

REPUBLIC OF KENYA

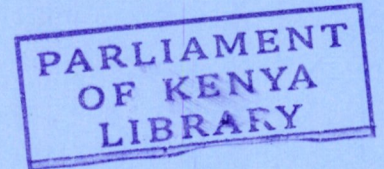


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT



OF

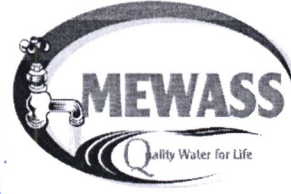
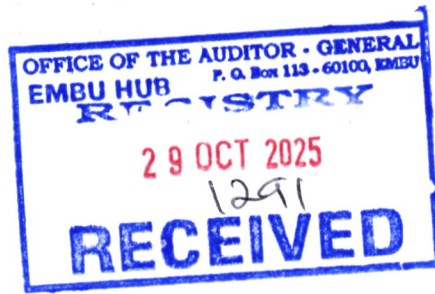
THE AUDITOR-GENERAL

ON

**MERU WATER AND SEWERAGE SERVICES
COMPANY LIMITED**

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

PAPERS LAID	
DATE	18-11-25.
TABLED BY	Deputy Chief Whip Margaret Peck
COMMITTEE	←
CLERK AT THE TABLE	Tiffany.



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting
Standards



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Table of Contents

1. Acronyms and Glossary of Terms.....	iii
2. Key Entity Information	iv
3. The Board of Directors	vii
4. Key Management Team	ix
5. Chairman’s Statement.....	x
6. Report of the Managing Director	xii
7. Statement Of Performance Against Predetermined Objectives For FY 2024/2025	xiv
8. Corporate Governance Statement	xvi
9. Management Discussion and Analysis	xviii
10. Environmental and Sustainability Reporting.....	xx
11. Report Of the Directors.....	xxiv
12. Statement Of Directors’ Responsibilities	xxv
13. Report Of the Independent Auditors on Meru Water and Sewerage Services Company Limited ..	xxvii
14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.	1
15. Statement of Financial Position As At 30 June 2025.....	2
16. Statement of Changes in Equity for the Year Ended 30 June 2025.....	3
17. Statement Of Cash Flows for The Year Ended 30 June 2025	4
18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025	5
19. Notes To the Financial Statements	7
20. Appendices.....	38



1. Acronyms and Glossary of Terms

A. Acronyms

<i>DG</i>	<i>Director General</i>
<i>CO</i>	<i>Chief Officer</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IHRM</i>	<i>Institute of Human Resource Management</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MEWASSCO</i>	<i>Meru Water and Sewerage Services Company Limited</i>
<i>MD</i>	<i>Managing Director</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>PFMA</i>	<i>Public Financial Management Act</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>TWWDA</i>	<i>Tana Water Works Development Agency</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>WSTF</i>	<i>Water Sector Trust Fund</i>

B. Definition of Key Terms

Fiduciary Management – Members of Management directly entrusted with the entity’s financial resources

Comparative Year- Means the prior period



2. Key Entity Information

Background Information

The Meru Water and Sewerage Services Company Limited is established as limited liability Company under the Company's Act 2015 on 17th October 2023. At the County level the Company is represented by the County Executive Member responsible for water and sanitation, who together with the Board of Directors are responsible for the general policy and strategic direction of the Company. The Board is appointed in accordance with the Water Act 2016 and WASREB Corporate Governance guidelines. Meru Water and Sewerage Services Company Limited is domiciled in Kenya and provides water and sewerage services in Meru Municipality and surrounding areas.

Principal Activities

The principal activity of the Entity is to provide water and sanitation services within its area of jurisdiction

Vision Statement

A model world-class provider of water and sanitation services

Mission statement

To sustainably provide quality, reliable and affordable water and sanitation services to the residents of Meru County leveraging on modern technology

Core Values

- *Integrity*
- *Professionalism*
- *Team work*
- *Innovativeness*
- *Transparency*
- *Inclusiveness*
- *Customer service*
- *Environmental and climate change consciousness*



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Directors

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

Mr. Charles Mwenda	- Chief Officer Finance Economic Planning & ICT	Appointed on 7 th Sept,2022
Ms. Elizabeth Kanini	- Board Member	Appointed on 16 th May 2018
Mr. Patrick Mugendi	- Managing Director	Appointed on 7 th September,2022
Mr. Stephen Mwenda	- Chairman	Appointed on 5 th January,2024
Ms. Irene Kinya	- Board Member	Appointed on 5 th January,2024
Dr. Eliud Mate	- Board Member	Appointed on 5 th January,2024
Mr. Lewis Kithinji	- Board Member	Appointed on 5 th January,2024
Mr. Mungathia Kiunga	- Board Member	Appointed on 5 th January,2024
Ms. Joyce Kaaria	- Ag. Chief Officer Water, Irrigation Environment Natural Resources & Climate Change	Appointed on 5 th January,2024



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Registered Office

MEWASSCO Building
Situating along Kinoru -Stadium Road
P.O. Box 859-60200
Meru, KENYA

Corporate Headquarters

P.O Box 859-60200
MEWASSCO Building
Situating along Kinoru -Stadium Road
Meru, KENYA

Corporate Contacts

Tel: 064-3132591, 0717527707
E-mail: info@mewass.or.ke
E-mail: meruwater@gmail.com
Website: www.mewass.or.ke

Corporate Bankers

Equity Bank Ltd
Meru Branch
P.O. Box 400 - 60200
MERU

Independent Auditors


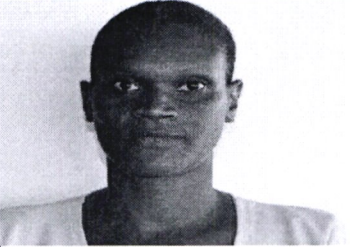



Auditor-General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084 - 00100
Nairobi, Kenya.

Principal Legal Advisers

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O Box 40112-00200
Nairobi, Kenya


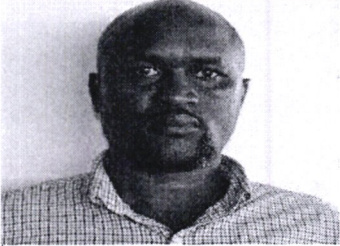

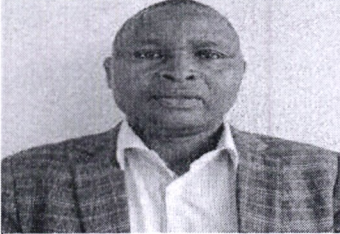


3. The Board of Directors

Photo	Name and Qualifications	Date of Birth and Experience
	Stephen Mwenda Mungania BBA - Finance MBA-Finance CPA(K)	Date of Birth 27/02/1975 Finance Manager Meru Dairy Union since 2005 – to date Chairperson-Board of Directors
	Irene Kinya Maina Counseling Psychologist Kenya Association of professional counselor (KAPC)	Date of Birth 27/02/1985 Counsellor representative-Meru County
	Dr. Eliud Mate Muriithi PhD Human Resource Management Masters of Arts in Public Administration & Management (IHRM)	Date of Birth 17/12/1970 Director Apex Consultants 2017-todate. Lecturer department of Economics & Business Management December 2011-March 2013 at Meru University of Science & Technology, Director/Lecturer Meru Town Campus university of Science & Technology October 2009-December 2011 Chairperson-Technical Committee
	Elizabeth Kanini Dip. Business Management	Date of Birth 1974 Formerly nominated MCA from 2013 to 2017, Land Control Board Member from July 2007 to June 2014, Worked at Meru North Farmers SACCO
	Lewis Kithinji Murira Bachelor of Development studies Diploma in Tourism & Travel Management	Date of Birth 1984 Director Meru County Alcoholic Drinks Control Board 2017-todate Businessman









MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

	Joyce Kaaria Master in Education	Date of Birth 25/08/1974 Ag Chief Officer Water and Irrigation, Climate change & Natural Resources County Government of Meru Chairperson - Audit Committee
	Mungathia J. Kiunga Bachelor of Education Arts	Date of Birth 01/01/1986 Teacher at Burieruri Secondary School 2013- 2019, Businessman
	Charles Mwenda Kaibiria BCom Accounting, CPA(K)	Date of Birth 23/11/1980 Chief Officer Department of Finance, Economic Planning & ICT County Government of Meru Chairperson-Finance & Admin Committee
	Patrick Mugendi Kwiriga, Managing Director BBS-Development studies, MBA-HRM	Date of Birth 29/12/1977 Over 10 years' experience in Administration



4. Key Management Team

Photo	Name and Qualifications	Date of Birth and Experience
	Patrick Mugendi Kwiriga, Managing Director BBS-Development studies, MBA-HRM	Date of Birth 29/12/1977 Over 10 years' experience in Administration
	CPA Lydiah Mukami Kinoti Finance Manager BCom Accounting, CPA(K)	Date of Birth 17/04/1979 Over 15 years' experience in Accounting & Commercial services
	Kennedy Wekesa Kilali Technical Services Manager BSc. Water & Environmental Engineering	Date of Birth 02/08/1980 Over 13 years' experience in water Sector
	CPA Joses Muriuki Gitonga Internal Audit Manager BBA Acc & Fin, CPA(K)	Date of Birth 04/12/1972 Over 20 years' experience in Audit and Accounting
	Meckson Kinyua Musyoka Procurement Manager BBM, Dip Supplies Management	Date of Birth 05/11/1984 Over 10 years' experience in Procurement Management
	Caroline Ruguru Kinyua Ag. Human Resource Manager & Administration Diploma in secretarial and public relations	Date of Birth 28/05/1979 Over 10 years' experience in Administration



5. Chairman's Statement

It is my pleasure to present the Annual Report and Financial Statements of the Meru Water and Sewerage Services Company Ltd for the financial year ending 30th June 2025. In the year 2024-2025, the company continued to deliver on its mandate to provide water services in the area of jurisdiction despite the challenges of meeting the ever increasing demand for quality water services. These challenges notwithstanding, the year was marked by improved financial performance.

