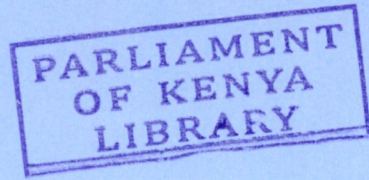
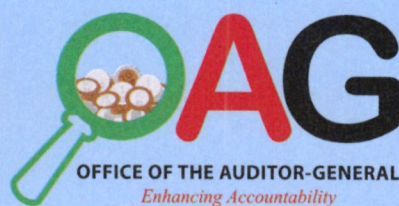


REPUBLIC OF KENYA



REPORT

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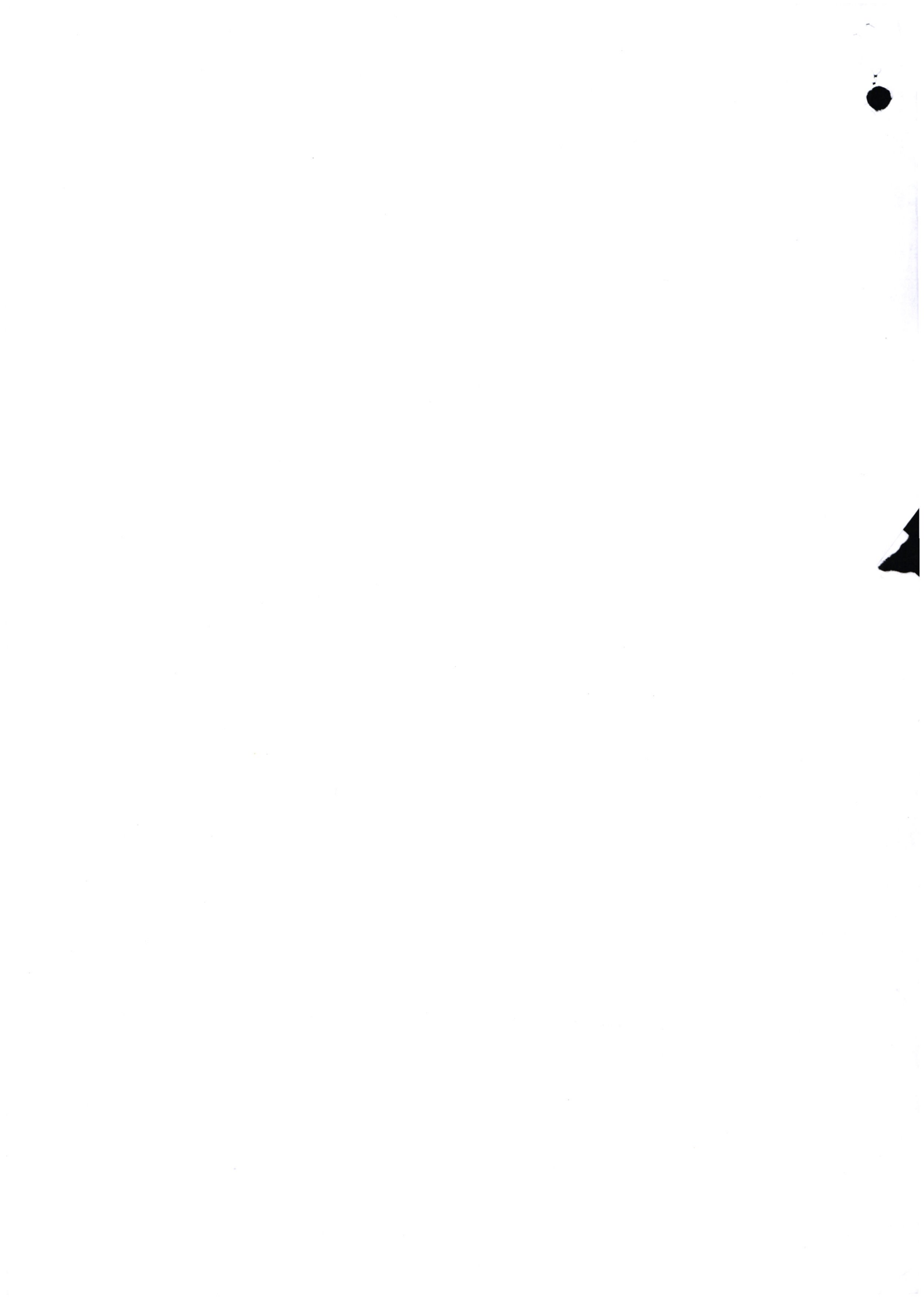
THE AUDITOR-GENERAL

ON

**EMBU WATER AND SANITATION
COMPANY LIMITED**

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

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





Quality in every drop



EMBU WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2025

PAPERS LAID	
DATE	19/11/2025
TABLED BY	(Sen. Mutinda on behalf of Majority Leader
COMMITTEE	— Financial Reporting Standards (IFRS)
CLERK AT THE TABLE	Belinda

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

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
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1. ACRONYMS AND GLOSSARY TERMS.

AGM	Annual General Meeting.
CLSG	Conditional Liquidity Support Grant
CSI	Corporate Social Investment.
DSA	Daily Subsistence Allowance
EWASCO	Embu Water and Sanitation Company.
GIS	Geographic Information Systems
GoK	Government of Kenya.
HRPPM	Human Resource Policy and Procedure Manual.
ICT	Information Communication Technology
IFRS	International Financial Reporting Standards.
IPF	Insurance Premium Financing.
IPSAS	International Public Sector Accounting Standards Board.
JICA	Japanese International Co-operation
KENAS	Kenya Accreditation Services.
KURA	Kenya Urban Roads Authority.
KWS	Kenya Wildlife Service.
MD	Managing Director.
NEMA	National Environment Management Authority.
NGOs	Non-Governmental Organizations.
NRW	Non-Revenue Water.
NSSF	National Social Security Fund
PFM	Public Financial Management Act.
PM	Performance Management.
PRVs	Pressure Reducing Valves.
PSASB	Public Sector Accounting Standards Board.
TWWDA	Tana Water Works Development Agency.
VAT	Value Added Tax.
WASREB	Water Services Regulatory Board.
WRA	Water Resource Authority.
WSP	Water Service Provider.
W.S.T. F	Water Service Trust Fund.
WRUA	Water Resource Users Association.

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2. KEY COMPANY INFORMATION

BACKGROUND INFORMATION

Embu Water and Sanitation Company (EWASCO) was incorporated as a private company limited by ordinary share capital by the Embu Municipal Council in March 2003. It was established under the companies Act Cap 486 and fully owned by the defunct Embu Municipal Council. The Company became operational in July 2005. The company is now wholly owned by the Embu County Government, with a mandate of providing water and sanitation services within Embu County serving four constituencies namely: Manyatta, Runyenjes, Mbeere South and Mbeere North and parts of Kirinyaga County. At County Level, the Company is represented by the Chief Officer of Finance and Chief Officer of Water & Irrigation as Directors nominated by the County Government who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya, Embu County with its head office at Embu town and satellite offices at: Kanyuambora, Ena, Gachoka, and Kiritiri.

Principal Activities

The principal activities of the company are the provision of water and sanitation services within the area of jurisdiction.

The Vision of the company

Safe water and sanitation services to the satisfaction of our customers.

The Mission of the Company

To provide quality, adequate, affordable and sustainable water and sanitation services through eco-friendly technologies

Core Objectives

The core objectives of EWASCO are:

1. Development of water supply infrastructure;
2. Development of sewerage infrastructure;
3. Operation and rehabilitation/maintenance of the water and sewerage infrastructure;
4. Sourcing, treatment, transmission and distribution of water;
5. Waste Water collection, conveyance and treatment; and
6. Financial and operations management (billing, revenue collection, human resource, ICT and efficient application of financial resources).

Directors

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

S/N	Name	Designation	Description
1	FCPA John N. Nyaga	Chairman	Appointed on 3 rd May 2023
2	Mr James Njeru Mubothi	Director	Appointed on 3 rd May 2023
3	Cannon John M. Gichangi	Director	Appointed on 3 rd May 2023
4	CPA Damiano Muthee Njagi	Director	Appointed on 15 th January 2024
5	Grace Wanja Muriithi	Director	Appointed on 28 th September 2023
6	Beth Nginya Ngari	Director	Appointed on 12 th February 2024
7	Anthony Muriithi Naftali	Director	Appointed on 12 th February 2024
8	Dorcas Ndave Ndila	Director	Appointed on 12 th February 2024

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9	Eng. George Munyi	Director	Appointed on 12 th February 2024
10	Eng. James Njue Njeru	Managing Director	Appointed on 26 th May 2023

Corporate Secretary

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

Registered Office

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
Website: www.embuwater.co.ke

Corporate Bankers

Co-operative Bank of Kenya
P.O. Box 1337 -60100
EMBU, KENYA

Equity Bank
P.O Box 1994-60100
EMBU, KENYA

Family Bank
P.O Box 74145-00200
EMBU, KENYA

Kenya Commercial Bank
P.O Box 75- 60100
EMBU, KENYA

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Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 - 00100
NAIROBI, KENYA

Principal Legal Advisers

Njeru Ithiga Advocates
P.O Box 1768 - 60100
EMBU, KENYA

Ileri & Company Advocates
P.O Box 1268-00200
NAIROBI, KENYA



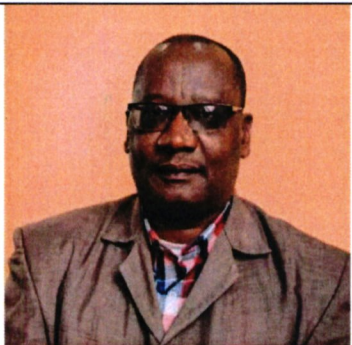
Alosa Advocates LLP
P.O Box 8375 – 00100
NAIROBI, KENYA

Wesonga, Mutembei & Kigen Advocates
P.O Box 22912-00100,
NAIROBI, KENYA


J.M Kimathi & Partners Advocates, LLP
P.O Box 9521,00200,
NAIROBI, KENYA

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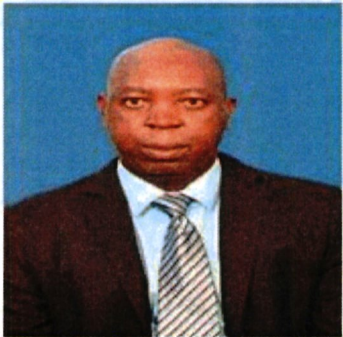

3. THE BOARD OF DIRECTORS

PHOTO	NAME AND DESIGNATION
	<p>FCPA John N. Nyaga Board Chairman. Date of Birth:1960 Qualifications.</p> <ul style="list-style-type: none"> • Master’s in Business Administration. • Certified Public Accountant of Kenya. • Certified Public Secretary of Kenya. <p>Experience. Over 30 years in audit of public and private companies, co-operative societies, partnerships, parastatals, local authorities, pension funds and NGOs. Managing partner Njeru Nyaga and Company (1989-To Date) Company Secretarial Services - Pivot Registrars.</p>
	<p>James Njeru Mubothi. Director. Director and Chair Finance, Administration & Strategy Committee. Date of Birth: 1965 Qualifications</p> <ul style="list-style-type: none"> • Bachelor of Arts – Economics and Sociology. • Post graduate Dip in Education. • Diploma in Education management. • CPA 1 <p>Experience Over 26 years working with Teacher Service Commission as Head of Department, Deputy Principal and Principal</p>
	<p>Canon John M. Gichangi Director Chair Technical Committee. Date of Birth: 1962 Qualification</p> <ul style="list-style-type: none"> • Bachelor of Divinity. • Diploma in Theology • Certificate in Development studies, Conflict resolution and management; and leadership management <p>Experience With wide experience as a clergy with Anglican Church of Kenya for over 32 years. Bible translator with Bible Society of Kenya for 15 years Board member in colleges and Public Schools.</p>

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	<p>Antony Muriithi Naftali Director Chairman, Audit, Risk, & Compliance Committee. Date of Birth: 1967 Qualifications.</p> <ul style="list-style-type: none"> • Bachelors of Science Degree in Agriculture <p>Experience Over 30 years' experience in both private and public sector.</p>
	<p>Dorcas Ndave Ndila Director Member of Audit, Risk & Compliance Committee Date of Birth: 1993 Qualifications</p> <ul style="list-style-type: none"> • Bachelor's Degree in Purchasing and Supplies Management. <p>Experience Over 9 years' experience in both private and public sector</p>
	<p>Eng. George Gitonga Munyi Director Member, Technical Committee Date of Birth: 1989 Qualification</p> <ul style="list-style-type: none"> • Bachelor of Science in Water & Environmental Engineering • Member of Engineers Board of Kenya <p>Experience Over 12 years' experience in both private and public sector as an Engineer and a consultant.</p>
	<p>Beth Nginya Ngari Director Member, Finance, Administration & Strategy Committee. Date of Birth: 1967 Qualifications:</p> <ul style="list-style-type: none"> • Master of Art (Counselling Psychology - On going). • Bachelor of Arts (Leadership and Management). <p>Experience Over 34 years working with NGO in coordinating community development activities Counselling and training community particularly women and youth especially delinquent</p>

