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REPORT

OF

THE AUDITOR-GENERAL

ON

MERU COUNTY RURAL WATER AND SANITATION SERVICE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

DATE 04/12/2025
TABLED BY S.M.L
COMMITTEE —
CLERK-AT-THE-TABLE Abdirahman

MERU COUNTY RURAL WATER AND SANITATION SERVICES COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2025

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

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1. Acronyms and Glossary of Terms.

A.Acronyms

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
WaSREB	Water Services Regulatory Board
WSTF	Water Sector Trust Fund
DTF	Decentralised Treatment Facility
MeRuWASCO	Meru County Rural water and Sanitation Company limited
CECM	County Executive Committee Member

B. Definition of key Terms

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

Comparative Year- Means the prior period.

2. Key Entity Information

Incorporation

Meru County Rural water and sanitation services company limited (MERUWASCO) was incorporated on 19th October 2023 under the companies act 2015. It's fully owned by County Government of Meru which owns 4,997 shares; other shareholders are CECM Finance, CECM in charge of water and irrigation and The County secretary who owns one share each. The company operates as a Semi-Autonomous Government Agency (SAGA) Its mandate is to provide water and sanitation services in rural areas and small urban centres in its area of jurisdiction.

To fully meet its mandates, the Company undertakes roles including; provision of quality and economical water and sanitation services to customers, billing for water and sanitation services and ensuring timely collection of dues, routine maintenance of water and sanitation services infrastructure; and ensuring that standards and licensing requirements are complied with as stipulated by WASREB.

MeRU wasco inherited its assets and Liabilities from IMETHA Water and sanitation company.

Principal Activities

The principal activity of *Meru county Rural water and sanitation services company* ltd is to provide adequate, reliable and affordable water in its area of jurisdiction.

Mission statement

To sustainably provide quality, reliable and affordable water and sanitation services to residents of Meru County leveraging modern Technology.

Vision statement

A Model, world-class provider of water and sanitation services

Core objectives

i. Integrity
ii. Professionalism
iii. Team work
iv. Innovativeness
v. Transparency
vi. Inclusiveness
vii. Customer service
viii. environmental and climate change consciousness

Directors

The Directors who served in Meru county rural water and sanitation company ltd during the year/period were as follows:-

1	Lawrence Muriki Ngituju	Director	January 2024
2	Mr.Joseph Kirimi Muthamia	Director	January 2024
3	Charles Mwenda	Director	January 2024
4	Abiah Ntinyari	Director	January 2024
5	Mr. Romano Mwito	Secretary	January 2024

Registered Office
Ministry of water & irrigation offices
Meru-Nanyuki Road
P.O. Box 467 - 60200
MERU/KENYA

Corporate Headquarters
Ministry of water & irrigation offices
Meru-Nanyuki Road
P.O. Box 467 - 60200
MERU/KENYA

Corporate Contacts
Telephone: (254)064- 31781
E-mail: meruwasco@gmail,com
Website: www.meruwasco.co.ke

Corporate Bankers
1. Co-operative Bank of Kenya
P.O. Box 1328-60200
Meru

2. Family Bank
P.O Box 1-60200
Meru

3. Capital Sacco
P.O. Box 1479-60200
Meru

4. National Bank of Kenya
P.O Box
Meru

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

Principal Legal Advisers

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

2. Mithega & Company Advocates
   P O Box 612-60200
   MERU
   TEL. 0733-235604

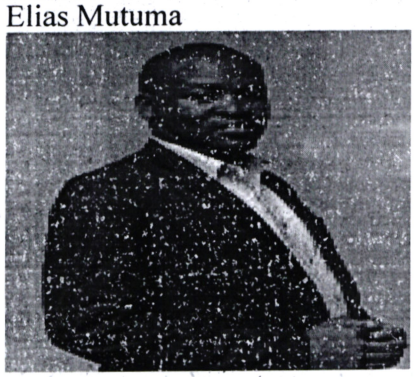
3. The Board of Directors

Photo	Name and Qualifications	Date of Birth and Experience
	Mr. Lawrence Ngituju Diploma in Business Management (Banking and Finance	DOB -05/07/1987 2020- Date- Sacco Manager 2017- 2019 – Recovery Officer
	Abiah Ntinyari Bsc. (Agriculture) Diploma in Agriculture Certificate in General Agriculture	DOB - 1963 2018-2023 – Senior Assistant Agricultural Officer 2010- 2018 - Assistant Agricultural Officer
	Joseph Kirimi Muthamia Bachelor of Education CPA (1)	DOB 1965 2012-2013 - Insurance Consultant, Mann Insurance Consultancy 2009-2011 – Branch Manager, Directline Assurance
	Charles Mwenda	2022-Date –Ag Chief Officer Finance
	Joyce Kaaria MBA Education BA Education	DOB – 1974 2022 -Date – Ag. Chief Officer Water and Irrigation 2004 -2022 Director SOS

	Mr. Romano Mwito MBA (Marketing) BA Business Administration	25/05/1984 April 2024 – Date – Managing Director, MeRuWASCO 2017-2022 – Member

4. Key Management Team

1.Mr.Romano Mwito Mugambi 	Date of birth 1984 Key profession/ Academic qualifications:
	MBA (Marketing) BA Business Administration
	Responsibilty Managing Director
2.Winfridah Nafula Juma 	Date of birth 1988 Key profession/ Academic qualification:
	MBA (Human Resource Management Bsc. Tourism Management CHRP (Finalist) IHRM (Member Responsibility: Acting Human Resource Manager and Administration October 2022 - to date
3.Winfred Mukiri 	Date of birth 1986 Key profession/ CPA K, Bachelor's degree in Commerce Banking and Finance option ICPAK Member
	Responsibility: Commercial Manager September 2012-16th April 2016 Internal Auditor 16th April 2016 to Date commercial Manager

4.Mr. Edward Njagi Mugambi 	Date of birth 1969 Key profession/ Academic qualifications: Higher National Diploma in Water Engineering Responsibility: Technical Manager August 2015 – 2018 2018-December 2022 Ag Acting General Manager December 2022-April 2024 Managing Director April 2024to Date Technical Manager
Elias Mutuma 	BCOM (Finance) Diploma in Business Management CCPK ICPAK (Member) Responsibility: Internal auditor
EvalinGacheri 	Bsc. Purchase and Supply Chain Management Diploma in Purchase and Supply Chain Management KISM (Member) Responsibility Acting Procurement Manager

5. Chairman's Statement

I am pleased to present the Chairman's Statement for MeRuWASCO for the financial year ending ended 30th June 2025

This year has been one of both challenge and progress. Across our operations, we have remained steadfast in our commitment to delivering clean, reliable, and sustainable water services to the communities we serve. As a cornerstone of public health and environmental stewardship, our mission has never been more relevant or more important.

I am pleased to report on yet another successful year where we have continued to provide the water services as per the mandate given to us by the regulator. During the period in review there was an improvement in the provision of services despite the challenges. The Company being the service provider of water and sanitation services in most parts of Meru, we are aware of the crucial role we play in sustaining growth, development and quality of life for the people of Meru. During the period under review, the company commissioned a new reticulation system at Mitunguu water scheme constructed by Water Sector Trust Fund at a cost of Kshs 18,279,870. The project will help in reducing non-revenue water and increase revenue.

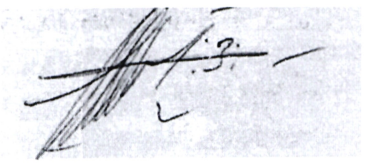
The company also is constructing a Decentralized Treatment Facility (DTF) and 200 pour flash toilets in Timau water scheme. The project is funded by Water Sector Trust Fund at a Cost of Kshs 20,313,276.59 this will help improve sanitation in Timau town and its environs. The company is committed to provide the highest quality of service, so as to meet the expectations of the customers. During the period we continued to excel in service delivery as attested by the improved performance The company operating revenues during the period under review was Kshs 64,397,658, The turnover rose from Kshs 59,076,849 in the previous financial year.

Despite facing pressures from climate variability, aging infrastructure, and increased regulatory expectations, MeRuWASCO has continued to deliver high standards of service. We achieved significant improvements in leakage reduction, customer satisfaction, and operational efficiency. Our teams have shown remarkable resilience and adaptability, particularly in responding swiftly to extreme weather events and ensuring continuity of water supply.

In order to sustain service delivery to the already established and potential customers, we are required to make significant investments in the infrastructure to increase the supply of available water in this regard the company is in final stages of negotiation with donor partners and Water sector Trust Fund for karumo Muriri water project which will increase water supply to 1500 meter cubic per day for supply in Tigania schemes.

In conclusion, the board acknowledges efforts by the management and staff and appreciates them for continued commitment and dedication to the company. I also acknowledge and appreciate the support Rendered to the Company by our customers and suppliers

Thank you



Lawrence Muriiki Ngitunju
Chairman Board of Directors
Meru County Rural Water & Sanitation Services Company

6. Report of The Managing Director

It is my pleasure to report of the company's performance for the financial year 2024/2025. During the year, the company's operating income was 64,397,658 million in comparison to the previous year's Kshs.59,076,849. The increase in income was as a result of the continuous improvement in service delivery.

Infrastructure improvement

MeRuWASCO inherited water infrastructure from the National Government in a dilapidated state. Huge investments are therefore required to develop and improve water infrastructure which are old and very wasteful, in order to meet the growing water demand. The ever-increasing demand for water services within the area of company's jurisdiction is caused by population growth, expansion of major towns and rural urban migration. The WSTF has continued to support the company for sanitation infrastructure in Timau scheme.

Customers

At Meru WASCO we value every customer and we strive to ensure our customers are satisfied and delighted by supplying them with clean, safe and reliable water. In order to meet this objective, we carryout hourly tests on various supply points. Regular tests are carried out to attest that the water quality meets regulatory requirements and conforms to the WHO standards.

During the period we organized sensitization through clinics to our customers to appeal to them to promptly pay for the water services to enable us continue providing the commodity. We are grateful to the customers who heeded this call and paid their water bills despite the tough economic crisis. Those who didn't heed to our call have a chance to come and enter into payment arrangement on how to settle their bills. On behalf of the management, I would like to thank our customers for their continued support they have given us throughout the period.

