman | -Appointed on 21 st March 2014 |
| 2. | Mr. John Kariuki Njine | - Director | - Appointed on 21 st March 2014 |
| 3. | Mr. Damiano Muthee | -Director | - Appointed on 1 st Feb 2019 |
| 4. | Sheik Rhamadhan Njuguna | -Director | - Appointed on 21 st March 2014 |
| 5. | Eng. Richard Mbogo | -Director | -Appointed on 1 st Nov 2017 |
| 6. | Ms Hellen M Barine | -Director | -Appointed on 21 st March 2014 |
| 7. | Ms Jane Elizabeth Waroga | -Director | -Appointed on 21 st March 2014 |
| 8. | Mrs Mary Igoki Kavinda | -Director | -Appointed on 21 st March 2014 |
| 9. | Eng H.M Karugendo | -Managing Director | -Appointed on 1 st March 2005 |
| 10. | Mr Richard Gikuhi kiana | -Co. Secretary | -Appointed in the year 2005 |

Corporate Secretary

Mr. Gikuhi Kiana
P.O. Box 1271-10100
Nyeri, KENYA

Registered Officer

EWASCO BUILDING,
Off Embu -Meru road,
P.O. Box 2142,
Embu. KENYA.

Corporate Headquarters

EWASCO BUILDING,
Off Embu -Meru road,
P.O. Box 2142,
EMBU. KENYA

Corporate Contacts

Telephone: 068-31156
E-mail: info@embuwater.co.ke

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Website: www.embuwater.co.ke

Corporate Bankers

- | | |
|---|---|
| 1. Cooperative Bank of Kenya
P.O. Box 1337 -60100
EMBU, KENYA | 4. Sidian Bank
P.O Box 1167-60100
EMBU, KENYA |
| 2. Equity Bank
P .OBox 1994-60100
EMBU, KENYA | 5. Kenya Commercial Bank
P.O Box 75-60100
EMBU, KENYA |
| 3. Family Bank
EMBU | 6.Post Bank
EMBU |

Independent Auditors

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

Principal Legal Advisers

Njeru Ithiga Advocates
P.O Box 1768-60100
Embu

Ahmednassir, Abdiqadir Advocates
Nairobi







Kabathi and Company Advocates
Peal Centre
Embu

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II THE BOARD OF DIRECTORS

Photo	Directors and qualifications	Date of Birth and Experience
	<p>Joel Julius Ngatiari, OGW Masters in Education, Bachelor of Education</p>	<p>Date of Birth :1948 Several Years Experience in the Education, Commissioner to TSC. Member of University Council - PUEA</p>
	<p>Mr. John Kariuki Njine EACE, CPA</p>	<p>Date of Birth :11th December 1954 Several years in public service in the Accounting profession. Member Kenya National of Chamber of Commerce and Industry – Embu County.</p>
	<p>Mary Igoki Kavinda Teacher, Dip in Management</p>	<p>Date of Birth :31st December 1958 Teacher, many years in Business, Chairlady Maendeleo ya Wanawake – Embu County</p>
	<p>Jane Elizabeth Waroga Bachelor of Arts (Social Work)</p>	<p>Date of Birth :19th November 1962 Several Years experience in Community development programs and organizations, Director – Charisma Business</p>
	<p>Damiano Muthee</p>	<p>Date of Birth : 1973 MBA Represents the County Government of Embu as the Chief Officer of Finance and Economic Planning</p>
	<p>Eng. Richard Mbogo</p>	<p>Date of Birth : 1958 Bsc. Civil Engineering Represents the County Government of Embu as the Chief Officer of Water and Irrigation</p>

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<p>Date of Birth: 28th December 1968 Several Years experience in business, Board of Director – Embu Agricultural Training Centre.</p>	<p>Hellen M. Barine K.C.S.E, Business Lady</p>	
<p>Date of Birth: 1970 Imam of mosque, Secretary Supkem Several years in Guidance and Counseling.</p>	<p>Sheikh Ramadhan Waweru Bachelor. of Arts</p>	
<p>Nbi City Council Asst. Eng. – 3years KEBS Senior Staff - 1yr Embu Municipal Council Engineer – 17yrs, Consultancy – 8 years. MID EWASCO Since 2005</p>	<p>ENG.H.M.KARUGENDO MANAGING DIRECTOR Msc. Engineering Bs(Leds University)Bsc. Civil Engineering (UON)</p>	
<p>Company Secretary He is a fellow Certified Public Secretary of Kenya, FCPSK, MBA, MKIM and HSC</p>	<p>CPS Richard Gikuhii Kiama</p>	

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III MANAGEMENT TEAM

PHOTO	Management Qualification and	Date and Experience
	<p>ENG.H. M.KARUGENDO MANAGING DIRECTOR Msc. Engineering Bs(Leeds University)Bsc. Civil Engineering (UON)</p>	<p>Nbi City Council Asst. Eng. – 3years KEBS Senior Staff - 1yr Embu Municipal Council Engineer – 17yrs. Consultancy – 8 years. MD EWASCO Since 2005</p>
	<p>CPA DICKSON K NJIRU Ag.HEAD OF FINANCE AND COMMERCIAL SERVICES Msc Finance & Acc. BBA. CPA(K)</p>	<p>12 yrs Management experience working in various Water Companies in Kenya. Joined EWASCO on 2013 as the Chief Accountant.</p>
	<p>Eng. FELIX GITONGA HEAD OF TECHNICAL SERVICES Bsc. Civil Engineering</p>	<p>Over 15 years as a project consultant in Water Sector</p>
	<p>Dr. PERMINUS NYAGA INTERNAL AUDIT MANAGER Phd, MBA, Bcom Accounting Option</p>	<p>Kenya Times Media Trust -Finance Manager . Diocese of Embu – Financial Consultant. Internal Auditor for EWASCO since 2009</p>

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IV CHAIRMAN'S STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

On behalf of the Board of Directors, I present the year 2018/9 report which outlines the Company's financial and operational performance. The Company continued to maintain a strong performance while providing high quality water and sewerage services to the people in Embu Town and other parts of the county, an area covering 975 km² and other parts of Embu county.

Shareholding

The Company is 100% owned by Embu County Government on behalf of people of Embu.

Board of Directors.

EWASCO Board is made up of eleven directors, two from the County Government and two from each sub County of Embu and the Managing Director.

Overview on Performance

The company has continued to expand the services in an effort to reach more customers in our coverage as laid in our five year strategic plan (2017 – 2022)..The Company received a loan of Kshs.451M from Coop Bank to finance sewerage project.

In the third quarter we held various Board meetings which met the threshold of the required minimum of quarterly meetings. We played our oversight and policy making roles. Therefore, I stand here to tell you that the business of the Company was executed with due diligence and always ensuring the interests of the shareholder, which are also the interests of the community, were taken care of. We held two stakeholders forums, one on tariff review and the other a general one in order to inform and receive a feedback on our operations. We are therefore, compliant to the Constitution and to law. Based on our Strategic Plan 2012 -2017 upon the review, we have achieved 88% of our development targets.

Financial Performance

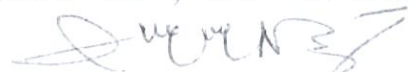
During the year, the company reported a turnover from Kshs 349.8 Million which is a positive note from the previous year where we reported a turnover of kshs. 333.8 Millions. The surplus generated in the previous year was ploughed back as a means of internal financing. The company has however continued to extend its infrastructure to meet the unmet needs of customers within the coverage area.

I wish to confirm that the Company is sustainable and has a high probability to continue as a going concern for a long time to come; provided that the good operating climate is also maintained.