Financial performance

The financial performance during the year 2024 - 2025 improved with a surplus before tax of Ksh 1.1 million as compared to a deficit of Ksh 10.1 million in the previous year. The total revenue for the year 2024-2025 was Ksh 259.4 million and Ksh 255.9 million in 2023-2024. The company is expected to improve on revenues as strategies are put in place to have more water available for distribution to our customers in the coming years.

Funds mobilization

During the year in review, the company received Ksh 42.4 million from World Bank through Water Sector Trust Fund being part of Conditional Liquidity Support Grant of Ksh 84.8 million for construction of water pipeline to the Milimani water treatment plant to improve water supply. With the growing urban population and increased demand for potable water, the Company will continue to mobilize funds and carry out various activities aimed at ensuring that the population receives reliable and adequate services.

The Board

The Board through its committees continued playing its role of guiding and scrutinizing most of the issues that require its decision. This was done through the scheduled meetings. The Board of directors remain fully committed to working with and supporting management and staff to deliver value to our customers and other stakeholders.

Appreciation

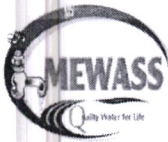
We continue to laud the support from our Customers, Stakeholders including the County Government of Meru and development partners. With your continued support, we pledge our commitment for better services now and in future.



Chairman's Statement Cont'd

In conclusion, I express my sincere gratitude to the Customers, Board of Directors, Management and Staff of MEWASSCO for their effort in keeping the Company afloat and we look forward to a fruitful year 2025 – 2026 .

Stephen Mwenda Mungania
Chairman of the Board of Directors



6. Report of the Managing Director

I am pleased to present the report of the Meru Water and Sewerage Company Ltd for the financial year ended 30th June 2025. As the provider of water services in the Meru Municipality and the surrounding areas, we are aware of the crucial role we play in sustaining growth, development and quality of life to the people we serve. Therefore, we are committed to provide quality services, on sustainable basis. To this end, we report that during the year 2024-2025, we continued to achieve improved results. This is despite the fact that the year 2024-2025 was affected by a number of environmental factors including reduced flow of the rivers whose resultant led to the reduced raw water received at the treatment plant.

Financial Performance

We are aware that the best way to realise the goal of quality water services is to continuously improve our operational and financial performance. During the year ended 30th June 2025 the company's total revenue amounted to Ksh 259.4 million as compared to Ksh 255.9 million in the previous financial year. The surplus before taxation improved to Ksh 1.1 million as compared to a deficit of Ksh 10.1 million in the previous year 2023-2024. We are confident that in the next years to come, the company will perform better and improve service reliability within the service provision area.

Water Infrastructure

Throughout the period, the company invested in maintaining water supply and distribution facilities. In the recent past we have experienced vandalism of water infrastructure i.e. intake, pipelines, sewerage manhole covers and water meters. The restoration of water services due to vandalism has negatively affected service delivery to the disadvantage of our consumers. We shall continue to liaise with the relevant government agencies and other stakeholders towards minimizing the menace. To sustain service to the growing population, we shall make significant investments in infrastructure including raw water transmission pipeline thus increase supply of available water to our customers.

Non-Revenue Water

The Non-revenue water (NRW) refers to water that is produced but not billed to customers due to leakages, unauthorized water connections and inaccuracies in meters. NRW is a challenge nationwide and we shall continue to advise our stakeholders to assist in reporting incidences causing water losses. The company's NRW for the year was 19.06% which is within acceptable benchmark.



Report of the Managing Director Cont'd

The company's aim is to reduce NRW further down so that there will be more water to distribute to the customers hence improve on service delivery.

Sewerage Infrastructure

Regarding sewerage infrastructure, we expect the Tana Water Works Development Agency to hand-over the Ksh 980 million Meru Sewerage project to the Company in the next coming year. The new sewerage system is expected to serve Makutano, Kaaga, Milimani, Kigure, Kooje, Irinda and Gitimbine including the surrounding areas as soon as the last mile connectivity is completed. The new sewerage system will facilitate decommissioning of the old Gakoromone sewerage ponds.

Environmental Consciousness

The company relies on the environment which provides water that is eventually supplied to the customers hence its conservation is crucial for sustainability. Towards this end, the company is committed to ensuring that its sources of water are sustainably protected in light of the challenges of climate change and increased activities around the water resources.

In Conclusion

The success of the company in the coming years will be informed by the dedication of a committed management and staff working as a cohesive team with the board of directors. I would like to urge and forge an organized team among the staff, management and the Board. The contribution of the board and in particularly the chairman will be necessary as we steer the company to the next level. Special thanks to the Japan International Cooperation Agency for their technical support, World Bank through the Water Sector Trust Fund and Tana Water Works Agency.

Finally, on behalf of the management, I thank the County Government of Meru specifically the department of Water and Irrigation for their continued support.

Thank you

Patrick Mugendi
Managing Director



7. Statement Of Performance Against Predetermined Objectives For FY 2024/2025

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

MEWASSCO has strategic pillars/themes/issues and objectives within its annual work plans for the FY 2024/2025. These strategic pillars/themes/issues are as follows:

Pillar 1: Water and sanitation infrastructure development, operationalization and maintenance

Pillar 2: Assurance and customer satisfaction

Pillar 3: Financial sustainability

Pillar 4: Automation & technology

Pillar 5: Institution Development

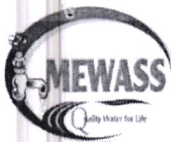
MEWASSCO develops its annual work plans based on the above pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. MEWASSCO has continued to implement its performance targets set for the FY 2024/2025 period for its strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar/ theme/ issue 1. Water & sanitation infrastructure development, operationalization & maintenance	-Reduce operational Cost. -Increase no. of customers	-Increased Pipeline Coverage -Reduction of non-Revenue water Increased Billing	-Installation of more pipes to the network -Installation of sluice & Air valves -Changing of faulty & aged consumer meters	-Reduced leakages hence more supply -Improved water supply services -Reduction of NRW Increased billing
Pillar/ theme/ issue 2 Assurance and customer satisfaction	To improve effective communication	-Resolved customer complaints	-Implementation of customer charter	Improved customer satisfaction



Statement Of Performance Against Predetermined Objectives For FY 2024/2025 Cont'd

Pillar/ theme/ issue 3. Financial sustainability	Increase Revenues Prudent spending	-Increased collection Efficiency -Value for money	-Customers to settle bill -Procurement procedures	Collection efficiency of 95%
Pillar/ theme/ issue 4 Automation & technology	To improve financial accountability systems	Optimally running systems Timely and accurate reports	Complete the integration of the financial system Review and improve internal controls of ERP system	Web Based Information Management System in Place
Pillar/ theme/ issue 5. Institution Development	To strengthen the capacity of the board & Staff Capacity building	Introduction to Best corporate governance practices Enriched staff	Develop annual work plans for the board. Attending capacity building programs	Best corporate governance practices Updated policies



8. Corporate Governance Statement

Corporate governance structure ensures that the directors act with high standards of corporate behavior and in the best interests of the stakeholders.

The MEWASSCO Board of Directors is appointed through a transparent and competitive process. The vacancies are advertised in media outlets with nationwide circulation, inviting applications from qualified individuals across the country. Special encouragement is given to women, persons with disabilities, and applicants from diverse regions to ensure inclusivity and equity.

To guide its operations, the Board operates under a Board Charter, which clearly outlines its roles, responsibilities, authority, and code of conduct. The Charter provides a framework for accountability, decision-making, and ethical leadership, ensuring that the Board discharges its duties with transparency, integrity, and in the best interests of all stakeholders.

The Board of Directors is responsible for providing overall corporate governance of the organization. In line with this mandate, the Board approves the company's strategic direction, annual budgets, and major policy decisions to ensure sustainability and alignment with organizational objectives.

The directors on regular basis meet the management team and are offered an opportunity to visit the infrastructure and relevant installations and projects in order to be versed with the company's activities. The directors representing various stakeholders in the company are expected to have skills and experience to perform relevant functions as directors. In addition, the Board undergoes continuous training, including corporate governance programs and other specialized courses, to strengthen their capacity, enhance decision-making, and ensure alignment with best practices in governance.

The objective of the succession plan is to ensure continuity, stability, and effectiveness in the leadership. MEWASSCO provides a structured framework for the orderly transition of Board membership and leadership roles.

The Board members are required to disclose any actual or potential conflicts of interest upon appointment and on a continuing basis. The Members must excuse themselves from deliberations or decisions where a conflict of interest arises.

MEWASSCO Board members are entitled to remuneration, allowances, and reimbursements as approved in line with government guidelines and organizational policy.



Corporate Governance Statement Cont'd

The Board members sign a code of conduct and are expected to uphold the highest standards of integrity, professionalism, and accountability.

The Governance audits are conducted regularly in line with statutory requirements to assess compliance with corporate governance principles. Findings and recommendations from governance audits are presented to the Board for corrective action and continuous improvement.

The Board of director's communication is channeled through the Board Chairperson or the designated Committee Chairs. Information from management to the Board is coordinated through the Managing Director.

The Board has established three committees namely: Technical, Finance & Administration and the Audit Committee. The Committees operates under delegated authority but remain accountable to the full Board.

During the financial year 2024/2025 the board held meetings as indicated below:

NAME OF THE DIRECTOR	FULL BOARD MEETING		COMMITTEE NAME	COMMITTEE MEETING	
	ATTENDED	ELIGIBLE TO ATTEND		ATTENDED	ELIGIBLE TO ATTEND
Ms. Elizabeth Kanini	6	6	Finance Technical	3 3	3 3
Mr. Stephen Mwenda	6	6	-		
Ms. Joyce Kaaria	-	-	Audit	2	2
Mr. Charles Mwenda	-	-	-	-	-
Dr. Eliud Mate	6	6	Technical	3	3
Ms. Irene Kinya	6	6	Audit	3	3
Mr. Lewis Kithinji	6	6	Finance	3	3
Mr. Mungathia Kiunga	6	6	Technical	3	3

Any transaction between the organization and a related party (Board member or management) must be declared, reviewed, and approved in advance.