Non -Revenue Water

The company like any other water service provider is faced with problem of water losses that currently stand at 36 percent, an improvement to previous year of 39 percent. The Non-Revenue Water (NRW) is mainly attributed to illegal water use by unscrupulous individuals, under registering of old meters, leakages and bursts of old and dilapidated pipelines and pipeline damages caused by road contractors. In order to reduce the NRW, the company has implemented several interventions among them investigating and liaising with the authorities including the newly formed water police unit to apprehend the culprits illegally using water, rehabilitation of old and dilapidated infrastructure , regular monitoring of category one consumer meters (heavy Consumers).

Staff

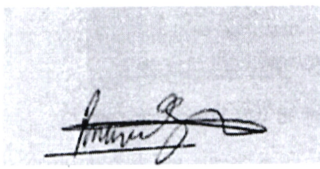
The achievements registered over the period would not have been possible without the professionalism and teamwork of our staff who remained committed throughout the period to attend our customer needs. On the other hand, towards improvement of our staff welfare, we regularly train our staff on various aspects in the service.

Conclusion

I take this opportunity to thank the County Government of Meru for providing an enabling environment for service delivery. We also cannot forget Water sector trust fund for the Mitunguu projects funding which assisted us much.

Finally, I express my gratitude to the Board of Directors for the continued guidance and support they provide to the Company.

Regards



Romano Mwito

Managing Director

Meru County Rural Water & Sanitation Services Company

7. Statement Of Meru County Rural Water And Sanitation Services Company Ltd Perfomance Against Predetermined Objectives For Fy 2024/2025

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the county government entity's performance against predetermined objectives.

The company has strategic pillars and objectives within its annual work plans for the FY 2024/2025

These strategic pillars are as follows:

Pillar 1: Increase water supply coverage

Pillar 2: Operation efficiency and customer service

Pillar 3: Financial sustainability

Pillar 4: Institutional Capacity/strengthening

Pillar 5: Corporate Governance

The assessment of the Board's performance against its annual work plan is done on a quarterly basis. Meru county rural water and sanitation Company continued to implement its performance targets set for the FY 2024/2025

MeRu WASCO strategic plan is in the place

8. Corporate Governance Statement

The Board of directors of the Company is responsible for the Governance of the Company. Good corporate governance is a fundamental part of the culture and business practices of the Company. The key aspects of the Company's corporate governance framework and primary corporate governance practices for the year are outlined below.

The Board of directors

The Board's most significant responsibilities are:

Stakeholder interests

- Guiding the Company with a view to long-term provision of clean and safe water at low cost having regard to the interests of all stakeholders, including customers, regulators, staff and the communities in the areas in which the Company operates;
- Providing strategic direction to the Company with a focus on consistent business performance, behaviour, transparency and accountability; and
- Reviewing and monitoring corporate governance and corporate social responsibility.

Strategy

- Reviewing, approving and monitoring corporate strategy and plans;
- Reviewing, approving and monitoring major investment and strategic commitments.

Performance

- Reviewing business results; and
- Monitoring budgets.

Integrity of external reporting

- Reviewing and monitoring the processes, controls and procedures which are in place to maintain the integrity of the Company's accounting and financial records and statements, and
- Reviewing and monitoring reporting to stakeholders and regulators

Risk management and compliance

- Monitoring and reviewing the risk management processes, the Company's risk profile and the processes for compliance with prudential regulations and standards and other regulatory requirements; and
- Reviewing and monitoring processes for the maintenance of adequate credit quality, Executive review, succession planning and culture

- Approving key executive appointments and remuneration, and monitoring and reviewing executive succession planning and diversity;
- Reviewing and monitoring the performance of the General Manager and senior management; and
- Monitoring and influencing the Company's culture, reputation and ethical standards.

Board performance

- Monitoring Board processes and performance. The Board has reserved certain powers for itself and delegated authority and responsibility for day-to-day management of the Company to the General Manager. Delegations are subject to strict limits. The Managing Directors authorities and responsibilities include:
- Development and implementation of Board approved strategies;
- Setting operational plans within a comprehensive risk management framework; and
- Sound relationship management with the Company's stakeholders. All delegated authorities provided by the Board to the Managing Director are reviewed as required.

Composition of the Board.

The members of the Board and the period each member has been in office are set out in the Report of the Directors. The composition of the Board is driven by the following principles:

- The Board will be of an appropriate size and as recommended by the regulator to allow efficient decision making;
- The Chairman of the Board was elected by all the other Directors;
- The Board should be representative of all the areas of operation of the company
- The composition of the board should be such that neither gender is more than two thirds
- The Board should consist of directors with a broad range of expertise, skills and experience from a diverse range of backgrounds, including sufficient skills and experience.

Board meetings

The company board of directors conducts its meetings according to the rules and procedures contained in its governing documents. There were three meetings held in each quarter that is audit committee meetings, finance administration and technical committee meetings and the full board meeting. During the year the company held two audit committee meetings, two finance, administration and technical meeting and two full board meetings.

The committee was constituted and had the following members:

During the financial year 2024/2025 the board held 14 meetings. The details of the attendance at these meetings are as set out below:

NAME OF THE DIRECTOR	FULL BOARD MEETING		NAME OF THE COMMITTEE	COMMITTEE MEETING	
	ATTENDED	ELIGIBLE TO ATTEND		ATTENDED	ELIGIBLE TO ATTEND
Mr. Lawrence Ngituju	3	3	Special Audit Finance Technical	2 0	2 0
Abiah Ntinyari Kirimaniah	3	3	Special Audit Finance Technical	2 3 3 3	2 3 3 3
Joseph Kirimi Muthamia	0	2	Special Audit Finance Technical	0 0 0 0	0 0 0 0
Charles Mwenda	2	2	Special Audit Finance Technical	2 3 3 3	6 3 3 3
Joyce Kaaria	2	2	Special Audit Finance Technical	2 3 3 3	2 3 3 3

Water Sector Reforms

The Constitution of Kenya 2010 devolved the provision of water services to the County governments. Consequently, the County Assembly of Meru passed a bill to provide for development, regulation and management of county public works related to water and sanitation services. The Act provides for the creation of Meru County Urban Water and Sanitation Corporation to be the successor to MEWASS and Imetha. The corporation is responsible for the provision of water and sanitation services in the urban settlement within Meru County.

9.Management Discussion and Analysis

MeRuWASCO presents its financial performance for the year ending 30th June 2025. The company continued to provide water service in its area of jurisdiction whose mission is to provide quality water and sanitation services to its customer's delight, through a committed workforce using modern technology.

Revenue

The operating revenue during the year was Kshs 64,397,658 an Upward trend compared to the previous year of Kshs 59,076,849 The company continued to enhance distribution network capacity in order to deliver increased water. This has helped in growing the revenue.

The company received subsidy of Kshs 510,960 from the county government of Meru inform of Salaries for the staff seconded.

Expenditure

The company's primary expenditure relates to Administration, Operation and Maintenance and Personnel costs. The others are depreciation of assets. During the year ending 30th June 2025, expenditure of Kshs 68,860,474 was incurred as compared to Kshs 65,080,717 in the previous year

Liquidity

In the financial year ending June 2025, there was Increase in receivables by Kshs 1,903,642 There was also increase in accounts payables Kshs 9,585,565 this is because the company was not able to settle some of the debts, e.g. WRMA and TWSB due to financial constraints. The company had a negative working capital of Kshs 23,313,350

As at 30th June 2025 the company had Kshs 4,231,535 as cash at hand and bank. Inventory of Kshs 968,146. The total current assets were Kshs 45,976,754 and the total current liabilities was Kshs 69,290,104 therefore the company had a negative working capital of Kshs 23,313,350

10.Enviromental and Sustainability Reporting

Meru County Rural Water and sanitation services company exists to transform lives. This is our purpose: the driving force behind everything we do. Its what's guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisations policies and activities that promote sustainability.

i) SUSTAINABILITY STRATEGY AND PROFILE

The continuity of our company is hinged/dependant among other on the following key foundations

- Water source
- Distribution infrastructure
- Production levels
- Distribution efficiency
- Non - revenue water reduction
- Water safety

The company has made efforts to the above key foundations to reduce water scarcity which can affect the company future. In addition as part of company mandate of increasing sewerage services to Meru residents, it as constructed 200 Toilets to the residents of Mitunguu and constructed Decentralized Treatment Facility with help from WSTF at Mitunguu water scheme, this will increase customers and add the company more revenue streams.

ii) Environmental Performance

Imetha water and sanitation company values environment and strives to protect the environment more so its water catchment areas the management is in the process of developing a policy.

iii) Employee Welfare

The company recognizes that staffs are critical resource for attainment of corporate objectives and personal development. The company therefore prioritises employee welfare, among other employee management initiatives the following are emphasized: training, Health and safety at work place and Personal career developments. To enhance compliance with occupational safety and health act the management is proposing to develop a policy.

iv) MARKET PLACE PRACTICES

a) Responsible Competition Practice

The company acknowledges the role played by competitors in complimenting it service to all citizens under its jurisdiction given by the regulator to supply water , which is a right enshrined in the Kenya constitution.

in this regard, the company engages other water supply organisation more so the community projects and provides them with technical expertise in Non-Revenue water reduction and water safety.

b) Responsible Supply Chain And Supplier Relations

The company acknowledges the importance of managing suppliers through prompt payment. We endeavour to pay supplier invoices within the credit period given by our suppliers. where the company is unable to meet this obligation on due dates, we provide a notice to suppliers of the delay and communicate alternative paying dates.

c) Responsible Marketing

The company while publicizing of its products, ensures that our marketing and advertisements campaign are conducted using fair language. are morally upright and adhere to other fair marketing and advertising practices. The entity is in process formalising a policy document.

d) Product Stewardship

The company provides its customers with clean reliable water, to achieve this, hourly tests are conducted and also regular tests are carried out to attest that the water quality meets regulatory standards and conforms to the WHO standards. The company as protected water catchment areas by planting trees and creating awareness to community of the need to protect water sources.

e). Corporate Social Responsibility/Community Engagements

The company through its pro poor programmes continued to increase coverage for both water and sanitation to the unserved and underserved within its area of jurisdiction during the financial year.