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	<p>CPA Damiano Muthee County Chief Officer, Finance & Economic Planning Director Member, Finance, Administration & Strategy Committee. Date of Birth: 1974 Qualification:</p> <ul style="list-style-type: none"> • Certified Public Accountant of Kenya • Certified Public Secretary of Kenya <p>Experience With extensive experience as an accountant, and over 12 years with County Government of Embu holding various portfolios as Chief office of Finance & Planning</p>
	<p>Grace Wanja Muriithi County Chief Officer for Water & Irrigation Director Member, Technical Committee. Date of Birth: 1972 Qualifications:</p> <ul style="list-style-type: none"> • Master's in Education Administration. • Bachelor of Science in Education. <p>Experience With extensive experience as a teacher, and over 12 years with County Government of Embu holding various portfolios as Chief office of Health, Gender and Water and Irrigation</p>
	<p>Eng. James Njue Njeru Managing Director Qualifications BSc Water and Environmental Engineering.</p> <ul style="list-style-type: none"> • Certified professional mediator. • Certification in Pumps Hydraulics • ISO 9001 Quality management systems. <p>Experience. Over 17 years in various elements of water and waste water systems, studies and design. Project management for large multidisciplinary projects. Member Institutions of Engineers of Kenya.</p>
	<p>FCS Richard K. Gikuhi Representing. Gikuhi Kiana & Company / Company Secretaries A Certified Public Secretaries of Kenya (CPSK), membership N0 285 as required by Mwongozo Code Experience: With over 30 years practicing as a Company Secretary with bias in water companies</p>

EMBU WATER AND SANITATION COMPANY
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4. KEY MANAGEMENT TEAM

PHOTO	NAME AND DESIGNATION
	<p>Eng. James Njue Njeru Managing Director</p> <p>Qualifications BSc Water and Environmental Engineering.</p> <ul style="list-style-type: none"> • Certified professional mediator. • Certification in Pumps Hydraulics • ISO 9001 Quality management systems. <p>Experience. Over 17 years in various elements of water and waste water systems, studies, design. Project management for large multidisciplinary projects. Member Engineering Board of Kenya Member Institutions of Engineers of Kenya.</p>
	<p>CPA Doris Njiru Head of Finance & Commercial Services</p> <p>Qualifications</p> <ul style="list-style-type: none"> • Master of Business Administration (Strategic Management) • Bachelor of Commerce (Finance & Banking) • Certified Public Accountant of Kenya - M/No. 8120 • Certified Public Secretary of Kenya • Registered member of the Institute of Certified Public Accountants of Kenya in good standing • Senior Management Course <p>Experience: Over 25 years in both NGO & Public sector in accounting which includes over 15 years in management which includes 8 years in EWASCO heading Finance and Commercial department</p>
	<p>C.H.R.P Mary Mugwira Head of Corporate Services</p> <p>Qualifications:</p> <ul style="list-style-type: none"> • Masters of Business Administration (Strategic Planning) • Bachelor's Degree in Education (Arts) • Diploma in Human Resource • Registered member of the Institute of Human Resource Management - Member No.02471 <p>Experience: Over 17 years in both private and public sector which includes 15 years in EWASCO.</p>

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	<p>Eng. Edwin Njue Njagi Head of Technical Services.</p> <p>Qualifications.</p> <ul style="list-style-type: none"> • BSC Water Engineering. • Member Engineering Board of Kenya • Member Institutions of Engineers of Kenya <p>Experience. Over 13 years' experience in the Water Services industry.</p>
	<p>CPA Anderson Mugendi Kesia. Head of Audit Risk & Compliance.</p> <p>Qualifications.</p> <ul style="list-style-type: none"> • Bachelor of Commerce (Finance Option) • Certified Public Accountant of Kenya. • Diploma in Business Management (Management) • Registered member of the Institute of Certified Public Accountants of Kenya in good standing. <p>Experience. Over 16 years' experience in both private and public sector as an auditor, an Accountant and in Management.</p>
	<p>FCS Richard K. Gikuhi Representing. Gikuhi Kiana & Company / Company Secretaries</p> <p>A Certified Public Secretaries of Kenya (CPSK), membership N0 285 as required by Mwongozo Code</p> <p>Experience: With over 30 years practicing as a Company Secretary with bias in water companies</p>

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5. CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I present the year 2024/2025 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 within the mandated coverage area which is approximately 2,025 km².

Shareholding

The Company is 100% owned by Embu County Government.

Board of Directors

EWASCO Board is made up of nine directors comprising of two from the County Government and seven distributed among the sub-Counties of Embu. The Managing Director serves as the secretary to the Board.

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 (2021-2026).

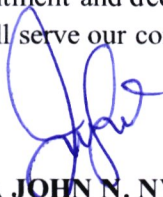
During the year the Board held several meetings which met the threshold of the required minimum of quarterly meetings. The board played the oversight and policy making roles. Therefore, the company business was executed with due diligent and always ensuring the interests of the shareholder are taken care of. The company held one stakeholder's forum mobilizing the business community on update and clarification on the changes implementing the reviewed tariff. The Company is planning to conduct the AGM within the 1st quarter of the FY 2025/2026 which is within the calendar year.

Financial Performance

During the year under review, the company reported a total income of Kshs 526.6 million which is inclusive of Kshs 2.5 million received as compensation from insurance for group life insurance, Kshs 3.7 million from disposal income on sale of obsolete and ineffective assets, and Kshs 8.8 interest income. This is an improvement from the previous financial year where the total revenue was Kshs 450.7 million.

In Conclusion

As the Chairman of the Board, I wish to confirm the board's commitment in directing the Company to achieve its objectives. I wish to congratulate the Board, the management and the staff for their commitment and dedication. I pray for continued support in order to serve our company, and together, we will serve our community better.



FCPA JOHN N. NYAGA
CHAIRMAN, BOARD OF DIRECTORS.

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6. REPORT OF THE MANAGING DIRECTOR.

Introduction

I wish to report on the general performance of the company for year ended 30th June 2025. Below are the key highlights.

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, ongoing and proposed.

Water Supply Coverage

The water supply coverage has improved to 1,660 km², while the mandated area has increased from 80 km² in the year 2005 to 2,025 km² in 2024 through public demand. The population served has increased to approximately 207,018 by June 2025. These increments in coverage have been funded by internally generated funds and various partners over the years such as the Embu County Government, the Community, Bank Loans, WSTF, CDF, TWWDA, GoK, KWS, KENGEN, World Bank grant, and grants from JICA. During the year under review, we extended the water pipeline by 4.3 KM and upgraded 7.1 KMs in our regions.

Sewerage Coverage

The company operates two sewer plants one built in 70s and the other built in 2020, both with a total capacity of 6,500m³. The effluent meets the standards set by NEMA and WASREB at the point of effluent discharge into Rupingazi river. The old sewer covers some parts of town centre, Embu Level 5 Hospital, the entire Kaunda Estate and the areas neighbouring EWASCO offices, Kangaru Schools and the Kenya school of Government.

The new sewerage treatment plant covers the areas of Dallas, Blue Valley, Kanjuru and parts of Majimbo estates. The current Sewerage coverage for the company stands at 36% in Embu town.

Financial performance

In the year under review the company realised an overall income of Kshs 526.6 million which is inclusive of Kshs 2.5 million received as compensation for group life insurance, disposal income on sale of obsolete and ineffective assets amounting to Kshs3.7 million, and interest income of Kes 8.8Million. This is an improvement from the previous financial year where the total revenue was Kshs 450.4 million due to the upward change of tariff.

Operating capacity

The operating capacity of the Company has continued to be enhanced, appropriate and advanced IT. The software and hardware are continuously being updated; better operating accounting and billing software have been installed; GIS and wide network coverage are in use. In the year under review, we rolled out the use of Kobo data collection tool kit in data collection which has improved the operational efficiency in NRW management. In addition, the company uses the smart phones technology in meter reading and debt management which has improved performance through better monitoring of the meter readers and their work ensuring more accurate and timely billing data. Transport also has been improved; we have enhanced our fleet management through regular repairs and maintenance. Staff have been trained to ensure a skilled work force and increased productivity.

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Challenges

Water Supply.

- 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.
- Water use demands are quickly exceeding the dry weather water flows and there are no solid plans to mitigate the matter.
- Huge accumulation of unpaid debts by the Government institutions which lead to cashflow constraints.
- Unmet demand of 42,000 m³/day against EWASCO's maximum water production capacity of 28,000m³/day. There is urgent need to explore alternative sources of water to supplement the existing sources.
- Water theft and illegal water use in the Miraa growing areas through illegal irrigation and illegal connections. This is worsened by vandalism.
- Water assets ownership such as the office building, old sewerage plant, Kangaru storage tanks are yet to be determined and this is a challenge to accounting and borrowing leverage.

Sewage

- Only about 36% of eligible population in Embu town is provided with sewerage services; water related diseases remain a risk, this negates health gains realized from improved water supply.
- Lack of wayleaves and encroachment onto the road reserves hamper sewer line construction.
- High initial costs of sewer infrastructure slowing down the expansion programs.
- Inadequate financial resources to fund proposed 700 km of various pipelines to unserved and underserved areas.

Operational matters

- High water losses resulting to non-revenue water (NRW).
- Vandalism of the company's infrastructure leading to huge loss of our water.
- Encroachment into road reserves and in the process the company's infrastructure are damaged.
- Unhealthy competition from irrigation projects.
- Damaging of the infrastructure by road contractors.

The way forward

The future of the Company is good assuming that the dynamism in the operating environment is managed. The Company has potential to provide water and sanitation services to the entire mandated area; and in line with Company's Strategic Plan for 2021-2026. 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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For the year ended June 30, 2025

- Addressing water theft and illegal water use through alternative water sources and legislation.
- Development of additional treatment plants and alternative water sources.
- Mobilize resources to undertake massive network expansion programmes.
- Continuous Capacity building of staff to deal with emerging challenges.



Eng. JAMES NJUE NJERU
MANAGING DIRECTOR

EMBU WATER AND SANITATION COMPANY
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7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FINANCIAL YEAR 2024/2025.

Section 164(2) (f) of PFM Act 2012 requires the Accounting Officer to include in the financial statement, a statement of the company's performance against predetermined objectives.

EWASCO has 7 strategic pillars and objectives within its Strategic Plan for the FY 2021-2026. These strategic pillars are as follows:

Pillar 1: Water and Sewerage Infrastructure.

Pillar 2: Non-Revenue Water.

Pillar 3: Operational Efficiency.

Pillar 4: Customer Service.

Pillar 5: Financial Sustainability.

Pillar 6: Human Resource Management.

Pillar 7: Corporate Image and Governance.

EWASCO develops its annual work plans based on the above seven pillars. An assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the strategic period for its 7 strategic pillars, as indicated below:

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KRA	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
KRA 1: INFRASTRUCTURE DEVELOPMENT	1.To increase water production capacity from 30,000 M ³ /day in 2021 to 55,000 M ³ /day by 2026	<ul style="list-style-type: none"> • Land ownership documents • Treatment works design documents • Signed financing agreement • Treatment plant construction work undertaken • 2 No. distribution tanks constructed (1,200 and 3,000 cubic meters) 	<ul style="list-style-type: none"> ▪ Identify and procure land for the Kanyuambora water treatment system ▪ Undertake detailed design review for Kanyuambora treatment plant ▪ Source funding for construction ▪ Construct of the treatment plant ▪ Construction of storage, transmission and network 	Land for the treatment plant had been identified and engagement with the owner started. Designs for the system completed. Project activities stopped after new policy changes whereby the project target areas were shifted to a new water company (RUWASCO)
	2: To increase water coverage area by connecting 30,000 by 2026	<ul style="list-style-type: none"> • Number of tanks constructed • Pipeline installation in Mbeere North, Mbeere South & Ena 	<ul style="list-style-type: none"> ▪ Construct five storage water tanks ▪ Construct 20 km distribution lines to and from the storage tanks ▪ Undertake distribution pipeline for Mbeere North & Ena 	<ul style="list-style-type: none"> • Over 40kms of Distribution pipeline for Ena and Mbeere North done. • Gachuriri line (14Kms mains and 5kms distribution) developed Mbeere South. • One storage tank planned for Kanothi under AoD project
	3.Enhance social connection	<ul style="list-style-type: none"> • Pro-poor policy in place • Report on identified areas 	<ul style="list-style-type: none"> ▪ Review pro-poor services policy ▪ Survey to identify social 	<ul style="list-style-type: none"> • Pro-poor policy in place.