In Conclusion

As the chairman of board I wish to confirm Boards commitment in directing the company to achieve its objects. I wish to congratulate each board member for their continued support and congratulate the management and the entire staff on their commitment and dedication. I pray for continued support in order to serve our Company.

THANK YOU, AND GOD BLESS US ALL



MR JOEL J NGATIARI, OGW
CHAIRMAN OF THE BOARD OF DIRECTORS

EMBU WATER AND SANITATION COMPANY LIMITED

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V REPORT OF THE MANAGING DIRECTOR FOR THE YEAR ENDED 30 JUNE 2019

1.0 INTRODUCTION

EWASCO is a result of Water Act 2002 which was a culmination of the agitation for the need to reform water services with a view to improving service delivery. The Company became operation in JULY 2005. Its shareholding through transmission from defunct Municipal Council is now 100% held by Embu County Government for the people of Embu. The People are represented in this Forum by the appointed stakeholders' representatives.

2.0 PERFORMANCE REPORT

EWASCO,s Performance is Reported briefly under Sub-titles: Water Supply Coverage, Sewerage Services Coverage, and Financial Performance since the Company's inception. Also reported are Projects undertaken, being undertaken and proposed.

2.1 *Water Supply Coverage*

The water supply coverage has improved to 950 km². Also the mandated area has increased from 80km² to 1200 km² through public demand. The population served has increased to about 165,000 by March 2017. These improvements in coverage have been funded by Community, Bank Loans, WSTF, CDF, TWSB, GOK, KWS, KENGEN, and EWASCO and by grant in Aid by JICA.

2.2 *Sewerage Coverage*

The Sewage Treatment Works cannot be further expanded due to geographical limitations and due to space availability. However, the treatment achieved meets the standards set by NEMA and WHO at the point of effluent discharge into Rupingazi River.

Sewerage coverage has increased to 2,920 connections by June 2018. The increase has been as a result of construction of sewers to cover the entire Kaunda Estate and the areas neighbouring EWASCO offices. Sewerage services have been extended to Kangaru school and the Kenya school of Government.

It is to be noted that sewerage coverage of the deserving areas is 36%. The challenge here has been non-availability of funding. During the financial year 2018/2019 we have received support from Commercial Bank, WSTF under OBA sponsored by World Bank. The priority areas proposed for sewerage extension are Dallas, Blue Valley and part of Majimbo Village.

2.3 Financial Performance

The Financial growth rate is small compared to some past years. The reason for this are:

- Tariff though reviewed has remained static for the last seven years
- Water supply network has not been substantially increased due to scarce resources.

It is to be noted that costs have continued to grow at a higher rate than income. To reverse the tread, more supply areas need to be brought on board and tariff revised to sustain the rising costs.

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2.4 Operating Capacity

The operating capacity of the Company has continued to be enhanced. Appropriate and advanced IT software / hardware are being continuously updated; better operating accounting and billing software have been installed; GIS and wide network coverage are in use. In the current year we expect to roll out meter reading using smart phones technology which will better monitor the meter readers and their work ensuring more accurate and timely billing data. Transport is being improved; we have eight vehicles and twenty nine functional motor-cycles. Training of staff is encouraged to ensure a skilled work force. In few words operating capacity continues to be enhanced.

3.0 CHALLENGES

Water Resources

- Limited financial resources for development.
- Declining capacity for water resources: climate change and destruction of wetlands continue to be a major challenge
- Inadequate hydrological data and studies on water resources to support planning.
- No master plans for water resources conservations and water use.
- Water use demands are quickly exceeding the dry weather water flows. There are no solid plans to mitigate the matter.

Sewage

- Only about 30% of eligible population is provided with sewerage services; water related diseases remain a risk, this negates health gains realized from improved water supply.

Water Supply Pipe network

- No money to fund proposed 700,000m of various pipe lines to serve areas not served.
- EWASCO's maximum water production capacity is limited to 28,000m³/day. At times production is hitting 24,000m³/day and area of supply continues to increase to grow without corresponding measures being put in place to ensure continued sufficiency of water.
- Miraa irrigation and illegal connections are a matter of concern as they reduce available water for domestic use.
- Water assets ownership has yet to be determined and this is a challenge to accounting and borrowing leverage

Policy - No policy on the linkages of management of domestic and irrigation water supply.

-Non-completion of rebilled water act is creating uncertainty in the water sector.

4.0 THE WAY FORWARD

The future of the Company seems excellent assuming that the operating environment is sustained or is improved. The Company could grow to provide water and sanitation services to the entire County. And in EWASCO's Strategic Plan the possibility is apparent. The key areas that the Strategic Plan focuses on include:-

- Improvement of operational efficiency and effectiveness through capacity improvements.
- Implement a sanitation programme including improvement of sewerage coverage in high density residential areas.

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- Improvement of operational efficiency and effectiveness through capacity improvements.
- Implement a sanitation programme including improvement of sewerage coverage in high density residential areas.
- Improving of water supply reliability through construction of at least 5,000,000 m³ dam.
- Diversify Company activities and revenue to include Trading Operations such as commercial electricity generation.

Eng. H. M. Karugendo

MANAGING DIRECTOR

VI. CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED JUNE 30 2019

The corporate governance structure ensures that we act with high standards of corporate behaviour and in the best interests of our stakeholder. The Board of Directors has the authority to perform the functions and determine the policies that control the trust activities.

The Board is responsible for our overall corporate governance and approves strategic directions and budgets. On the other hand the management ensures that all statutory requirements are complied with, internal control systems are in place and operate effectively; in addition ensure board decisions are fully implemented.

The structure of the Board is as per the corporate governance guidelines issued by the Water Services Regulatory Board.

- The Board of Directors comprises 10 members nominated by respective stakeholder institutions.
- The Managing Director sits in the board as a full time director and as a secretary.
- The Chief Executive Officer of Tana Water Services Board (TWSB) sits in the board or through his appointed representative as an ex-officio
- The Directors are appointed for terms of up to three years and are eligible for re-appointment for another final term of three years.
- The Directors have broad range of skills and experience.
- The Board has three committees namely; Technical committee, Finance & Administration Committee and Audit Committee.
- Any issue(s) outside the above committees may be handled by specially constituted ad hoc committee, made by a resolution of the Board of Directors including its membership.
- The Board, in consultation with management, develops strategic direction for the annual and long-term period.
- The board also prepares for the Annual General Meeting and determines the agendas in which annual audited accounts are presented.

At its regular meetings, the Board considerations include:

- Technical and financial progress quarterly reports.
- Audit reviews and quarterly reports.

The Board held induction training for all the Directors and; one more training for the audit committee members.

Composition of the Board of Directors

The Board is chaired by Mr Joel Ngatari who chairs the board meetings giving direction during board meetings.

TWSB CEO Representatives attends all the committees and full board to give advisory services.

Technical Committee

The committee is chaired by Ms Hellen Barine and includes Sheikh Ramadhan Njuguna, Eng. Richard Mbogo and TWSB representative. The committee secretary is the Head of Technical Services. Each

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member of the Committee has a general familiarity with the technical aspects of the water and sanitation industry necessary to undertake the committee's responsibilities to oversee the company's technical activities. The committee advises the Board of Directors on technical matters involving the Company's internal and external projects. It assists the Board of Directors in monitoring and reviewing any project(s) development and major asset acquisition. The committee reviews and makes recommendations to the Board of Directors on matters relating to the infrastructure assets of the Company, including building master plans, capital project plans and so on.