The company was be able to:

- To improve the health standards of Timau water scheme the company is planning to subsidize 200 No of pour flash toilets and constructing a Decentralised Treatment Facility

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 *Meru County rural water and sanitation services company* affairs.

Principal activities

The principal activities of the Meru County rural water and sanitation company continue to be to provide adequate, reliable, and affordable water in its area of jurisdiction.

Results

The results of the Meru County rural water and sanitation company for the year ended June 30, 2025 are set out on page 1-27

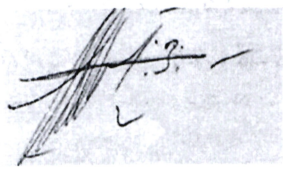
Directors

The members of the Board of Directors who served during the year are shown on page v In accordance with Regulation of Meru County water and sanitation services act of 2014

Auditors

The Auditor General is responsible for the statutory audit of the *Meru County Rural water and sanitation company limited* in accordance with and article 229 of the constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Lawrence Muriiki Ngitunju

Chairman of Directors
Meru County Rural Water & Sanitation Services Company ltd

12.Statement of Directors' Responsibilities

Section 81 of the public finance management act,2012 and The Public Finance Management Act, 2012 and the State Corporations Act, require the Directors to prepare financial statements in respect of that *Meru county Rural water and sanitation company*, which give a true and fair view of the state of affairs of the *Meru county Rural water and sanitation company* at the end of the financial year/period and the operating results of the *Meru county Rural water and sanitation company* for that year/period. The Directors are also required to ensure that *Meru County rural water and sanitation services company* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Imetha water and sanitation company*. The Directors are also responsible for safeguarding the assets of the *Imetha water and sanitation company*.

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

The Directors accept responsibility for the *Meru county 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 2012and the State Corporations Act.

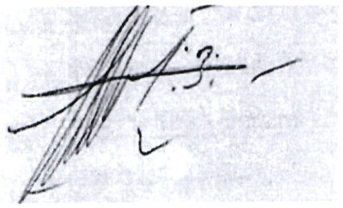
The Directors are of the opinion that the *Meru county rural water and sanitation company's* financial statements give a true and fair view of the state of *Meru county rural water and sanitation company's* transactions during the financial year ended June 30, 2025, and of the *Meru county rural water and Sanitation Company's* financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the *Meru county rural water and Sanitation Company*, which have been relied upon in

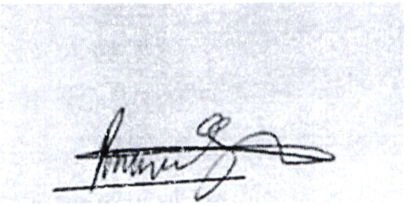
the preparation of the *Meru county rural water and sanitation company's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the *Meru county Rural water and sanitation company* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The *Meru county Rural water and sanitation company's* financial statements were approved by the Board on 25th August , 2025 and signed on its behalf by:





Lawrence Muriki Ngituju
Chairman Board of Directors

Romano Mwito
Managing Director

13. Report Of The Independent Auditors-General On Meru Rural Water And Sanitation Services Company Limited.

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY RURAL WATER AND SANITATION SERVICE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Meru County Rural Water and Sanitation Services Company limited set out on pages 1 to 61, which comprise of the

statement of financial position as at 30 June, 2025 and statements of profit or 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 Meru County Rural water and Sanitation Service Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with accrual basis of accounting method under the International Financial Reporting Standards (IFRS) and comply with Meru County Water and Sanitation Services Act, 2014, Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. **Material Uncertainty Related to Going Concern**

The statement of financial position as at 30 June, 2025 reflects current liabilities balance of Kshs.69,290,104 while current assets amounted to Kshs.45,976,754 resulting to negative working capital balance of Kshs.23,313,350. Further, the statement of profit or loss and other comprehensive income reflects a loss of Kshs.4,462,816. (2024: Kshs.6,003,869). The uncertainty of going concern has not been disclosed in the financial statements. The Company is therefore, technically insolvent and may not meet its obligations when they fall due. Its continued existence as a going concern is dependent upon financial support from its creditors and the Water Company.

In the circumstances, the negative liquidity position is an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern.

2. **Long Outstanding Trade and Other Receivables**

The statement of financial position and as disclosed in Note 29 to the financial statements, reflects gross trade receivables balance of Kshs.40,676,852 relating to trade and receivables. This balance includes a balance of Kshs.39,435,609 in respect to trade receivables, of which a balance of Kshs.30,578,562 had been outstanding for a period exceeding six (6) months. There was no evidence of collection efforts or impairment assessment, and the amount of trade receivables had increased by Kshs.1,327,301 compared to the previous year, despite a 10% provision in the current financial year.

In the circumstances, recoverability of trade receivables balance of Kshs.30,578,562 could not be confirmed.

3. Undisclosed Water Inventory Held in the Distribution Infrastructure

The statement of financial position reflects an inventory balance of Kshs.968,146 as disclosed in Note 28 to the financial statements. However, the Company did not value, present, and disclose the amount of water held in the treatment plants, reservoirs, and distribution systems at the end of the year in accordance with International Accounting Standard on Inventories (IAS) 2.

In the circumstances, the accuracy and completeness of inventory balance of Kshs.968,146 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Meru County Rural Water and Sanitation Service 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

Budget Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.90,695,039 and Kshs.64,397,658 respectively resulting to an under-funding of Kshs.26,297,381 or 29% of the budget.

The under-performance 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 communicate in my report.

Other Matter

Unresolved Prior Year 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. Review of the status during audit of the Meru County Rural Water and Sanitation Service Company Limited in 2024/2025 revealed that the following matters remained unresolved 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

The Board of Directors is responsible for the Other Information set out on page i to xxiii which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Report, Report of the Managing Directors, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of Directors, Statement of Management Responsibilities and Statement of Performance Against Predetermined Objectives. 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

The statement of profit or loss and comprehensive income and as disclosed in Note 6 to the financial statements reflects an amount of Kshs.58,028,499 in respect to operating revenue, which includes revenue amount of Kshs.33,148,200 from water sales. Records provided for audit review revealed that the Company produced 1,332,624 cubic meters (m^3) of water. However, only 825,627 Cubic meters (m3) of water were billed to customers. The balance of 506,997 cubic meters (m3) or approximately 38% of the total

volume of water produced, with an estimated sale price of Kshs.45,627,730 at the rate of Kshs.90 per cubic meter (m^3) represented Non-Revenue Water (NRW), which is 13% over and above the allowable water loss of 25% as per the Water Service Regulatory Board Guidelines only 333,156 m^3 or 25% unaccounted water (loss) was allowable out of the total 1,332,624m^3 of water produced by the Company.

The excess loss of 173,841 m^3 or 13% of water produced during the year under review, translating to Kshs.15,645,690 (at Kshs.90 per cubic meter) was therefore, non-allowable.

In the circumstances, the significantly high level of non-revenue water may negatively impact the Company's profitability and its long-term sustainability

2. Increase in Trade and Other Payables

The statement of financial position and as disclosed in Note 43 to the financial statements reflects trade payables balance of Kshs.54,786,254. An analysis of the schedule of pending account payable records revealed that the current trade payables balance was Kshs.54,786,254 while the outstanding bills for the last financial year were Kshs.45,200,589. This represents a balance of Kshs.9,585,665 or (21%) increase in trade payables from the financial year 2023/2024.This was contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that 'an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contract (s) are reflected in approved budget estimates'.

In the circumstances, failure to settle obligations as and when they fall due exposes the Company to litigation and interest claims from creditors. The Company is exposed to possible legal actions and increased costs due to interests and penalties.

3. 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 11 to the financial statements reflects an amount of Kshs.30,152,732 in respect of staff costs for the year ended 30 June, 2025. However, the expenditure amount represents 44% of the total operating expenditure of Kshs.68,860,474 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.

4. Non - Compliance with the Staff Ethnic Composition

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements, reflects an amount of Kshs.30,152,732 in respect to staff costs. Review of human resource records revealed that the Company in the year under review had a total of one hundred (100) employees, out of whom seventy-nine (79), representing 79% of the total workforce, were from the dominant ethnic community. This is contrary to Section 7(2) of National Cohesion and Integration Act, 2008 which provides that the staff establishments of public entities to reflect the diversity of the people of Kenya with least 30% of employees are expected to be from other ethnic communities.

Management was in breach of the law.

5. Implementation of Unapproved Salary Scales

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements, reflects an amount of Kshs.30,152,732 in respect to staff costs. On the Contrary, Company employees' salaries do not match those in the approved salary structure for SRC. In addition, the salary structure (different job groups and annual increments) adopted by the Board that outlined salaries designed and implemented by Company is not approved by the Salaries and Remuneration Commission.

In the circumstances, this was non-compliance with the Circular.

6. Failure to Deduct and Remit Capacity Building Levy

Review of records revealed that the Company entered into contracts but no documentary evidence has been provided to confirm that the County Executive complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

7. Failure to Budget for Climate Change and Financing

Review of the Company's annual budget and financial plans revealed that no provisions for climate change mitigation, adaptation programs, or climate financing initiatives were made. In addition, there was no evidence of planned allocation of funds for projects or activities that address climate risks, such as water source protection, energy-efficient operations, or climate resilience measures, despite the Company's operations being highly dependent on environmental sustainability. This contrary to The National Climate

Change Act, 2016, which obligates public entities to mainstream climate change measures into their operational and development plans and to allocate adequate resources to address climate resilience and adaptation.

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

8. Noncompliance With the Approved Staff Establishment

Analysis of the approved staff establishment provided for audit review revealed that the Company recruited nineteen (19) employees outside the approved staff establishment. This was contrary to Paragraph 3.9 of the Corporate Governance Guidelines for the Water Services Sector, 2018 which requires that the Board of Directors should ensure that it has a Staff Establishment showing in-post and vacancies based on sector standard competency.

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

9. Failure to observe One Third of Basic Salary Payment Rule

Audit examination of payroll data submitted for the year under review, indicated that fifteen (15) employees of the company had several instances of over-deductions made against their salaries exceeding the required two thirds (2/3) of their basic salary contrary to Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016 states that "Public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance."