9. Management Discussion and Analysis

The management discusses and analyses the performance of Meru Water and Sewerage Services Company Limited for the 3-year period is as indicated below.

<i>Year</i>	<i>2024-2025</i>	<i>2023-2024</i>	<i>2022-2023</i>
<i>Item Description</i>	<i>Amount (Ksh)</i>	<i>Amount (Ksh)</i>	<i>Amount (Ksh)</i>
<i>Revenue</i>			<i>Restated</i>
<i>Operating Revenue</i>	224,853,399	221,486,726	231,798,669
<i>Grant Income</i>	4,455,503	5,961,032	2,787,637
<i>Other Income</i>	25,598,945	24,474,750	842,691
<i>Finance Income</i>	4,613,758	4,037,056	3,212,286
<i>Other gains/(losses)</i>	(32,913)	-	41,545
<i>Total Income</i>	259,488,692	255,959,564	238,682,828
<i>Expenditure</i>			
<i>Staff Costs</i>	111,713,811	105,473,389	102,145,605
<i>General & Operation Expenses</i>	92,828,444	102,556,042	83,079,970
<i>Board Expenses</i>	5,868,306	6,719,793	3,919,748
<i>Maintenance Expenses</i>	25,394,629	27,113,209	27,292,740
<i>Depreciation and Amortization Expenses</i>	22,563,340	24,290,973	21,227,755
<i>Total Expenditure</i>	258,368,530	266,153,405	237,529,113
<i>Surplus /(Deficit) before tax</i>	1,120,162	(10,193,841)	1,153,715

The analysis of the table above indicates that the total income has been growing over the period i.e. an increase of 1.4%. Grant Income for the year 2024-2025 includes a grant from the Water Sector Trust Fund of Ksh.1,531,974. The grant received was designated to support the undeserved residents in Magundu sub-location focusing on promoting sanitation and hygiene in Majengo & Kibera villages.

Operational Performance

During the three-year period, effective management of Non-Revenue Water (NRW) enabled the company to increase operating revenues from Ksh.221.4 million to Ksh.224.8 million. The NRW for the year 2024-2025 was at 19.06%. The management of NRW meant more water was available for customer consumption. Throughout this period, MEWASSCO consistently maintained its NRW levels below the industry benchmark.



Management Discussion and Analysis Cont'd

The MEWASSCO five-year Strategic plan has roadmap to fulfilment of the Key Result Areas as identified during formulation and validation of the plan by stakeholders. Some of the projects listed in the plan include Mutuaru Water Supply. The preliminary studies through the support of the Tana Water Works Agency were completed.

Compliance

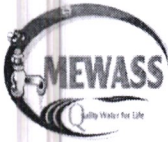
Throughout the period MEWASSCO did not experience nor default its obligations concerning statutory requirements.

Risks in the Water Sector

The main challenge in the water sector is the change of the climate as a result of global warming. The change in climate continues to have negative effect on water bodies. The water from the rivers has greatly reduced. This has led to competition of the scarce resource by various users. Secondly, the road contractors continue to interfere with the water supply infrastructure during road works. The costs of replacing the destroyed infrastructure is enormous hence continue to adversely affect service delivery. Additionally, the escalating cost of operating water supply has increased tremendously due to inflation and the depreciating value of the Kenyan currency. Further, there has been cases of vandalism of water infrastructure which includes theft of water meters, manholes covers and pipes.

The Operating Environment

The Water sector has undergone reforms since the enactment of the Water Act 2002 which was repealed by the Water Act 2016. The Constitution of Kenya 2010 under the Fourth Schedule placed water and sanitation services to the County governments. The company is wholly owned by the County Government of Meru.



10. Environmental And Sustainability Reporting

The mandate of the Company is to provide safe, reliable, and potable water supply to the residents of Meru and its environs. We remain committed to continually sustain and improve these services to meet the present and future needs of our customers. The Company recognizes that it has responsibility to all stakeholders which includes the interests of customers, community and the employees at large. There is need for the company to foster amicable relationship with all the stakeholders, taking into consideration the impact of the company's operations on the local communities and the surrounding environment where it operates.

i) Sustainability strategy and profile

The long-term sustainability of the Company is anchored on several key factors that influence our ability to consistently deliver safe, reliable, and affordable water services. These include:

a) Water Sources

Protection, conservation, and sustainable management of raw water sources to ensure continuous availability.

b) Distribution Infrastructure

Maintenance, upgrading, and expansion of pipelines, treatment plants, and storage facilities to meet current and future demand.

c) Water Production Levels

Efficient production processes to ensure that supply meets the growing needs of customers while minimizing operational costs.

d) Water Distribution Efficiency

Reliable distribution systems that reduce losses, maintain quality, and guarantee equitable access across service areas.

e) Non-Revenue Water (NRW)

Continuous monitoring and management of water losses through leak detection, pipeline rehabilitation, and customer sensitization.

f) Political Support and Goodwill from the County

Strong collaboration with County leadership and other stakeholders to ensure policy alignment, regulatory compliance, and resource mobilization for sustainable growth.



Environmental and Sustainability Reporting Cont'd

ii) Environmental performance

MEWASSCO relies on the environment which provides water that is abstracted, treated and transmitted via pipeline to respective customers hence its conservation is crucial for sustainability. This is done by ensuring the conservation levies paid to the respective institutions. Regarding sewer management, MEWASSCO prioritizes and minimizes impact on the environment through environmentally responsible management and adherence to relevant statutory standards. However, due to the overloading of the existing sewerage treatment plant there has been a challenge.

iii) Employee welfare

MEWASSCO's hiring process is guided by clear and transparent policies that promote fairness, inclusivity, and equal opportunity for all applicants. The Company is committed to building a diverse and competent workforce by endeavoring to maintain fair gender representation across all levels of employment from both male and female, youth and People with Disability (PWD).

The Human Resource policy are reviewed periodically to align with changes in labour laws, government directives, and organizational needs. Feedback from staff and stakeholders is also incorporated to strengthen inclusivity and fairness in the hiring process.

MEWASSCO recognizes that health, safety, and training play a key role in ensuring that employees remain dedicated and productive in the workplace. We are committed to providing a safe and conducive working environment where personal and employment rights are respected and upheld. To enhance staff welfare, employees has are enrolled in a medical scheme that also covers their immediate family members. This ensures access to quality healthcare and promotes overall well-being.

In addition, the Company builds the capacity of the workforce through training programs, workshops, and professional development initiatives aimed at improving service delivery and employee performance. Lastly, to guarantee safety in daily operations, all employees are provided with the necessary Personal Protective Equipment (PPE) to safeguard them while carrying out their duties. A review of work related injuries reported were minor, mainly related to motor cycle accidents during maintenance activities and to minimize the incidences the employees are offer refresher safety training



iv) Market place practices

The Company aspires to be a responsible, open, and trustworthy market player. In this regard, we are committed to ensuring that all commercial transactions are conducted transparently, fairly, and in the best interests of all parties involved. This approach strengthens trust, promotes ethical business conduct, and fosters long-term, sustainable relationships with our stakeholders.

a) Responsible competition practice.

Responsible competition is about ensuring that sustainable development is embedded in both local and global markets. It emphasizes fair markets that reward business practices which deliver positive social, environmental, and economic outcomes. The Company is committed to upholding fair competition standards, ensuring that our practices are transparent, ethical, and beneficial to our customers, stakeholders, and the wider community

b) Responsible Supply chain and supplier relations

The Company recognizes the critical role of suppliers in its operations and is committed to maintaining strong, transparent, and mutually beneficial relationships. As part of this commitment, we ensure timely settlement of supplier invoices within the agreed credit periods. This approach not only fosters trust and reliability but also promotes sustainable business practices and long-term partnerships.

c) Responsible marketing and advertisement

The Company is committed to ensuring that all marketing and advertising activities are conducted responsibly and ethically. In publicizing our products and services, we use fair and transparent language, uphold moral values, and strictly adhere to recognized standards and best practices in advertising and marketing. This approach builds trust with our customers and reinforces our reputation as a socially responsible service provider.

d) Product stewardship or Awareness creation.

MEWASSCO takes responsibility for the residents of town and its environs by ensuring delivery of clean, safe and portable water services while protecting the environmental impact. This means managing water resources, treatment, distribution, and wastewater responsibly while engaging stakeholders at every stage. The Company also provides feedback channels for consumers to report leakages, illegal connections or quality concerns.



v) Corporate Social Responsibility / Community Engagements

MEWASSCO continues to make a positive impact within the community in which it operates through active participation in various initiatives. The Company supports institutional programs by providing material assistance, including bottled water for their activities. In addition, MEWASSCO demonstrates its commitment to environmental sustainability and climate change mitigation by taking part in tree planting exercises aimed at conserving and protecting the environment.



11. Report Of the Directors

The Directors submit their twenty second report and the audited financial statements for the year ended 30th June 2025 which show the company's affairs.

i) Principal Activities

The principal activities of the company are the provision of water and sewerage services within the Meru Municipality and its environs.

ii) Results

The results for the year are set out on page 1.

iii) Directors

The members of the Board of Directors who served during the year are shown on page vi

iv) Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By order of the Board of Directors

Secretary to the Board

25/08/2025



12. Statement Of Directors' Responsibilities

Sections 164 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of a County Government Entity to prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Directors are responsible for the preparation and presentation of the Entity financial statements, which give a true and fair view of the state of affairs of the Entity for the year ended on 30th June 2025. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Entity;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) Safeguarding the assets of the Entity;
- v) Selecting and applying appropriate accounting policies; and
- vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Public Finance Management Act, 2012 and the Public Procurement and Asset Disposal Act 2015. The Directors are of the opinion that the Entity's financial statements give a true and fair view of the state of Entity's transactions during the financial year ended June 30, 2025, and of the Entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.