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		<ul style="list-style-type: none"> • Storage tanks social connections • No. of proposal • Plan implementation report 	<p>connections</p> <ul style="list-style-type: none"> ▪ Storage tanks social connections. ▪ Develop funding proposal for social connections ▪ Implement pro-poor services plan 	<ul style="list-style-type: none"> • Social connections identified. • Purchase storage tanks social connections • Gachuriri project proposal developed, funded and implemented
	4.To increase sanitation coverage from 20% in 2021 to 30% by 2026	<ul style="list-style-type: none"> • 3 Km of sewer lines rehabilitate/relocated • No. of customers connected • No. of meetings held to sensitize community 	<ul style="list-style-type: none"> ▪ Rehabilitation and relocation of sewer lines. ▪ Connect new customers to sewer ▪ Hold community’s sensitization meetings in the service area 	<ul style="list-style-type: none"> ▪ 3kms of sewer lines upgraded ▪ Over 3000 new Sewer connections ▪ 6 Sensitization meetings held
	5. To enhance funding of water and sanitation infrastructure development	<ul style="list-style-type: none"> • Up to date database of potential funding partners • No of funding proposals submitted 	<ul style="list-style-type: none"> ▪ Undertake mapping of development partners ▪ Develop and follow up on funding proposals to development partners, 	<ul style="list-style-type: none"> • Identified banks to partner with. • 3 funding proposals submitted to WSTF. • Funding proposals materialized at implementations
KRA 2: WATER AND WASTEWATER QUALITY	1: To ensure compliance to drinking water quality standards (WHO and KEBS)	<ul style="list-style-type: none"> • No of sampling points • No. of planned samples collected and tested • No of samples submitted to an external laboratory 	<ul style="list-style-type: none"> ▪ Identify strategic sampling points along the distribution network ▪ Establish accreditation requirements from KENAS ▪ Prepare the current laboratory for accreditation 	<ul style="list-style-type: none"> • 64 Sampling points identified. • Sampling done thrice a week • Samples taken Water Resource

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				<p>Authority monthly.</p> <ul style="list-style-type: none"> • Samples meet the quality
	<p>2: To ensure compliance to wastewater standards (WRA and NEMA)</p>	<ul style="list-style-type: none"> • No of times compound clearing and desludging is done • No. of random samples collected and tested • Monthly sewer surveillance report 	<ul style="list-style-type: none"> ▪ Undertake routine compound clearing, desludging ▪ Random sampling and testing ▪ Routine surveillance of network ▪ Equip sewer maintenance team with requisite tools/equipment 	<ul style="list-style-type: none"> • Routine compound cleaning • Sampling and testing done • Daily surveillance of network done • Operational license in place • Monthly monitoring effluent compliant NEMA standards
KRA 3: NRW MANAGEMENT	<p>To reduce the NRW from 43% in 2021 to 20% by 2026</p>	<ul style="list-style-type: none"> • Length of pipeline rehabilitated • Surveillance team in place • Pipeline surveillance report • No. of PRVs / BPTs installed • Meter policy in place • No. of meters replaced • Customer Identification Survey Report • Data clean up reports (Monthly) • Reviewed penalties in place • No. of community committees formed 	<ul style="list-style-type: none"> ▪ Identify all lines that require relocation ▪ Establish surveillance team ▪ Allocate transport ▪ Install Bulk/zonal meters ▪ Develop metering policy ▪ Replace the un-serviceable meters ▪ Customer identification survey ▪ Clean-up the database ▪ Prepare annual NRW reduction plan ▪ Training the NRW team members. ▪ Implement the NRW framework. ▪ Water Committees incorporated. ▪ Community Policing. 	<ul style="list-style-type: none"> • Identified Muchonoke, ngiiri. • NRW surveillance team in place • DMAs created and mapped. • Plans to procure and install bulk and zonal meters in place under AoD project • NRW vehicle. • Draft metering policy in place • under CLSG project • PRVs installed

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				<ul style="list-style-type: none"> • Data clean up done. • Annual NRW plan in place. • NRW team members trained in KEWI <p>Water committees established in some key areas prone to vandalism and illegal water use The NRW as at June 2024 was at 35%.</p>
	<p>2: To increase customer satisfaction from 74% in 2021 to 85% by 2026</p>	<ul style="list-style-type: none"> • Revised CSC in place • No of awareness meetings held • Communication policy in place • No. of EWASCO social media accounts • Level of updating/responding social media • Education materials published • Operational customer care centre • Customer satisfaction survey reports • Implementation of customer satisfaction survey • Report on customer care week 	<ul style="list-style-type: none"> ▪ Review customer service charter ▪ Sensitize staff and customers on CSC provisions ▪ Develop customer communication policy ▪ Update of social media channels ▪ Develop education materials ▪ Provide timely feedback to customers ▪ Conduct annual customer satisfaction surveys ▪ Implement customer satisfaction surveys recommendations ▪ Hold customer care week 	<ul style="list-style-type: none"> • Service charter approved. • Sensitization meetings held quarterly • Awareness channels used • Draft communication policy • 4 Social media accounts active • -Education materials in place • Customer care week held

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<p>KRA 5: FINANCIAL SUSTAINABILITY</p>	<p>1: To increase revenue from Kshs 432M in 2021 to Kshs 619M by 2026</p>	<ul style="list-style-type: none"> • Implement an ERP System • Formulate an ICT Policy • Update and integrate customer billing system with the ERP • Train employees on the use of ERP • Prepare SOP, procedure manuals and quality manual • Prepare financial reports and statements • Coordinate and facilitate timely financial audits • Prepare list of disposable assets 	<ul style="list-style-type: none"> ▪ ERP system in place and operational ▪ ICT policy approved and adopted for use ▪ Updated and integrated billing system ▪ No. of trained employees ▪ No. of departmental SOPs, procedure manuals and quality manuals completed ▪ Approved financial management manual ▪ Annual work plans, procurement plans and budgets ▪ Quarterly M&E reports ▪ Annual financial & Audit reports ▪ List of idle and disposable assets 	<ul style="list-style-type: none"> • ERP system in place • Approved ICT policy in place. • Billing system integrated • All Staff trained • Annual work plan, Approved budget in place • Approved procurement plan in place • M&E reports done • List of idle items developed • Approved disposal plan
	<p>2. To increase collection efficiency from 90% 2021 -98% 2026</p>	<ul style="list-style-type: none"> • Meters readers using smart technologies • Level of compliance with bill dispatch timelines • Reviewed Debt Management Unit Structure • debt recovered • No. of Defaulters engaged, signed off • Revised penalties included in the new tariff structure 	<ul style="list-style-type: none"> ▪ Implement self-meter reading module ▪ Maintain a regular meter reading and billing cycle ▪ Dispatch bills on time ▪ Restructure Debt Management Unit and recruit/deploy additional staff to do a debt recovery ▪ Follow up of debts owed by government institutions ▪ Send reminders to customers 	<ul style="list-style-type: none"> • All meter readers using smartphones • Regular meter reading cycle • Bills dispatched instant. • Unit restructured • Demand letters done to institutions • SMS reminders sent monthly

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		<ul style="list-style-type: none"> Reviewed debt policy 	<ul style="list-style-type: none"> timely disconnections Review debt policy 	<ul style="list-style-type: none"> Approved Credit policy in place.
KRA 6: CORPORATE GOVERNANCE AND STAKEHOLDER S ENGAGEMENT.	1: To promote good corporate governance practices	<ul style="list-style-type: none"> A board charter in place No of board trainings conducted Monthly internal audit/ compliance reports Approved CSI policy in place 	<ul style="list-style-type: none"> Develop board charter Train board and management on good corporate governance practices Review and update risk registers Prepare a Corporate Social Investment (CSI) policy 	<ul style="list-style-type: none"> Board charter in place Board induction trainings done Monthly internal audit reports CSI policy in place
	2: To enhance stakeholder's management	<ul style="list-style-type: none"> No of Meetings Held Post information on the website No. of the Reports published No. of stakeholder's forum held 	<ul style="list-style-type: none"> Hold Annual General Meeting (AGM) Hold Stakeholder meetings yearly Regular information on the website 	<ul style="list-style-type: none"> AGM held. Held two stakeholders Meetings, barazas
KRA 7: HUMAN CAPITAL MANAGEMENT	1.To recruit, develop and retain a motivated and productive team	<ul style="list-style-type: none"> Signed contracts in place Organization structure and Job Evaluation Report Level of job evaluation recommendation implementation 	<ul style="list-style-type: none"> Recruit motivated team Hire consultant for organization and grading structure review Conduct organization structure review and job evaluation Implement recommendations of the Job Evaluation Exercise 	<ul style="list-style-type: none"> Staff signed contracts filed. Consultant hired and Job evaluation done
	2.Increased productivity	<ul style="list-style-type: none"> Approved training programme and budget Performance management. 	<ul style="list-style-type: none"> Prepare annual training programme Implementation of PM 	<ul style="list-style-type: none"> Training program in place PM implemented

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	<p>3. Well compensated and motivated employees</p> <p>4. Motivated & Productive staff</p>	<ul style="list-style-type: none"> • Staff with signed PCs • Revised HR manual • Employee satisfaction reports • No. of team building activities • Number of sports activities • No. of intern recruited 	<ul style="list-style-type: none"> ▪ Train staff members on the PFM ▪ Appraise staff performance every 6 months ▪ Review the HR & OSH policy ▪ Employee satisfaction surveys ▪ Carry out team building activities ▪ Internship programme 	<ul style="list-style-type: none"> • Staff trained on PFM • Approved OSH policy in place • 25 Interns boarded • Team building held • Sports activities held
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8. CORPORATE GOVERNANCE STATEMENT

During the period under review the corporate governance structure ensured high standards of corporate behaviour and in the best interests of our stakeholder. The Board of Directors had the authority to perform the functions and determine the policies that control the company activities. The Board has been and will be responsible for the overall corporate governance and approves strategic directions and budgets. On the other hand, the management ensured 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 and is summarized as below:

- The Board of Directors comprises of 9 members nominated by respective stakeholder institutions and two representatives of the Embu County Government.
- The Managing Director sits in the Board as its secretary.
- The Directors are appointed for a term of up to three years and are eligible for re-appointment for another final term of three years.
- The Directors have a broad range of skills and expertise.
- The Board has three committees namely; Technical; Finance, Administration & Strategy, and; Audit Risk and Compliance.
- Any issue(s) outside the above committees may be handled by specially constituted adhoc 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 agenda in which annual audited accounts are also presented.

During the regular quarterly meetings, the Board considerations include:

- Quarterly Technical, Corporate and financial progress reports.
- Quarterly Audit reviews and reports.

During the year, the Board carried out board evaluation and review of strategic plan workshop together with management

Composition of the Board of Directors.

The Board is chaired by FCPA John N. Nyaga who gives direction during board meetings.

Technical Committee

The Committee is Chaired by Cannon John Gichangi, and includes Ms. Grace Murithi and Eng. George Gitonga Munyi. The committee secretary is the Head of Technical Services. Each 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 operations. It assists the

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Board of Directors in monitoring and reviewing 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 among others.

Finance, Administration & Strategy Committee.

The committee is Chaired by Mr James Njeru Mubothi, and includes Ms Beth Ngari and CPA Damiano Muthee. 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, corporate affairs such as human resource, information and communication, procurement and administration. 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, Risk & Compliance Committee.

The Committee is chaired by CPA Antony Murithi Naftali. Other members include Mrs Beth Nginya Ngari and Ms Dorcas Ndave Ndila. The Committee secretary is the Head of Audit, Risk and Compliance. Each member has experience and necessary skills to undertake the Committee's responsibilities to oversee the Company's financial reporting principles, policies, controls, procedures and its auditing activities. The audit Committee meets and reviews reports from the Head of department detailing major findings on internal audit, 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.

Compliance with guidelines.

During the year the company held a stakeholder's forums, on sensitisation of the implementation of the new tariff. The company is preparing to hold an AGM in the 1st quarter of the next financial year in compliance with the company's act and corporate governance guidelines.

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The analysis of the board meetings held during the period are summarized below:

No. of Meetings Attended FY 2024-2025								
No	Director's Name	Full Board Meetings	Special Board Meetings	Committee Meetings	Trainings /Workshops/Policy	Adhoc Committees	Consultative	Totals
1	FCPA John Nyaga	4	3	4	18	4	0	33
2	John Gichangi	4	3	4	8	2	0	21
3	James Mubothi	4	3	4	8	3	0	22
4	Damiano Muthee	2	2	3	8	0	0	15
5	Grace W. Muriithi	4	3	4	11	1	0	23
6	Beth N. Ngari	4	3	8	13	0	0	28
7	George G. Munyi	4	3	3	8	0	0	18
8	Dorcas N. Ndave	4	3	4	13	0	0	24
9	Antony M. Naftali	4	3	4	13	3	0	27

Succession Plan

In line with the WASREB corporate governance guidelines, the company through stakeholders has ensured that the board appointments are staggered so that the board members retire on rotation. As the members retire at the end of their tenure, the appointment of the new members of the board is done in strict compliance with the regulator's guidelines.

Board Charter

The Company has an approved Board Charter in place.

Appointments of Board Members

Whenever there is a vacancy in the Board, the vacancy will be advertised in the newspaper with national circulation. Interested persons apply after being nominated by the relevant stakeholders' bodies. The recruitment process is carried out by the selection committee selected during the stakeholder's forum. The selection committee vets the applicants to confirm their suitability and qualification for the directorship as per the advert and the WASREB guidelines. The directors representing the County Government of Embu are appointed by the County Secretary and the head of Public Services. The names of elected directors are filed with the Registrar of Companies.

Cessation of a Director

Board member will cease to be director, if the person:

- a) Serves the Chairperson with a written notice of resignation; or
- b) Is absent, without the permission of the Chairperson, for three consecutive meetings; or
- c) Is convicted of an offence and sentenced to imprisonment for a term exceeding six months, or to a fine exceeding twenty thousand shillings; or

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- d) Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board.
- e) Expiry of the term.

The Board may also recommend the removal of a member based on non-performance, unethical conduct or as set out in any constitutive documents or applicable law. Any removal of a Board member appointed by the County Government shall be through formal revocation. The Managing Director will ensure that a record of the appointment letter and written acceptance by the Board members is kept in the personal file of the Board member.