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

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

Use of Old Water Tariffs

Review of the Company's records revealed that the Company charged customers based on tariffs approved on 18 July, 2014 that were to be applied from 2014 to 2017. However, the tariffs have since lapsed and the Company has continued to use the same old tariffs for six (6) subsequent years without approval.

In the circumstances, the controls on effectiveness of maximization of water sales could not be confirmed.

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

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 xxi to xxiii is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report on page 24 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, 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 the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

21 November, 2025

Appendices: Unresolved Prior Year Matters

	Financial Year	Audit Issue	Amount Kshs.
1	2023/2024	Material Uncertainty Related to Going Concern	6,911,961
2	2023/2024	Long Outstanding Trade Receivables	31,392,433
3	2023/2024	Long Outstanding Trade Payables	27,333,540
4	2023/2024	Lack of Risk Management Policy	
5	2023/2024	Unconfirmed Ordinary Share Capital	50,400
6	2023/2024	Non-Compliance with WASREB Guidelines on Incorporation and Shareholding of the Water Company	
7	2023/2024	Un-Supported Salary Structure	
8	2023/2024	Failure to observe One Third of Basic Salary Payment Rule	
9	2023/2024	Non-Compliance with the Approved Staff Establishment	
10	2023/2024	Non-Revenue Water	29,071,177
11	2023/2024	Non-Compliance with Fiscal Responsibility Principle on Wage Bill	43%

14. Statements of Profit or Loss and other Comprehensive Income for the year ended 30 June 2025

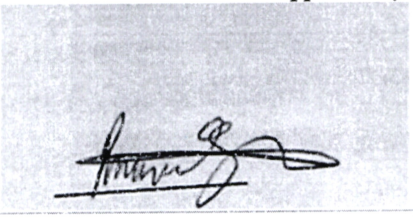
	NOTE		2024-2025	2023-2024
			Kshs	Kshs
Revenue				
Operating Revenue	6		58,028,499	51,588,191
Grant Income	7		1,693,099	6,528,074
Other Incomes	8		4,676,060	960,584
Finance Income	9		-	
Other Gains/(losses)	10		-	-
Total Revenue			**64,397,658**	**59,076,849**
Expenses				
Staff Costs	11		30,152,732	25,330,763
General and Operations Expenses	12		23,117,635	21,459,845
Board Expenses	13		1,322,510	2,159,679
Maintance Expenses	14		3,693,810	11,865,969
Depreciation and Amortisation Expenses	15		10,573,787	4,264,461
Finance Cost	16			-
Total Expenses			**68,860,474**	**65,080,717**
Profit/(loss) Before Taxation			**(4,462,816)**	**(6,003,868)**
				-
Income Tax Expense/(Credit)	17		-	-
Profit/(loss) After Taxation			**(4,462,816)**	**(6,003,868)**
Earnings per share-Basic and Diluted	18		-	-
Divided per share	19		-	-
Other comprehensive income				
Profit/(loss) After Taxation			(4,462,816.41)	(6,003,868)
Surplus or Defecit on Revaluation of PPE			-	
Remeasurement of Net Defined Benefit Liability				
Fair value Gain/(Loss) on investmnet in Equity Instrument Designated As At FVTOCI(Fair Value Through Other Comprehensive Income)				
Total Comprehensive income for the year			(4,462,816.41)	(6,003,868)

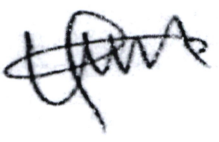
15. Statement of Financial Position as at 30 June 2025

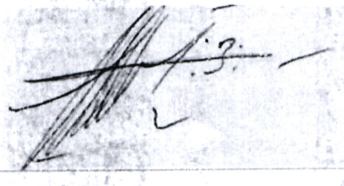
	NOTES	2024-2025 Ksh	2023-2024 Ksh
ASSETS			
Non-current Assets			
Property plant and equipment	20	50,251,840	39,127,907
Intagible Assets	21		
Investment Property	22		
Right of use Assets	23		
Biological Assets	24		
Fixed Interest Investments	25		
Quoted investments	26		
Unquoated Investments	27		
Total Non current assets		**50,251,840**	**39,127,907**
Current Assets			
Inventory	28	968,146	1,647,705
Trade and other Receivables	29	40,676,852	38,773,210
Tax recovarable	30	-	-
Short term Deposits	31		-
prepayments	32	100,221	96,046
Bank and cash balances	33	4,231,535	11,992,018
Total Current Assets		45,976,754	52,508,978
Total Assets		**96,228,594**	**91,636,885**
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary Share Capital	34	-	-
Revaluation Reserve	35		

Fair Value Adjustment Reserve	36	-	-
Retained Earnings	37	5,840,168	10,302,984
Capital and Reserves		21,098,323	21,912,962
Capital and reserves		**26,938,490**	**32,215,946**
Non- Current Liabilities			
Defferd tax liability	38	-	-
Borrowing	39	-	-
Lease Liability	40	-	-
Provisions	41	-	-
Retiremnets Benefits	42	-	-
Total Non-current liabilities		-	-
Current Liabilities			
Borrowings	39	-	-
Lease Liability	40	-	-
Provisions	41	-	-
Retirements Benefits Obligations	42	-	-
Trade and other Payables	43	54,786,254	45,200,589
Refundable Deposists and Prepayments	44	14,503,850	14,220,350
Differed Income	45	-	-
Dividends Payable	46	-	-
Taxation	47	-	-
Total Current Liabilities		**69,290,104**	**59,420,939**
TOTAL EQUITY AND LIABILITIES		**96,228,594**	**91,636,885**

The financial statements were approved by the board on 28TH August 2025 and signed on behalf.







Romano Mwito	**winfred Mukiri**	**Lawrence Muriki Ngitunju**
Managing Director	**Head of Finance**	**Chairman Board of Directors**
	ICPAK M/NO17874	

16. Statements of Changes In Equity For The Financial Year Ended 30 June 2025

	Note	Ordinary Share Capital	Revaluation Reserve	Fair Value Adjustment Reserve	Retained Earnings	Capital Reserves	Proposed Dividends	Capital Development Fund	Total
						KSHS			
0		-	-	-	-	0	0	0	0
As at 1st July 2023		-	-	-	16,306,852	19,793,833	-	-	36,100,685
New Capital Issued		-	-	-	-	-	-	-	-
Revaluation Gain		-	-	-	-	-	-	-	-
Transfer of Execess depreciation		-	-	-	-	-	-	-	
Fair Value Adjustment on quoted Investmnets		-	-	-	-	-		-	-
profit for the year		-	-	-	(6,003,869)	-	-	-	(6,003,869)
Capital Development received during the year		-	-	-	-	3,547,283	-	-	3,547,283
Transfer of depreciation amortisation from capital fund to retained earnings		-	-	-			-	-	-
Dividends paid -prior year		-	-	-	-		-	-	-
Interim dividends paid-curent year		-	-	-	-	-	-	-	
proposed final dividends		-	-	-	-		-	-	-
Armotisation of Capital Grant		-	-	-		(1,428,154)	-	-	(1,428,154)
Suplus/Deficit for the year		-	-	-	-		-	-	-
As at 30th June 2024		-	-	-	10,302,983	**21,912,962**	-	-	**32,215,945**

As at 1st July 2024					10,302,983	21,912,962	-	-	32,215,945
Issue of new share capital						-	-	-	-
revaluation gain					-	-	-	-	-
Transfer of excess depreacitaion on revaluation					-	-	-	-	-
defferred tax on excess depreciation					-	-		-	-
Fair value adjustmnet on quoted investments					-	-	-	-	-
Recurrent / Grants recived during the year						-			-
profit for the year		-	-	-	(4,462,816)		-	-	(4,462,816)
Capital/development grants recived during the year		-	-	-	-	367,500	-	-	367,500
		-	-	-	-	-	-	-	-
Dividends paid-prior year		-	-	-	-		-	-	-
Interim dividends paid current year		-	-	-	-		-	-	-
proposed final divideds		-	-	-	-		-	-	-
		-	-	-	-		-	-	-
Armotisation of Capital Grant		-	-	-	-	(1,182,139)	-	-	(1,182,139)
Capital Grant		-	-	-	-		-	-	-
Refund - WSTF		-	-	-	-	-	-	-	-
		-	-	-		-	-	-	-
Suplus/Deficit for the year		-	-	-	0	-	-		-
AS at 30 June 2025		-	-	-	5,840,167	**21,098,322**	-	-	26,938,489

17. Statement of Cash Flows For The Y ear Ended 30 June 2025

	Notes	2024-2025 kshs	2023-2024 kshs
Cash flow from operating activities			
Operating Receipts		58,028,499	51,588,191
Grant income		510,960	5,099,920
finance income		-	-
other incomes		4,676,060	960,584
Customer Deposits		293,500	291,000
Increase of Creditors		9,585,665	6,835,160
Decrease in Inventory		679,559	(747,229)
		73,774,242	**64,027,626**
Payments			
Staff costs		30,152,732	25,330,763
General and Operation expenses		23,117,635	21,459,845
Board Expenses		1,322,510	2,159,679
Maintance expenses		3,693,810	11,865,969
Finance costs		-	-
Refund to customers deposists		10,000	-
prepayments		4,175	
Increase in Debtors		1,903,642	(1,152,625)
		-	
Total Payments		**60,204,504**	**59,663,631**
Net cash flow from operating Activities	48	**13,569,738**	**4,363,995**
Cash Flow from investing Activities			
Purchase of Plant Property and Equipments(PPE)		(21,697,721)	(6,637,189)
Proceeds from disposal of PPE		-	-
Purchase of intagible assets			-
Purchase of investment property		-	-
Purchase of quoted investments		-	-
Proceeds from disposal of Quoted Investments		-	-
Net cash used in investing activities		**(21,697,721)**	**(6,637,189)**
Net cash flow before financing Activities		**(8,127,983)**	**2,273,194**
Cash flow from financing activities			
procceeds from issue of New share Capital			
Proceeds from Borrowings			
Repayments of Borrowings			
Dividends paid			
Grants from the county Governments of Meru Water meters		367,500	3,547,283
Refund of Grant income to WSTF			-
Net cash flow from financing activities		**367,500**	**3,547,283**
Increase in cash and cash Equivalents		(7,760,483)	1,274,089
Cash and cash equivalents as at 1st July 2024		11,992,018	10,717,929
Effects of Foreign exchange Rtae fluctions			
Cash and cash equivalents as at 30th June 2025		**4,231,535**	**11,992,018**