Finance & Administration Committee

The committee is chaired by Mrs Mary Kavinda and includes Mrs Ruth Ndirangu and TWSB representative. The Committee Secretary is the Head of Finance and Commercial Services. Each member has experience in management skills necessary for discharge of duties. The committee supports and assists the Board in the effective discharge of the Board's responsibilities in finance, human resource, information and communication and physical facilities. The committee receives and reviews reports on the financial performance, annual budget, changes to the water tariff and staff matters. The committee ensures that adequate plans, policies and programmes are in place to promote the effectiveness, integrity and security of the Company information technology systems and their operations.

Audit Committee.

The committee is chaired by Mr. Kariuki Njine and includes Jane Waroga and TWSB representative. The Committee secretary is the Head of Internal Auditor. Each member has experience and necessary skills to undertake the committee's responsibilities to oversee the Company's financial reporting principles and policies, controls and procedures and its auditing activities. The audit committee meets and reviews reports from the Internal Auditor and major findings on internal audit and investigations and considers management response or actions thereto.

Committee reports summarizing issues discussed by the respective committee are then tabled to the full board by the respective committee chairs where they are adopted for deliberation and resolutions made accordingly.

During the year the company held two stakeholder forums in which stakeholders one on tariff review where they briefed about the company and key areas highlighted.

DIRECTORS NAME	NO OF MEETING ATTENDED	
	Full Board	Committee Meeting
Mr. Julius Joel Ngatiari	17	0
Mrs.Mary Kavinda	17	3
Mr. John Kariuki Njine	17	6
Sheik Rhamadhan Njuguna	17	3
Eng. Richard Mbogo	12	3
Hellen M Barine	17	3
Jane Waroga	17	3
Mrs. Ruth Ndirangu	8	3

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VII MANAGEMENT DISCUSSION AND ANALYSIS

The development of EWASCO resulted from four critical elements that go alongside its vision, mission and core values. There are anchored in the Strategic Plan 2017 - 2022. The critical elements are: Operational performance; Financial performance and Investment levels that assist the company to orientate its services towards demand for service improvement towards the poor. The company continues to excel as measured by WASREB performance indicates except for Non Revenue Water (NRW) that have attracted the attention of all stakeholders (stands at 43%).

However, EWASCO has endeavoured to manage the situation. Stakeholder participation including JICA, consumers and the management are determined to lower the NRW levels to 30% by the year 2018/2019. The key performance areas for EWASCO within the FY2018/2019 included: Operational, Financial and investment projects to enhance financial sustainability and service delivery of both water and sewer services.

Operational Performance.

The company performance is reported under water and sewer coverage. Water coverage from 771 km² to 950 km² serving a population of 165,000. The increased performance is attributed to internally generated funds coupled with assistance of development partners such as WSTF, CDF, TWSB, KENGEN, JICA and the government of Kenya.

Additionally, the expansion of sewer coverage to cover Kaunda estate, Kangaru school, and School of government was achieved. The company faces challenges in: Financial resources for development, decline in water resource capture, inadequate hydrological data for planning. The consumer demand is raising at a higher rate that is water/sewer service provision supply. Currently, only 30% of eligible population has services.

However, the company is sourcing funds from World Bank to finance sewer project worth Ksh. 450 million. This project will be completed in FY2018/2019 and is expected to connect 6,000 homesteads to sewer line.

Financial Performance.

The company continues to do well in terms of revenue collection, at 95%. This shows that revenue collected as a percentage of revenue (Billing) provided for sustainable levels of operating and maintenance cost. The company is financially sustainable as the internally generated funds covered operating and maintenance cost and some investment projects.

Corporate Governance.

EWASCO strives to comply with the company's Act, Cap 486, water Act 2002 and 2016; the Kenya constitution 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 rules 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.

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VIII CORPORATE SOCIAL RESPONSIBILITY STATEMENT FOR THE YEAR ENDED JUNE 30, 2019.

The Company recognizes that it has responsibilities to all stakeholders which include the interests of customers, suppliers and employees and the community; the need to company's relationships with customer, suppliers and others and the impact of its operations on the local communities and the surrounding environment where it operates. Customers are highly regarded and valued and their contribution to the Company is highly respected.

Corporate Social Responsibility Policy

The company recognizes the need for Corporate Social Responsibility (CSR) and has a policy in which funds set aside during the annual budget for CSR are utilized. The policy stipulates the budget to be utilized as follows:

- i) 10% to destitute children home towards food
- ii) 10% on activities outside service coverage areas of EWASCO, but within Embu county
- iii) 10% on National Disasters
- iv) 60% on water related issues within the water and sanitation supply area of EWASCO
- v) 10% on donations and unforeseen emergencies

During the year the company spent a total of Kshs. 390,720 on CSR related cases only from its budget.

The Environment

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). On sewer management, despite the system overload, the Company prioritizes and minimizes impact on the standards, most particularly with the sewerage treatment and disposal. The water treatment plant uses certified chemicals in dosing system. A well managed environment is the key to human kind survival and the EWASCO shall endeavour to play its role.

Social Events / Community

The company recognizes co-existence with other 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:

i) Agricultural Society of Kenya (ASK) Show:

The company partners with others to show case and exhibit and educates customers on water treatment, water saving tips and customer care services during ASK shows held every year

ii) 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

iii) Disability Day:

The Company participates annually in supporting activities during disability day.

iv) Town Beautification:

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The Company has also been involved in town beautification project by Embu County through provision of water for watering flowers, piping water to areas and an allocation of portion from Kenya National library to Probation Office where EWASCO is carrying out a land scapping exercise and its maintenance.

The Customer

Efficient delivery of services to our customer is one of the crucial areas of the Company. The aim is to sustain 24 hour service delivery and minimum interruptions to the flow of water. This goal was achieved in most of the areas of our water supply.

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.

Human Resource

The Company recognizes that health, safety and training, play a key in ensuring our employees commitment to responsibility in the workplace and a 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.

Stakeholders

The company actively encourages open communication with stakeholders. Principally through the board, the company endeavors to establish and maintain healthy relationships with its institutional stakeholders by holding regular consultations on issues requiring stakeholder participation as enshrined in the Constitution of Kenya 2010.

The company holds Annual General Meeting (AGM) once a year. The stakeholder representatives are given 21 days notices of AGM. At AGM the Company makes full presentation to stakeholders to explain recent and future developments in activities undertaken by company, followed by an open question and answer session which provides stakeholders with opportunity to ask directors and management questions regarding operations and performance of the company.

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IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the company's affairs.

Principal activities

The principal activities of the company are provision of water and sanitation services within former Embu municipalities and their environs.

Results

The results of the company for the year ended June 30, 2019 are set out on page 25-50

Dividends

The company does not issue dividends.

Directors

The members of the Board of Directors who served during the year are shown on page 2.0 In accordance with Regulation of the company's Articles of Association.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Company's Act, CAP 484, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

Board Secretary

Date 17/7/2019

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X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

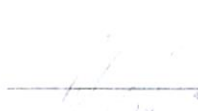
The Directors are responsible for the preparation and presentation of the Embu Water and Sanitation Company's financial statements, which give a true and fair view of the state of affairs of the Embu Water and Sanitation Company for and as at the end of the financial year (period) ended on June 30, 2019. 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 Embu Water and Sanitation Company;
- (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 Embu Water and Sanitation Company;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Embu Water and Sanitation Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Companies. The Directors are of the opinion that the Embu Water and Sanitation Company's financial statements give a true and fair view of the state of Embu Water and Sanitation Company's transactions during the financial year ended June 30, 2018, and of the Embu Water and Sanitation Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Embu Water Company and Sanitation, which have been relied upon in the preparation of the Embu Water Company and Sanitation's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Embu Water and Sanitation Company's financial statements were approved by the Board on 17/7 2019 and signed on its behalf by:



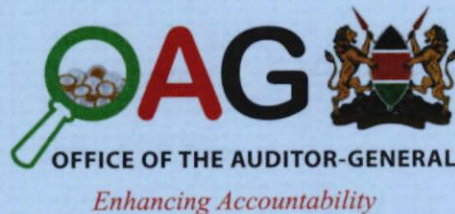
Managing Director



Board Chairman

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON EMBU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Embu Water and Sanitation Company Limited set out on pages 1 to 28, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Embu Water and Sanitation Company Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Audit Act, 2012.