Independence of Board Members

All Board members, including those nominated by County Government of Embu, shall recognize that they owe their duties to EWASCO and not their nominating stakeholder.

Term Limits

Board members shall hold office for a period not exceeding three (3) years and are eligible for re-election for another term of three (3) years. A Board member may be appointed for a cumulative term not exceeding six (6) years. The renewal of Board Member's tenure for a second term should be subject to an acceptable evaluation as determined during Board evaluations. In determining which directors are to retire at the Annual General Meeting the process shall be guided by provisions of the Memorandum and Articles of Association as amended from time to time.

Resignation from the Board

A Board member may resign at any time by giving notice, in writing, to the Chairperson of the Board and/or the Managing Director of the organization. The resignation shall take effect upon receipt of notice by the Chairperson or at any later time specified therein and unless otherwise specified in the notice, the acceptance of such resignation shall not be necessary to make it effective. There was no member who resigned during the period.

Board Induction and Training

New Board members are trained with an effective induction programme in order to familiarize them with their responsibilities as directors, general principles of corporate governance and Board practices once they are appointed. The induction programme also provides the Board members with an orientation of the organization, Strategic Plans, Financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics.

During the year the board members attended one retreat and one workshop to review and evaluate the strategic plan to ensure the organization is running as per the plan. The workshop also doubled up as sensitization of water act and WASREB regulation. Also, the audit committee attended a training on new auditing standards organized and facilitated by the Public Sector Accounting Standards Board (PSASB).

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The Board ensures that a competence needs assessment is carried out periodically and an annual development plan prepared to address identified gaps. In this regard, Board members will be provided with access to, or notice of, continuing development programs that are designed to keep members abreast of the latest developments in sector best practice, corporate governance and critical issues relating to the operation of public sector boards. The Board will satisfy itself that its members are up-to-date with continuous professional development in their respective professional bodies.

Board and Member Performance

The Board conducts an annual evaluation to appraise its performance. The evaluation will be carried out in accordance with the Board evaluation tool. The Board evaluation provides an opportunity for Board members to identify strengths, collective skill gaps and individual areas of improvement. The Board will also review the performance of each committee against the agreed terms of reference. The Board will also evaluate the performance of the Managing Director. During the period the board members carried out board self-evaluation in accordance with the guidelines.

Conflict of Interest

A conflict of interest may arise where a Board member or close family member such as a spouse, child, parent or sibling has private interests that could improperly influence the performance of the Board member's official duties and responsibilities. Conflict may also arise where a Board member uses their office for personal gain. Board members are required to avoid conflict of interest and deal at arms-length in any matter that relates to the organization. The board members of EWASCO always declare the conflict of interest if any and the Managing Director always keeps a record of conflicts of interest declared, for accountability purposes, and as a rule of good practice on appointment and on regular intervals.

Board Remuneration

Board members remuneration for their services was approved by shareholders in an AGM. The approved rates are in line with prevailing relevant legislative provisions and or guidance from the relevant authority. In line with best practice, the remuneration should include sitting and travel allowances. The Directors are entitled to DSA equivalent to the Managing Director's, whenever they are conducting or attending organization's business outside its area of jurisdiction necessitating accommodation.

Governance Audit

The Board ensures that a governance audit of the organization is undertaken on an annual basis. The purpose of the governance audit is to ensure that the organization conforms to the highest standards of good governance. The board mandated the internal audit which carried out governance audit and reported back to the board.

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9. MANAGEMENT DISCUSSION AND ANALYSIS

The growth of the Company is attributed to critical elements that go alongside the vision, mission and core values which are anchored in the Strategic Plan 2021-2026. 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 service delivery. The company continues to excel as reflected in WASREB performance indicators except for Non-Revenue Water (NRW) management that has attracted global attention.

The key performance areas for EWASCO within the FY2024/2025 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. The water supply coverage has improved to 1,660 km² by 2025, while the mandated area has increased from 80 km² in 2005 to 2,025 km² in 2025 through public demand. The population served has increased to approximately 207,018 by June 2025. These improvements in coverage have been funded through grants, donations, own-generated funds and commercial funding through various partners such as The Embu County Government. The Community, Bank Loans, WSTF, TWWDA, GOK, KWS, KENGEN, World Bank grants, EWASCO and by grants in Aid by JICA.

Financial Performance

The company had consistent growth in revenue over the period. However, the Company has experienced increase in its operational costs arising from the macroeconomic factors. The company is fairly sustainable as the internally generated funds don't fully cover operating and maintenance cost.

Corporate Governance

EWASCO strives to comply with the company's Act, Cap 486, water Act 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 roles of the Board, information and control systems checks and balances in operations and compliance to set Water Service Providers (WSP) systems; Financial management to measure compliance with applicable IFRS and IPSAS.

Investment Decisions

The major investment made during the year were:

The investment made during the year was completion of works in progress for Gachuriri water pipeline funded by Trust Fund, the 3 km Gachuriri Water pipeline comprising of OD 90 mm and 63 mm and a water kiosk at Gachuriri market

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Material arrears.

During the period under review the company had not settled the levies owed to WASREB due to re-computation of the levies from 1% to 4 % for the period July 2021 to December 2022. However, the management had put in place mechanisms to address WASREB issues through a monthly standing order of Kshs 1,300,000.

The company also had a material arrears owed to TWWDA for levies accrued before devolution of which the company was to recover the amount used for capital expenditure from the levies

The VAT refund claim was escalated to the Alternative Dispute Resolution (ADR) section of the high court. The ADR ruled in favour of the Company. KRA appealed the ruling and the appeal court again ruled in favour of the Company.

During the year under review there was arrears of Kshs 22.8 million being June 2025 salaries and gratuity not submitted to the retirement benefits scheme.

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10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Company exists to transform lives through provision of water and sanitation services within the area of jurisdiction. The Company recognizes that it has responsibilities to all stakeholders which include the interests of customers, suppliers and employees and the community; the need for company's relationships with stakeholders has an impact on its operations on the local communities and the surrounding environment where it operates. Stakeholders are highly regarded, valued and their contribution to the Company is highly respected.

i) Sustainability strategy and profile

Access to affordable water and sanitation services is provided for in Section 43 of the Kenya Constitution (2010). The Constitution has made provisions on legislative, policy and implementation framework at national and country levels. Further, Kenya's national development agenda as documented in Vision 2030 recognizes that water and sanitation services are at the core of social economic development.

Embu water and sanitation company has an operational 5-year Strategic Plan (2021/2026) to provide a basis for meeting the sustainability of the company. The Strategic Plan acknowledges the challenges and provides us with a road map on the pertinent issues that we need to address towards the achievement of universal access to water and sanitation services within the company's area of service. Our vision, mission, motto and values are paramount to the achievement of the strategic objectives spelt out in this plan. These will be achieved by embracing the principles of good governance, ensuring the company is financially sustainable, innovation and adoption of new technology for enhanced service delivery. We remain customer focused through the provision of quality products and services to our customers, EWASCO will continue to provide water and sanitation services in an efficient, effective, affordable and sustainable manner.

ii) Environmental Performance

Embu Water and Sanitation Company Limited (EWASCO) prides itself as a custodian of the environment and has put in place environmental safeguards aimed at protecting and enhancing its wellbeing. The company operations take into account the impact the products have on the environment. We use several chemicals in water treatment. The treatment processes also generate wastes that have to be managed. After supplying the clean water, the company collects, transports wastewater for safe handling before discharging it into the environment. The company complies with Water Resources Authority and National Environmental Management Act (NEMA) conditions.

The company adheres to government's guidelines on environmental safeguards. For example, it undertakes weekly sampling for both drinking and waste water samples in the Company's laboratory and monthly external laboratory to ensure adherence with set guidelines. The chemical handling and storage are handled in line with the manufacturer's directions. The

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Company's exhauster is licensed by NEMA and so are the private exhausters who dump in the Company's sewer system.

The National Tree Growing Restoration Campaign is a government -led initiative in Kenya to plant 15 billion trees by 2032. In alignment with this presidential directive as well as Kenya's commitments to addressing climate change through reforestation and ecosystem restoration, EWASCO places significant emphasis on the implementation and reporting of these activities. The Company in collaboration with other stakeholders have managed to plant and nurture 3600 trees during the period. The Company continues to play its role in the protection of water catchment and has been represented in meetings convened by Water Resource Users Association (WRUA).

Considering the foregoing, the Company continues to experience challenges of wastewater infrastructure vandalism (manhole covers), solid waste dumping, clogging and encroachment into the wayleaves.

The Company has further engaged in Corporate Social Investment (CSI) activities during the period i.e., provision of foodstuffs and seedlings during national tree planting days, provision of mobility aids i.e., wheelchairs and crutches during the National Rehabilitation Medical Camp that was held at Embu Level 5 Hospital.

iii) Employee Welfare

The Company recognizes that health, safety and training, play a key role in ensuring our employees commitment to responsibility in the workplace and 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 such as compassionate leave, benevolent fund, paternity Leave among others. There are also other welfare activities like annual team buildings and various local / national sporting activities that create opportunities for the employees to interact and bond leading to improved work life balance, benevolent programs, personal support programs and psychosocial programs.

In health and safety, there is an active Health and Safety Committee that ensures that the safety of all employees is well taken care of. Based on this, employees are provided with Group Personal Accident Cover (WIBA Plus) and Group Life covers and there is an approved OSH policy in place.

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iv) Market place practices

- a) **Responsible competition practice:** The company's business is to supply treated domestic water and sanitation services which are regulated. The tariff used is approved by the regulator after a process of involving the stake holders and holding a mandatory public engagement. Further the company promotes fair competition and respect competitors in line with the public procurement act 2015.

- b) **Responsible Supply chain and supplier relations:** The company being a public Company is guided by the public procurement and Disposal Act of 2015 and also the Public Procurement and Asset Disposal Regulations 2020 in procurement of goods and services to ensure competitive bidding and quality of product or service at lowest cost are realized. It also ensures that its suppliers are well sensitized on the company's procedures from procurement of goods/services to the final process of payment. The company also honors supplier contracts and respects payments within the credit period given.

- c) **Responsible marketing and advertisement:** The service offered by the company does not involve marketing and advertisement of the service, rather the company stakeholder engagement is paramount. Stakeholder engagement and public participation in key areas affecting services such as sensitization on services offered and strategic plan among others. This is done through stakeholder sensitizations from time to time.

- d) **Product stewardship:** 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. The quality of our products meets the set standards. 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.

During the period under review, the company operated the customer service operations in all our satellite offices. 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. During the period under review the company established a social media platform on WhatsApp to communicate with our customers in relation to service delivery.

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

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v) Corporate Social Responsibility Policy / Community Engagements

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

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

During the year the company undertook CSI initiative programs through identification of the community needs and delivery of free water during national events.

The company recognizes co-existence with others 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:

- **Sports:** The company supported sporting events by facilitating teams and continues to encourage staff to be active in sporting activities.
- **Health:** The company supported the community by issuing wheelchairs and crutches during the National Rehabilitation Medical Camp that was held at Embu Level 5 Hospital and also sanitary towels.
- **Environment:** Guided by Government directive on National Tree Planting Campaign, the Company undertook initiative of planting the Company in collaboration with other stakeholders have managed to plant and nurture 3600 trees at new sewerage, water treatment areas and irangi forest to improve on the environment. The Company has been involved in town beautification project where it was allocated a portion near Kenya National library to Probation Office landscape, maintain and watering flowers in addition to piping water in the area.
- **Social events:** During the year the company participated in social events and national holidays such as Madaraka day and Jamhuri day. The company provided free water with the water bowser to the general public in the two days.

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11. REPORT OF THE DIRECTORS.

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

Principal activities

The principal activities of the company are provision of water and sanitation services within mandated area.

Results

The results of the company for the year ended June 30, 2025 are set out on page 1 - 40.

Dividends

The company is a public utility owned by the Embu County Government on behalf of the people of Embu. The company does not issue dividends instead any surplus is ploughed back to extend the service to the public.

Directors

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

Auditors

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

By Order of the Board



Secretary of the Board

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For the year ended June 30, 2025

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES.

Section 164(2) (f) of the Public Finance Management Act 2012 and the Company Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the 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 Company.

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

This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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) Safe guarding 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 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 PFM Act 2012, Water Act 2016 and Companies Act 2015.

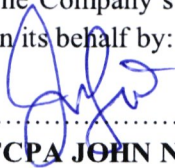
The Directors are of the opinion that the Embu Water and Sanitation Company's financial statements give a true and fair view of the state of Embu Water and Sanitation Company's transactions during the financial year ended June 30, 2025, and of the Embu Water and Sanitation Company's financial position 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.

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

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2025

Approval of the financial statements

The Company's financial statements were approved by the board on 15/08/2025 and signed on its behalf by:



.....
FCPA JOHN N. NYAGA
CHAIRMAN OF THE BOARD



.....
Eng. JAMES N. NJERU
MANAGING DIRECTOR.

REPUBLIC OF KENYA



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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, 2025

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Embu Water and Sanitation Company Limited set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit/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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Embu Water and Sanitation Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Trade and Other Receivables

As previously reported, the statement of financial position reflects trade and other receivables balance of Kshs.317,359,698 which includes trade debtors balance of Kshs.315,063,352 as disclosed in Note 20 to the financial statements. Review of trade debtors ageing analysis reveals that a balance of Kshs.256,429,104 had been outstanding for over one hundred and twenty (120) days and was being owed by some of the major debtors who include the Embu County Government. However, Management has not provided plausible explanation on measures being taken to recover the long outstanding debts as their continued non-settlement is affecting the liquidity of the Company.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.317,359,698 could not be confirmed.