18. Statement of Comparison of Budget and Actual Amount for the Period Ended 30 June 2025

	Original Budget	Adjustments	final Budget	actual comparable basis	performance Difference	Percentage of utilisation
	a	b	c=a+b	d	e=c-d	f=d/c%
Revenue	**Kshs**	**Supplimentary**	**Kshs**	**Actual**	**Kshs**	
Operating Revenue	67,899,672	16,426,208	84,325,880	58,028,499	26,297,381	69%
Non Operating revenue		510,960	510,960	510,960	-	
Grants Amortisation	-	1,182,139	1,182,139	1,182,139	(0)	
Other income		4,676,060	4,676,060	4,676,060	-	100%
Other Gains	-		-		-	
Total Revenue			-			
Total income	**67,899,672**	**22,795,367**	**90,695,039**	**64,397,658**	**26,297,381**	71%
EXPENSES						
Staff costs	29,098,745	980,457	30,079,202	30,152,732	(73,530)	100%
Board Expenses	2,650,000	(1,042,088)	1,607,912	1,322,510	285,402	82%
General and Operations Expenses	27,249,874	1,693,099	28,942,973	33,691,422	(4,748,449)	116%
Maintanance	6,981,053	(3,200,000)	3,781,053	3,693,810	87,243	98%
Finance Costs	-			-	-	
Total Recurrent Expenditure	65,979,672		64,411,140	68,860,474	(4,449,334)	107%
Total payments						
Capital Expenditure payments	1,920,000	24,363,899	26,283,899	21,697,721	4,586,178	83%
Total Expenditure	**67,899,672**	**22,795,367**	**90,695,039**	**90,558,195**	**136,844**	
Surplus				**(26,160,537)**		

Notes to the budget

Budget Reconciliation

	Description of Amounts	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	(26,160,537)
1	Relates To capital expenditures which is not disclosed in the statement of profits and loss and other comprehensive	21,697,721
	Closing Cash and Cash Equivalent as per the statement of Cash flows	**4,231,535**

19. Notes to the Financial Statements

1. GENERAL INFORMATION

Meru county rural water and sanitation services company limited (MERUWASCO) was incorporated on 19th October 2023 under the companies act 2015. Its fully owned by county government of Meru and operates as a Semi-Autonomous Government Agency (SAGA) Its mandate is to provide water and sanitation services in rural areas and small urbarn centers in its area of jurisdiction.

To fully meet its mandates, the Company undertakes roles including; provision of quality and economical water and sanitation services to customers, billing for water and sanitation services and ensuring timely collection of dues, routine maintenance of water and sanitation services infrastructure; and ensuring that standards and licensing requirements are complied with as stipulated by WASREB.

MeRuWASCO inherited its assets and Liabilities from IMETHA Water and sanitation company.

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 *Meru county Rural water and sanitation company's* accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Meru county rural water and sanitation company.* The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2025

Title	Description	Effective
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

(The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....)

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without public Accountability	IFRS 19 Subsidiaries without public Accountability: Disclosures IFRS 19 Subsidiaries without public Accountability: Disclosures was issued in May 2024.IFRS 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 t apply this standards 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 until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements).

iii Early adoption of standards

The entity did not -adopt any new or amended standards in the year 2025

Notes to the financial statements (continued)

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

i. **Revenue from the sale of water services** is recognised in the year in which the *MeRu WASCO sanitation company* delivers service to the customer, the customer has accepted the bill and collectability of the related receivables is reasonably assured.

ii. **Grants from National Government or County Government** are recognised in the year in which the *WASCO sanitation company* actually receives such grants.

iii. **Finance income** comprises interest receivable from bank deposits is recognised in profit or loss on a time proportion basis using the effective interest rate method.

iv. Other income is recognised as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

d) Depreciation and impairment of property, plant and equipment

All non-current assets are valued at historical cost and after subsequent adjustment with their respective depreciation.

Subsequent costs are included in asset carrying amount or recognized as a separate asset, as appropriate. All other repairs and maintenance are charged to the income and expenditure account during the financial period in which they occurred. No asset revaluation has been carried in the year under review. Value of water treatment plant freehold land and property is under valuation and report will be submitted when all procedures and formalities are completed and subsequently be incorporated in the financial statement

Depreciation:

This has been calculated on reducing balance method pro-rata to time of purchase using the following rates:

Items	Years	Rate (Percent)
freehold land	-	-
Leasehold Land	-	-
Pipe and Fittings	4yrs	20
Infrastrute Works	8yrs	13
Plant and Machinery	8yrs	
Motor vehicles including motor cycles	4yrs	25.0
Computer and related Equipment	3.3yrs	30
Office Equipment Furniture and Fittings	8yrs	12.5
Looose tools		33.33
Water meters		12

Depreciation and impairment of property, plant and equipment (Continued)

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

e) Intangible assets

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

g) Investment property

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

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

h.) Right of use Assets

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

of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Fixed interest investments (bonds)

long-term infrastructure bonds and other corporate bonds with the intention of earning interest. Fixed interest investments Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK)

are freely traded at the Nairobi Securities Exchange. The bonds are measured at

amortized cost or at fair value through profit or loss or at fair value through other comprehensive income (FVOCI). (Whichever is applicable).

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 that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

l) Inventories

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

m) Trade and other receivables

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

A provision of 10% is made on all receivables.

n) Taxation

i. Current income tax

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

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

P) Borrowing Costs

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at 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.

s) Trade and other payables

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

T) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2017 The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

U) Provision for staff leave pay

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

V) Exchange rate differences

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

w) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 24TH June 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

Accordingly, the Company recorded additional appropriations of xxx on the 20xx-20xx budget

x) Service concession arrangements

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

y). Comparative figures

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

O) 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.

4.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 ajustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and

liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Company.
- The nature of the asset, its susceptibility and adaptability to changes in technology and

Processes

- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the assets.

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx. 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. (Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions) (NB: An entity is required to disclose its material accounting policies following amendment of

IAS 1 where an entity is supposed to disclose

NOTES TO THE FINANCIAL STATEMENTS

6. Operating Revenue

	2024-2025 kshs	2023-2024 kshs
Water Sales	52,613,923	46,062,100
sewerage services	3,473,976	3,417,291
Billing for other services	1,940,600	2,108,800
Total	**58,028,499**	**51,588,191**

billing for other services refers to income generated from services such as reconnection feesand labour charges

7.Grants Income

	2024-2025 kshs	2023-2024 kshs
Operational grants from Government Entities	510,960	510,960
Recurrent/Operational grants from other agencies	-	4,588,960
Capital grants Amortised	1,182,139	1,428,154
Donations from county Government		
Inkind contributions/donations from other Agencies		
TOTAL	**1,693,099**	**6,528,074**

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund KShs	[illegible]	[illegible]
TWWDA		367,500	367.500	367,500	
County Government of Meru	510,960				
Total	510,960	367,500	367,500	367,500	

8. Other Income

	2024-2025	2023-2024
	kshs	kshs
Sale of tender	-	-
Decrease in provision for bad debts		130,168
fines and penalties	-	-
Rental Income	-	-
Insuarance Compenasation	4,676,060	213,000
Miscellaneous income(Refund of money and cash)		53,530
other incomes		563,886
Total	4,676,060	960,584

9. Finance Income

	2024-2025	2023-2024
	kshs	kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from from receivables	-	-
Interest fom Commercial banks and financial institutions	-	-
Interest on staff loans	-	-
Dividends	-	-
TOTAL	-	-

10. Other gains and losses

	2024-2025	2023-2024
	kshs	kshs
Foreign Exchange gains/(Losses)	-	-
Loss/gain on Disposal on sale of investments	-	-
Gain on sale of fixed Assets	-	-
Fair Value gain/loss on Biological Assets	-	-
Fair Value gain/loss on Revaluation of invstment property	-	-
Revaluation losses on inventory	-	-
Unrealised foreign exchange gains /(losses)	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS

11. staff costs

	2024-2025 kshs	2023-2024 kshs
Gross salary and Allowances	24,653,325	**21,954,815**
Casual Workers wages	2,389,193	**762,937**
Medical insuarance scheme	-	**-**
Employers contribution to social security scheme	1,121,000	**778,094**
Employers contribution to pension scheme	434,670	**674,162**
Provisions for leave pay	-	**-**
Gratuity provisions	847,316	**564,196**
fringe benefit tax	-	**-**
staff welfare	253,500	**253,500**
Other Allowances -Salary for the county staff	-	
Afforadable housing levy	**396,878**	**292,460**
NITA	**56,850**	**50,600**
Totals	**30,152,732**	**25,330,763**
The average number of employees during the year	**100**	**95**

12 General and operation expenses

	2024-2025 Kshs	2023-2024 Kshs
chemicals	1,098,471	806,753
Electricity	537,882	489,963
Fuel,Oil,Lubricants and Gases	2,174,234	2,583,690
Builk water costs	-	-
Office Supplies	94,221	153,684
Uniform and protective clothing	54,491	34,330
Telecommunication	423,563	363,530
Postage and courier	-	-
Water and sewerage	-	86,650
Insuarance	393,710	356,294
Rent and rates	132,000	132,000
Hire of equipments and vehicles	-	23,000
Claims and compensations	2,272,488	1,821,108
Domestic Travelling and Subsistence	4,236,470	4,063,018
Foreign Travell and accomodation	-	-
Staff Training and development	1,160,460	1,347,802
Bank Charges	121,601	112,735
Security services	336,000	332,034
Agency commissions	-	-
Publicity and Advertising	65,772	24,500
Audit fees	232,000	232,000
legal fees	-	-
Consultancy fees	-	184,800
Licensing and levies	5,274,580	4,686,204
Sports and recreation	-	-
stakeholders expenses	-	-
Donations /CSR	-	-
Hospitality expenses	407,960	538,856
Research and development	-	-
Conservation expenses	-	-
Provision for Doutful Debts	147,452	-
oficce stationery	186,627	412,924
computer Repairs	21,500	51,650
Meetings and conferences	707,605	669,499
Newspapers and periodicals	-	9,060
wstf expenses	2,349,782	1,489,137
web cost	353,230	217,500
Billing SMS	335,537	237,125
		-
	23,117,635	**21,459,845**