Basis for Qualified Opinion

1.0 Lack of Ownership Documents for Property Plant and Equipment

The statement of financial position and as disclosed in Note 3 to the financial statements reflects property, plant and equipment balance of Kshs.531,690,038 as at 30 June, 2019. Included in this balance is Kshs.8,881,087 in respect to motor vehicles and motor cycles. However, ownership documents for motor vehicles and motor cycles valued Kshs.1,737,918 were not provided for audit.

In the circumstances, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.531,690,038 as at 30 June, 2019 cannot be confirmed.

2.0 Unsupported Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 19 to the financial statements reflects cash and cash equivalents balance of Kshs.159,316,214 as at 30 June, 2019.

The balance consists of Kshs.159,315,279 held in twelve (12) bank accounts and Kshs.935 cash at hand. However, the following inaccuracies were noted: -

- i. Included in the bank balance of Kshs.159,316,214 is Kshs.3,141,740 in respect to Postal Corporation bank account whose bank reconciliation statement and certificate of bank balance were not provided for audit verification.
- ii. The balance included Mpesa account balance of Kshs.520,640. Review of the cashbook revealed that the Company adjusted the cashbook by Kshs.1,113,308 through a journal entry which was explained as receipts from customers omitted in the Mpesa cashbook. However, supporting evidence was not provided for audit.
- iii. Review of board of survey report provided for audit revealed that five (5) cheques amounting to Kshs.78,453 received from customers were not included as cash at hand.

In the circumstance, the accuracy and completeness of cash and cash equivalents balance of Kshs.159,316,214 as at 30 June, 2019 could not be ascertained.

3.0 Unsupported Cash Loss

The statement of financial position and as disclosed in Note 18 to the financial statements for the year ended 30 June, 2019 reflects a trade and other receivables balance of Kshs.286,979,663. Included in this balance is a cash loss of Kshs.2,025,940 which increased by Kshs.57,810 from Kshs.1,968,130 as at 30 June, 2018. However, the supporting documents including police reports and action taken towards recovery were not provided for audit.

In the circumstance, the accuracy and recoverability of the Kshs.2,025,940 cash loss as at 30 June, 2019 could not be ascertained.

4.0 Unsupported Payables and Accruals

The statement of financial position and as disclosed in Note 22 to the financial statements reflects payables and accruals balance of Kshs.251,590,546. Included in this balance is trade payables of Kshs.160,579,616. A review of the trade payables ledger revealed an amount of Kshs.685,283 whose supporting documents were not provided for audit.

In the circumstances, the accuracy and completeness of the payables and accruals balance of Kshs.251,590,546 could not be ascertained.

5.0 Unsupported Insurance Expenditure

The statement of profit and loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects Kshs.66,585,925 in respect to establishment costs. Included in this balance is Kshs.5,198,200 in respect to insurance. Records to support expenditure amounting to Kshs.862,113 was not provided for audit.

Consequently, the accuracy and completeness of the insurance expenditure of Kshs.862,113 could not be confirmed.

6.0 Unsupported Tax Provision and Delayed Payment of Corporation Tax

The statement of profit and loss and other comprehensive income and as disclosed in Note 24 to the financial statement reflects tax provision for the year of Kshs.9,058,219. However, this tax provision was not supported by tax computation showing wear and tear deductions calculated as per tax schedules, and an analysis of the allowable and disallowable expenses. Further, included in this amount is outstanding corporation tax of Kshs.20,853,879. This amount comprises of the current year provision of Kshs.9,058,219 and a balance brought forward of Kshs.11,795,660. The balance brought forward has been accumulating over the years and no explanation has been provided for non-payment of the tax when it fell due.

In the circumstance, the accuracy of the Kshs.9,058,219 corporation tax for the year ended 30 June, 2019 cannot be ascertained and the Company risks interest and penalties charges which may result to huge financial losses affecting service delivery.

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

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

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects budgeted income of Kshs.363,368,591 and an expenditure budget of Kshs.354,391,057 resulting into a surplus of Kshs.8,977,534. Further, the statement of comparison of budget and actual reflects a budgeted income of Kshs.363,368,591 and actual income of Kshs.371,344,498 resulting to over collection of Kshs.7,975,907.

In the circumstance, there is need for the Company to relook its budget making process with a view of establishing proper controls to prevent instances of revenue leakage.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis for Conclusions on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else

has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Compliance with Law on Ethnic Composition

The Company employed thirteen (13) employees on contract terms. However, an analysis of the ethnic composition of these newly employed staff revealed that eleven (11) of them or 85% were from the dominant ethnic community. This was contrary to Section 65 of the County Government Act, 2012 which provides that at least thirty percent (30%) of the vacant posts at entry level be filled by candidates who are not from the dominant ethnic community.

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

2.0 Non-Revenue Water (NRW)

During the year under review the Company produced a total of 8,853,266 M³ of water out of which only 4,713,074 M³ was billed to customers. The balance of 4,140,192 M³ (approximately 47%) of the total volume of water produced, represents Non-Revenue Water (NRW) which is 22% above the allowable water loss of 25% as per the Water Service Regulatory Board (WASREB) guidelines. The NRW of 22% may have resulted in loss of water sales with an approximate expected earning of Kshs.112,375,350.

The significant level of non-revenue water is an indication of inefficiency and lack of effectiveness in the use of public resources and, may negatively impact negatively on the Company's profitability and its long-term sustainability.

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, based on the procedures performed, except for the matters described in the Basis for Conclusions on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

1.0 Failure to Update Employees Bio Data

Review of the availed human resource data for the year ended 30 June, 2019 revealed that the data was not updated with important employee information like current duty station. Further, the designations of some employees were in initials instead of full

description of the designations making it difficult to match employees to their actual designations.

This is an indication of internal controls on the human resource management.

2.0 Lack of Approved Information Technology Security Policy

Review of the Company's information technology systems revealed that it has in place Enterprise Resource Planning (ERP) to manage its operations. However, the Company did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in development of ICT policy framework to enable the company realize long term ICT strategic goals. Lack of an approved IT policy may result in unclear direction regarding maintenance of information security across the organization and safeguarding the Company's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

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 processes and systems of internal control, risk management and 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 Kenya Companies Act 2015, I report based on the audit, that;

- (i) I have obtained all the information and explanation which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those records; and
- (iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with books of account; and
- (iv) In my opinion the information given in the report of the Directors on page 17, is consistent with the financial statements.

Responsibilities of Directors and those Charged with Governance

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for maintaining effective internal control as the 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 assessment of the effectiveness of internal control, risk management and governance.

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

The Directors are 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, the Directors are 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.