2. Unaccounted for Customer Deposits

As previously reported, the statement of financial position reflects refundable deposits and prepayments balance of Kshs.105,376,940 as disclosed in Note 29 to the financial statements. However, no listing of the persons owed the deposits was provided for audit review. In addition, the customer deposits bank account reflected a balance of Kshs.16,562,498 as at 30 June, 2025 resulting to a variance of Kshs.88,814,442 between the customer deposits balance and the customer deposit bank account statement that was not reconciled.

Although Management has explained that the amount was borrowed to cater for their operational expenses, no documentary evidence has been provided to confirm that the said borrowing had been refunded to the account as of 30 June, 2025. This was contrary to Regulation 53(1) of Public Finance Management (County Governments) Regulations, 2015 that provides that an Accounting Officer of an entity may not authorise payment to be made out of funds earmarked for specific activities for purposes other than those activities.

In the circumstances, the accuracy and completeness of refundable deposits and prepayments balance of Kshs.105,376,940 could not be confirmed.

3. Unsupported Kenya Revenue Authority Refund Claims

The statement of financial position reflects tax recoverable balance of Kshs.31,519,506 as disclosed in Note 21 to the financial statements. However, the supporting schedule indicated a balance of Kshs.30,739,537 as the net Kenya Revenue Authority refund claim resulting in unreconciled difference of Kshs.779,969. In addition, Management has not indicated as to whether the claim has been acknowledged and when the refund claim will be settled by the Kenya Revenue Authority.

In the circumstances, the accuracy and completeness of tax recoverable balance of Kshs.31,519,506 could not be confirmed.

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 the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.526,105,248 and Kshs.526,676,924 respectively resulting to an under-funding of Kshs.571,676. Similarly, the Company spent Kshs.518,211,761 against actual receipts of Kshs.526,676,924 resulting to under-utilization of Kshs.8,465,163 or 16% of the actual receipts.

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

My opinion is not modified in respect of the above matter.

Key Audit Matters

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

Other Matter

Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations reveals that, several issues raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance remained unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for County Government entities to try to resolve any issues resulting from an audit that remain outstanding. The issues have been summarized in **Appendix I** while the issues which recurred have been reiterated as substantial paragraphs in this report.

Other Information

Management is responsible for the Other Information set out on pages iii to xxxv which comprise of Company Information and Overall Performance, Key Management Information, Statement of Performance Against Company's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Company's Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.486,251,910 in respect to operating revenue which includes an amount of Kshs.386,691,436 in respect to water sales for the year ended 30 June, 2025. Records provided showed that the Company produced a total of 6,937,041 cubic meters (m³) of water at an approximate expected earning of Kshs.86 per cubic meter during the year under review out of which only 4,496,634 cubic meters was billed to customers. The balance of 2,440,407 cubic meters (approximately 35%) of the total water produced, with an approximate expected earning of Kshs.211,711,711 represents Non-Revenue Water (NRW).

However, schedule E to the Water Service Regulatory Board (WASREB) Guidelines allows a maximum loss of 25% for every cubic meter of water produced and hence out of the 6,937,041 cubic meters produced by the Company, only 1,734,260 (25%) water loss was allowable while the 706,147 cubic meters (10%) of non-revenue water with an approximate expected earning of Kshs.60,728,620 is not allowable.

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

2. Non-Compliance with Fiscal Responsibility Principle on Personnel Costs

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.216,922,516 in respect of staff costs for the year ended 30 June, 2025. However, the expenditure represents 43.5% of the total operating expenditure amount of Kshs.498,109,349 which is higher than the recommended ratio of 35% prescribed by the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018 Section 3.9(10) which states that, when fixing remuneration of the staff, the total expenditure for each financial year must not exceed the benchmarks set for the services sector nationally, so that personnel cost as share of operations and maintenance cost shall be contained within the 35%.

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

3. Non-Compliance with Corporate Governance Guidelines of Directors Expenses

As previously reported, the statement of profit or loss and other comprehensive income reflects an amount of Kshs.11,660,105 in respect to Board expenses of for the year ended 30 June, 2025 and as disclosed in Note 12 to the financial statements. However, the expenditure amount is Kshs.1,199,809 higher than the recommended annual limit of Kshs.10,460,296 contrary to Paragraph 3.4.6 of the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines for the Water Services Sector, 2024 on board remuneration which caps the expenditure at 2.1% of the Kshs.498,109,349 that the company made as its turnover.

In the circumstances, the excessive Director's costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level.

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

4. Non-Adherence to Staff Ethnic Balance Requirements

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.216,922,516 in respect to staff emoluments. However, review of the staff establishment revealed that the Company had one hundred and sixty-three (163) staff members out of which one hundred and three (103) or 64% of staff members were from the dominant ethnic community in the County as shown below;

This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

5. Non-Collection and Non-Remittance of Capacity Building Levy

During the year under review, the Company did not deduct and remit the capacity building levy at the rate of 0.03% for every procurement done during the year contrary to PPRA Circular No. 01/2024 Ref: PPRA/6/5 VOL. II (224) dated 30 August, 2024 that required procuring entities to collect the levy at the rate of 0.03% of the contract sum from suppliers on all procurement contracts signed between the supplier and a procuring entity and remit to the Authority through the eCitizen platform. The procuring entities were further required to file monthly returns to the Authority on all levy amounts deducted and remitted to the Authority by the 20th day of the subsequent month.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance

section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Long Outstanding Trade and Other Payables

As previously reported, the statement of financial position and as disclosed in Note 28 to the financial statements reflects trade and other payables balance of Kshs.222,123,328 which includes trade payables balance of Kshs.178,098,571 which further includes Kshs.157,127,188 that has been outstanding for over one hundred and eighty (180) days.

Management has not provided explanation on why the long outstanding trade payables have not been settled in the year to which the expenses were incurred or subsequent financial years.

In the circumstances, failure to settle obligations as and when they fall due exposes the Company to possible legal actions and increased costs due to interests and penalties.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report, based on my audit, that except for the matters described in the Basis for Qualified Opinion, I confirm that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. Information given in the Directors' report on pages xxxiv to xxxv is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 26 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's, Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit


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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I
Report of the Auditor-General on Embu Water and Sanitation Company Limited for the year ended 30 June, 2025

consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 November, 2025

Appendix I

Prior Year Matters

	Title
1	Long outstanding receivables .
2	Long outstanding trade and other payables
3	Staff costs exceeding WASREB corporate governance guidelines
4	Non-adherence to Staff Ethnic Balance
5	Failure to comply with Corporate Governance guidelines for Board of Directors costs
6	Unauthorized borrowing of customers deposits
7	Failure to conduct self-assessment

EMBU WATER AND SANITATION COMPANY
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For the year ended June 30, 2025

14. STATEMENT OF PROFIT / LOSS AND OTHER COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2025

	NOTES	2025	2024
REVENUE		Kshs	Kshs
Operating revenue	6	498,109,349	414,773,637
Grant Income	7	13,295,797	35,650,359
Other Income	8	6,464,475	46,894
Finance Income	9	8,807,303	0
TOTAL REVENUE		526,676,924	450,470,890
EXPENSES			
Staff Cost	10	216,922,516	215,263,660
General and Operations Expenses	11	118,321,305	117,228,251
Board Expenses	12	11,660,105	12,737,541
Maintenance Expenses	13	64,944,510	59,640,472
Depreciation and Amortization Expenses	14	68,945,051	74,866,596
Finance costs	15	1,807,395	1,708,693
TOTAL EXPENSES		482,600,883	481,445,212
Profit/Loss Before Taxation		44,076,041	(30,974,322)
Less: Non Taxable income	16	13,295,797	35,650,359
Taxable Income		30,780,244	(66,624,681)
Taxation	31	-	-
PROFIT/LOSS AFTER TAXATION		30,780,244	(66,624,681)

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2025

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

	NOTES	2025 KSHS	2024 KSHS
ASSETS			
NON-CURRENT ASSETS			
Property, Plant & Equipment	17	492,364,287	539,544,421
Intangible assets	18	3,374,833	4,821,190
TOTAL NON CURRENT ASSETS		495,739,120	544,365,611
CURRENT ASSETS			
Inventory	19	25,644,956	18,944,948
Trade and Other Receivables	20	317,359,698	294,763,099
Tax recoverable	21	31,519,506	31,519,506
Bank and Cash Balances	22	81,583,363	60,537,144
TOTAL CURRENT ASSETS		456,107,524	405,764,698
TOTAL ASSETS		951,846,644	950,130,311
EQUITIES & LIABILITIES			
CAPITALS & RESERVES			
Ordinary Share Capital	23	100,000	100,000
Revaluation Reserve	24	150,665,469	150,665,469
Retained Earnings	25	326,509,143	305,644,338
TOTAL CAPITAL & RESERVES		477,274,612	456,409,807
NON CURRENT LIABILITIES			
Deffered Income (Capital Grants)	30	139,687,422	130,014,734
TOTAL NON CURRENT LIABILITIES		139,687,422	130,014,734
CURRENT LIABILITIES			
Provisions For Gratuity	27	7,384,342	8,945,304
Trade and Other Payables	28	222,123,328	247,360,296
Borrowings-IPF Loan	26	0	7,376,990
Refundable deposits and Prepayments	29.	105,376,940	100,023,180
TOTAL CURRENT LIABILITIES		334,884,610	363,705,770
TOTAL EQUITIES & LIABILITIES		951,846,644	950,130,311

The Embu Water and Sanitation Company's financial statements were approved by the Full board meeting held on 13/08/2025 and signed on its behalf by:

.....
ENG. JAMES N. NJERU
MANAGING DIRECTOR

.....
CPA DORIS NJIRU
HEAD OF FINANCE
& COMMERCIAL
SERVICES
ICPAK M/NO:8120

.....
FCPA JOHN N. NYAGA
CHAIRMAN OF THE
BOARD

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2025

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

	Share Capital kshs	Revaluation Reserves kshs	Retained Earnings(Restated) kshs	Total kshs
2024				-
At 01/07/2023	100,000	150,665,469	336,618,660	487,384,129
Total Comprehensive Income			(30,974,322)	(30,974,322)
AT 30/06/2024	100,000	150,665,469	305,644,338	456,409,807
2025				
At 01/07/2024	100,000	150,665,469	305,644,338	456,409,807
Prior Year Adjustment-wrote off postal corporation			- 242,750.00	- 242,750
Prior Year Adjustment Grant Capitalized			- 22,968,485.96	- 22,968,486
Total Comprehensive Income			44,076,041	44,076,041
AT 30/06/2025	100,000	150,665,469	326,509,143	477,274,612

EMBU WATER AND SANITATION COMPANY
Annual Reports and Financial Statements
For the year ended June 30, 2025

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

	NOTES	2025 Kshs	2024 Kshs
Surplus for the year		44,076,041	(30,974,322)
Adjustments for :			
Net Reinstatement Surplus	25	(23,211,236)	
Depreciation	14	67,498,695	72,800,372
Amortisation of intangible assets	14	1,446,357	2,066,224
Less Gain on Disposal	32	(774,167)	-
Less deferred Income & Decrease in provision	30	(13,295,797)	(11,896,169)
Surplus before changes in working capital		75,739,895	31,996,105
Changes in working Capital			
(Increase) / Decrease in Trade and Other Receivables	20.	(22,596,599)	(28,747,228)
(Increase) / (Decrease) in Trade & Other Payables		(28,821,159)	13,961,295
(Increase) / Decrease in Trade Inventory	19	(6,700,009)	11,407,484
Cash Generated from the Operating Activities		(58,117,767)	(3,378,449)
Net Cash Generated from Operating Activities		17,622,128	28,617,656
Investing Activities			
Purchase of non- current assets	17	(20,334,393)	(12,873,773)
Purchase of Intangible assets	18	-	(186,000)
Net Cash Generated from Investing Activities		(20,334,393)	(13,059,773)
Financing Activities			
Grants	30	22,968,485	2,783,609
Loan Acquired-IPF	26	-	8,196,655
Cash from disposal of KBB321X	32	790,000	819,665
Net Cash Generated from Financing Activities		23,758,485	10,160,599
Increase in Cash and Cash Equivalents		21,046,220	25,718,482
Cash and cash equivalent			
At the start of the year	22	60,537,143	34,818,662
At the end of the year	22	81,583,363	60,537,143

EMBU WATER AND SANITATION COMPANY

Annual Reports and Financial Statements

For the year ended June 30, 2025

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

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUALS ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE	% BUDGET UTILIZATION
	2024/2025	2024/2025	2024/2025	2024/2025	2024/2025	
REVENUE	Kshs	Kshs	Kshs	kshs	Kshs	
Operating revenue	587,048,502	- 89,489,828	497,558,674	498,109,349	- 550,675	100%
Grant/Compensation Income	13,109,654	186,143	13,295,797	13,295,797	- 0	100%
Other Incomes	1,000,000	5,443,475	6,443,475	6,464,475	- 21,000	100%
Finance Income	-	8,807,303	8,807,303	8,807,303	- 0	-
TOTAL REVENUE	601,158,155	- 75,052,907	526,105,248	526,676,924	- 571,676	100%
EXPENSES						
Staff Cost	242,196,835	- 25,338,775	216,858,060	214,566,754	2,291,306	99%
General and Operations Expenses	214,304,278	- 92,135,511	122,168,767	120,677,067	1,491,700	99%
Board Expenses	11,116,567	-	11,116,567	11,660,105	- 543,538	105%
Depreciation and Amortization Expenses	-	68,945,051	68,945,051	68,945,051	-	100%
Maintenance Expenses	71,526,643	- 6,560,000	64,966,643	64,944,510	22,133	100%
Finance costs	24,723,401	- 22,816,939	1,906,462	1,807,395	99,067	95%
TOTAL RECURRENT EXPENDITURE	563,867,725	- 77,906,174	485,961,551	482,600,883	3,360,668	99%
Profit or Loss	37,290,431	2,853,267	40,143,697	44,076,041	- 3,932,343	
Capital Expenditure	47,332,328	-	47,332,328	35,610,878	11,721,450	75%
TOTAL EXPENDITURE	611,200,053	- 77,906,174	533,293,879	518,211,761	15,082,118	97%

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19. NOTES TO THE FINANCIAL STATEMENTS.