Statement Of Directors' Responsibilities Cont'd

In preparing the financial statements, the Directors have assessed the company's ability to continue as a going concern.

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

Approval of the financial statements

The Company's financial statements were approved by the Board of Directors on **25th August, 2025** and signed on its behalf by:

Name: Stephen Mwenda Mungania
Chairperson of the Board

Name: Patrick Mugendi Kwiriga
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MERU WATER AND SEWERAGE SERVICES 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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Meru Water and Sewerage Services Company Limited set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other

Report of the Auditor-General on Meru Water and Sewerage Services Company Limited for the year ended 30 June, 2025

comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter 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 Water and Sewerage Services Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Long Outstanding Trade Receivables

As previously reported, the statement of financial position reflects trade and other receivables balance of Kshs.66,341,725 net of provision for bad and doubtful debts of Kshs.23,195,682, which, as disclosed in Note 20 to the financial statements, includes gross trade receivables balance of Kshs.82,115,897. However, the gross trade receivables balance includes debts amounting to Kshs.49,202,193 which had been outstanding from 2023/2024 and earlier years without clearance. In addition, no evidence was provided of the Management efforts made to recover or write off the overdue debts.

In the circumstances, the accuracy and recoverability of the long outstanding receivables balance of Kshs.66,341,725 could not be confirmed.

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

Emphasis of Matter

Budgetary Performance and Controls

The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs.260,275,226 and Kshs.292,068,814 respectively resulting to an overcollection of Kshs.31,793,588 or 12% of the budget. Similarly, the Company spent Kshs.260,267,775 against actual receipts of Kshs.292,068,814 resulting to an under absorption of Kshs.31,801,039 or 11% of the actual receipts.

The under-utilization of actual receipts 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 judgment, 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 were no key audit matters to report in the year under review.

Other Information

Management is responsible for the Other Information set out on pages iv to xxvi which comprise of Company Key Entity Information, Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Company's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of the Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Long Outstanding Trade Payables

As previously reported, the statement of financial position reflects trade and other payables balance of Kshs.82,586,718 which, as disclosed in Note 29 to the financial

statements, includes payables balance totalling Kshs.53,688,115 relating to 2023/2024 financial year and earlier periods, hence have been outstanding for inordinately long time without clearance. It was therefore, not possible to confirm why the Company has not met its obligations of settling debt as the first charge. This was contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall not commence any procurement proceedings until satisfied that sufficient funds to meet the obligations of the resulting contracts are reflected in approved budget estimates.

In the circumstances, Management was in breach of the law and there is risk loss of public funds through litigations, interests and penalties.

2. Non-Compliance with Fiscal Responsibility Principle on Wage Bill

As previously reported, the statement of profit or loss and other comprehensive income reflects total expenses and staff costs amounts of Kshs.258,368,530 and Kshs.111,713,811 respectively. However, the staff costs are 43% of operation and maintenance cost of Kshs.258,368,530. This is contrary to Paragraph 3.2 of the performance report of Kenya's Water Service Sector 2020/2021 from Water Service Regulatory Board (WASREB), issue Number 14/2022 on Performance Analysis and Ranking under economic efficiency which states that the personnel expenditure for any Company ranked as large Company should not exceed 30% as percentage of Operation and Maintenance Cost.

In the circumstances, Management was in breach of the WASREB Guidelines.

3. 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.

4. Non-Compliance with the Law on Staff Ethnic Representation and People with Special Needs

As previously reported, review of staff records revealed that thirteen (13) staff out of twenty-one (21) representing 62% of Management staff (Job Groups 1–5), were from one dominant ethnic community within the Country. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

In addition, out of a total of one hundred and thirteen (113) staff, the Company had no employee with disability, contrary to provisions of Section 13 of the Persons with Disabilities Act, 2003 which states that the Council shall endeavor to secure the reservation of five (5) percent of all casual emergency and contractual positions in employment in the Public and Private Sectors for persons with disabilities.

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

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

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

In the circumstances, Management was in breach of law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Use of Old Water Tariffs

As previously reported, the statement of profit or loss and other comprehensive income reflects operating revenue amount of Kshs.224,853,399 as disclosed in Note 6 to the financial statements. Review of billing records revealed that the Company applied a tariff structure approved by the Water Services Regulatory Board (WASREB) for the period 2013/2014 to 2016/2017. However, the approval period has since lapsed and the Company has continued using the same tariff rates for seven (7) subsequent years without approval or renewal from WASREB.

In the circumstances, effectiveness and validity of revenue collection mechanism applied by the Company 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

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit. In my opinion, except for the matters described in the Basis for Qualified Opinion, I confirm that:
- ii. Information given in the Directors' report on page xxiv is consistent with the financial statements; and
- iii. The auditable part of the directors' remuneration report on page 21 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 Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company's, ability to continue as a going concern, disclosing, as applicable, matters related 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.



FCPAINancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 November, 2025



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025

	Notes	2024-2025	2023-2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	224,853,399	221,486,726
Grant Income	7	4,455,503	5,961,032
Other Income	8	25,598,945	24,474,750
Finance Income	9	4,613,758	4,037,056
Other gains/(losses)	10	(32,913)	-
Total Revenue		259,488,692	255,959,564
Expenses:			
Staff Costs	11	111,713,811	105,473,389
General and Operation Expenses	12	92,828,444	102,556,042
Board Expenses	13	5,868,306	6,719,793
Maintenance Expenses	14	25,394,629	27,113,209
Depreciation and Amortization Expenses	15	22,563,340	24,290,973
Total Expenses		(258,368,530)	(266,153,405)
Surplus/(Deficit) Before Taxation		1,120,162	(10,193,841)
Taxation	16	(821,378)	3,963,689
Surplus/(Deficit) after Taxation		1,941,540	(6,230,152)




MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

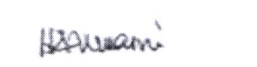
15. Statement of Financial Position As At 30 June 2025


	Notes	2024-2025	2023-2024
		Kshs	Kshs
Assets			<i>Restated</i>
Non-Current Assets			
Property, plant & equipment	17	235,565,335	246,106,332
Intangible assets	18	2,762,086	3,982,091
Total non-current assets		238,327,421	250,088,423
Current Assets			
Inventory	19	4,836,793	4,865,875
Trade and Other Receivables	20	66,341,726	*58,795,625
Prepayments	21	3,005,656	*3,136,454
Tax Recoverable	22	23,176,762	20,919,422
Cash and cash equivalents	23	122,148,019	90,787,229
Derecognized Assets	24	12,807	-
Total Current Assets		219,521,764	178,504,606
Total Assets		457,849,186	428,593,029
Equity and Liabilities			
Capital and Reserves			
Share Capital	25	100,000	-
Revaluation Reserve	26	18,442,055	18,442,055
Retained Earnings	27	240,135,518	**238,193,978
Capital and Reserves		258,677,573	256,636,033
Financed by:			
Non- Current Liabilities			
Deferred Income	28	62,248,690	22,771,727
Total Non-Current liabilities		62,248,690	22,771,727
Current Liabilities			
Trade and other Payables	29	82,586,717	**96,399,784
Consumer deposits	30	54,336,206	52,785,485
Total Current Liabilities		136,922,923	149,185,269
Total Equity and Liabilities		457,849,186	428,593,029

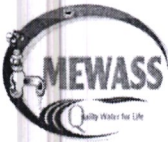
**Prior year restated to derecognize the provision that was earlier made of Ksh.19,353,494

*prior year balance restated to separate Trade Receivables and Prepayments


 Mr. Patrick Mugendi
 Managing Director


 CPA Lydiah Mukami
 Head of Finance
 ICPAK M/No:22817


 CPA Stephen Mwenda
 Chairman of the Board



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

16. Statement of Changes in Equity for the Year Ended 30 June 2025

	Issue of Share Capital	Revaluation Reserve	Retained Earnings	Capital Development Fund	Totals
	Kshs	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 as previously stated	-	-	205,881,627	25,158,153	231,039,780
Correction of prior year transaction	-	-	19,189,009	-	19,189,009
Restated as at 30 June 2023	-	-	225,070,636	25,158,153	250,228,789
As at July 1, 2023		-	225,070,636	25,158,153	250,228,789
Revaluation gain		18,442,055			18,442,055
Loss for the year			(6,230,152)		(6,230,152)
Transfer of depreciation/amortization from capital fund to retained earnings		-	-	(2,386,426)	(2,386,426)
At 30 June 2024		18,442,055	218,840,484	22,771,727	260,054,266
At 30 June 2024 as previously stated		18,442,055	218,840,484	22,771,727	260,054,266
Prior year adjustment			*19,353,494		
Restated as at 30 June 2024		18,442,055	238,193,978	22,771,727	279,407,760
At 1st July 2024	-	18,442,055	238,193,978	22,771,727	279,407,760
Share capital	100,000				100,000
Profit for the year			1,941,540		1,941,540
Capital/Development grants received during the year				42,313,017	42,313,017
Transfer of depreciation from capital fund to retained earnings				(2,836,054)	(2,836,054)
At 30 June 2025	100,000	18,442,055	240,135,518	62,248,690	320,926,263

* Prior year adjustment relates to a provision of Ksh.19,353,494 comprising of Ksh.17,853,494 for a legal matter on land and the company won the case and Ksh.1,500,000 relating to effluent discharge respectively. The effluent discharge has not been incurred as anticipated hence derecognition and restatement of the balances in the statement of Changes in Equity.