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

Auditor-General's Responsibilities for the Audit

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 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 control 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 directors.
- Conclude on the appropriateness of the Management's use of the going concern 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 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 Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the directors 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 the Directors 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 January, 2022

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2019

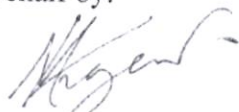
	Notes	2019	2018
		Kshs	Kshs
Tunover- Water And Waste Water	5	333,017,752	305,181,924
Water Related Income	6	3,421,813	4,764,438
Waste Water Related Income	7	1,677,000	1,981,000
Other Incomes	8	33,227,933	39,088,451
TOTAL INCOME		371,344,498	351,015,813
EXPENSES			
Administration Expenses	9	16,905,682	47,863,554
Staff Emoluments	10	136,803,035	136,593,926
Board Expenses	11	11,168,832	8,348,194
Establishment cost	12	66,585,925	73,972,572
Maintenance & Production Cost	13	88,731,488	72,485,822
Other operating expenses	14	3,824,619	3,505,091
Finance costs	15	17,130,855	1,366,839
		341,150,436	344,135,998
Surplus Before Taxation		30,194,063	6,879,815
Taxation		9,058,219	2,063,944
Surplus after Taxation		21,135,844	4,815,870

EMBU WATER AND SANITATION COMPANY LIMITED
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For the year ended June 30, 2019

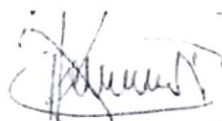
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019

	NOTES	2019 KSHs	2018 KSHS
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	3	531,690,038	363,471,346
Intergible assets	25	1,054,371	1,272,244
Total Non - Current Assets		532,744,409	364,743,590
CURRENT ASSETS			
Inventory	17	20,048,754	19,785,874
Trade and Other Receivables	18	286,979,663	258,288,848
Cash and Cash Equivalents	19	159,316,214	129,616,806
TOTAL CURRENT ASSETS		466,344,631	407,691,528
CURRENT LIABILITIES			
Payables and Accruals	22	251,590,545	185,981,681
Taxation	24	20,853,879	11,795,660
TOTAL CURRENT LIABILITIES		272,444,424	197,777,341
NET CURRENT ASSETS		193,900,207	209,914,186
NON CURRENT LIABILITIES			
Differed Income Capital Grants (restated)	29	188,413,006	208,585,624
OBA Loan	30	180,473,304	29,449,690
		368,886,310	238,035,313
TOTAL ASSETS		357,758,306	336,622,463
FINANCED BY			
Share Capital	16	100,000	100,000
Retained Earnings	26	206,992,837	185,856,993
Revaluation Reserve	21	150,665,469	150,665,469
TOTAL EQUITY		357,758,306	336,622,464

The financial statements were approved by the Board on _____ 2019 and signed on its behalf by:



.....
 Managing Director
 Name: Hamilton Karugendo



.....
 Head of Finance
 Dickson Njiru
 ICPAK M/NO:9330



.....
 Chairman of the Board
 Joel Ngatiari OGW

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2019

	Share Capital kshs	Revaluation Reserves kshs	Capital Grants Kshs	Retained Earnings(Restated) kshs	Total kshs
2018					
At 01/07/2017	100,000	150,665,469	204,231,845	181,041,123	536,038,437
Grants reclassified as non current liabilities			- 204,231,845		- 204,231,845
Total comprehensive Income				4,815,870	4,815,870
AT 30/06/2018	100,000	150,665,469	-	185,856,993	336,622,462
2019					
At 01/07/2018	100,000	150,665,469	-	185,856,993	336,622,462
Total comprehensive Income				21,135,844	21,135,844
AT 30/06/2019	100,000	150,665,469	-	206,992,837	357,758,306

EMBU WATER AND SANITATION COMPANY LIMITED
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2019

	2019 Kshs	2018 Kshs
Surplus for the year	21,135,844	4,815,870
Adjustments for :		
Re-instated Surplus	0	0
Depreciation	41,216,341	46,480,663
Amortisation of intergible assets	451,873	545,247
Taxation	9,058,219	
Less differed Income	(20,172,618)	(23,040,199)
Surplus before changes in working capital	51,689,659	28,801,581
Changes in working Capital		
(Increase) / Decrease in Trade and Other Receivables	(28,690,815)	(42,923,428)
Increase / (Decrease) in Trade & Other Payables	65,608,864	23,095,654
(Increase) / Decrease in Trade Inventory	(262,880)	(5,946,736)
Cash Generated from the Operating Activities	36,655,168	(25,774,510)
Net Cash Generated from Operating Activities	88,344,827	3,027,071
Investing Activities		
Purchase of non- current assets	(209,435,036)	(76,818,059)
Purchase of Intergible assets	(234,000)	(83,940)
Net Cash Generated from Investing Activities	(209,669,036)	(76,901,999)
Financing Activities		
OBA loan	151,023,614	29,449,690
Grants	0	27,393,978
Net Cash Generated from Financing Activities	151,023,614	56,843,668
Increase in Cash and Cash Equivalents	29,699,405	(17,031,260)
Cash and cash equivalent		
At the start of the year	129,616,809	146,648,069
At the end of the year	159,316,214	129,616,809

Annual Reports and Financial Statements

For the year ended June 30, 2019

STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR YEAR ENDED 30TH JUNE 2019

	ORIGINAL BUDGET		ADJUSTMENT	FINAL BUDGET		Actuals on Comparable Basis		Performance Difference
	2018/2019	2019		2018/2019	2019	2018/2019	2019	
TURNOVER								
Total turnover	343,440,257		(14,500,000.00)	328,940,257	333,017,752	4,077,495		
Water Related Income	8,134,685		(3,000,000.00)	5,134,685	4,147,012	(987,673)		
Exhauster services	3,184,431		(1,000,000.00)	2,184,431	1,677,000	(507,431)		
	354,759,373		18,500,000.00	336,259,373	338,841,764	2,582,391		
Other Incomes								
Insurance compensation					3,231,844			
Deferred Income	20,172,618		(5,000,000.00)	15,172,618	10,172,618	(5,000,000)		
Materials Charges	11,936,600			11,936,600	9,098,272	(2,838,328)		
	32,109,218		5,000,000	27,109,218	32,502,734	5,393,516		
Total Income	386,868,591		23,500,000	363,368,591	371,344,498	7,975,907		
ADMINISTRATION EXPENSES								
Provision for Audit Fees	697,740			697,740	697,740	0		
Consultancy fee	5,956,000		(2,500,000.00)	3,456,000	1,133,067	(2,322,933)		
TWSB Agency Fee	13,737,610			13,737,610		(13,737,610)		
Waspa meetings	1,075,000			1,075,000	291,079	(783,921)		
Subscriptions	277,600			277,600	344,080	66,480		
Meetings (twbs,wasateb & hosting domestic)	1,080,000			1,080,000	2,293,557	1,213,557		
Software Maintenance and upgrading	852,000			852,000	715,625	(136,375)		
Legal Expenses	2,000,000		2,500,000.00	4,500,000	3,635,507	(864,493)		
WASREB-4, Regulation fee	3,434,403			3,434,403	7,795,027	4,360,624		
TOTAL	29,110,353			29,110,353	16,905,682	(12,204,671)		
Staff Emoluments								
Salaries	114,679,992			114,679,992	114,510,458	(169,534)		
Staff Medical Expenses	6,650,000			6,650,000	6,166,751	(483,249)		
Staff Cba expenses								
Staff Subsistence	2,552,000			2,552,000	2,343,449	(208,551)		
Staff benchmarking					1,768,614	368,614		
Staff amenities	1,010,900		1,400,000.00	2,410,900	1,164,376	(1,246,524)		
Staff Training	4,373,780		(400,000.00)	3,973,780	6,237,084	2,263,304		
Staff End of the Year Party	500,000		(500,000.00)		278,500	(221,500)		
Staff Uniforms	1,483,750			1,483,750	242,934	(1,240,816)		
Staff Baggage					100,000	100,000		
Staff longterm Service award					395,000	395,000		
Staff Benovelnt	2,058,900		1,000,000.00	3,058,900	168,733	(2,890,167)		
Staff Sports	133,309,322		1,895,000	135,204,322	136,803,035	1,598,713		
Board Expenses								
Directors Allowances	4,461,424			4,461,424	5,633,695	1,172,271		
Other Expenses(travelling,training, meals)	4,698,000			4,698,000	1,991,175	(2,706,825)		
AGM Expenses(And Shareholders confere)	1,139,571			1,139,571	3,543,962	2,404,391		
	10,298,995			10,298,995	11,168,832	869,837		
TOTAL ADMINISTRATION COSTS	172,718,670		1,895,000	174,613,670	164,877,549	(9,736,121)		