13. Board Expenses

Description	2024-2025 kshs	2023-2024 kshs
Chairman Honoraria	240,000	483,579
Sitting Allawances	752,190	
Medical insuarnce	-	-
Induction and Training	330,320	1,676,100
Travel and accomodation		
Other allowances		
Total Board Expenses	**1,322,510**	**2,159,679**

14. Maintenance Expenses

Description	2024-2025 kshs	2023-2024 kshs
Plant and equipment	-	-
Buildings	-	15,000
Infrastructure networks	2,303,629	10,208,788
Grounds	-	-
Motor vehicles	648,603	911,414
Software	300,000	300,000
ICT (Information Communication Technology	441,578	430,767
Furniture	-	-
Water meter maintance costs	-	-
Maintance of Access roads	-	-
Total Maintenance Expenses	3,693,810	11,865,969

15. Depreciation and Amortization Expenses

Description	2024-2025 kshs	2023-2024 kshs
Property plant and Equipmnet	10,573,787	4,264,461
Right of use Assets	-	-
Intagible Asset	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortiszation	**10,573,787**	**4,264,461**

16 Finance costs

Description	2024-2025 kshs	2023-2024 kshs
Interest expenses on loans	-	-
Interest expense on Bank Overdraft	-	-
Interest on lease Liabilities	-	-
Other (Specify)	-	-
Total	-	-

17. Income Tax Expenses/(Credit)

Current Taxation

Description	2024-2025 Kshs	2023-2024 Kshs
Current Taxation based on adjusted profit for the year at 30%	-	-
Current tax prior year under/(over)provision	-	-
Current year deferred tax charge	-	-
prior year under-provision for deferred tax	-	-
Totals	-	-

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

Description	2024-2025 Kshs	2023-2024 Kshs
Profit before taxation	(4,462,816)	(6,003,868)
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior Year under-provision	-	-
Tax effects of expenses not deductible for tax purpose	-	-
Tax effecyts of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total	**(4,462,816)**	**(6,003,868)**

18. Earnings per share

The company is incorporated as a legal entity under the company's act of 486 law of Kenya as a public limited company by guarantee with no shared holding but with stakeholders, Any profits made are ploughed back to finance the extension of services in the underserved areas hence no earning per share.

19.Dividends per share

The company has not declared dividends for the year ended 30th June 2025 due to its incorporation as a legal under the companyu's Act cap 486 law of Kenya as a public limited company guaranteed by the government of Kenya with no shareholding but with stakeholders, any profit made are ploughed back to finance the extension of service in the underserved.

20. Property, Plant and Equipment

Description	FREEHOLD LAND	OFF AND FITTINGS	WATER TREATMENT PLANT	METERS KSH	MOTOR VEHICLES AND MOTOR CYCLES	FURNITURE & EQUIPMENT	COMPUTERS & ELECTRONI	LOOSE TOOLS	CAPITAL WORK IN PROGRESS	TOTAL
	KSH	KSH	KSH	KSH	KSH	KSH	KSH	KSH		KSH
Depreciation Rate		20%	13%	12%	25%	13%	30%	33%		
	Kshs	Kshs	Kshs	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
As at 1July 2023	290,000	29,887,675	12,903,241	20,436,476	13,621,641	1,112,030	3,207,659	17,127	10,163,701	91,639,549
Additions				19,780		30,000	51,297		6,536,112	6,637,189
Disposals										
Transfer/Adjusments										
Revaluation Adjustments										
As at 30th june 2024	290,000	29,887,675	12,903,241	20,456,256	13,621,641	1,142,030	3,258,956	17,127	16,699,813	98,276,739
Additions		17,819,587		367,500			415,662		3,094,972	21,697,721
Disposals										
Tranfer/Adjustments		16,699,813							16,699,813	-
Revaluations										
AS at 30th June 2025	**290,000**	**64,407,075**	**12,903,241**	**20,823,756**	**13,621,641**	**1,142,030**	**3,674,618**	**17,127**	**3,094,972**	**119,974,460**
Depreciation And Impairment										
At 1 July 2023	-	22,723,625	3,549,357	14,432,936	10,785,203	702,241	2,674,249	16,759	-	54,884,370
Depreciation	-	1,432,810	1,169,235	722,798	709,109	54,974	175,412	122	-	4,264,461
Impairment	-									
Transfer/Adjustments	-									
As at 30th 2024	-	24,156,435	4,718,593	15,155,735	11,494,312	757,215	2,849,661	16,882	-	59,148,832

Depreciation	-	8,050,128	1,023,081	680,163	531,832	53,164	235,338	82	-	10,573,787
Disposals										
Impairment										
Transfer/Adjustments										
As at 30th 2025	**-**	**32,206,563**	**5,741,674**	**15,835,897**	**12,026,144**	**810,379**	**3,084,999**	**16,963**	**-**	**69,722,619**
AS at 30th June 2024	**290,000**	**5,731,240**	**8,184,648**	**5,300,521**	**2,127,328**	**384,815**	**409,295**	**245**	**16,699,813**	**39,127,907**
As at 30th june 2025	**290,000**	**32,200,512**	**7,161,567**	**4,987,858**	**1,595,496**	**331,651**	**589,619**	**164**	**3,094,972**	**50,251,841**

Valuation
The motor vehicles were valued by the Automobiles Association of Kenya market value basis

20(a) Property, Plant and Equipment at cost

If the freehold, and other Assets were stated on historical costs basis

Description	Cost Kshs	Accumulated Depreciation Kshs	NBV Kshs
Land	290,000	-	290,000
Buildings	-	-	-
Plant and Machinery	12,903,241	5,741,674	7,161,567
Motor Vehicles, including motoycycles	13,621,641	12,026,144	1,595,496
computers and related Euqipment	3,634,121	3,084,999	549,122
Office equipmnet,furniture and fittings	1,182,527	810,379	372,148
water meters	20,823,756	15,835,897	4,987,858
pipe and fittings	64,407,075	32,206,563	32,200,512
loose tools	17,127	16,963	164
work in progress	3,094,972	-	3,094,972
Totals	**119,974,459**	**69,722,619**	**50,251,840**

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

Property plant and Equipment includes the following assets that are fully depreciated		
Description	cost or valuation	Accumulated depreciation charge
Plant and machinery	-	-
Motor vehicles including motorcycles	-	-
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
Total	-	-

21. Intangible assets

	2024-2025	2023-2024
	Ksh	Ksh
Cost		
At July 1st 2024	-	-
Additions	-	-
Disposals	-	-
At June 30th 2025	-	-
Amortization	-	-
At July 1st	-	-
Charge for the year	-	-

22.Investment property

	2024-2025	2023-2024
	Ksh	kshs
Opening Valuation	-	-
Movements During the year	-	-
Addictions	-	-
Disposals	-	-
Fair Value Gains/(losses)	-	-
Closing Valuation	-	-
Depreciation (if at Cost)	-	-
As July 1 2024	-	-
Charge for the year	-	-
Disposal	-	-
Impairment loss	-	-
At June 30 2025	-	-
Net book Value	-	-

23. Right-of-use assets

	Building	plant	Equipment	Total
	Kshs			Kshs
Cost	-	-	-	-
As at 1 july 2023	-	-	-	-
Additions	-	-	-	-
As at 30 june 2024	-	-	-	-
Addittions	-	-	-	-
As at 30 june 2025	-	-	-	-
Accumalated Depreciation	-	-	-	-
As at 1 july 2023	-	-	-	-
Charge for the year	-	-	-	-
As at 30june 2024	-	-	-	-
Charge for the year	-	-	-	-
As at 30 june 2025	-	-	-	-
				-
Carryng Amount		-	-	-
As at 30 June 2024	-	-		-
As at june 2025	-	-	-	-

24.Biological Assets

	2024-2025	2023-2024
	kshs	kshs
Cattle	-	-
Trees	-	-
Others specify	-	-

25 Fixed interest investments (Bonds)

	2024-2025	2023-2024
	kshs	kshs
Cental Bank of kenya 12.5% 15-year bond	-	-
AB Corporate Bond	-	-
CD Coporate BOND	-	-
Total	-	-

The movement in invstment during the year is as follows

Details	2024-2025 kshs	2023-2024 kshs
Balance as at 1 july 2024		
Additions during the year		
Interest accrued during the year		
investment maturities during tehyear		
Balance at 30 the june 2025		

26 Quoted investment

Details	2024-2025 kshs	2023-2024 kshs
Opening valuation	-	-
Movements during the year	-	-
Additions	(-)	(-)
Disposals	-	-
Fair value gains/(Losses)	-	-
Closing valuation	-	-

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

27.Unquoted Investments

27.Unquoted Investment	2024-2025 Kshs	2023-2024 Kshs
Cost		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	-	-
Impairment		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	-	-
Net book value	-	-

	No of shares					
	Direct shareholding	Indirect shareholding	Total shareholding			
	No	No	No	Shs	Shs	Shs
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
N/A	-	-	-	-	-	-
	-	-	-	-	-	-

28. Inventories

28.Inventories		
	2024-2025 Kshs	2023-2024 Kshs
General stores	7,235	5,220
Chemicals & Laboratory items	175,392	80,388
Water fittings and Accessories	715,601	350,677
Water meters	-	1,129,300
Uniform and protective clothing	-	900
Fuel, oil and lubricants		-
Motor vehicle spare parts		
Goods in transit		-
Stationery and general stores	51,015	74,775
Finished goods		-
Work in progress		-
Less: Impairment of stocks		-
hospitality items	18,903	6,445
Computer and Accessories		-
Total	**968,146**	**1,647,705**

The value of the stock amounting to kshs 557,703 does not include the stock of water Held in the treatment works as at 30th june 2025

28 a) Reconciliation of impairment Allowances for inventories

Description	2024-2025	2023-2024
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29. Trade and Trade receivables