1. GENERAL INFORMATION

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

The balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The 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.

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

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025

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

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial	The new standard is effective for annual periods beginning

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Financial statements	statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

iii) Early adoption of standards

The Company did not early – adopt any new or amended standards in year 2024/2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Company 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 Company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities. The Company recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/service 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 such grants are received. During the year under review the company recognized the capital grant from WSTF in the statement of financial position which was work in progress in

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the previous year amounting to Kshs 15,276,485, a laptop bought for the UBSUP project of Kshs 96,000 and the backhoe from CLSG 11 grants at Kshs 7,500,000.

- 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. During the year under review the company recognized Kes 8,807,303 as interest from fixed deposit in Family bank and Co-operative bank for funds held in Escrow
- 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. EWASCO does not have investment in real estate to attract rental income
- vi) **Other income** are recognized as they accrue. During the financial year we recognized income received from compensation and disposal income under this category.

b) In-Kind contributions

In-kind contributions are donations that are made to the Company in the form of 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 Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

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.

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Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations. In the year under review, we have recognized both the capital projects and the work in progress

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

Item	Years	Rates
Buildings and civil works	50	2%
Plant and machinery	8	12.5%
Motor vehicles, including motor cycles	4	25%
Computers and related equipment	3.3	30%
Office equipment, furniture and fittings	8	12.5%
Meters	8.3	12%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal.

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

e) Intangible assets

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

f) Amortization and impairment of intangible assets

Amortization is calculated on the reducing balance basis over the estimated useful life of computer software at the rate of 30%.

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All computer software's are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, held to earn rentals and /or for capital appreciation is measured at cost including transaction cost. Investment property is carried at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit and loss in the period they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Changes in fair values are included in profit or loss in the income statement.

h) Right of Use Asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

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Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method/ FIFO. The inventory comprises of chemicals, pipes and fittings. Water is not part of the inventory.

m) Trade and other receivables.

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. The uncollectible amounts include adjustments of billings within the financial periods arising from estimates, wrong readings, burst waivers among others. These are assessed for impairment on a continuous basis.

An estimate of 5% as per our financial manual is made of doubtful receivables based on a review of all outstanding amounts at the year end.

In the year under review an amount of Kshs 31,519,506 in respect to tax recoverable (VAT refundable claim) was outstanding the court had ruled the case in favor of the company and mechanisms put in place to follow on the refund.

n) Taxation

i) Current income tax

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

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. All the income taxes for the previous years have been filed and the due payments made to Kenya Revenue Authority.

ii) 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.

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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.

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.

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

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 Company and the same taxation authority.

iii) Non- Taxable Income

Non-Taxable income refers to income recognized in the books that is not recognized for tax purposes. During the period under review the income recognized that is not taxable amount to Kshs 13,295,797 which is the deferred income from the amortization of capital grants and the grants received during the period.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use or sale. Investment income

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earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, cash at bank, M-pesa mobile Money account and short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various EWASCO 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 imprest and advances to authorized staff and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) Borrowings

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

s) Capital Grants and Amortization.

Capital grants are grants used to acquire fixed assets in an organization, they are classified under non-current liabilities in our financial statements. These grants are amortized in the subsequent years at the rate of depreciation of the asset acquired. The amortization of the respective year is recognized in the statement of comprehensive income as deferred income. During the year capital grants amortization was Kshs 13,295,797 which has been recognized as deferred income in the income statement.

t) Trade and other payables

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

u) Retirement benefit obligations.

The company operates a defined contribution scheme for all full-time employees from July 1, 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

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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 during the year the company implemented tire two

v) 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.

w) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Company 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.

v) Budget information

The original budget for FY 2024- 2025 was approved by the EWASCO Board on June 30, 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Company upon receiving the respective approvals in order to conclude the final budget.

The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented in the financial statements.

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x) Comparative figures

The comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation of the water companies reporting template.

y) Subsequent events

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

z) Contingent liability

A contingent liability is a liability that may occur depending on the outcome of an uncertain future event. A contingent liability has to be recorded if the contingency is likely and the amount of the liability can be reasonably estimated a possible obligation depending on whether some uncertain future event occurs. Pending lawsuits are considered contingent because the outcome is unknown. During the period under review the company had various legal issues in court, at different levels. The cases may have a significant impact in the following years depending on the direction of the ruling.

Below are the cases that were on going as at year end.

NO	CASE TITLE	NATURE OF DISPUTE
1.	NAIROBI CONSTITUTIONAL PETITION NO. E327 OF 2022 (PETITIONERS) JAMES GACHERU KARIUKI & 19 OTHERS -VERSUS- (RESPONDENTS) EWASCO & 69 OTHER WATER COMPANIES	<u>CONSTITUTIONAL DISPUTE.</u> Petition seeks to have water companies countrywide transform from private to public limited companies.
2.	EMBU ELC EPA NO. 1 OF 2023. EWASCO (APPELLANT) -VERSUS- DAVID NDEKE	<u>LAND COMPENSATION DISPUTE.</u> The respondent was awarded Kshs. 1.8 million as compensation for damages caused by a burst that occurred on his premises KYENI/MUFU/7940. The company has appealed the Magistrate Court decision.
3.	EMBU HCCC/E005/2025 BENISA CONSTRUCTION LIMITED VS EWASCO	<u>CONSTRUCTION DISPUTE.</u> Suit seeks recovery of 24 million from the Company arising from the OBA Sewer project.

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EMBU CMCC NO. E091 OF 2023 EWASCO -VS- AMACO INSUARANCE.	<u>CIVIL CLAIM</u> Claim for Kshs. 3.8 million from AMACO being sums paid to Stella Kagendo by EWASCO. The amount was initially to be paid by AMACO to Stella Kagendo.
NAIROBI MISC APPLICATION NO. E029 OF 2024. PAUL MUCAI GITAU -VS- EWASCO & OTHERS.	<u>CIVIL CLAIM.</u> The suit seeks on order against the EWASCO to surrender all procurement bid documents presented to it by Trident Insurance.
EMBU ELC CASE NO. E027 OF 2024 LENNY KIVUTI -VS- EWASCO	<u>LAND DISPUTE.</u> Petitioner claims Kshs. 80 million plus arising from alleged trespass and degradation of property arising from the construction of the new sewer plant.
EMBU H.C CIVIL APPEAL NO. E056 OF 2025 PATRICK MUTUGI -VS- EWASCO & A.G	<u>APPEAL ON A MALICIOUS PROSECUTION CLAIM.</u> An appeal arising out of M.C Civil case No. 215 of 2024. Case originally arose from criminal case no. E008 of 2023 which was against the plaintiff.
HCCC/E001/2023 CATHERINE WAWIRA VS EMBU WATER AND SANITATION COMPANY (EWASCO) & OTHERS.	<u>TAXATION DISPUTE</u> EWASCO has moved court to set aside the tax award of Kshs. 7.1 million issued in favor of Wesonga, Mutembei & Kigen Advocates.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

- i) Provision for bad & doubtful debts: The Company has provided for the doubtful debts at rate of 5 % on provision of the total outstanding debt and 100% on specific debts.
- ii) Provision for gratuity: The Company has staff on contract for 3 or 5 years who are paid gratuity at rate of 31% and 12.5% per month worked payable at the expiry of the contract. The management provided for the gratuity amounting to Kshs 7,384,342.00 as at the end of the period.

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NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

6 Operating Revenue	2025	2024
	Kshs	Kshs
Water Sales	386,691,436	311,631,088
Meter maintenance	7,140,250	21,271,150
Sewerage services	92,420,224	69,166,776
	486,251,910	402,069,014
<u>Billing for other Services</u>		
New connections application fee	264,805	252,945
Meter testing & Meter Replacement	3,297,070	3,071,602
Reconnections	525,824	605,431
Labour charges	5,158,550	5,228,334
Miscellaneous- Reprint	124,170	147,131
Miscellaneous- illegal	11,970	25,000
Miscellaneous- Bulk water sale	820,550	801,600
Miscellaneous- water test	26,000	36,000
Sewer connection fee	522,500	535,550
Dumping fee - Other exhausters	761,000	530,000
Exhauster services	345,000	1,471,030
	11,857,439	12,704,623
TOTAL OPERATING INCOME	498,109,349	414,773,637
7 Grant & Donation Income		
Grant from :W.S.T.F for CLSG II	-	21,500,000
:W.S.T.F for UBSURP	-	1,789,200
Donations:Embu County Govt	-	350,000
:Dummen Orange	-	114,990
Deffered Income(Grant Amortization)	13,295,797	11,896,169
	13,295,797	35,650,359
8 Other Income		
Insurance Compensation	2,581,368	46,894
Decrease in provision of doubtful debts	-	-
Road Destruction Compensation	97,200	-
Disposal Income	3,785,907	-
Finance income : Interest Income	-	-
	6,464,475	46,894
9 Finance Income		
Interest Income	8,807,303	-
TOTAL INCOME	526,676,924	450,470,890

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10 Staff Cost		
Salaries	168,543,261	171,445,882
Casual Wages	6,456,233	7,946,423
Staff Medical Expenses	16,072,940	16,165,507
Employer Contribution-Pension	14,246,297	10,845,400
Provision for gratuity	8,905,223	8,394,332
Staff Baggage & longterm service award	-	140,317
Housing Levy	2,355,762	-
Staff benevolent Employer	342,800	325,800
	216,922,516	215,263,660
Average number of employee during the year	226	218
11 General and Operations Expenses		
Office Rent	528,168	436,064
Insurance	3,702,804	4,077,217
Security	5,901,472	6,456,502
Utility (Water& Electricity)	2,173,881	2,916,277
Fuel and Oil	12,236,244	12,488,072
Mailing & Postage	81,019	44,453
Telephone	2,846,735	2,722,190
Printing and Stationery	598,564	1,344,886
Supply operations costs	2,273,237	565,445
Corporate Social Responsibility	239,560	144,178
Advertising and promotion-Corporate Image (PR)	870,493	756,609
Customer Relation Expenses	2,210,150	1,031,634
General office Expenses	51,712	13,928
Provision for Doubtful debts(increase)	1,132,046	1,530,209
Provision for Audit Fees	697,740	675,000
Consultancy fee	2,677,686	1,658,204
Company Secretarial Services	-	775,695
Waspa meetings	415,200	604,238
Subscriptions	628,539	283,285
Customer Compensation	750,000	750,000
Hospitality Meetings (Stakeholders)	2,880,936	2,217,311
Legal Expenses	2,393,072	3,353,662
WASREB- Regulatory Levy	19,058,476	16,428,131
WASREB Non-Compliance Penalty	-	1,824,000
Staff CBA Expense	1,514,300	398,800
Staff Subsistence	4,905,595	3,709,321
Staff Teambuilding & Benchmarking	4,888,807	4,196,115
Staff Amenities	3,989,158	4,081,149
Staff Training	5,295,215	6,583,631
Staff End of the Year Party	600,000	-
Staff N.I.T.A Levy	98,650	104,600
Staff Sports	380,487	285,200
Cleaning and hygiene	4,166,737	3,717,102
Photocopier & Generator expenses	54,930	50,808
Newspapers and periodicals	74,080	86,760
Water chemical treatment	15,335,204	16,973,462
GIS Costs	401,153	294,663
Quality Test	892,645	604,018
UBSURP Project expenses	1,466,330	1,094,600
Non revenue expenses	4,248,124	2,217,411
Pro poor activities	267,740	233,080
Nema & KEBS	250,000	215,000
Protective gears	1,086,398	1,436,731
Stakeholders and AGM Expenses	406,700	4,256,582
WARMA Abstraction fee	3,651,320	3,592,030
	118,321,305	117,228,251