WATER SUPPLY SANITATION COMPANY LIMITED

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For the year ended June 30, 2019

ESTABLISHMENT COSTS

Office Rent	240,000	240,000	133,000	(107,000)
Building Repairs and Maintenance	680,000	680,000	666,163	(13,837)
Computer Expenses	3,694,700	2,694,700	1,612,293	(1,082,407)
Insurance	3,000,000	3,000,000	5,198,200	2,198,200
Security	3,000,000	3,000,000	2,300,209	(759,791)
Utility (water & electricity)	1,870,000	1,870,000	1,359,276	(510,724)
Motor Repairs	4,892,850	4,892,850	4,084,144	(808,706)
Fuel and Oil	4,892,850	4,892,850	4,468,910	(423,940)
Postage and Delivery	300,000	300,000	543,035	243,035
Telephone	948,000	948,000	1,676,498	728,498
Printing and Stationery	852,090	852,090	1,418,429	566,339
Corporate Responsibility	-	-	440,689	440,689
General office Expenses	-	-	17,490	17,490
Provision for Bad Debts	-	-	999,471	999,471
Depreciation	-	-	41,216,341	41,216,341
Amortisation for Intangible Assets	-	-	451,873	451,873
TOTAL ESTABLISHMENT EXPENS	24,430,490	24,430,490	66,585,925	43,155,435

Maintenance & Production Cost

Water chemical treatment	7,131,760	7,131,760	7,281,523	149,763
GIS Maintenance	1,290,000	395,000	104,495	(290,505)
Quality Test	1,971,900	1,971,900	722,942	(1,248,958)
Water supply system repairs	35,436,256	35,436,256	34,684,004	(752,252)
Own revenue expenses	2,705,841	2,705,841	2,966,448	260,607
Sewer expenses	3,984,919	3,984,919	3,043,217	(941,702)
Nema	600,000	600,000	115,000	(485,000)
Salt/san Subsidy & Administration	-	-	-	0
O&A	-	-	-	0
WARMA Abstraction fee	3,689,541	3,689,541	34,243,905	34,243,905
Total Maintenance & Production cost	56,810,217	55,915,217	88,731,488	1,880,411

Other operating expenses

Cleaning and hygiene	1,440,000	1,440,000	1,278,805	(161,196)
Photocopier expenses	340,000	340,000	197,462	(142,538)
Advertising and promotion	590,000	590,000	803,629	213,629
Customer relation expenses	1,130,000	1,130,000	1,296,023	166,023
Newspapers and periodicals	269,280	269,280	248,700	(20,580)
Total	3,769,280	3,769,280	3,824,619	55,339

Finance costs

Bank charges	96,662,400	96,662,400	17,130,855	(79,531,545)
Impesa & Interest Charges	-	-	-	-
Total	96,662,400	96,662,400	17,130,855	(79,531,545)

Total	354,391,057	341,150,436	13,240,621	(13,240,621)
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EMBU WATER AND SANITATION COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

Embu Water and Sanitation Company is established by and derives its authority and accountability from Water Act 2016. The entity is wholly owned by the County Government of Embu and is domiciled in Kenya. The entity's principal activity is provision of water and sanitation services.

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

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 *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*.

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

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

- i) **Relevant new standards and amendments to published standards effective for the year ended 30 June 2019**

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. There were no leases during the year under review

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

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- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

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The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

- i) **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

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 2019.

(B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- a) **Revenue and Expenditure recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the *entity* and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

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Revenue will be recognized when earned and expenses will be recognized when incurred even though payment may not have been made

- i) **Revenue from the sale of goods and services** is recognized in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
 - ii) **Grants from National Government** are recognized in the year in which the *entity* actually receives such grants.
 - 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 lease agreements.
 - vi) **Other income** is recognized as it accrues.
- b) **In-kind contributions**

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* 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.

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 recognised in profit or loss in the income statement.

d) **Depreciation and impairment of property, plant and equipment**

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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 recognised in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

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

5 Depreciation and impairment of property, plant and equipment

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 recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is 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 recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the *entity*, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the *entity* are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the

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asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

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.

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognised 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.

n) Taxation

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 Entity 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.

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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.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

o) 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 the Central Bank of Kenya and at various

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commercial banks at the end of the financial year. 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.

p) 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.

q) Trade and other payables

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

r) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2016. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

s) Provision for staff leave pay

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

t) Exchange rate differences

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

u) Budget information

The original budget for FY 2018-2019 was approved by the EWASCO Board. 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

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final budget. Accordingly, the entity recorded additional appropriations of kshs. 4,300,000 on the 2016-2017 budget following the governing body's approval.

The entity'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 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 financial performance has been presented in the financial statements.

v) Comparative figures

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

w) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

THE EFFECT OF APPROVED WATER AND SANITATION SERVICE REPORT UNCERTAINTY

The preparation of the Entity'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.

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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur.

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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 Entity
- 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
- Changes in the market in relation to the asset

Provisions

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

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
3. PROPERTY, PLANT AND EQUIPMENT

	Land	Office & Building	Motor Vehicles & Cycles	Computers & Peripherals	Equipment & Tools	Plant & Machinery	Fixture & Fittings	Water meters	Work in Progress	Totals
2018										
As at 01/07/2017	6,994,345.00	19,201,416.55	281,254.90	1,202,766.97	50,231,822.36	73,534,936.87	3,997,668,214.26	433,380,402.22	34,084,423.00	695,754,337.13
Additional			5,440,349.14	1,114,737.07	2,143,465.80	282,641.00	54,728,962.60	10,454,688.24	36,737,100.98	76,818,058.83
WIP Capitalised		19,201,416.55								
TOTAL ASSETS	6,994,345.00	38,402,833.10	33,535,391.04	13,117,504.04	52,375,288.16	73,817,577.87	4,052,637,176.86	53,795,388.46	36,737,100.98	7,06,335,195.98
Dep as at 1.7.17		2,954,306	18,303,344	9,118,329	35,152,080	49,989,679	294,595,496	13,596,553		333,620,388
Charge for the year	0.00	324,942.21	3,812,511.05	1,297,252.41	2,166,488.27	2,978,487.33	31,162,536.41	4,834,444.24		46,480,602.52
TOTAL ACC DEP	0.00	3,279,248	22,115,855	10,415,581	37,318,568	52,968,167	235,758,032	18,430,997	0.00	380,101,650.13
As at 30/06/2018	6,994,345.00	15,922,168.45	11,437,534.96	2,816,922.29	15,123,417.89	20,849,411.30	218,137,754.84	35,452,391.12	36,737,100.98	3,29,734,145.85
2019										
As at 01/07/2018	6,994,345.00	19,201,416.55	33,535,391.04	13,142,504.04	52,436,586.16	73,817,577.87	4,052,637,176.86	53,795,388.46	36,737,100.98	7,06,335,305.96
Additional			403,913.79	524,290.34	224,137.93			7,408,500.00	200,874,190.59	8,560,812.96
WIP										
TOTAL ASSETS	6,994,345.00	19,201,416.55	33,957,304.83	13,666,794.38	52,660,724.09	73,817,577.87	4,059,045,786.86	61,202,888.46	237,611,390.57	7,06,335,305.96
Dep as at 1.7.18		3,279,248.10	22,115,856.08	10,415,581.75	37,318,568.27	52,968,166.57	235,758,032.02	18,340,997.34		380,101,650.13
Charge for the year	0	318,443.37	2,960,362.19	1,002,363.79	1,918,444.48	2,696,176.41	27,267,219.36	5,143,330.93		41,216,340.53
TOTAL ACC DEP		3,597,691.47	25,076,218.27	11,417,945.54	39,237,012.75	55,664,342.98	263,025,251.37	23,484,328.27		421,317,990.65
As at 30/06/2019	6,994,345.00	15,603,725.08	8,881,086.56	2,338,848.84	13,429,111.34	18,243,234.89	190,870,535.49	37,717,760.19	237,611,390.57	531,690,037.96

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NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

4. THE WATER SECTOR REFORMS

Pursuant to the requirements of the Water Act 2002, the Government of Kenya (GoK) has placed all the water assets and liabilities in the whole country under the management of Regional Water Services Boards.

In line with these countrywide reforms, the EMBU Water & Sanitation Company (EWASCO) has signed a provision agreement with the Tana Water Services Board (TWSB).

5. (a) TURNOVER

	2019 kshs	2018 Kshs
Total Turnover	333,017,752	305,181,924
6 Water Related Income		
New connections application fee	302,437	438,980
Meter testing & Meter Replacement	298,120	1,116,448
Illegal connections	27,000	21,000
Reconnections	916,833	879,143
Labour charges	1,150,569	1,431,501
Miscellaneous- Reprint	100,740	69,320
Miscellaneous- Sale of Manure	-	40,250
Miscellaneous- Bulk water sale	181,260	167,796
Miscellaneous- water test	24,854	
Miscellaneous -Dumping fee	420,000	600,000
	<u>3,421,813</u>	<u>4,764,438</u>
7. Waste Water Related Income		
Exhauster services & Sewer connection fee	1,677,000	1,981,000
8 Other Incomes		
Insurance Compensation	3,231,844	3,154,450
Materials Charges	9,098,272	10,058,320
Interest on savings	725,199	2,835,482
Differed Income	20,172,618	23,040,199
	<u>33,227,933</u>	<u>39,088,451</u>
	<u>34,904,933</u>	<u>41,069,451</u>
TOTAL REVENUE	<u>371,344,498</u>	<u>351,015,813</u>
9 ADMINISTRATION EXPENSES		
Provision for Audit Fees	697,740	1,253,000
Consultancy fee	489,655	2,699,379
Company Secretarial Services	643,412	-
TWSB Agency Fee	-	32,533,775
Waspa meetings	291,079	100,748
Subscriptions	344,080	422,600
Hospitality Meetings (twspb.wasreb & hosting donors)	2,293,557	2,201,747
Software Maintenance and upgrading	715,625	1,486,364
Legal Expenses	3,635,507	4,303,638
WASREB-L Regulation fee	7,795,027	2,862,303
TOTAL	<u>16,905,682</u>	<u>47,863,554</u>
10 Staff Emoluments		
Salaries	103,176,313	98,476,046
Casual Wages	490,661	350,176
Staff Medical Expenses	6,166,721	6,465,295
Staff cba Expense	-	2,279,107
Staff Subsistence	2,343,449	2,389,494
Staff benchmarking	1,768,614	1,089,638
Employer Contribution-Pension	8,234,996	8,031,546
Staff armenties	1,164,376	1,097,711
Provisison for gratuity	2,608,488	2,369,680
Staff Training	6,237,084	6,944,524
Staff End of the Year Party	278,500	1,187,790
Staff Uniforms	242,934	942,315
Staff Motivation/Baggage	100,000	-
Staff longterm service award	395,000	
Staff benevolent	168,733	
Staff Sports	3,427,165	4,970,605
	<u>136,803,035</u>	<u>136,593,926</u>
11 Board Expenses		
Directors Allowances	5,633,695	4,950,610
Other Expenses(travelling,training,meals)	1,991,175	2,895,068
AGM Expenses(and Shareholders conference)	3,543,962	502,516
	<u>11,168,832</u>	<u>8,348,194</u>
TOTAL ADMINISTRATION COSTS	<u>164,877,549</u>	<u>192,805,674</u>

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12 ESTABLISHMENT COSTS

Office Rent	133,000	116,000
Building Repairs and Maintenance	666,163	588,934
Computer Expenses	1,612,203	1,826,492
Insurance	5,198,200	5,184,557
Security	2,300,209	3,043,955
Utility(water&electricity)	1,359,270	1,902,986
Motor Repairs	4,084,144	4,183,406
Fuel and Oil	4,468,910	5,169,706
Postage and Delivery	543,035	418,631
Telephone	1,676,498	1,504,604
Printing and Stationery	1,418,429	966,459
Corporate Responsibility	440,689	740,139
General office Expenses	17,490	141,092
Provision for Doubtful debts(increase)	999,471	1,159,703
Depreciation	41,216,341	46,480,663
Amortisation for Intergible Assets	451,873	545,247
TOTAL ESTABLISHMENT EXPENSES	66,585,925	73,972,572

13 Maintenance & Production Cost

Water chemical treatment	7,281,523	8,765,377
GIS Maintenance	104,495	598,900
Quality Test	722,942	686,778
Water supply system repairs	34,684,004	33,746,014
Non revenue expenses	2,966,448	1,389,312
Sewer expenses	3,043,217	3,082,544
Nema & KEBS	115,000	299,000
Safisan Subsidy & Administration	-	1,243,750
OBA	34,243,905	19,684,962
WARMA Abstraction fee	5,569,952	2,989,186
Total Maintenance & Production cost	88,731,488	72,485,822

14 Other operating expenses

Cleaning and hygiene	1,278,804	1,282,931
Photocopier & Generator expenses	197,462	254,988
Advertising and promotion	803,629	1,335,967
Customer Relation Expenses	1,296,023	414,025
Entertainment	-	-
Newspapers and periodicals	248,700	217,180
Total	3,824,619	3,505,091

15 Finance costs

Interest charges	15,947,787	455,256
Bank charges & Mpesa	1,183,068	911,581
TOTAL	17,130,855	1,366,837
TOTAL EXPENDITURE	341,150,436	344,135,997
SURPLUS/(DEFICIT) FOR THE YEAR	30,194,063	6,879,816

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Notes	2019 Kshs	2018 Kshs
16 CAPITAL		
Authorised		
5000 ord. Shares of ksh.20 each	100,000	100,000
Issued and fully paid up		
5000 ord. Shares of ksh.20 each	100,000	100,000
17 INVENTORY		
Pipes & Fittings and Chemicals	20,048,754	19,785,874
18 TRADE AND OTHER RECEIVABLES		
Trade debtors	194,591,227	175,001,814
Less: Specific provision for Bad Debts		
General provision for Doubtful Debts	9,345,561	8,750,091
Net Trade Debtors	185,245,665	166,251,724
Prepaid Insurance	1,827,664	1,721,419
KRA Refund	85,745,100	86,245,217
TWSB	659,225	659,225
Salary, medical & Business Advance	1,112,566	1,077,630
WASREB	6,225	6,225
Cash Loss	1,925,940	1,968,130
JICA Project	59,278	359,278
Total Trade & other Receivables	286,979,663	258,288,848
19 CASH AND CASH EQUIVALENTS		
Equity Current Account	9,435	11,134,690
Equity Savings Account	2,398,254	2,394,254
Coop Exhauster a/c	781,260	2,446,402
Safisan KREP A/C	-	267,274
Cash at Hand	935	5,557
Coop Saving Account	22,279,860	9,321,059
Nawiri Saving Account	1,172	1,145
MPESA	820,540	1,301,674
KCB Current Account	6,127,464	21,610,944
Coop Current Account	18,408	11,082,368
Coop Fixed Deposit Account (Gratuity)		4,826,217
Coop Fixed Deposit Account		36,539,901
Ewscrow	107,364,022	24,000,000
OBA Coop current account	3,985,885	31,465
Family Collection account		154,322
Post Bank	35,920	34,548
Postal Corporation	3,847,540	4,464,984
TOTAL CASH AND CASH EQUIVALENTS	159,336,214	129,616,906

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20 PROVISION FOR DOUBTFUL DEBTS

The Company has provided for doubtful debts in the current year.

21	REVALUATION RESERVE	150,665,469	150,665,469
22	TRADE PAYABLES AND ACCRUALS		
	Customer deposits (reflected against receipts)	91,341,934	80,131,481
	Salsan funds at monthly electricity sales times		49,940
	Trade payables	190,579,676	105,500,260
	TOTAL TRADE AND OTHER PAYABLES	281,921,610	185,681,681
23	TAXATION		
	Balance B/E	11,795,660	16,601,561
	Provision for the year	9,066,749	6,869,846
		20,862,409	23,471,407
24	INTANGIBLE ASSETS		
	COST		
	At July 2018	6,241,862	6,157,922
	Additional	234,000	83,940
	As at June 2019	6,475,862	6,241,862
	AMORTISATION		
	At July 2018	4,969,618	4,424,371
	Charge for the year	181,673	545,247
	At June 30 2019	5,151,291	4,969,618
	NET BOOK VALUE	1,324,571	1,272,244
25	REVENUE RECEIVABLES		
	Balance at 1st July 2018	185,856,993	181,041,122
	Profit for the year	23,135,844	4,815,871
	Prior year Adjustments		
		208,992,837	185,856,993
26	NUMBER OF EMPLOYEES		
	The number of employees as at 30th June 2019 was (2018) 123		
27	INCORPORATIONS		
	EMBU Water & Sanitation Company (E.W.S.C.O) is incorporated under The Companies Act Cap 486 of the Laws of Kenya		
28	CAPITAL RESERVE		
	Balance at 1/7/2018	208,585,624	204,231,845
	Donation/cont.		27,393,978
	Less previous yrs amortisation		
	this year amortisation	20,772,616	23,040,199
		187,813,008	208,585,624
29	OTHER LOAN		
	Balance at 01/07/2017	29,449,690	29,449,690
	Additional loan	151,023,814	
	Balance At 30/06/2019	180,473,504	

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31 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.

32 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

33 RELATED PARTIES- IAS 24

The Company regards the following as related parties:

(a) **Board of Directors-** During the Financial Year the Board expenses amounted to kshs.11,168,832.

(c) **WASREB-** During the financial year the Company paid Kshs.7,795,027 as administrative fee as per Water regulation guidelines.

34 FINANCIAL MANAGERMENTS RISK

Credit Risk

Credit risk is the risk that a borrower is unable to meet his financial obligations to the lender. The Boards credit risk is attributable to its cash and cash equivalent and trade receivable. Both bank balances and trade receivables are fully performing and no debt has impaired. The amount that best represents the Boards maximum exposure to credit risk is made up as follows:

As at 30 June 2019	Total Amount (Kshs)
Bank Balances	159,316,214
As at 30 June 2018	
Bank Balances	129,616,806

Liquidity Risk Management

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The Board manages liquidity risk by maintaining adequate cash reserves to ensure liability are paid as they fall due and to cushion against any liquidity risk. The table below shows the Boards financial responsibilities that will be settled on a net basis.

As at 30 June 2019	Total Amount (Kshs)
Trade Receivables	194,991,227
As at 30 June 2018	
Trade Receivables	175,001,814

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35 INCOPORATION

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

36 EVENTS AFTER THE REPORTING PERIOD

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

37 CURRENCY

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

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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. We have nominated focal point persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	1.1 Motor vehicles Ownership Ownership of the motorbikes worthy kshs. 2,561,668 was not availed for audit	The management has obtained the police abstract for the 5No. lost log books and forwarded to KRA awaiting the replacements.	Head of Finance and Commercial Services	Not Resolved	31st December 2019
2.0	Cash and cash Equivalents 1. Postal Corporation Reconciliations Reconciliations not provided	The postal Corporations Bank Reconciliations were provided	Head of Finance and Commercial Services	Not Resolved	31st December 2019
	MPESA Reconciliations Reconciliations not provided	The reconciliations were provided	Head of Finance and Commercial Services	Not Resolved	31st December 2019
	Coop Bank Reconciliations Reconciliations not provided	The reconciliations were provided	Head of Finance and Commercial Services	Not Resolved	31st December 2019
3.0	Loss of Fund in Kiritiri Office	The staff resigned even before the investigation had completed and committed to pay back the amount	Human Resources Manager	Not Resolved	31st December 2019
4.0	Doubtful Expenditure OBA Expenditure not supported	The expenditure in question was supported by the Journal to correct a wrong posting from the sewerage extension a/c ledger to OBA administration expenditure a/c. This	Head of Finance and Commercial Services	Not Resolved	31st December 2019

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
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was supported

Other matters

1.0	Budgetary Controls Non adherence to budgetary controls	A policy on the budget controls and performance is now in place	Head of Finance and Commercial Services	Not Resolved	31st December 2019
2.0	Trade and Other Receivables KRA refunds	The management is still following the KRA refunds on VAT	Head of Finance and Commercial Services	Not Resolved	31st December 2019
	Cash loss	The matter has been taken up by the company lawyers	Managing Director	Not Resolved	31st December 2019
3.0	Outstanding Corporation Tax	The management went to Alternative Dispute Resolution with KRA and arrangements are being made to clear the agreed amount of kshs. 4m	Managing Director	Not Resolved	31st December 2019

Report on Lawfulness and Effectiveness in use of Public Resources

1.0	Over Commitment of Salaries	This affected only one staff and the matter has been resolved	Human Resources Manager	Not Resolved	31st December 2019
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Report on Effectiveness of Internal Controls, Risks Management and Governance

1.0	Non Revenue water(NRW)	The management is working on non revenue water by forming non revenue unit which is fully supported financially and well equipped.	Head of Technical Services	Not Resolved	31st December 2019
2.0	Lack of Disaster Recovery Plan. IT Strategic policy	The management is working on the policy to be tabled to the Board for approval	ICT Manager	Not Resolved	31st December 2019

Managing Director

Date..... 11/5/19.....

Chairman of the Board

Date..... 11/5/19.....

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

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

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	N/A	N/A	N/A	N/A	N/A	N/A

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APPENDIX III: INTER-ENTITY TRANSFERS

DURING THE YEAR THERE WERE NO INTER ENTITY TRANSFERS			

The above amounts have been communicated to and reconciled with the parent Ministry
Finance Manager
Embu Water and Sanitation Company

Sign



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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Operational/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A