	2024-2025	2023-2024
	KShs	KShs
Trade receivables (note (29a))	39,435,609	38,108,542
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	664,668	664,668
Other receivables perfomance Guarantee	576,575	-
Gross trade and other receivables	-	-
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	**40,676,852**	**38,773,210**

29 a) Trade Recievables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables b/d	42,342,565.00	43,644,247
Bills for the year	58,028,498.65	51,588,191
Total bills	100,371,063.65	95,232,438
Less bills received	56,553,980.00	52,889,873
Total bills receivable	43,817,083.65	42,342,565
Provision for doubtful receivables	4,381,708.37	4,234,256
Net trade receivables	39,435,609.29	38,108,308
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,000,016	1,898,168
Between 30 and 60 days	721,600	1,746,807
Between 61 and 90 days	1,897,618	4,878,439
Between 91 and 120 days	6,378,439	2,426,978
Over 120 days	33,819,411	31,392,433
Total	**43,817,084**	**42,342,825**

29b) Reconciliation of impairment Allowances for trade receivables

Description	2024-2025 KShs	2023-2024 KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29(c) Staff Receivables

	2024-2025 KShs	2023-2024 KShs
Gross staff loans and advances	664,928	664,668
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year		-
Amounts due after one year	664,928	664,668

29(d) Reconcilliation of impairment Allowances for staff receivables

Description	*2024-2025* **KShs**	2023-2024 KShs
At the beginning of the year	664,668.00	664,668
Additional provisions during the year	260.00	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	664,928.00	664,668

30 Tax recoverable

	2024-2025 KShs	2023-2024 KShs
At beginning of the year	-	-
Income tax charge for the year (note 17)	-	-
Under/(over) provision in prior year/s (note 17)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

31. Short Term deposits

	2024-2025 Kshs	2023-2024 Kshs
Commercial banks	-	-
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya		-
Equity bank	-	-
Capital Sacco	-	-
Totals	-	-

32. Prepayments

	2024-2025 Kshs	2023-2024 Kshs
Insuarance	100,221	93,046
Rent	-	3,000
water	-	-
Internet		
others		
Totals	**100,221**	**96,046**

33 Bank and cash Balances

	2024-2025 Kshs	2023-2024 Kshs
Cash at bank	4,230,431	11,990,716
Cash in hand	1,104	1,301
Mobile money account	-	-
Totals	**4,231,535**	**11,992,018**

Detailed analysis of cash and cash Equivalents

	Account number	2024-2025 Kshs	2023-2024 Kshs
a) **Current account**			
Co-operative Bank	**1120023210300**	796,061	86,760.51
Co-operative Bank	1136023210300	-	263
Co-operative Bank	1100023210300	0	22,923
capital Sacco	1920288	31,177	1,809
Equity Bank 1	1040282676151	-	-
Equity Bank 2	140285002143	1,680	498,396
Co-operative Bank	1100543292001	27,251	10,351
Co-operative Bank	11002432920002	602,006	156,978
capital Sacco	1020262999400	128,420	0
National Bank	7716474456	113,468	4,177,791
Family Bank		2,530,368	7,035,444
Sub- total		**4,230,431**	**11,990,716**
b) On – call deposits	0		
Co-operative Bank		-	-
Others			
Sub- total		-	-
c) Fixed deposits account			
Other Commercial banks	-	-	-
Others	-	-	-
Sub- total	-	-	-
Sub- total	-	-	-
d) Others(specify)	-	-	-
Cash in transit		-	-
Cash in hand		1,104	1,301
Mobile money account			
Sub- total		**1,104**	**1,301**
Grand total		**4,231,535**	**11,992,018**

34. Ordinary share capital

	2024-2025 Kshs	2023-2024 Kshs
Authorized:		
XXX ordinary shares of Kshs. par value each	-	-
Issued and fully paid:	-	-
XXX ordinary shares of Kshs. par value each	-	-

35. Revaluation Reserve

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

36.Fair Value Adjustment Reserve

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

37.Retained Earnings

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

38. Deferred Tax liability

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

	2024-2025 Kshs	[illegible] Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

	2024-2025 Kshs	[illegible]
Balance at beginning of the year	-	-
Credit to revaluation reserve	(-)	(-)
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

39.Borrowings

	2024/2025 KSh	2023/2024 KSh
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	(-)	(-)
Balance at end of the year		-
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	-	-
Balance at end of the year	-	-
C) Total Balance at end of the period c = a+b	-	-

NOTES TO THE FINANCIAL STATEMENTS

	2024-2025 KShs	2023-2024 KShs
External Borrowings		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

Description	2024-2025 KShs	2023-2024 KShs
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed). [Foreign denominated loans should be restated based on CBK closing mean rates at the end of financial year]

40. Lease liability

	2024-2025 KShs	2023-2024 KShs
External Borrowings		
Dollar denominated loan from 'xxx Organization'	-	-
Sterling Pound denominated loan from 'yyy organization'	-	-
Euro denominated loan from zzz organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	-	-

	2024-2025 KShs	2023-2024 KShs
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

41. Provisions

	Leave Provision KShs	Bonus Provision	Gratuity provisions KShs	Other Provisions KShs	Total KShs
Balance at the beginning of the year	-	-	-	-	-
Additional Provisions	-	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)	(-)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	-	-	-

Provision Details

Description	2024-2025 Kshs	2023-2024 Kshs
Current Portion of Provisions	-	-
Long-term portion of Provisions	-	-
Total	-	-

4. Retirements Benefit Obligations

Description	Defined benefit plan	Insurance premium medical benefits	Other Benefits	2024-2025	2023-2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total	-	-	-	-	-

Retirements benefit Assets/Liability

The company does not operate Asset or Liability
Notes to the financial statements

	2024-2025 Kshs	[illegible]
Discount rates	x%	x%
Future salary increases	x%	x%
Future pension increases	x%	x%
Mortality (Pre- retirement)	x%	x%
Mortality (Post- retirement)	x%	x%
Withdrawals	xx	xx
Ill health	xx	xx
Retirement	xx years	xx years

Recognition of retirement Benefit Asset/liability

a) Accounts recognised under other gains/Losses in statements of comprehensive income

Description	2024-2025 Kshs	[illegible]
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Remeasurement of the net defined benefit liability (asset)	-	-

b) Amounts recognised in the statements of financial position

Description	2024-2025 Kshs	[illegible]
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	(-)	(-)
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2017. The scheme is administered by county pension Fund while CPF are the custodians of the scheme. The scheme is based on 9% percentage of salary of an employee at the time of retirement.

Imetha Wasco also contributes the statutory deductions to the National Social; Security Fund (NSSF).it is a defined contribution scheme Registered under the National Social security Act. Currently the contribution is under tier 1 and tier 2

43. Trade and other payables

	2024-2025	2023-2024
	Ksh	Ksh
Trade payables	27,333,540	27,333,540
Accrued expenses	25,762,714	16,177,049
Employee payables	-	-
Other payables		
Audit fees	1,690,000	1,690,000
Total	**54,786,254**	**45,200,589**

Aging Analysis for trade and other Trade payables

	2024-2025	% of the total	2023-2024	% of the total
Under one year		0%		0%
1-2 years	16,639,271	30%	15,167,323	34%
2-3 years	14,752,823	27%	2,699,726	6%
Over 3 years	23,394,160	43%	27,333,540	60%
Total	**54,786,254**		**45,200,589**	

44. Refundable Deposits and Prepayments

	2024-2025	2023-2024
	Ksh	Ksh
Opening Balance	**14,220,350**	**13,929,350**
Add :Deposists received during theyear	**293,500**	**291,000**
Less: refuded Deposist during theyear	**10,000**	
Prepayments by customers	-	-
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	**14,503,850**	**14,220,350**

Aging Analysis for refundable Deposits and prepayments

	2024-2025	% of the total		% of the total
Under one year			-	0%
1-2 years	584,500		651,000	5%
2-3 years	1,047,500		697,500	5%
Over 3 years	12,871,850		12,871,850	91%
Total	**14,503,850**		**14,220,350**	

45.Deffered income

Description	2024-2025 KShs	KShs
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
Total deferred income	-	-

Deferred income is as follows

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

46. Dividends payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders
The balance is analysed in annual Amounts Below

	2024-2025 KShs	KShs
		-
At the beginning of the year	0	-
Additional declared during the year	0	-
Paid during the year	(-)	(-)
Balance at end of the year	0	-

Dividends payable analysis

	2024-2025		% of the total	2023-2024	% of the total
Under one year	-		%	-	%
1-2 years	-		%	-	%
2-3 years	-		%	-	%
Over 3 years	-		%	-	%
Total	-			-	

47. Taxation.

	2024-2025	2023-2024
	Kshs	**Kshs**
At beginning of the year	0	-
Income tax charge for the year	0	-
Under/(over) provision in prior year/s	0	-
Income tax paid during the year	(-)	(-)
At end of the year	0	-

48. Notes to the cash flows

	2024-2025 Kshs	2023-2024 Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(4,462,816)	(6,003,869)
Depreciation	10,573,787	4,264,461
Amortization	(1,182,139)	(1,428,154)
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	4,928,831	(3,167,562)
Working capital changes:		
(Increase)/decrease in inventories	679,559	(747,229)
(Increase)/decrease in trade and other receivables	(1,903,642)	1,152,625
Increase/(decrease) in trade and other payables	9,869,165	7,126,160
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
increase/(decrease) in prepayments	(4,175)	-
Cash generated from/ (used in) operation	**13,569,738**	**4,363,994**
(b) Analysis of changes in loans		
Balance at beginning of the year		
Receipts during the year	-	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	4,230,431	11,990,716
Cash in hand	1,104	1,301
Balance at end of the year	4,231,535	11,992,018

(d) Analysis of interest paid		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	(-)	(-)
Interest paid	-	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
20xx dividends paid	-	-
20xx dividends paid	-	-
20xx interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

Notes to the financial statements

Other Disclosures

49. Related Party Disclosures

County Government of Meru

Meru county Rural Water and Sanitation Services co is in a related party relationship with county Government of Meru because the County owns the 4,997 shares out of the total 5,000 shares and the other Shares are held by CECM finance , CECM water County Secretary one share each

Other related parties are WSTF, the company Directors and the key management, Other than the directors' emoluments, all transactions made with these parties are at arm's length