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12 Board Expenses		
Chairman Honorarium	906,000	900,000
Sitting allowances	3,907,791	5,866,600
Medical Insurance	488,285	1,011,386
Induction and Training	5,758,029	4,275,148
Other Board Expenses	600,000	684,407
	<u>11,660,105</u>	<u>12,737,541</u>
13 Maintenance Expenses		
Motor Repairs	6,114,294	5,724,192
Water supply system repairs	41,646,734	35,823,396
Building Repairs and Maintenance	1,204,511	1,498,272
Computer Expenses	1,621,708	2,216,610
Software Maintenance and Upgrading	3,888,771	6,073,276
Operations & Maintenance works-Treatment	4,114,099	2,193,949
Operations & Maintenance Works-Sewerage	5,553,843	5,197,940
Exhauster & Bowser expenses	800,550	912,837
Total Maintenance & Production cost	<u>64,944,510</u>	<u>59,640,472</u>
14 Depreciation and Amortization Expenses		
Depreciation	67,498,695	72,800,372
Amortisation for Intangible Assets	1,446,357	1,502,157
	<u>68,945,051</u>	<u>74,302,529</u>
15 Finance costs		
Interest charges	574,889	63,877
Bank charges & Mpesa	1,232,507	1,644,816
Total Finance Costs	<u>1,807,395</u>	<u>1,708,693</u>
TOTAL EXPENDITURE	<u>482,600,883</u>	<u>480,881,145</u>
SURPLUS/(DEFICIT) FOR THE YEAR	44,076,041	(30,410,255)
16 LESS: NON TAXABLE INCOME		
Grants Income	-	23,754,190
Deffered Income	13,295,797	11,896,169
	<u>13,295,797</u>	<u>35,650,359</u>
SURPLUS FOR THE PERIOD	30,780,244	(66,060,614)

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17 PROPERTY, PLANT AND EQUIPMENT										
	Land	Office & Building	Motor Vehicles & Cycles	Computers & Peripherals	Equipment & Furnitures	Plant & Machinery	Fixture & Fittings	Water meters	Work in Progress	Totals
		& Building	& Cycles	& Peripherals	& Tools	& Machinery	& Fittings			Kshs
2024										
As at 01.07.2023	8,814,385.00	30,924,054.58	45,557,305.19	23,070,344.76	56,925,707.49	553,051,882.29	488,141,930.76	90,183,522.68	27,188,149.00	1,323,857,282
Transfers	-	-	-	-	-	-	16,002,309.00	-	(16,002,309)	-
Additional	-	-	-	953,168.00	709,140.00	172,320.00	0	6,948,500.00	4,090,645.00	12,873,773
TOTAL ASSETS	8,814,385.00	30,924,054.58	45,557,305.19	24,023,512.76	57,634,847.49	553,224,202.29	504,144,239.76	97,132,022.68	15,276,485.00	1,336,731,054.75
Dep as at 1.7.23	-	5,359,641.18	36,616,023.81	17,805,267.97	45,737,374.70	219,633,902.96	352,693,606.29	46,540,444.25	-	724,386,261
Charge for the year	-	511,288.27	2,235,320.35	1,865,473.44	1,487,184.10	41,698,787.42	18,931,329.18	6,070,989.41	-	72,800,372
TOTAL ACC DEP	-	5,870,929.45	38,851,344.15	19,670,741.41	47,224,558.80	261,332,690.38	371,624,935.47	52,611,433.66	-	797,186,633
As at 30.06.2024	8,814,385.00	25,053,125.13	6,705,961.04	4,352,771.35	10,410,288.69	291,891,511.91	132,519,304.29	44,520,589.02	15,276,485.00	539,544,421
2025										
As at 01.07.2024	8,814,385.00	30,924,054.58	45,557,305.19	24,023,512.76	57,634,847.49	553,224,202.29	504,144,239.76	97,132,022.68	15,276,485.00	1,321,454,570
Transfers	-	-	-	-	-	-	-	-	(15,276,485)	15,276,485
Additional	-	-	1,950,000.00	1,036,050.00	3,917,168.00	7,500,000.00	15,276,485.00	5,931,175.00	-	35,610,878
Disposal	-	-	2,106,244.00	-	-	-	-	-	-	2,106,244
TOTAL ASSETS	8,814,385.00	30,924,054.58	45,401,061.19	25,059,562.76	61,552,015.49	560,724,202.29	519,420,724.76	103,063,197.68	-	1,354,959,203.75
Dep as at 1.7.24	-	5,870,929.45	38,851,344.15	19,670,741.41	47,224,558.80	261,332,690.38	371,624,935.47	52,611,433.66	-	797,186,633
Charge for the year	-	501,062.50	1,637,429.26	1,616,646.41	1,790,932.09	37,423,938.99	18,474,473.66	6,054,211.68	-	67,498,695
Disposal	-	-	2,090,411.00	-	-	-	-	-	-	2,090,411
TOTAL ACC DEP	-	6,371,991.95	38,398,362.41	21,287,387.81	49,015,490.88	298,756,629.36	390,099,409.13	58,665,645.34	-	862,594,917
As at 30.06.2025	8,814,385.00	24,552,062.63	7,002,698.78	3,772,174.95	12,536,524.61	261,967,572.93	129,321,315.63	44,397,552.34	-	492,364,287

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Notes NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

	2025	2024
	Kshs	Kshs
18 INTANGIBLE ASSETS		
COST		
At July 2024	20,229,409	20,043,409
Additional	-	186,000
As at June 2025	20,229,409	20,229,409
AMORTISATION		
At July 2023	15,408,219	13,341,995
Charge for the Year	1,446,357	2,066,224
At June 30 2025	<u>16,854,576</u>	<u>15,408,219</u>
NET BOOK VALUE		
At June 30 2025	<u>3,374,833</u>	<u>4,821,190</u>
19 INVENTORY		
Pipes & Fittings and Chemicals	25,644,956	18,944,948
20.A TRADE AND OTHER RECEIVABLES		
Trade debtors	315,063,352	292,422,444
Less: Specific provision for Bad Debts	-	-
General provision for Doubtful Debts	<u>15,753,168</u>	<u>14,621,122</u>
Net Trade Debtors	299,310,184	277,801,322
Prepaid Insurance	13,426,271	12,893,275
T.W.W.D.A	659,225	659,225
Business Advances	3,604,740	3,050,000
J.I.C.A Project	<u>359,278</u>	<u>359,278</u>
Total Trade & other Receivables	<u>317,359,698</u>	<u>294,763,099</u>
20.B Prepaid Insurance: Medical Insurance	12,811,253	12,147,492
General Insurances	<u>615,018</u>	<u>745,783</u>
	<u>13,426,271</u>	<u>12,893,275</u>
20. AGEING ANALYSIS OF THE TRADE RECEIVABLES.		
0-30 Days	23,128,115	21,478,519
31-60 Days	11,276,260	10,471,989
61-90 Days	13,100,117	12,165,760
91-120 Days	11,129,756	10,335,934
Over 120 days	<u>256,429,104</u>	<u>237,970,242</u>
Total	<u>315,063,352</u>	<u>292,422,444</u>
21 TAX RECOVERABLE		
KRA Refund claims	<u>31,519,506</u>	<u>31,519,506</u>
Total	<u>31,519,506</u>	<u>31,519,506</u>

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22 BANK AND CASH BALANCES

Cash at Bank	81,093,266	58,622,456
Cash in hand	2,928	970
M-pesa Mobile money Account	487,169	1,913,718
	81,583,363	60,537,144

DETAILED ANALYSIS OF CASH & CASH EQUIVALENT

Financial Institution	2025	2024
	Kshs	Kshs
a) Current Account		
Equity Current Account	2,320,508	1,086,077
Equity 8th Call UPC current account	415,936	416,116
Coop Exhauster a/c	1,834,903	1,505,042
OBA Coop current account	945,935	11,148,695
KCB Current Account	833,547	834,612
Co-op Bank CLSG II Project Account	13,989,752	21,495,118
Co-op Bank CLSG II Escrow Account	14,582,433	5,461,158
Family Bank -UBSURP Project Account	756,365	4,213,242
Co-op Bank -Loan Settlement Account	-	883,545
Coop Current Account	10,906,939	304,604
Co-op Bank Escrow Account	-	1,902,639
Co-op Retetion	(3,230)	
Sub Totals	46,583,087	49,250,847
b) Fixed Deposit Account		
Coop Call Deposit Account	-	2,108,684
Co-op Bank Call Deposit-BOND	2,479,077	2,479,077
Fixed Deposit in family Bank	15,468,604	
c) Savings Account		
	16,562,498	4,541,098
Sub Totals	34,510,179	7,020,175
d) Collection Account		
Postal Corporation	-	242,750
Sub Totals	-	242,750
e) Others (Specify)		
MPESA Mobile money Account	487,169	1,913,718
Cash at Hand	2,928	970
Sub Totals	490,097	1,914,688
Grand Totals	81,583,363	60,537,144

23 CAPITAL

5000 ord. Shares of kshs.20 each	100,000	100,000
Issued and fully paid up During the period	-	-
5000 ord. Shares of kshs.20 each	100,000	100,000

24 REVALUATION ACCOUNT

150,665,469	150,665,469
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25 REVENUE RESERVES		
Bal as at 1st July 2024	305,644,338	336,618,660
Reinstatement of Surplus		
Cash Receivable(Postal Corporation) Write off	(242,750)	-
Restated grants	(22,968,486)	-
Net Reinstated Surplus	(23,211,236)	
Profit for the year	44,076,041	(30,974,322)
Bal as At 30/06/2025	326,509,142	305,644,338
26 BORROWINGS		
Bal as at 01/07/2024	7,376,990	8,196,655
Loan Repayment	7,376,990	819,665
Bal as At 30/06/2025	(0)	7,376,990
27 PROVISIONS-GRATUITY		896,369
	2025	2024
Balance at the beginning of the year	8,945,304	11,549,957
Add: Additional Provisions	8,905,223.15	8,347,466
Less: Provisions utilised	- 10,466,185.23	(10,952,119)
Totals	7,384,342	8,945,304
28 TRADE AND OTHER PAYABLES		
	2025	2024
Trade payables	178,098,571	202,122,597
Employee payables	15,488,098	14,772,691
Other payables	28,536,659	30,465,006
Total	222,123,328	247,360,296
29. REFUNDABLE DEPOSITS AND PREPAYMENTS		
	2025	2024
Customer deposits	100,023,180	94,469,346
Customer Deposits paid during the period.	5,952,664	6,278,473
Customer Deposits refunded during the period.	598,904	724,638
Total	105,376,940	100,023,180
30 DEFERRED INCOME		
	2025	2024
Balance brought forward	130,014,734	139,127,294
Additions During the year-W.S.T.F For UPC Project	22,968,485	2,783,609
Transfers to income statement	13,295,797	11,896,169
Balance carried forward	139,687,422	130,014,734
31 INCOME TAX		
	2025	2024
At beginning of the year (BF LOSSES)	(201,277,035)	-
Add Taxable income for year 2024/2025	78,471,857	-
Tax for the year	-	-
Taxable income/Losses for year 2024/2025	(122,805,178)	-
32 GAIN ON DISPOSAL		
Cost of M/Vehicle (KBB321X)	2,106,244	-
Less Accumilated Depreciation	2,090,411	-
Net Book Value	15,833	-
Sale of KBB 321X	790,000	-
Profit on disposal of KBB 321X	774,167	-

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OTHER DISCLOSURES

32 RELATED PARTY DISCLOSURES

a) Embu County Government

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

Other related parties include:

- Water works Development Agencies
- WASREB (Water Services Regulatory Board)
- WRA (Water Resource Authority)
- Water Sector Trust Fund

b) Board of directors

The Board of directors are paid allowances when they attend scheduled meetings. The total cost for the board was Kes 11,660,105. Board members have a medical cover for the principal members at cost of Kes 488,285. During the period the Chairman was paid monthly honorarium amounting to Kshs 906,000, Board sitting allowance amounted to Kes 3,907,791. The board members attended induction trainings amounting to Kes 5,728,029 while air time was Kshs 600,000.

33. FINANCIAL MANAGEMENT RISK

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

i) 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;

CREDIT RISK				
As at June 2025	Total Amount	Fully Performing	Past Due	Impaired
	KShs	KShs	KShs	KShs
Trade Receivable	299,310,184	194,551,620	104,758,564	0
Other Receivables	49,569,020	18,049,514	31,519,506	0
Bank Balance	81,583,363	81,583,363	-	0
Total	430,462,567	294,184,497	136,278,071	-
As at June 2024				
	KShs	KShs	Kshs	Kshs
Trade Receivable	277,801,322	180,570,859	97,230,463	0
Other Receivables	48,481,284	16,961,778	31,519,506.41	0
Bank Balance	60,537,144	60,537,144	-	-
Total	386,819,750	258,069,781	128,749,969	0

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ii) Liquidity Risk

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.

LIQUIDITY RISK				
As at June 2025	Less than 1 Month	Between 1-3 Months	Over 5 Months	Totals
	KShs	KShs	Kshs	Kshs
Trade Payables	1,855,760	19,115,623	157,127,188	178,098,571
Employee Benefit	15,488,098		-	15,488,098
Total	17,343,858	19,115,623	157,127,188	193,586,669
As at June 2024				
Trade Payables	12,197,288	8,540,267	181,385,041	202,122,597
Employee Benefit	14,772,691		-	14,772,691
Total	26,969,979	8,540,267	181,385,041	216,895,288

iii) Capital Risk

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

	2025	2024
Revaluation reserve	150,665,469.00	150,665,469.00
Retained earnings	326,509,142.47	305,644,337.87
Capital reserve	100,000.00	100,000.00
Total funds	477,274,611.47	456,409,806.87
Less: cash and bank balances	81,583,362.97	60,537,144.30

34.Incorporation.

The company is incorporated in Kenya under the companies act and is domiciled in Kenya.

35.Events after the reporting Period.

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

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APPENDICES

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.

NO	AUDIT ISSUE	OBSERVATION	MANAGEMENT REPOSE	STATUS	TIME FRAME
1.0	Long Outstanding Receivables.	<p>The statement of financial position reflects trade and other receivables amounting to Kshs.294,763,099 which includes trade debtors of Kshs.292,422,444 as disclosed in note 20 to the financial statement. Review of the aging analysis reveals that debts amounting to Kshs. 249,756,568 or 85% of the trade debtors are older than one hundred and eighty (180) days. This points to poor debt collection strategy by the Company since the debts may become bad debts if not collected within a short period of time. No evidence has been adduced for poor debt collection strategies by the Company.</p> <p>In the circumstances, the validity and full recovery of the long outstanding trade and other receivables balance of Kshs 294,763,099 could not be confirmed</p>	<p>The management has adopted various strategies towards recovering the outstanding debts when they fall due. Some of the strategies are:</p> <p>The board has approved engagement of debt collectors to assist in debt collection Attached board minute Extract to show the approval. Normal disconnection of the services to customers with arrears. Attached sample task order</p> <p>Disconnection from the main on the customers who have been disconnected for over a year and have not paid the amount due</p> <p>Sending of demand Letters.</p> <p>The Company developed credit management policy which is now guiding the company on debt collection.</p> <p>Copies of payment plans in which the customers are given timelines for debt clearance</p>	Not Resolved	June 2025

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2.0	Long Outstanding Trade and Other Payables.	<p>As previously reported, the statement of financial position and as disclosed in Note 28 to the financial statements reflects trade and other payables balance of Kshs.247,360,296 in which includes trade payable balance of Kshs 202,122,597 which further includes Kshs 127,143,532 owed to five (5) creditors that has been outstanding for over two (2) years. No plausible explanation has been provided for failure to settle the long outstanding trade and other payables in the year to which the expenses were incurred or subsequent financial years.</p> <p>In the circumstances, failure to settle obligations as and when they fall due exposes the company to possible legal actions and increased cost due to interests and penalties</p>	<p>Previously before devolution the company used to pay levies to the Tana Water Services Board (TWSB) which later changed to Tana Water Works Development Agency (TWWDA) on monthly basis that was 4% of the billed income as administration fees. The levies had accrued to a tune of Kshs 77,630,842. However, there was a MOU and reconciliation meeting where the debt of Kshs 77,630,842 is to be off-set by Capital Investments by Ewasco as per the MOU. The management is waiting on confirmation agreement from TWWDA. Attached the MOU</p> <p>The amount of Kshs 34,022,455 due to WASREB relates to the WASREB levies for year 2021/2022 which were under provided, the company has an agreement with WASREB on how the amount will be cleared and we have a standing order of Kshs 1,300,000 per month to WASREB to clear the amount due</p> <p>The amount of Kshs 2,393,072.00 and Kshs 11,300,000 due to Runji and Partners; and Benisa Limited respectively relates to the OBA project for the construction of the new sewerage plant</p>	Not Resolved	June 2025
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			<p>funded by the world bank. The amount is available and held in two different bank accounts. The vendor will be paid once we receive and certify the final certificate of the works done.</p> <p>The amount due to Ahmed Nasir Abdulkadir Advocates relates to an employment case being handled by the firm on behalf of EWASCO. The cash will be paid once the case is concluded.</p>		
3.0	Staff Costs Exceeding WASREB corporate Governance Guidelines.	<p>The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects Kshs. 215,019,216 in respect of staff costs. However, the expenditure represents 45% of the total operating expenditure of Kshs. 481,445,212 which is higher than the recommended ratio of 35% prescribed by the Water Services Regulatory Board (WASREB) Corporate Governance Guidelines, 2018 Section 3.9(10) which states that, when fixing remuneration of the staff, the total expenditure for each financial year must not exceed the benchmarks set for the services sector nationally, so that personnel cost as share of operations and</p>	<p>Due to tough operating conditions which were occasioned by the previous tariff which was not cost recovery. The management introduced several measures to reduce the operating costs whereas personnel cost was fixed. This caused the operational cost to be raised to 46%</p> <p>WASREB has recognized the tough operating environment the WSPs (EWASCO) has been operating in, with this it has set a personnel expenditure ratio of 46% for year 2023/2024 in the current approved tariff and license in 2024 for the Company aimed at reducing the ratio throughout the tariff period so</p>	Not Resolved	June 2025

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		<p>maintenance cost shall be contained within the 35%. In the</p>	<p>as to attain the acceptable standards. In the year under review the ratio of Personnel Expenditure as a percentage of total Operation and Maintenance cost was 44.6% which is below the set ratio by the regulator.</p>		
4.0	Non-Adherence to Staff Ethnic Balance	<p>The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects Kshs.215,019,216 in respect to staff costs. However, review of employee biodata report revealed that the Company had one hundred and forty-one (141) staff members out of which eighty-seven (87) staff members were from the dominant ethnic community representing 62%. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.</p> <p>In the circumstances, Management was in breach of the law</p>	<p>The company from its inception in 2003 was run by the Embu Municipality which was largely dominated by individuals from Eastern region and more specifically persons from the Embu community. The legal regime in the company's formative years did not make it mandatory for the company to consider ethnic parity. Post 2010 constitution, the company was now mandatorily required to by law to ensure ethnic balance. At the point of entry of this requirement, the company was dominated by employees from its local area of operation. In a means to comply with the dictates of law, the company resolved to entrench affirmative action to benefit nonlocal communities in employment processes. The company remains steadfast in this pursuit as the ethnic balance requirement can only be achieved through progressive realization</p>	Not Resolved	

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5.0	Use of Expired Tariff in Billing	<p>The statement of profit or loss and other comprehensive income and as disclosed in note 6 to the financial statement reflects an amount of Kshs 414,773,637 in respect to operating revenue which includes an amount of Kshs.311,631,088 in respect of water billed to customers using outdated tariff structure that had expired on 30th June 2023. Therefore, the tariff used was not authorized contrary to the provisions of Section 72(1)(b) of Water Act, 2016 which states that Water Services Regulatory Board (WASREB) shall evaluate and recommend water and sewerage tariffs to the county water services providers.</p> <p>In the circumstances, the accuracy and completeness of revenue of Kshs.311,631,088 billed to customers could not be confirmed</p>	<p>The company finalized tariff process and submitted new tariff application to WASREB on 27/11/2023, the Company further carried out public participation and submitted the report on 23/05/2024. WASREB gave notice of tariff adjustment on 22/10/2024 and the approved tariff which took effect on 4th November 2024</p>	Resolved	
6.0	Non-Revenue Water	<p>The statement of profit/loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects Kshs. 414,773,637 which further includes Kshs. 311,631,088 in respect to water sales for the year ended 30 June 2024. Records provided showed that the company produced a total of 7,012,359</p>	<p>Non-Revenue Water (NRW) still remains a great challenge in our operations contributed by a myriad of factors among them illegal water uses especially for miraa cultivation, aged water infrastructure, old customer meters with low accuracy, vandalism, and destruction of pipelines especially during roads</p>	Not Resolved	June 2026

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		<p>cubic meters (m³) of water at an approximate expected earning of Kshs.68 per cubic meter during the year under review out of which only 4,585,761 cubic meters was billed to customers. The balance of 2,426,598 cubic meters (approximately 35%) of the total water produced, with an approximate expected earning of Kshs. 165,442,609 represents Non-Revenue Water (NRW). The Company therefore significantly exceeded the allowable NRW loss of 25% by 10% which if not addressed will negatively impact on the Company's profitability and its long-term sustainability.</p> <p>In the circumstances, Management was in breach of law.</p>	<p>construction. The company has adopted several interventions to address this such as use of community policing and water police unit to curb illegal water use and vandalism. We have also collaborated with the roads department (National and County) to minimize pipeline damages which leads to water losses during roads constructions. Plans are in place to rehabilitate assorted old pipeline infrastructure and replace old customer meters. We are also in the process of creating District Metered Areas (DMAs) to monitor areas with high NRW for quick intervention. As part of tariff condition, WASREB set a NRW target of 37% for the company for the financial year 2023/2024 but at least we managed 35%.</p>		
7.0	Failure to Comply with Corporate Governance Guidelines for Board of Directors Costs	<p>As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects board expenses of Kshs.12,737,541 for the year ended 30 June, 2024. However, the expenditure is higher than the recommended annual limit of Kshs.10,000,000 by an amount of</p>	<p>The increase is a result of policy review workshop and board induction workshop for the new board members who joined during the year and are required to be inducted and trained on governance for effective delivery of services.</p>	Resolved	

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		<p>Kshs.2,737,541 contrary to Paragraph 3.4(6) of the WASREB's Corporate Governance Guidelines for the Water Services Sector, 2024 on Board remuneration which states that to provide efficiency and act as an incentive to improve performance at oversight level, the limits for sitting allowances and other expenditures of the board and its committees for companies with annual turnover of up to Kshs.500,000,000 is capped at the higher of 2.8% of the turnover and Kshs.10 million per annum"</p> <p>The excessive director's costs may negatively impact on the Company's profitability and sustainability of services if measures are not put in place to contain the cost within the acceptable level.</p> <p>In the circumstances, Management was in breach of the guidelines.</p>			
8.0	Unauthorized Special Board Meetings.	The statement of profit or loss and other comprehensive income and as disclosed in Note 12 to the financial statements reflects board expenses amount of	The excess special board meetings held during the year were because of the governance issues we had as a company and the several activities held during the	Resolved	

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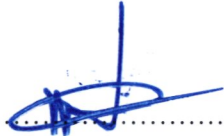
		<p>Kshs.23,009,427 which includes Kshs.9,536,249 in respect to sitting allowances paid to board members. However, it was noted that in addition to four (4) full board meeting held during the year under review, the Board also held fourteen (14) special board meetings.</p> <p>The number of board meetings held in the year which included four (4) full board and fourteen (14) special board totalling to eighteen (18) was contrary to circular reference OP/CAB.9/1A of March 11, 2020 from Head of Public Service – Executive Office of the President on Management of State Corporations which states that, Board meetings shall be restricted to a minimum of four (4) as provided for the State Corporations Act and capped at maximum of six (6) for each financial year, or as may be specified in respective enabling legal instruments.</p> <p>Further, no approval from the County Government for any extra board meetings (including special board meetings) above the maximum number</p>	<p>year that required board intervention. With all this, the board was forced to have several special meetings for the well-being of the company hence the increased board allowances paid during the year. However, the governance issues have been addressed and in the financial year 2023/2024 the board sittings were as per the prescribed guidelines.</p>		
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		<p>specified and the justification by Board on the source of funds, and implications was provided for audit verification.</p> <p>In the circumstances, Management was in breach of policy guidelines.</p>			
9.0	Unauthorized Borrowing of Customer Deposits	<p>The statement of financial position and as disclosed in Note 29 to the financial statement reflects Kshs. 100,023,180 in respect to refundable deposits However, the deposit bank account as at 30th June ,2024 had a balance of Kshs. 4,541,098 resulting in a difference of Kshs.94,469,345.</p> <p>Although the Management has explained that the amount was borrowed to cater for their operational expenses, no documentary evidence has been provided to confirm that the said borrowing had been refunded to the account as at 30 June 2024. This was contrary to Regulation 53(1) of Public Finance Management (County Government) Regulations,2015 that provides that an Accounting Officer of an entity may not authorize payment to be made out of funds earmarked for specific</p>	<p>The variance in the customer deposits was caused by:]</p> <p>The transition from the municipal council where the Company received a book balance of Kshs 7,500,000 as the customer deposits with a zero balance in the bank.</p> <p>The funds borrowed for various operational expenses and the OBA project for the construction of the new sewerage plant.</p> <p>However, to clear the difference we have a standing order of Kshs 1,000,000 every month from our main account to the customer deposits account.</p>	Not Resolved	June 2026

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		activities for purposes other than those activities. In the circumstances, Management was in breach of the law			
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Eng. JAMES NJUE NJERU
MANAGING DIRECTOR



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APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY

I. Projects

No	Project Title	Project Number	Donor	Period	Donor Commitment	Separate Donor Reporting	Consolidated in the financial statements
1	Gachuriri Waterline Extension-8th UPC Call		WSTF	12 Months	80%	YES	YES
2	House Hold Sanitation Project-UBSURP	03/HS/TWWDA/EMBU/EMBU/026	WSTF	12 Months	80%	YES	YES
3	CLSG II Project		WSTF	12 Months	100%	YES	YES

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II. Status of Projects Completion.

No	Project Title	Total Project Cost	Total Expended To Date	Completion % to Date	Budget	Actual	Sources of Funds
1	Gachuriri Waterline Extension-8th UPC Call	16,384,576.00	15,778,576.00	97%	16,384,576.00	15,778,576.00	W.S.T.F & Embu Water
2	House Hold Sanitation Project-UBSURP	20,189,302.00	5,055,782.50	25%	20,189,302.00	5,055,782.50	W.S.T.F & Embu Water
3	CLSG II Project	43,000,000.00	7,510,248.00	0%	43,000,000.00	7,510,248.00	W.S.T.F & Embu Water