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

17. Statement Of Cash Flows for The Year Ended 30 June 2025

	Notes	2024-2025	2023-2024
Cash Flows From Operating Activities		<u>Kshs</u>	<u>Kshs</u>
Receipts			
Operating Receipts	31(b)	217,438,095	222,895,784
Grant Income	7	1,619,449	3,574,606
Finance Income	9	4,613,758	4,037,056
Other Income	8	25,598,945	24,474,750
Customer deposits	30	<u>2,467,500</u>	<u>2,807,750</u>
Total Receipts		251,737,747	257,789,946
Payments			
Staff Costs	11	111,713,811	105,473,389
General and Operation Expenses	31(c)	108,048,391	84,251,837
Board Expenses	13	5,868,306	6,719,793
Maintenance Expenses	14	25,394,629	27,113,208
Refund of Customer Deposits	30	<u>916,779</u>	<u>703,626</u>
Total Payments		251,941,916	224,261,853
Net cash From /(Used In) Operating Activities	31(a)	<u>(204,169)</u>	<u>33,528,093</u>
Cash Flows from Investing Activities			
Purchase of fixed assets	17	(11,281,261)	(25,664,176)
Purchase of Intangible assets	18	(52,347)	(1,291,082)
Proceeds from the sale of fixed assets		485,550	-
Net Cash From/(Used In) Investing Activities		(10,848,058)	(26,955,258)
Cash Flows from Financing Activities			
Proceeds from Issue of share capital		100,000	-
Deferred Grant Income	28	<u>42,313,017</u>	-
Net Cash From/(Used In) Financing Activities		42,413,017	-
Increase/(Decrease) In Cash And Cash Equivalents		31,360,790	6,572,832
Cash And Cash Equivalents At Beginning Of Year	31(d)	90,787,229	84,214,397
Cash And Cash Equivalents At End Of The Year	31(d)	122,148,018	90,787,229



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

**18. Statement Of Comparison of Budget & Actual Amounts for The Period
 Ended 30 June 2025**

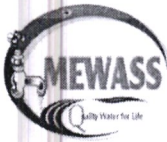
Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
Year	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Operating Receipts	226,312,290	(1,000,000)	225,312,290	217,438,095	7,874,195	96.51%
Non-operating Revenue	39,020,428	(13,105,503)	25,914,925	25,598,945	315,980	98.78%
Grants	-	4,455,503	4,455,503	43,932,466	(39,476,963)	986.03%
Finance Income	4,592,508	-	4,592,508	4,613,758	(21,250)	100.46%
Other gains				485,550	(485,550)	-100%
Total Receipts	269,925,226	(9,650,000)	260,275,226	292,068,814		
Payments						
Staff costs	113,487,260	(1,500,000)	111,987,260	111,713,811	273,449	99.76%
Board Expenses	5,469,900	400,000	5,869,900	5,868,306	1,594	99.97%
General and Operations Expenses	100,753,291	(7,550,000)	93,203,291	105,957,421	(12,754,130)	113.68%
Maintenance	29,782,646	(3,500,000)	26,282,646	25,394,629	888,017	96.62%
Total Recurrent Expenditure	249,493,097	(12,150,000)	237,343,097	248,934,167	-11,591,070	104.88%
Capital Expenditure	20,432,129	2,500,000	22,932,129	11,333,608	11,598,521	49.42%
Total Payments	269,925,226	(9,650,000)	260,275,226	260,267,775		
Surplus	-	-	-	31,801,039		

Reconciliation of Statement of Comparison of budget and cash flow statement	
	Kshs.
Surplus as per statement of comparison of Budget and Actual amounts	31,801,039
Add opening cash and cash equivalents	90,787,229
Movement of customer deposit	(340,250)
share capital	(100,000)
Closing Cash and Cash Equivalent as per the statement of Cash flows	122,148,018



Budget notes:

- i) During the year the company received funding from the Water Sector Trust Fund amounting to Kshs 42,313,017 towards water infrastructure development.
- ii) There were gains amounting to Kshs 485,550 arising from the disposal of unserviceable items.
- iii) The expenditure under the general and operational increased due to revised tariff on water abstraction fees by the Water Resources Authority effective April 2025.
- iv) The funds budgeted for capital expenditure was not expended as at the end of the financial year as the company was required to save funds to the escrow account as a condition for the grant.



19. Notes To the Financial Statements

1. General Information

Meru Water and Sewerage Services Company Limited is established under Company's Act 2015 and derives its authority and accountability from the Water Act 2016. The Company is wholly owned by the County Government of Meru and is domiciled in Kenya. The Company's principal activity is to provide water and sewerage services to the residents Meru Municipality and its Environs.

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

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity. The financial statements have been prepared in accordance with the Public Finance Management Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The Cash flow statement is prepared using indirect method. The accounting policies adopted have been consistently applied to all the years present.



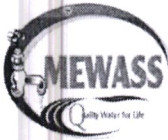
Notes to the financial statements (cont'd)

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not 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 the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.	1 January 2026

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



Notes to the Financial Statements (Cont'd)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 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 was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

iii. *Early adoption of standards*

The Company did not early – adopt any new or amended standards in year under review.



Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognized as it accrues



Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Rates
Freehold Land	Nil
Buildings	2.5%
Water Treatment plant	2.5 %
Furniture and equipment	12.5 %



Plant and machinery	12.5 %
Water meters	20 %
Motor vehicles, including motorcycles	25 %
Computers and related equipment	30 %
Amortization of intangible assets	30 %
Office equipment, furniture and fittings	12.5%
Workshop equipment	33.3%
Pipeline extensions	12.5 %

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

e) Intangible assets

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

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortization and impairment of intangible assets

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



Notes to the financial statements (continued)

Summary of Accounting Policies

g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

h) Trade and other receivables

Trade and other receivables are recognized at 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. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

i) Taxation

i) Current income tax

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

J) 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.



Notes to the financial statements (continued)

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.

k) 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



Notes to the financial statements (continued)

convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the reporting period.

Restricted cash

Restricted cash refers to cash and cash equivalent balances that have usage constraints. An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity.

l) 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.

m) Trade and other payables

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

n) Retirement benefit obligations

The Entity provides retirement benefits for its employees. The scheme 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.



Notes to the financial statements (continued)

o) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 28th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss. The amounts in the financial statements were are from the accrual. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

p) Comparative figures

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

q) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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



Notes to the financial statements (continued)

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 21. 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.

Provision for Bad and Doubtful debts

Dormant accounts provision - debtor whose accounts are not active for more than five years are provided for in full, a **General provision** for doubtful debts is provided at ten (10) percent after deducting the dormant account debts.



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Notes to the financial statements (continued)

6. Operating Revenue

	<i>2024-2025</i>	<i>2023-2024</i>
	<i><u>Kshs</u></i>	<i><u>Kshs</u></i>
Water sales	167,620,945	165,560,746
Sewerage Services	38,511,137	37,033,817
Billing for other services	18,721,317	18,892,162
Total	224,853,399	221,486,726

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

7. Grant Income

	<i>2024-2025</i>	<i>2023-2024</i>
	<i><u>Kshs</u></i>	<i><u>Kshs</u></i>
Recurrent grants from WSFT	1,531,974	3,574,606
Capital grants amortized	2,836,054	2,386,426
Recurrent Grant from WSTF	87,475	-
Total	4,455,503	5,961,032

8. Other Income

Description	<i>2024-2025</i>	<i>2023-2024</i>
	<i><u>Kshs</u></i>	<i><u>Kshs</u></i>
Miscellaneous income	1,804,304	345,849
New connection fees	4,345,427	6,521,434
Bottled water Sales	11,920,520	11,092,467
Exhauster Revenue	7,528,694	6,515,000
Totals	25,598,945	24,474,750



Notes to the financial statements (continued)

9. Finance Income

Description	2024-2025	2023-2024
	<i>Kshs</i>	<i>Kshs</i>
Interest from fixed deposits	4,613,758	4,037,056
Total	4,613,758	4,037,056

10. Other Gains/Losses

Description	2024-2025	2023-2024
	<i>Kshs</i>	<i>Kshs</i>
Loss on disposal	(32,913)	-
Total	(32,913)	-

11. Staff costs

	2024-2025	2023-2024
Description	<u><i>Kshs</i></u>	<u><i>Kshs</i></u>
Gross salary and allowances	60,356,064	60,479,210
Contractual wages	27,419,484	21,335,161
Medical insurance schemes	7,947,433	6,679,760
Employer's Contributions to Social Security Schemes	3,242,090	1,938,706
Employer's Contributions to Pension Schemes	6,127,643	5,696,172
Gratuity Provisions	3,230,434	4,165,320
Benevolent fund employer contribution	136,300	133,700
Housing Levy Employer Contributions	1,308,302	1,011,533
Staff Welfare	1,946,061	4,033,827
Total	111,713,811	105,473,389
The average number of employees during the year	113	116

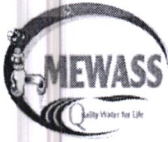


MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements (Cont'd)

12. General and Operations Expenses

	<i>2024-2025</i>	<i>2023-2024</i>
<i>Description</i>	<i>Kshs</i>	<i>Kshs</i>
Chemicals and laboratory expenses	7,025,051	8,253,980
Electricity and Generator expenses	13,929,348	17,108,543
Fuel, oils, lubricants and gases	7,388,409	7,666,084
Office supplies	3,523,186	3,516,329
Uniform and protective clothing	1,480,445	2,160,358
Telecommunication	3,151,138	3,140,597
Postage and courier	12,358	14,916
Insurance	1,858,512	2,075,403
Domestic Traveling and Subsistence	8,064,587	11,831,278
Staff Training and development	1,992,925	2,600,176
Bank charges	305,061	166,778
Security Services	2,239,517	2,000,399
Publicity and Advertising	440,650	623,739
Audit Fees	464,000	464,000
Legal fees	613,600	3,122,388
Professional fees	1,661,520	-
Licensing and levies	11,602,406	11,599,332
Sports and recreation	3,206,966	3,028,027
Stakeholders expenses	1,477,650	486,450
Donations and CSR	714,200	779,210
Hospitality expenses	2,527,140	2,129,192
Provision for doubtful debts	2,089,828	716,648
Bottling Plant Expenses	6,396,170	6,911,681
Excise Duty	2,579,094	2,409,718
Exhauster Expenses	4,512,421	4,723,562
Water Analysis Expenses	847,981	828,240
Magundu sanitation Project Expenses	2,049,200	3,205,570
Assorted Tools	522,931	993,446
General Office Expenses	67,300	-
Kathita Raw Main-Project Expenses	84,850	-
Totals	92,828,444	102,556,044



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements (Cont'd)

13. Board Expenses

	<i>2024-2025</i>	<i>2023-2024</i>
<i>Description</i>	<i>Kshs</i>	<i>Kshs</i>
Chairman Honoraria	234,000	100,000
Sitting Allowances	1,156,800	1,352,500
Induction and Training	416,600	884,538
Travel and accommodation	2,913,020	2,896,743
Other allowances	1,147,886	1,486,012
Total Board Expenses	5,868,306	6,719,793

14. Maintenance Expenses

	<i>2024-2025</i>	<i>2023-2024</i>
<i>Description</i>	<i>Kshs</i>	<i>Kshs</i>
Repairs and Maintenance	3,138,499	5,802,232
Rehabilitation-sewer system	136,430	69,010
Operation & maintenance - pipelines	18,605,852	16,572,644
Motor Vehicle Running Expenses	3,310,548	4,298,433
Infrastructural networks	-	334,891
Night flow measurements	203,300	36,000
Total Maintenance Expenses	25,394,629	27,113,210

15. Depreciation and Amortization Expenses

	<i>2024-2025</i>	<i>2023-2024</i>
<i>Description</i>	<i>Kshs</i>	<i>Kshs</i>
Property, plant, and equipment	21,379,589	22,584,363
Intangible assets	1,183,751	1,706,610
Total Depreciation and Amortization	22,563,340	24,290,973

16. Income Tax Expense/ (Credit)

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
Current taxation based on the adjusted profit for the year at 30%	(821,378)	(3,963,689)
Total	(821,378)	(3,963,689)



Notes to the Financial Statements (Cont'd)

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

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
Profit before taxation	<u>1,120,162</u>	<u>(10,193,840)</u>
Tax at the applicable tax rate of 30%	336,049	(3,058,152)
Tax effects of expenses not deductible for tax purposes	7,106,288	7,701,689
Tax effects of income not taxable	(850,816)	(715,928)
Tax effects of excess capital allowances over depreciation/amortization	(7,412,899)	(7,891,298)
Total	(821,378)	(3,963,689)



Notes to the financial statements (continued)

17. Property, Plant and Equipment

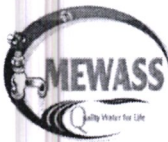
	Free Hold Land	Buildings	Office Computers	Motor Vehicles	WTP Equipment & Tools	Water Meters & Leak Equipment	Office Furniture & Equipment	Pipes & Fittings	Water & sewerage treatment	Work in Progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Depreciation rate		2.5%	30%	25%	33.3%	20%	12.5%	12.5%	2.5%		
At 1st July 2023	7,507,945	14,386,226	18,312,732	38,575,080	6,750,112	92,025,497	15,727,993	100,745,646	126,399,167	19,882,003	440,312,401
Additions		790,752	1,014,864			9,504,317	817,470	13,536,774	-		25,664,176
Capitalized WIP		1,566,129						18,315,874		(19,882,003)	-
Valuation	18,442,055	-	-	-	-	-	-	-	-	-	18,442,055
At 30th June 2024	25,950,000	16,743,107	19,327,596	38,575,080	6,750,112	101,529,814	16,545,463	132,598,294	126,399,167	-	484,418,632
At 1st July 2024	25,950,000	16,743,107	19,327,596	38,575,080	6,750,112	101,529,814	16,545,463	132,598,294	126,399,167	-	484,418,632
Additions	-	-	299,997	1,656,000	307,400	8,677,864	340,000	-	-	-	11,281,261
Disposals	-	-	(9,324,200)	(4,646,806)	(2,854,467)	-	(847,698)	-	-	-	(17,673,171)
At 30th June 2025	25,950,000	16,743,107	10,303,393	35,584,274	4,203,045	110,207,678	16,037,765	132,598,294	126,399,167	-	478,026,722



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements (Cont'd)

	Free Hold Land	Buildings	Office Computers	Motor Vehicles	WTP Equipment & Tools	Water Meters & Leak Equipment	Office Furniture & Equipment	Pipes & Fittings	Water & sewerage treatment	Work in Progress	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Depreciation											
At 1st July 2023	-	3,374,871	16,601,926	30,168,946	6,196,842	67,891,849	8,823,123	62,142,095	20,528,287	-	215,727,940
Charge for the year	-	334,206	817,701	2,101,533	184,239	6,727,593	965,293	8,807,025	2,646,772		22,584,361
At 30th June 2024	-	3,709,077	17,419,627	32,270,479	6,381,081	74,619,442	9,788,415	70,949,120	23,175,059	-	238,312,301
At 1st July 2024		3,709,077	17,419,627	32,270,479	6,381,081	74,619,442	9,788,415	70,949,120	23,175,059	-	238,312,301
Disposals		-	(9,051,172)	(4,551,135)	(2,852,025)	-	(776,171)	-	-		(17,230,503)
Charge for the year		325,851	580,481	1,966,232	224,438	7,117,647	878,190	7,706,147	2,580,603	-	21,379,589
At 30th June 2025		4,034,928	8,948,936	29,685,576	3,753,494	81,737,089	9,890,434	78,655,267	25,755,661	-	242,461,387
As at 30th June 2025	25,950,000	12,708,179	1,354,456	5,898,697	449,550	28,470,589	6,147,331	53,943,027	100,643,506	-	235,565,335
As at 30th June 2024	25,950,000	13,034,030	1,907,969	6,304,600	369,031	26,910,372	6,757,048	61,649,174	103,224,108	-	246,106,331
As at 30th June 2025	25,950,000	12,708,179	1,354,456	5,898,697	449,550	28,470,589	6,147,331	53,943,027	100,643,506	-	235,565,335



Notes to the Financial Statements (Cont'd)

Property, plant and equipment worth Kshs 19,269,448 donated to Meru Water and Sewerage Services at Inception by the Government of Kenya and the Government of Japan are included in these financial statements. These include computers, furniture and fittings, laboratory equipment, motor vehicles and motor cycles, office and workshop equipment and water meters. Assets of an undetermined value which were originally under the Meru Municipal Council and the then Ministry of Environment and Natural Resources are not included in these accounts. These include all distribution and storage tanks, structures and works at the water treatment plant, buildings, water pipes network, master meters, structures and works at the sewer treatment, sewerage conduit pipes networks and all the land on which these items are constructed. The Entity utilizes all these assets to provide water and sewerage services to the residents of Meru Municipality and its environs.

The Company owns a piece of land plot no. Ntima/Igoki/2032. The ownership was in dispute and the company was sued. The company appealed the case and won.

17 (b) property, plant and Equipment at Cost

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	25,950,000	-	25,950,000
Buildings	16,743,107	4,034,928	12,708,179
Water Treatment plant Equipment's	4,203,045	3,753,494	449,550
Motor vehicles including motorcycles	35,584,274	29,685,576	5,898,697
Computers and related equipment	10,303,393	8,948,936	1,354,456
Office equipment, furniture & fittings	148,636,059	88,545,701	60,090,358
Water Meters	110,207,678	81,737,089	28,470,589
Water Treatment Plant	126,399,167	25,755,661	100,643,506
Totals	478,026,722	242,461,387	235,565,335

18. Intangible Assets

	2024-2025	2023-2024
Description	Kshs	Kshs
Cost		
At July 1	20,845,579	19,554,497
Additions	52,347	1,291,082
Disposal	(7,044,500)	-
At June 30	13,853,426	20,845,579



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Amortization		
At July 1	16,863,487	15,156,877
Disposal	(6,955,898)	
Charge for the year	1,183,751	1,706,610
At June 30	11,091,340	16,863,487
Net Book Value		
At June 30	2,762,086	3,982,091

19. Inventories

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
Pipes & fittings	2,913,992	2,775,552
Electrical fittings	2,322	2,365
Chemicals	851,897	1,179,597
Other items	755,805	908,360
Water Inventory	312,777	-
Total	4,836,793	4,865,875

20. Trade and Other Receivables

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>KShs</i>	<i>Kshs</i>
Trade receivables (note (20 a))	82,115,897	73,667,262
VAT (Value Added Tax) recoverable	2,081,765	2,081,765
Staff receivables (note (20 b))	40,175	40,675
Other receivables	5,299,569	4,111,777
Gross trade and other receivables	89,537,407	79,901,478
Provision for bad and doubtful receivable	(23,195,682)	(21,105,853)
Net trade and other receivables	66,341,725	58,795,625

20 (a) Trade Receivables

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
Gross trade receivables	82,115,897	73,667,262
Provision for doubtful receivables	(23,195,682)	(21,105,853)
Net trade receivables	58,920,215	52,561,409
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	19,806,146	16,804,512
Between 30 and 60 days	8,284,164	4,673,855



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Between 61 and 90 days	2,764,753	2,946,047
Between 91 and 120 days	2,106,395	2,224,681
Over 120 days	49,154,439	47,018,166
Total	82,115,897	73,667,262

20. (b) Staff Receivables

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
Gross staff advances	40,175	40,675
Net staff advances	40,175	40,675

21. Prepayments

Description	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Ksh</i>	<i>Ksh</i>
Electricity	90,500	90,500
Insurance for Assets	287,229	349,712
Staff Medical Cover	2,627,928	2,692,377
CFAO Motors	-	3,864
Totals	3,005,656	3,136,454

22. Tax Recoverable

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
At beginning of the year	20,919,422	14,851,484
Income tax charge for the year (note 33)	821,378	3,963,689
Income tax paid during the year	1,435,962	2,104,250
At end of the year	23,176,762	20,919,422



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements (Cont'd)

23. Cash & cash equivalents

a) Short term deposits			
Financial Institution	Account Number	2024-2025	2023-2024
		<i>Ksh</i>	<i>Ksh</i>
Equity Bank Limited	1040386271048	3,406,398	3,406,398
Equity Bank Limited	1040386366056	2,000,000	2,000,000
Equity Bank Limited	1040386509799	54,500,000	53,000,000
Equity Bank Limited	1040386271586	360,000	-
Equity Bank Limited	1040386509815	100,000	
Sub- total		60,366,398	58,406,398
b) Bank & cash Balances			
		2024-2025	2023-2024
Financial institution	Account number	<i>Kshs</i>	<i>Kshs</i>
Current account			
Standard Chartered Bank	102063431800	-	566,109
Equity Bank Limited	1040299452042	-	4,543,508
Equity Bank Limited	1040285162723	6,252,056	6,366,061
Equity Bank Limited	1040285036375	5,210,894	19,997,412
Equity Bank Limited	1040284438703	10,854	626,726
Equity Bank Limited	1040286081912	42,313,017	-
Equity Bank Limited	1040286082214	7,066,749	-
Sub- total		60,853,570	32,099,816
c) Others			
Cash in hand		25,680	6,407
Mobile money account	918350	902,371	274,608
Sub- total		928,051	281,015
Grand total		122,148,019	90,787,229



Notes to the Financial Statements (Cont'd)

24. Reclassified Assets

These are assets that were previously classified as Property, Plant, and Equipment (PPE) which have been reclassified and recognized as inventory under current assets. These assets are valued at Ksh.12,807.

25. Ordinary Share Capital

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
Authorized:		
5,000 ordinary shares of Kshs. 20 par value each	100,000	100,000
Issued and fully paid:		
5,000 ordinary shares of Kshs. 20 par value each	100,000	100,000

26. 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.

27. 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.

28. Capital/Development Fund Movement

The capital/Development fund movement is as follows:

Description	<i>2024-2025</i>	<i>2023-2024</i>
	Kshs	Kshs
Balance brought forward	22,771,727	25,158,152
Capital/Development grants received during the year	42,313,017	-
Transfers to income statement	(2,836,054)	(2,386,426)
Balance carried forward	62,248,690	22,771,726



Notes to the Financial Statements (Cont'd)

29. Trade and Other Payables

	<i>2024-2025</i>	<i>2023-2024</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Restated</i>	
Trade payables	74,956,637	92,968,504	92,968,504
Accrued Expenses	7,130,163	2,005,432	2,005,432
Other payables	499,918	20,779,342	20,779,342
Derecognition of prior year provision		(17,853,494)	
Derecognition of prior year provision		(1,500,000)	
Total	82,586,718	96,399,784	115,753,278

Aging Analysis for Trade and other Payables

	<i>2024-2025</i>	<i>% of the total</i>	<i>2023-2024</i>	<i>% of the total</i>
	<i>Kshs</i>		<i>Kshs</i>	<i>Kshs</i>
Under one year	28,898,603	34.99%	41,075,423	35.49%
1-2 years	464,000	0.56%	464,000	0.4%
Over 3 years	53,224,115	64.45%	74,213,855	64.11%
Total	82,586,718	100%	115,753,278	100%

30. Customer Deposits

These are refundable deposits paid by customers when opening a new water connection account. These deposits are refunded when water services to a customer are terminated.

Analysis of customer deposits

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
Opening balance	52,785,485	50,681,361
Add: Deposits received during the year	2,467,500	2,807,750
Less: Refunded deposit during the year	(916,779)	(703,626)
Closing Balance	54,336,206	52,785,485



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Notes to the Financial Statements (Cont'd)

31. Notes to the Statement of Cash Flows

	<i>2024-2025</i>	<i>2023-2024</i>
a) Reconciliation of operating/(loss) to cash generated from/(used in) operations		
	<i>Kshs</i>	<i>Kshs</i>
Profit or loss before tax	1,120,162	(10,193,841)
Depreciation	21,379,589	22,584,361
Amortization of intangible assets	1,183,751	1,706,610
Amortization of capital grants	(2,836,054)	(2,386,426)
(Gain)/loss on disposal of property, plant and equipment	32,913	-
Operating profit/(loss) before working capital changes	20,880,361	11,710,704
Working capital changes:		
(Increase)/decrease in inventories	29,082	(313,349)
(Increase)/decrease in trade and other receivables	(7,415,303)	1,409,058
Increase/(decrease) in trade and other payables	(13,813,066)	20,721,680
Increase/(decrease) in customer deposit	1,550,721	
Taxation paid	(1,435,962)	
Totals	(21,084,530)	21,817,389
Cash generated from/ (used in) Operating Activities	(204,169)	33,528,093

31(b) Reconciliation of Receivables

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Ksh</i>	<i>Ksh</i>
Operating Receipts	224,853,398	221,486,72
Add Increase /decrease in receivables	(7,415,303)	1,409,0
Actual Receipts	217,438,095	222,895,7

31(c) Reconciliation of Payables

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Ksh</i>	<i>Ksh</i>
General and Operation Expenses	92,828,444	102,556,042
Add decrease/Increase in inventory	(29,082)	313,22



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Add decrease in taxation paid	1,435,962	2,104,250
Less increase in payables and accruals	13,813,066	(20,721,679)
Net payables	108,048,391	84,251,837

31 (d) Analysis of cash and cash equivalents

<i>Financial Institution</i>	<i>Account Number</i>	<i>2024-2025</i>	<i>2023-2024</i>
Equity Bank Limited	1040386271048	3,406,398	3,406,398
Equity Bank Limited	1040386366056	2,000,000	2,000,000
Equity Bank Limited	1040386509799	54,500,000	53,000,000
Equity Bank Limited	1040386271586	360,000	-
Equity Bank Limited	1040386509815	100,000	
Sub- total		60,366,398	58,406,398
Cash at bank			
Standard Chartered Bank	102063431800	-	566,109
Equity Bank Limited	1040299452042	-	4,543,508
Equity Bank Limited	1040285162723	6,252,056	6,366,061
Equity Bank Limited	1040285036375	5,210,894	19,997,412
Equity Bank Limited	1040284438703	10,854	626,726
Equity Bank Limited	1040286081912	42,313,017	-
Equity Bank Limited	1040286082214	7,066,749	-
Sub- total		60,853,570	32,099,816
Cash in hand		25,680	6,407
Mobile money account	918350	902,371	274,608
Sub- total		928,051	281,015
Grand total		122,148,019	90,787,229

Other Disclosures

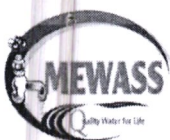
2. Related Party Disclosures

County Government of Meru

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

Other related parties include:

- The County Department in charge of Water
- Tana Water works Development Agency



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

- WASREB (Water Services Regulatory Board)
- WARMA (Water Resources Management Authority)
- Water Sector Trust Fund
- Key management
- Board of directors

Transactions with related parties

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
a) Sales to related parties		
Interest income from Equity Bank Limited	4,613,758	4,037,056
Total	4,613,758	4,037,056
b) Grants from the Government		
Grants from Water Sector Trust Fund	1,531,974	3,574,606
Grants from Water Sector Trust Fund	42,400,492	-
Total	43,932,466	3,574,606
c) Expenses incurred on behalf of related party		
Payments for goods and services for WSFT Magundu sanitation	2,049,200	3,205,570
Kathita Raw Main-Project Expenses	84,850	-
Total	2,134,050	3,205,570
d) Key management compensation		
Directors' emoluments	234,000	100,000
Compensation to key management	17,791,257	23,581,870
Total	18,025,257	23,681,870

During the year the Company received total grants amounting to Ksh.43,932,466 from Water Sector Trust Fund.

33. Contingent Liabilities

Details	<i>2024-2025</i>	<i>2023-2024</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
		<i>Restated</i>	
As previously stated		17,853,494	17,853,494
Derecognition of contingent liability	-	(17,853,494)	-
Total	-	-	17,853,494



Notes to the Financial Statements (Cont'd)

34. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme

Notes to the Financial Statements (Cont'd)

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

(i) Credit risk

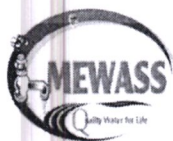
The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

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

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

Trade Receivables

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	82,115,897	58,920,215	-	23,195,682



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Bank balances	122,122,339	-	-	-
At 30 June 2024				
Trade Receivables	73,667,262	56,561,409	-	21,105,853
Bank balances	90,780,822	-	-	

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade payables	20,046,355	981,517	61,558,845	82,586,717
Total	20,046,355	981,517	61,558,846	82,586,718
At 30 June 2024				
Trade payables	37,074,475	164,014	55,730,014	92,968,504
Total	37,074,475	164,014	55,730,014	92,968,504



Notes to the Financial Statements (Cont'd)

(iii) Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

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

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

a) 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.

ii) 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:

	<i>2024-2025</i>	<i>2023-2024</i>
	<i>Kshs</i>	<i>Kshs</i>
Share Capital	100,000	-
Revaluation reserve	18,442,055	18,442,055



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Retained earnings	240,135,518	218,840,484
Capital Reserve	62,248,690	22,771,726

35. Incorporation

Meru Water and Sewerage Services Company Limited is incorporated under the Company's Act, 2015 of the Laws of Kenya and is domiciled in Kenya.

36. Prior Year Adjustment

Prior year adjustment relates to a provision of Ksh.19,353,494 comprising of Ksh.17,853,494 for a legal matter on land and the company won the case and Ksh.1,500,000 relating to effluent discharge respectively. The effluent discharge has not been incurred as anticipated hence derecognition and restatement of the balances in the statement of Changes in Equity.

37. Events after the Reporting Period

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

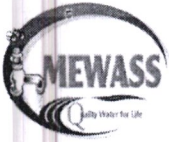


20. Appendices

Progress on follow up of auditor recommendations

The following is a summary of the issues raised by the Auditor-General and management comments that were provided to the Auditor.

Ref: No.	Issue or observations From Auditor	Management Comments	Status (Resolved /Not Resolved)	Time Frame
1	<p>Long Outstanding Trade Receivables</p> <p>As previously reported, Note 20 to the financial statements reflects gross trade receivables balance of Kshs.73,667,262 which comprises of Kshs.47,018,166 that have been outstanding for over three years. However, no evidence was provided of efforts made to recover or write off the overdue debts, contrary to Section 83(2)(f) of the Public Finance Management (County Governments) Regulations, 2015 which requires that entities pursue debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the County Government are collected and banked promptly.</p> <p>In addition, the statement of financial position reflects receivables and prepayments balance of Kshs.61,932,080 while Note 20 to the financial statements discloses a balance of Kshs.52,561,409 leading to unexplained and unreconciled variance of Kshs.9,370,571.</p> <p>In the circumstances, the accuracy and recoverability of the long outstanding receivables balance of Kshs.73,667,262 could not be confirmed</p>	<p><i>The management states that it has put in place strategies to address receivables by establishing a debt collection unit whose responsibility is monitoring debtors' accounts, negotiating on payment plans with customers with outstanding debts and ensuring compliance in recovering the debts. Additionally, MEWASSCO undertakes prompt disconnection of water services for non-payment as provided in the debt collection policy. The management clarifies that the Company's debt position as at 30th June 2024 is Kshs.73,667,262 which reconciles with Note 20(a) of the financial statements.</i></p>	Not Resolved	30/06/26



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

<p>2</p>	<p>Undisclosed Water Inventory Held in the Distribution Infrastructure</p> <p>The statement of financial position reflects inventories of Kshs.4,865,875 as disclosed in Note 19 to the financial statements. The inventory is in respect of stationery and general stores. 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 year in accordance with International Accounting Standard on Inventories (IAS) 2. In the circumstances, the accuracy and completeness of the inventories balance of Kshs.4,865,875 could not be confirmed.</p>	<p><i>The management clarifies that the volume of water in the supply system has been disclosed in the financial year ended June 30, 2025.</i></p>	<p>Resolved</p>	<p>30/06/2025</p>
<p>3.</p>	<p>Long Outstanding Trade and other Payables</p> <p>The statement of financial position reflects trade and other payables balance of Kshs.115,753,278 as disclosed in Note 27 to the financial statements. Review of the ageing analysis provided showed that payables totalling Kshs.74,213,855 had been outstanding for over three (3) years and Management did not provide an explanation for failing to settle the long outstanding creditors. Failure to settle obligations as and when they fall due exposes the Company to litigation and interest claims from creditors. This might expose the Water Company to possible legal actions and increased</p>	<p><i>The management clarifies that the liabilities were incurred towards service delivery and are settled on continuous basis. However, the liabilities includes provisions which have not materialized. Further the management undertakes to settle the payables on a continuous basis.</i></p>		



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

	costs due to interests and penalties. In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.115,753,278 could not be confirmed.		Not Resolved	30/06/26
4.	<p>Lack of Share Certificates</p> <p>The statement of financial position reflects capital and capital reserve balance of Kshs.237,282,539 which excludes ordinary share capital balance of Kshs.100,000 as disclosed in Note 24 to the financial statements. The balance of ordinary share capital comprises of authorized 5,000 ordinary shares of Kshs.20 par value each amounting to Kshs.100,000.</p> <p>Further, related party disclosure in Note 33 to the financial statements indicates that the Company fully owned by the County Government of Meru. However, the share certificate relating to the paid-up share capital was not provided for audit review. This is contrary to Section 495 of part XVIII of the Companies Act 2015 which states that a certificate duly executed in accordance with section 37 specifying any shares held by a member is in the absence of proof to the contrary, evidence of the member's title to the to the shares.</p> <p>In the circumstances, the accuracy, completeness and ownership of the Company as at 30 June 2024 could not be confirmed.</p>	<p><i>The management clarifies that 5,000 ordinary shares of Kshs.20 par is the authorized and issued nominal capital issued to the shareholders. The share certificate confirming the paid-up share capital is available.</i></p>	Resolved	30/06/25



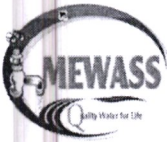
MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

Other Matter				
1	<p>Ethnic Composition.</p> <p>Review of the staff payroll revealed that in the year under review, Meru Water and Sewerage Services Company Limited had a staff establishment of one hundred and thirteen (113) staff. However, analysis of the establishment revealed that more than ninety two (92%) of the staff belonged to the dominant ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p><i>The management commits to improve ethnic diversity by placing job openings in newspapers of national wide circulation.</i></p>	Not Resolved	30/06/2026
2	<p>Non-Revenue Water</p> <p>The statement of profit or loss and other comprehensive income reflects operating revenue totalling to Kshs.221,486,726 which includes water sales amount of Kshs.165,560,746 as disclosed in Note 6 to the financial statements. However, review of the water records revealed that the Company produced 3,390,189 cubic meters of water during the year out of which 2,725,432 cubic meters was billed to customers resulting to 664,757 cubic meters as unaccounted for water or 20% of the total water produced which is</p>	<p><i>The management clarifies that during the year it continued to actively manage non-revenue water to below the sector benchmark of 25 percent as set by the regulator. Currently the management is working towards bringing the non-revenue further down, through engagement with development partners.</i></p>		



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

	<p>below the recommended maximum of 25% as per the requirements of WASREB. No verifiable explanation was provided for the percentage of unaccounted-for water.</p> <p>In the circumstances, although the Non Revenue Water was below the recommended percentage, the amount of Kshs.40,381,732 in respect to Non-Revenue Water could have been saved.</p>		Resolved	30/06/2025
3.	<p>Use of Old Water Tariffs</p> <p>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.</p> <p>In the circumstances, the tariffs charged are irregular since the same have not been approved.</p>	<p><i>The management clarifies that the public consultation report on the proposed tariff application has been submitted to the regulator.</i></p>	Not Resolved	30/06/2026

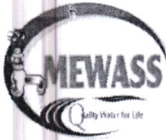


MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

<p>4</p>	<p>Non-Compliance with Fiscal Responsibility Principles on Wage Bill</p> <p>The statement of profit or loss and other comprehensive income reflects total expenses and staff costs amounts of Kshs.266,153,405 and Kshs.105,473,389 respectively. However, the staff costs are 40% of operation and maintenance cost of Kshs.266,153,405. This is contrary to Paragraph 3.2 of the performance report of Kenya’s Water Service Sector 2020/2021 from WASREB, issue Number 14/2022 on Performance Analysis and Ranking under economic efficiency which states that the personnel expenditure for any Company ranked as large Company should not exceed 30% as percentage of Operation and Maintenance Cost. In the circumstances, Management was in breach of the WASREB Guidelines.</p>	<p><i>The management through various interventions is working towards cost reduction which will be achieved through additional water by actualization of the following proposed projects, namely Mutuaru water project, new Kathita raw water main pipeline, Kithaku water project and four sited proposed boreholes</i></p>	<p>Not Resolved</p>	<p>30/06/2026</p>
<p>5.0</p>	<p>Non-Compliance with WASREB Guidelines on Incorporation and Shareholding of the Water Company</p> <p>The background information included in the key entity information section of the financial statements indicates the Company is a public Limited Company guaranteed by the Government of Kenya with no shareholding while the Company Memorandum and Articles of Association,2015 indicates the Company is a</p>	<p><i>The management clarifies that the entity’s key information as per the financial statement does not indicate that the Company is a public Limited Company</i></p>		



<p>private Company limited by guarantee. This is contrary to section 3.1 (d) of the Water Service Regulatory Board (WASREB) Corporate Guidelines,2018 which states that the recommended model for Water Service Providers (WSP) is that they be public limited liability companies established under the Companies Act, 2015 Under Section 77(3) and Section 3.3.1 (3) of Water Service Regulatory Board (WASREB) Corporate Guidelines,2018 which states that if their memorandum of objects and articles of association do not already state that they are owned by the county government which has taken up the shares of the defunct local authorities, amendments should be made to reflect this legal reality.</p> <p>Further, the statement of financial position does not reflect any share capital contrary to Section 3.3.1(7) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that under the direction of Section 77 of the Water Act 2016, these companies should then change their memorandum to public companies limited by shares following the model for the sector, care being taken that real public participation in WSP governance is retained and Section 3.3.1 (4) of Water Service Regulatory Board (WASREB) Corporate Guidelines,2018 which states that the county government shall</p>	<p><i>guaranteed by the Government of Kenya with no shareholding. Further, the Company has 5,000 ordinary shares of Kshs.20 and is fully owned by the County Government of Meru whose share capital has been reflected in the statement of financial position.</i></p>		
---	--	--	--



MERU WATER AND SEWERAGE SERVICES COMPANY LIMITED
Annual Reports and Financial Statements for the year ended June 30, 2025

<p>hold all the shares in trust and not in their personal capacity are the Office of the CECM in charge of water and the County Secretary who shall hold one share each.</p> <p>In the circumstances, Management was in breach of the law.</p>		Resolved	30/06/2025
--	--	----------	------------

Patrick Mugendi
Managing Director

Date: 25/08/2025



Appendix II: Projects Implemented by the Company

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Magundu Household Sanitation Project	03HS/TWWDA/MERU/MERU/024	WSTF	Nine (9) months	5,106,580	Yes	Yes

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Magundu Household Sanitation Project	5,106,580	5,095,726.4	99.8%	5,106,580	5,095,726.4	Water Sector Trust Fund