Other related parties include

- The county department in charge of water
- County government of Meru
- Water works agencies
- WASREB (Water Services Regulatory Board
- WRA
- Water sector Trust Fund
- Key management
- Board of directors
- Key management
- Board of directors

	Insert Current FY Kshs	Insert Comparative FY Kshs
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	-	-
b) Purchases from related parties		
	-	-
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-
Bank charges paid to Govt Commercial banks	-	-

Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt Agencies	8,136,243	11,699,117
Grants from County Government	510,960	849,744
Donations in kind	-	-
Total	**8,647,203**	**12,548,861**
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	240,000	344,200
Compensation to key management	3,620,463	3,200,463
Total	3,860,463	3,544,663
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

50. Capital Commitment

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

51. Contingent Assets and liability

Contingent Asset

	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

Contingent Liability

	2024-2025	2023-2024
	Kshs	Kshs
Contingent liabilities	-	-
Court case Imetha wasco against the entity	2,272,488.00	1,821,107.50
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	-	-
Others (Specify)	-	-
Total	-	-

52. FINANCIAL RISK MANAGEMENT

MeRuWASCO is exposed to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

i) Credit risks

ii) The company has exposure to credit risk which is the risk that the customers may not be able to pay the bills when they fall due.

iii) The company provides a credit period of a maximum of 14 days to the water customers.

iv) Failure to pay within this period the water supply is disconnected.

v) The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

	Total amount	Fully performing	Impaired	Past due and impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade Receivables	43,817,084	42,342,825	(1,474,259)	-
Other Receivables	1,241,243	664,668.0		
Investments	-	-	-	-
Bank balances	4,230,431	4,230,431.3		-
Total	**49,288,759**	**47,237,924.3**	**(1,474,259.3)**	
At 30 June 2024				
Receivables	42,342,825.0	42,342,825.0		-
Other Receivables	664,668.0	664,668.0		-
Investments		-	-	-
		-	-	-
Bank balances	4,231,991.4	11,990,716.3	11,990,716.3	-
Total	**47,239,484.4**	**54,998,209.3**	**11,990,716.3**	-

Credit risks *(continued)*

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

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the company's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows and maintaining a savings account where a portion of the company's revenue is reserved

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Ksh	Ksh	Ksh	Ksh
At 30 June 2025				
Trade payables	2,250,000	4,675,829	52,136,384	59,062,213
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-		-
Employee benefit obligation	-	-	-	-
Total	**2,250,000**	**4,675,829**	**52,136,384**	**59,062,213**
At 30 June 2024				
Trade payables	2,250,000	4,675,829	52,136,384	59,062,213
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation				
Total	**2,250,000**	**4,675,829**	**52,136,384**	**59,062,213**

(iii) Market risk (*Tailor as appropriate)*

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

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

within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) Foreign currency risk

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

Notes to the financial statements (continued)

(iii) Market risk (Continued)

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

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

b) Foreign currency sensitivity analysis

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

	Change in Currency Rate Kshs	Effect on Profit before tax Kshs	Effect on Equity Kshs
2024Current FY			
Euro	10%	-	0
USD	10%	-	0
2022 Previous FY			
Euro	10%	-	0
USD	10%	-	0

c) Interest rate risk

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

i) Management of interest rate risk

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

Notes to the financial statements (continued)

ii) Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (20xx: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (20xx – Kshs xxx)

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable from prices).

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

Notes to the financial statements (continued)

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2025			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

Financial instruments not measured at fair value

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

Notes to the financial statements (continued)

iv) Capital Risk Management

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

	2024-2025 Kshs	2023-2024 Kshs
Revaluation reserve		
Retained earnings	6,116,921	11,052,378
Capital reserve	21,098,322	21,912,962
Total funds	**27,215,243**	**32,965,340**
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/ (excess cash and cash equivalents)	-	-
Gearing		

53. Incorporation

The Meru County Rural Water and Sanitation Services Company is incorporated in Kenya under the Kenyan Companies Act 486 and is domiciled in Kenya

54. Events after the Report Period.

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

55. Currency

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

20. Appendices

Appendix 1: Progress on follow up of auditor recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

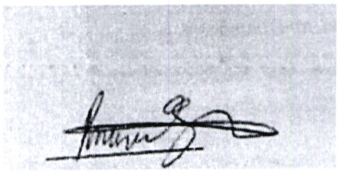
Ref No.	Issue/Observations from Auditor	Management Comments	Focal Point person to resolve	Status: Resolved/Not Resolved	Time Frame
1.1	Material uncertainty related to going concern	The company has not been able to meet its operation and maintenance cost coverage due to the economic inflation experienced over the few years. In addition the company has been operating on a low tariff which is not able to cover all the operation cost. However, the company has a new gazetted tariff from WASREB which will cover all the costs. Similarly most of the payables belong to Government agencies. Out of the total liabilities of Kshs 59,420,939, Kshs. 39,075,992 relates to Government agencies (Water Resource Authority ,WASREB, TANA Water works Development Authority and Office of the Auditor General) the management is	Managing Director	Not Resolved	

		planning to enter into an agreement on how to settle the same.			
1.2	long outstanding Trade receivables	The management has deployed an officer to be in charge of debt collection. In addition the management is engaging the water police unit to help in collection of outstanding receivables. The receivables have reduced by Kshs 1,171,514 during the year under review from Kshs 39,280,056 to Kshs 38,108,542	Commercial Manager	Not Resolved	
1.3	undisclosed water inventory held in the distribution infrastructure	The company water distribution infrastructure comprises of the treatment plants, reservoirs and distribution systems In the nine water schemes in different capacities and sizes. The company has embarked on taking stork of the amount of water held in these distribution infrastructure at the end of each quarter in accordance with International Accounting Standard on Inventories (IAS)2	Technical Manager	Resolved	
1.4	Long Outstanding Trade Payables	The high cost of operation and maintenance of the company is due to a low tariff which was not able to cover all the operation cost. However, the company has a new gazetted tariff from WASREB which will cover all the costs. Similarly most of the payables belong to government agencies Out of the total liabilities of Kshs	Managing Director	Not Resolved	

		45,200,589, Kshs. 39,075,992 relates to Government agencies. (Water Resource Authority ,WASREB, TANA Water works Development Authority and Office of the Auditor General) the management is planning to enter into an agreement on how to settle the same.			
1.5	unconfirmed ordinary share capital	The company is fully owned by the county Government of Meru. The relationship between the County Government of Meru and the company was disclosed in Note 48 of related party disclosures. The process of acquiring share certificates is in progress.(Annex 4 County Government correspondences	Managing Director	Resolved	
1.6	Inaccuracy in the statement of cash flow	Note 47 was revised to reconcile with the cash flows	Commercial Manager	Resolved	
1.7	Noncompliance with WASREB guidelines on incorporation and shareholding of the water company	Meru County Rural Water And Sanitation Company (MeRuWASCO) is fully owned by County Government of Meru, The county government is in the process of aligning the memorandum and articles as per the WASREB guidelines of 2018	Managing Director	Resolved	
1.8	Unsupported Salary Structure	The Salary structure was approved by the board of directors on 29th October 2015 under minute FB /4/10/ 2015. Management of MeRuWASCO sought guidance from the Salaries and Remuneration Commission on the approval. Currently the	Human Resource Manager	Not Resolved	

		management is waiting for further directive from Salaries and Remuneration Commission			
1.9	Audit Fees	The management is committed to pay the audit fees in quarterly installments.	Commercial Manager	Not Resolved	
2.0	Non Compliance With The Approved Staff Establishment	The company has an updated approved staff establishment which was approved by the board of directors	Human Resource Manager	Not Resolved	
2.1	Failure To Observe One Third Of Basic Salary Payment Rules	The above staffs were affected by the increase in Government statutory Deductions and introduction of new ones.	Human Resource Manager	Resolved	
2.2	Lack of Gender And Ethnic Diversity	The management is committed to adhere to the National Cohesion and Integration Act, 2008 by embracing ethnic diversity in its future recruitments.	Human Resource Manager	Resolved	

2.3	Non Adherence To Data Protection Act 2019	The company has applied for a data protection certificate from the data protection commission. In addition the management through the board of directors appointed an officer to be in charge of data protection within the company.	Human Resource	Resolved	
2.4	High NON revenue Water	The company is progressively doing intervention to reduce the NRW to Desirable levels	Technical Manager	Not Resolved	
2.5	Non Compliance With Fiscal Responsibility Principles On Wage Bill	The company operates nine rural water schemes which are vast, hence the need for more employees for efficiency and good service delivery. However the management is working towards increasing of customer connections through the boreholes done by the county government to improve on revenues	Human Resource Manager	Resolved	
2.6	Use Of Old Water Tariffs	The company has a new tariff in place from WASREB gazetted on 11th April 2025	Human Resource Manager	Resolved	



Managing Director
Romano Mwito

28th August 2025

Appendix II Projects implemented by the company.

During the year under review the company was funded by Water Sector Trust Fund to construct a decentralised treatment facility which was completed during the quarter.

Project title	Project No	donor	Period duration	Donor commitment	Separate donor reporting required as per the donor agreement	Consolidated these financial statements
Mitunguu water Project	1	Water Sector Trust Fund	1Year	18,279,870	yes	yes

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Total	Sources of funds
1	Timau Mitunguu water project	18,279,870	1,400,007	10%	18,279,870		WSTF
2							
3							

Appendix III: Inter-Entity transfers

Meru county rural Water and sanitation company Limited

P.O Box 487-60200, Mobile 0757 227 115

Meru

The Meru County rural Water and sanitation company wishes to confirm the amounts disbursed to you as at 30th June 2024 as indicated in the table below.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30th June 20xx							
		Amounts Disbursed by [SCG/PCG/County] (Kshs) as at 30th June 20xx				Amount Received by [beneficiary entity] (Kshs) as at 30th June 20xx (E)	Differences (Kshs) (F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)		
Total							
In confirm that the amounts shown above are correct as of the date indicated. Head of Accountants department of beneficiary entity: Name CPA Winfred Mukiri. Sign …… Date ……28/08/2025……..							

Appendix IV: Reporting of climate relevant expenditure

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

Appendix V: Reporting Disaster Management Expenditure

[redacted]

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments