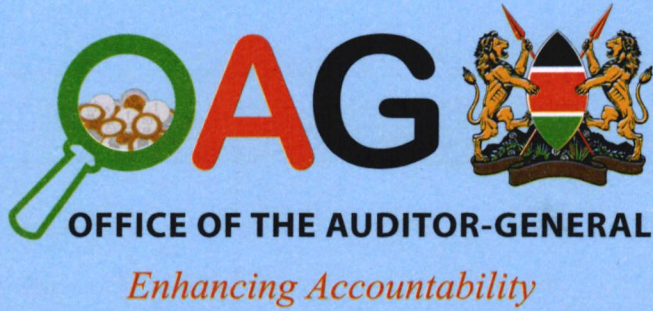
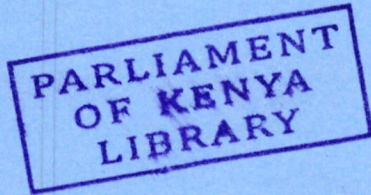


REPUBLIC OF KENYA



REPORT



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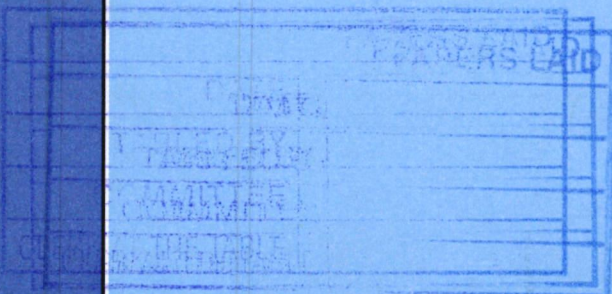
THE AUDITOR-GENERAL

ON

**NGANDORI WATER AND SANITATION
COMPANY PLC**

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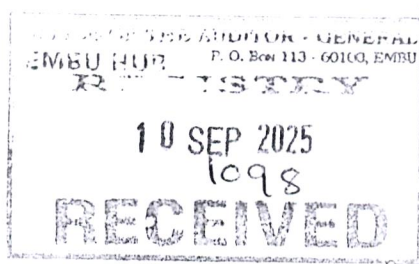
**FOR THE YEAR ENDED
30 JUNE, 2025**



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Ngandori Water and Sanitation Company PLC
Annual Report and Financial Statements for the year ended June 30, 2025



Revised on 30th June 2025



NGANDORI WATER AND SANITATION COMPANY PLC
(NGANWASCO)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

Ngandori Water and Sanitation Company PLC
Annual Report and Financial Statements for the year ended June 30, 2025

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Ngandori Water and Sanitation Company PLC
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1. Acronyms and Glossary of Terms

A. Acronyms

<i>CEO</i>	<i>Chief Executive Officer</i>
<i>DG</i>	<i>Director General</i>
<i>IAS</i>	<i>International Accounting Standards</i>
<i>IASB</i>	<i>International Accounting Standards Board</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>ICS</i>	<i>Institute of Certified Secretaries</i>
<i>MD</i>	<i>Managing Director</i>
<i>NT</i>	<i>National Treasury</i>
<i>PFMA</i>	<i>Public Finance Management Act.</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</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

Ngandori Nginda Water Consumers Association was established under section 10 of the Societies Act cap 108 in March 2004. It was then incorporated under Company Act 2015 as a public limited liability company in March 2024 and changed the name to Ngandori Water and Sanitation Company PLC. At county level, the company is represented by the County Executive Members responsible for finance, water and sanitation, who together with the board of directors are responsible for the general policy and strategic direction of the company. The company is domiciled in Embu County, with headquarters at Kangaru and has branches/regions in Kairuri, Kathangariri, Nembure, Kangaru and Kibugu.

Principal Activities

The principal activity of the company is to provide potable, efficient and cost-effective water for domestic use, to customers in its area of coverage.

Our vision is to be the leading water services provider in the country.

Our mission is to supply clean, potable and adequate water for domestic use on a reliable, affordable and sustainable basis to all customers.

The core values that guide the operations of the company and its relationship with stakeholders are:

- i. Transparency and Accountability.
- ii. Integrity and Commitment.
- iii. Efficiency and Social Responsibility.
- iv. Fairness and caring.
- v. Environmental friendliness.
- vi. Confidence and Courtesy.
- vii. Peace and fear of God.
- viii. Teamwork and Trust.

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Directors

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

1. Stephen Njiru Jonah - Chairman Appointed on 5th March 2024
2. Patrick Nderi Njoroge Appointed on 5th March 2024
3. Elas Wanja Kinyua Appointed on 5th March 2024
4. Cosmas Nthiga Nyaga Appointed on 5th March 2024
5. Alfred Miriti Mangu Appointed on 5th March 2024
6. Joseph Nyaga Daniel Appointed on 5th March 2024
7. Henry Kimani Nthiga Appointed on 5th March 2024
8. Catherine Wanja Appointed on 5th March 2024
9. Pius Njeru Appointed on 5th March 2024
10. Kenneth Muciri Njue Appointed on 5th March 2024
11. Zephaniah Mugambi Appointed on 5th March 2024
12. Lydia Muthoni Appointed on 5th March 2024
13. Cecilia M. Munyi Appointed on 5th March 2024
14. Chief Officer-Water and Irrigation, Embu County
15. Chief Officer- Finance, Embu County
16. FCS Richard K. Gikuhi- Company secretary, Appointed on 15th February 2024

Note: All directors were appointed on 5th March 2024 after company incorporation for a term of three years.

Company Secretary

Gikuhi Kiana and Company,
P.O. Box 1271 – 10100,
Nyeri, Kenya.

Registered Office

Ngandori Water Building,
Kangaru Market, along Embu-Mbuvari Road
P.O. Box 1328 - 60100
Embu, Kenya

Corporate Headquarters

P.O. Box 1328 - 60100
Embu, Kenya
Kangaru Market, along Embu-Mbuvari Road

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Corporate Contacts

Telephone: (254) 709 747 759

E-mail: ngandoriwater@yahoo.com

Website: www.ngandoriwater.co.ke

Corporate Bankers

Cooperative Bank of Kenya

P.O Box 1337 - 60100

Embu

National Bank of Kenya

P.O Box 2290 – 60100, Embu

Daima Sacco Ltd

P.O Box 2032 – 60100, Embu

Nawiri Sacco Society Ltd

P.O Box 400 – 60100,

Embu

Independent Auditor

Auditor General,

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084, GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General


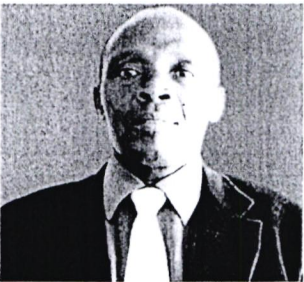

State Law Office, Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. The Board of Directors

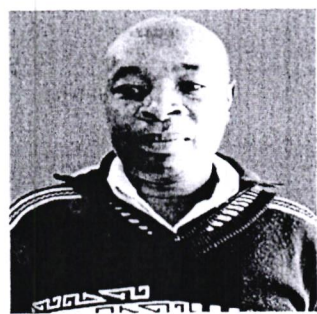
Directors	Details
 <p>Stephen Njiru Jonah</p>	<p>Mr. Stephen Njiru the board chairman is 64 Years old, a former military officer of the Kenya Army with an experience spanning more than 21 years of service. He is also a member of Kathangariri tea factory delegate forum. He holds O level certificate.</p>
 <p>Patrick Njoroge Nderi</p>	<p>He is 64 Years old and a member of board. He is a retired primary school teacher with special emphasis to differently abled learners mainly the deaf. He holds PTE/DIP in Special Needs</p>
 <p>Elas Wanja Kinyua</p>	<p>Madam Elas is 64 years old. She is a member of Upper Rupingazi Water Resources Company. She has been very helpful in ensuring that the catchment areas around the intake are secure. She holds O level certificate.</p>

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Cosmas Nthiga Nyaga

He is 53 years old. He is an accountant by profession with experience in management having worked as a Managing Director for Itabua Water project. He is a distinguished accountant currently with University of Embu. He holds a BCoM (Finance & Banking Option). He also holds a CPA(K)



Zaphania Mugambi Njiru

He is 44 Years a member of the board, he is a member of Kibugu Farmers' Cooperative Society. He is also a director of Nginda Sacco and delegate of Kibugu Nguviu irrigation project steering committee. He holds O level certificate.



Pius Njeru Njuguna





He is 54 years old and member of board. He is a member of Kibugu Farmers Company. He is an astute dairy farmer who represents the interest of the sector in the board. He holds O level certificate.







Alfred Miriti Mangu

He is 70 Years old and a member of board. He is a retired National Kenya Scouts Company commissioner general and a teacher of great standing. He also has vast experience in Education administration having worked as a District Education Officer in Embu and Nyeri counties. He holds bachelor of Education from University of Nairobi(UoN)

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 <p>Joseph Nyaga Daniel</p>	<p>He is 66 Years old and a member of board. He is an ordained evangelist of Full Gospel Churches Of Kenya. He is the head pastor at Manyatta church. He holds O level certificate.</p>
 <p>Cecilia Mutitu Munyi</p>	<p>She is 66 Years old and a board member. She is a retired primary school teacher. She was the head teacher at Kigari Primary School. She holds a certificate in Primary school teachers Education (P1).</p>
 <p>Catherine Wanja Kinyua</p>	<p>She is 52 Years and a board member. She is a director of Gatunduri Irrigation CBO. She represents the interests of alternative water providers to the board. She is a member of the local chapter of the horticultural producers Company. She holds O level certificate.</p>
 <p>Henry Kimani Nthiga</p>	<p>He is 53 years old and a board member. He is a businessman running several businesses. He is a board member at Gatunduri Dispensary. He holds O'Level certificate</p>

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	<p>He is years 43 years old and a board member. He is a businessman and a farmer. He holds O' Level certificate.</p>
	<p>She is 59 years old and a board member. She does agribusiness. She holds O' Level certificate.</p>
	<p>He is 51 years old and appointed on February 2018 as the Managing Director of the Company and also a part of board of directors. He brings a wealth of experience in Water delivery in both relief and development aspects. He is a manager of long standing having worked in the water sector for more than 20 years. He holds Diploma in Water Engineering and Bachelor of Arts (Project Management).</p>
	<p>He is the Company Secretary and holds a Master's Degree in Business Administration and Certified Secretary with a wide range of experience in Corporate Governance and Management of over forty years.</p> <p>He is a fellow of the Institute of Certified Secretaries of Kenya, an accredited Governance Auditor and a member of the Kenya Institute of Management</p>

Ngandori Water and Sanitation Company PLC

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4. Key Management Team

Managers	Details
 Geoffrey Munyi Gichatha	He is 51 years old and appointed on February 2018 as the Managing Director of the Company. He brings a wealth of experience in Water delivery in both relief and development aspects. He is a manager of long standing having worked in the water sector for more than 20 years. He holds Diploma in Water Engineering and Bachelor of Arts (Project Management)
 Isaac Mugendi Gichovi	He is 41 years old and appointed on May 2015 as a technical Manager of the Company. He brings a wealth of experience in Water delivery in both service water and design aspects. He is of long standing having worked in the water sector for over 9 years. He holds Degree in Water and Environmental Engineering
 Patrick Mukundi Njue	He is 47 year old and was appointed on 17/07/2019 as a Commercial Manager. He holds a Bachelor of Business Administration (Finance option) degree – Maseno University and experience of 16 years in finance.
 CPA Joseph Muchangi Wanginda Njururi	He is 38 years old appointed in 2015 as Finance Officer. He holds a Diploma in accountancy and a CPA (K) finalist. He is a member of ICPAK and has experience of 10 years in accounting and finance.

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5. Chairman's Statement

It gives me great pleasure to present the Chairman's Report for the Financial Year 2024/2025. This has been a landmark year for our Company, as it marks the first full year of operation as a Public Limited Company, in compliance with guidelines issued by the Water Services Regulatory Board (WASREB) and recommendations from the Senate Public Investments Committee.

During this period, we achieved a significant regulatory milestone. The Company was granted a five-year license by WASREB to operate as a Water Service Provider, covering the period from March 2025 to March 2029. This license formalizes our operations and reinforces our accountability to both the regulator and our valued consumers.

As part of our long-term sustainability strategy, the Company submitted a tariff application during the year. WASREB is currently processing the data to ensure that any tariff adjustment remains affordable for consumers, while enabling the Company to meet its operations and maintenance costs at a break-even point.

We continue to benefit from strong collaboration with our development partners and government stakeholders. Notably:

- Through the support of the County Government of Embu, the Company received a 225m³ water storage tank at Kiangoci village, valued at KES 5.9 million. This facility is expected to stabilize water flow, particularly in the Gatari South and Kithimu Wards.
- Additionally, the County supplied pipes to extend water services to Mutunduri area, improving coverage and reliability.
- The Water Sector Trust Fund (WSTF), under the Conditional Liquidity Support Grant (CLSG II), funded the replacement of pipelines in Kiambogo and Mbukori villages, addressing long-standing infrastructure needs.
- WSTF has also committed additional funding for the construction of a new DN 400mm pipeline, which will link the Enos tank to the treatment plant, significantly enhancing our supply capacity.

In light of these developments, I call upon all stakeholders, staff, partners, government agencies, and consumers to remain committed and diligent in their respective roles. Let us continue working together to strengthen our systems, improve service delivery, and ensure sustainable access to clean and reliable water for all.



Stephen Njiru

Board Chairman

6. Report Of the Managing Director

This Financial Year 2024/2025 has been marked by substantial progress and solid growth, further cementing our position as a leading utility service provider in Embu County and ranking us 9th nationwide as per the latest performance evaluation by WASREB.

The Company recorded a commendable 6.8% increase in revenue, growing from KES 91 million in FY 2023/2024 to KES 97.2 million in FY 2024/2025. This growth reflects our ongoing efforts to improve service delivery, expand our customer base, and implement efficient revenue collection mechanisms.

In a significant boost to our infrastructure, the Company received KES 36 million to install a parallel DN 400mm HDPE pipeline from Muthigi Treatment Works to Enos BPT. This strategic investment is expected to enhance our daily supply capacity by an additional 3,000m³, greatly improving service reliability and coverage across our network.

To ensure the Company continues to operate sustainably and meet rising service demands, we initiated the process of reviewing our tariff structure. This review, expected to conclude in FY 2025/2026, aims to establish a revised and sustainable tariff that supports both operational efficiency and infrastructure development.

We are grateful to the County Government of Embu for their unwavering support, particularly in providing essential piping materials to help replace aging infrastructure. Additionally, the County's Department of Lands has offered to undertake a valuation of our fixed assets, a move that will help us better understand and manage our asset base.

We also appreciate the continued support from the National Government through the office of the Deputy County Commissioner (DCC) Embu North. Their role in reinforcing the security of our infrastructure has been crucial, especially at a time when pipeline vandalism poses significant challenges.

As we look ahead, we remain committed to delivering quality, reliable, and sustainable services to our consumers. With continued stakeholder collaboration, enhanced infrastructure, and prudent financial management, we are confident that FY 2025/2026 will bring even greater achievements.


.....

Geoffrey Munyi Gichatha

Managing Director

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

Strategy	Activities	Performance indicator/ Output	Timeline	% achieved
Increase water production capacity from 9,000 m ³ per day to: Phase I: 13,500m ³ /day Phase II: 18,000m ³ /day	Augment existing treatment works	Phase I • Total production of 13,500 m ³ per day Phase II • Total production of 18,000 m ³ per day	Phase I Sept 2025 Phase II June 2026	0
Rehabilitate distribution network in Muthigi	• Install 12" pipe from T-works to BPT	• 1.6Km of 12" pipeline installed and operational	Aug 2025	0
• Rehabilitate distribution Network in Rung'ang'a, Kathangariri and Njakairi areas.	• Install 6" pipeline to Rung'ang'a, Kathangariri and Njakairi areas.	12Km of 6" pipeline installed and operational	June 2025	40
Construct water storage tanks in Muthigi, Gicherori, Rung'ang'a, Mucagori, Karuriri and Kathangariri	Construct 6 No. 225m ³ masonry tanks in the respective areas	6 No of tanks of 225m ³ capacity constructed	June 2025	17

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Install distribution lines in Kithimu, Koi Mugo, Gicegeri,Ena and Mucagori areas	Install 4”,3”and 2” distribution lines in the respective areas	10Km of distribution lines of various sizes installed	Progressive 2025-2029	45
Sensitizing the community to create more demand	Hold barazas and meetings ASKs shows	No of sensitization meetings (Barazas) held	Progressive 2025-2029	50
Undertake a baseline survey on sanitation, and design a sensitization program for improvement of sanitation	Survey, design and undertake a community outreach & hygiene education campaign	Baseline survey report Increase sanitation	July 2025	0
Construct public Decentralised Treatment Facilities for Manyatta and Kibugu	Survey and designs for the DTFs Acquisition of land Construct DTFs in Kibugu and Manyatta	Operational DTFs	June 2026	0
Acquire an exhauster	Acquire an exhauster for the Association	Functioning exhauster	June 2026	0
Reduce operational costs in material resources by 20% by year 2029	<ul style="list-style-type: none"> • Streamlining business processes and enhance internal controls • Automate all undertakings of the Organizations 	Improved efficiency and institutional performance	June 2026	80
		All utility operations are automated	June 2026	70

Build a modern office block	Production of Designs and approvals Construction	A well-furnished modern office block	June 2025	100
Setting up of a functional NRW unit	Proactively implement maintenance schedules	Monthly maintenance & implementation reports	Continuous	0
	Install Master/Zonal meters <ul style="list-style-type: none"> • Check meter accuracy on quarterly basis • Analyze daily consumption Trends 	Daily/Monthly consumption reports	Continuous	0
	Install 50 sub-zonal meters	50 meters installed	Continuous	0
	Customer meters <ul style="list-style-type: none"> • Investigate abnormal consumptions • Adopt GIS platform for meter reading 	Abnormal consumption reports	Continuous	50
	Replace meters more than 8 years old	Aged meter report Accurate meter readings Replace non-functional aged meters	Continuous	50
	Improve customer management	<ul style="list-style-type: none"> • A customer 	Beginning June	40

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<p>To increase</p> <ul style="list-style-type: none"> active water connections from 11,000 to 16,000 	<p>Customer recruitment</p> <ul style="list-style-type: none"> Media sensitization drives (1 per year) SMS, e-mail and/or call to resolve 	<p>Projected increase in annual revenue:</p> <p>Year 1: 1,000,000</p> <p>Year 2: 1,200,000</p>	<p>2024-2029</p>	<p align="right">50</p>
	<p>pending issues</p> <ul style="list-style-type: none"> Reactivation of 20%+ dormant connections 	<p>Year 3: 1,440,000</p> <p>Year 4: 1,728,000</p> <p>Year 5: 2,073,600</p> <p>Total: 7,441,600</p>		
<p>Increase collection efficiency by 0.5%per annum</p>	<ul style="list-style-type: none"> Proper meter reading Timely bill Verification & Generation Timely notification of the due dates of bills Improve debt collection efforts Encourage customers to settle bills on time to avoid Disconnection Effective communication with Customers Specific staff assigned to debt 	<p>Increased collection efficiency by 0.5% per year</p>	<p>2024-2029</p>	<p align="right">70</p>

	<p>Collection</p> <ul style="list-style-type: none"> • Customer database updated with mobile phone number of all active customers • Conduct sensitization forums Quarterly on early bill payment 			
To increase billing efficiency and investigate new technologies, e.g. remote meter reading	<ul style="list-style-type: none"> • Ensure accurate monthly actual meter reading • GIS mapping of the supply area • Monitor meter reading staff • Call customers to arrange meter reading • Community outreach and education on owner meter reading • Pilot project on pre-paid meters • Explore online/ remote meter reading systems 	Increase billing efficiency and accuracy	2024-2029	80
To improve financial accountability systems	<ul style="list-style-type: none"> • Complete the integration of the financial system • Review and improve the financial manual • Review and improve internal 	<ul style="list-style-type: none"> • Smooth running systems • Timely and accurate reports 	December 2025	80
	<p>controls of ERP system</p> <ul style="list-style-type: none"> • Capacity building for staff 			

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	<ul style="list-style-type: none"> • Continuous Professional Education (CPE) for Members of staff 			
Ensure procurement procedures are efficient and aligned to PPOA	<ul style="list-style-type: none"> • Develop a procurement manual • Ensure procurement committees are functional • Ensure high supplier satisfaction levels • Adopt e-procurement • Capacity building of staff • Ensure all adherence to PPDA 2015 and Regulations 2016. • Establish a competent procurement function. 	Proper procurement processes Proper procurement documentation	Dec 2025	40
To improve efficiency and effectiveness of functional activities	<ul style="list-style-type: none"> • Progressively operationalize the organizational structure • Training and induction • Carry out one team building workshop annually for all staff 	<ul style="list-style-type: none"> • Operational structure • Number of staff trained • Team building Event conducted 	Continuous 2024-2029	50
Provide staff capacity building opportunities to improve performance	<ul style="list-style-type: none"> • Carry out training needs assessment and implement the report 	<ul style="list-style-type: none"> • Training Needs Assessment Report • Training schedule • No. of staff trained 	2024-2029	30
Improve the occupational safety and health (OSH) work environment	<ul style="list-style-type: none"> • Baseline survey on occupational safety and health / audit • Implementation of Recommendations 	Compliance with OSH guidelines	2024-2029	70

Ensure labour policies are in line with legal requirements and best practices	<ul style="list-style-type: none"> • Review HR policies and Code of Conduct • Identify gaps and align in HR Policy 	Improved labour relations/staff welfare and reduced labour disputes	Every 2 Years	100
To improve policies and procedures through financial and systems audits	<ul style="list-style-type: none"> • Conduct audits • Implement recommendations 	Improved systems, policies and procedures	Continuous	30
To increase staff productivity through incentives to reward performance	<ul style="list-style-type: none"> • Develop performance and incentive scheme 	Reward schemes in place that incentivize performance and strategic plan achievement	2024-2029	30
To build strategic partnerships in the sector	<ul style="list-style-type: none"> • Partnership research • Proactive networking and collaboration • Corporate branding • Visibility in water sector activities 	Identification of strategic opportunities and partners to support strategic plan achievement	2024-2029	15
To mainstream cross cutting issues in NNWCA Policies	<ul style="list-style-type: none"> • Develop policy and training to mainstream cross cutting issues that take into account • Gender equality • HIV/AIDS management • Psychological health and counselling 	To provide a respectful and dignified work	2024-2029	40

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	<ul style="list-style-type: none"> • Environmental issues • Health and safety • Disability • Anti-corruption 	environment by mainstreaming cross cutting issues and improve overall performance		
<ul style="list-style-type: none"> • To strengthen the capacity of the board on corporate Governance 	<ul style="list-style-type: none"> • Develop board management manual 	Board manual	June 2025	0
<ul style="list-style-type: none"> • Promote good corporate governance practices 	<ul style="list-style-type: none"> • Develop annual work plans for the board. 	Periodic progress reports	June 2025	40
	<ul style="list-style-type: none"> • Develop a succession management policy 	Succession management policy in place	June 2025	0
	<ul style="list-style-type: none"> • Develop a risk management plan 	Risk management plan & risk register in place	June 2025	100

8. Corporate Governance Statement

The corporate governance structure ensures that we act with high standards of corporate behaviour and in the best interests of our stakeholder. The Board of Directors has the authority to perform the functions and determine the policies that control the Company activities. The Board is responsible for the overall corporate governance and approves strategic directions and budgets.

On the other hand, the management ensures that all statutory requirements are complied with, internal control systems are in place and operate effectively; in addition, ensure board decisions are fully implemented.

The Board of Directors consists of 13 members who were sourced from a defunct Ngandori Nginda Water Consumers Association and are currently serving a transition period of three years from the date of incorporation. Additionally, the board includes 2 County representatives and the Company Secretary. The Managing Director also attends board meetings, acting as the secretary, while the Company Secretary is present at full board meetings. The Board has established three standing committees: Technical Services Committee, Finance, Administration and Strategy Committee & Audit, Risk and Compliance Committee

All directors remain on their three-year transition period from incorporation. Any issues not covered by these committees may be addressed by a specially constituted ad hoc committee, formed through a resolution by the Board of Directors, which also determines the committee's membership.

In collaboration with management, the Board develops strategic direction for both annual and long-term planning. The Board is responsible for preparing the Annual General Meeting (AGM) and setting its agenda, including presenting the annual audited accounts.

Composition of the Board of Directors

The board is chaired by Mr. Stephen Njiru Jonah who chairs the board meetings giving direction during board meetings.

Technical Services Committee

The committee is chaired by Mr. Zephania Mugambi, and members include Mr. Joseph Nyaga, Mr. Kenneth Muciri and Ms. Elas Wanja.

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

Finance, Administration and Strategy Committee

The committee is chaired by Mr. Alfred Miriti, and members include Mr. Patrick Nderi, Ms. Cecilia Munyi, and Mr. Stephen Njiru. The committee's secretary is the head of Finance and Commercial Services. Each member has experience in management skills necessary for discharge of duties. The committee supports and assists the board in the effective discharge of the Board's responsibilities in finance, corporate affairs such as human resource, information and communication and administration. The committee receives and reviews reports on the financial performance, annual budget, changes to the water tariff and staff matters. The committee ensures that adequate plans, policies and programmes are in place to promote the effectiveness, integrity and security of the company information technology systems and their operations.

Audit, Risk and Compliance Committee.

The committee is chaired by CPA (K) Cosmas Nthiga, other members include Mr. Pius Njeru, Ms. Lydia Muthoni, Ms. Catherine Wanja and Mr. Henry Kimani. The committee secretary is the head of Audit, Risk and Compliance department. Each member has experience and necessary skills to undertake the committee's responsibilities to oversee the company's financial reporting principles and policies, controls, procedures and its auditing activities. The committee meets and reviews reports from the Internal and External Auditors and considers management responses or actions thereto.

Committee reports summarising issues discussed by the respective committees, are then tabled to the full board by the respective committee chairs where they are adopted for deliberation and resolutions made accordingly. During the year the company held one stakeholder forum in which stakeholders attended an Annual General meeting where they were briefed about the company and key areas highlighted.


9. Management Discussion and Analysis

The Companies Act requires the executive members to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the executive members to ensure that the company maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the company. The executive members are also responsible for safeguarding its assets. The executive members accept responsibility for the 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 and the requirements of the Companies Act. The executive members are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 30th June 2025 and of its operating results for the year then ended. The executive members further accept responsibility for the maintenance of accounting records which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls. Nothing has come to the attention of the management committee to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the management committee on 10/08/2025 and signed on its behalf by:

CHAIRMAN 

Stephen Njiru

Managing Director..... 

Geoffrey Munyi Gichatha

10. Environmental And Sustainability Reporting

The company exists to transform lives through provision of water and sanitation services within our area of jurisdiction. This is our purpose; the driving force behind everything we do. It's what guides us to deliver strategy, putting the customer first, delivering water and sanitation services, and improving operational excellence. The company recognizes that it has responsibilities to all stakeholders which include the interests of customers, suppliers and employees and the community; the need for company's relationships with customer, suppliers and others and the impact of its operations on the local communities and the surrounding environment where it operates. Customers are highly regarded and valued and their contribution to the company is highly respected.

i) Sustainability strategy and profile

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

Ngandori Water and Sanitation Company PLC, through the Board of Directors, Management, and Staff with the input of our stakeholders have developed the Strategic Plan (2024/2029) to provide a basis for meeting the sustainability of the company. The Strategic Plan acknowledges the challenges and provides us with a road map on the pertinent issues that we need to address towards the achievement of universal access to water and sanitation services within the Company's area of service. Our Vision, Mission, Motto and Values are paramount to the achievement of the strategic objectives spelt out in this plan. These will be achieved by embracing the principles of good governance, ensuring the company is financially sustainable, innovation and adoption of new technology for enhanced service delivery. We remain customer focused through the provision of quality products and services to our customers, Ngandori Water and Sanitation Company PLC will continue to provide water and sanitation services in an efficient, effective, affordable and sustainable manner.

ii) Environmental performance

Ngandori Water and Sanitation Company PLC prides itself as a custodian of the environment and has put in place environmental safeguards aimed at protecting and enhancing its wellbeing. The company operations take into account the impact the products have on the environment. We use several chemicals in water treatment. The treatment processes also generate wastes that have to be managed. The company complies with Water Resources Authority and National Environmental Management Act (NEMA) conditions.

The company's environmental policy is under development but uses the government's guidelines on the environmental safeguards. For example, all our water treatment facilities have holding tanks for wastewater for further treatment before they are released back to the environment. The chemical handling and storage are handled in line with the manufacturer's directions.

The treatment process for water quality is controlled and assured internally and externally in strict compliance with the regulator requirements at the agreed periods.

The company plays a role in the protection of water catchment and has been presented in meetings for Water Resource Users Association (WRUA). Every year the company takes part in tree planting exercises and during the year under review the company took part in various tree planting activities in Muthigi intake.

iii) Employee welfare

Staffs are a critical resource for the attainment of the corporate objectives. The company therefore prioritizes employees' welfare among other employees Management initiatives. The following are emphasized:

- Human resource management policies.
- Capacity building.
- Performance management.
- Safe work environment.

iv) Marketplace practices.

a) Responsible competition practice.

The company's core business is to supply treated domestic water which is regulated by the WASREB. The tariff used is approved by the regulator after a process of involving the stakeholders and holding a mandatory public engagement. Further the company promotes fair competition and respect for competitors. We communicate the winning bidder and at the same time to the unsuccessful bidders giving the reasons their bids were not successful and also time to appeal before a letter is issued to the successful bidder.

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertising

The service offered by the company does not involve marketing and advertisement of the service, rather the company stakeholder engagement is paramount. Stakeholder engagement and public participation in key areas affecting services of the company such as tariff review, strategic plan validation, among other, this is done through customer / supplier sensitizations from time to time.

d) Product stewardship.

Efficient delivery of services to our customer is one of the crucial areas of the company. The aim is to sustain 24-hour service delivery and minimum interruptions to the flow of water. This goal was achieved in most of the areas of our water supply. Customer service is an area of high priority as the company is cognizant of the importance of the customer in the service delivery process and indeed to its overall performance. The Company is committed to effective communication with the customers and sensitising them on key issues in the management of water resources especially at the consumption point. Though the Company has not fully met needs of un-served customers, the Company has

Ngandori Water and Sanitation Company PLC

Annual Report and Financial Statements for the year ended June 30, 2025

endeavoured to extend service using its own resources and has even mobilised funds from donors and commercial loans to extend service to customers.

v) Corporate Social Responsibility / Community Engagements

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

The company recognizes the need for Corporate Social Responsibility (CSR) and sets aside funds for CSR during the annual budget. During the year under review, the company was involved in CSR activities below:

- i) Paying water bills for the vulnerable customers like persons with disabilities and the aged.
- ii) Tree planting to conserve the environment, especially water catchment areas.
- iii) Participating during public holidays celebrations like Madaraka Day within our water supply area.

The company relies on the environment which provides water which is produced, treated and transmitted via pipeline to respective customers. Over the time the company has been advocating for water catchment protection and it has been represented in meetings for Water Resource Users Association (WRUA). The water treatment plant uses certified chemicals in the water treatment process. A well-managed environment is the key to human kind survival and the Ngandori Water and Sanitation Company PLC shall endeavour to play its role.

Ngandori Water and Sanitation Company PLC
Annual Report and Financial Statements for the year ended June 30, 2025

11. Report Of the Directors

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

i) Principal activities

The principal activity of the company is provision of water services within the mandated area.

ii) Results

The results of the company for the year ended June 30, 2025 are set out on this report on page one. Below is a summary of the profit or loss made during the year.

iii) Dividends

The Company is a company registered under Companies Act 2015 and is owned by the Embu County Government. The company does not issue dividends instead any surplus is ploughed back to extend the service to the public.

iv) Directors

The members of the Board of Directors who served during the year are shown on this report in accordance with Regulation of the Company's Article.

v) Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the company for the year period ended June 30, 2025, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his/her behalf.

By Order of the Board

Richard K. Gikuihi

.....



Name : RICHARD K. GIKUHI

Company Secretary

Date: 10/09/2025

12. Statement Of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Ngandori Water and Sanitation Company PLC financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

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

The Directors accepts responsibility for the Ngandori Water and Sanitation Company PLC financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015.

Ngandori Water and Sanitation Company PLC

Annual Report and Financial Statements for the year ended June 30, 2025

Statement Of Directors' Responsibilities (Continued)

The Directors are of the opinion that Ngandori Water and Sanitation Company PLC's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Ngandori Water and Sanitation Company PLC's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company financial statements were approved by the Board on 10/09/ 2025 and signed on its behalf by:

.....


Name
Chairperson of the Board

.....


Name Geoffrey Mung'
Managing Director

REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NGANDORI WATER AND SANITATION COMPANY PLC 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 Ngandori Water and Sanitation Company PLC set out on pages 1 to 39 which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of

Report of the Auditor-General on Ngandori Water and Sanitation Company PLC for the year ended 30 June, 2025

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Ngandori Water and Sanitation Company PLC as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Refundable Deposits

As reported previously, the statement of financial position and as disclosed in Note 29 to the financial statements reflects refundable deposits and prepayments balance of Kshs.3,357,030 which includes customer deposits balance of Kshs.2,812,050 as disclosed in Note 29 to the financial statements. However, review of the bank statement for the deposit account revealed a balance of Kshs.157,960 resulting in unexplained and unreconciled variance of Kshs.2,654,090.

In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.2,812,050 could not be confirmed.

2. Long Outstanding Trade Receivables

As previously reported, the statement of financial position reflects trade and other receivables balance of Kshs.42,161,294 net of provision for doubtful receivables balance of Kshs.2,184,884 as disclosed in Note 21 to the financial statements. Included in the balance are net trade receivables balance of Kshs.41,512,798 as further disclosed in Note 21(a) to the financial statements. However, review of ageing analysis records provided for audit revealed that trade receivables balance amounting to Kshs.13,983,258 have been outstanding for over one hundred and twenty (120) days and have been overdue for an inordinately long period without recovery. Further, Management did not provide measures and actions instituted to reduce outstanding receivables and recover the amounts owed to the Company.

In the circumstances, the accuracy, completeness and recoverability of the trade receivables balance totalling Kshs.42,161,294 could not be confirmed.

3. Undisclosed Water Inventory Held in the Distribution Infrastructure

As previously reported, the statement of financial position reflects inventories balance of Kshs.4,091,422 as disclosed in Note 20 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 the International Accounting Standard on

Inventories (IAS) 2 which sets out the accounting treatment for inventories, including the determination of cost, the subsequent recognition of an expense and any write-downs to net realizable value.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.4,091,422 could not be confirmed.

4. Unreconciled Capital Grants

The statement of financial position reflects deferred income liability balance of Kshs.24,064,548 which as disclosed in the Note 7 to the financial statements relates to grant income received by the Company. Review of the grant analysis revealed that the Company recorded grant receipts totalling Kshs.8,947,059 from the County Government of Embu. However, County Government's records showed that grants totalling Kshs.10,903,772 were transferred to the Company, resulting to an unreconciled variance of Kshs.1,956,713 between the two sets of records.

In the circumstances, the accuracy and completeness of deferred income liability balance of Kshs.24,064,548 could not be confirmed.

5. Incorrect Classification of Long-Term Receivables

The statement of financial performance reflects current assets balance of Kshs.64,338,296 which includes incorrectly classified long-term receivables balance of Kshs.13,983,258 therefore, overstating the current assets by Kshs.13,983,258.

In the circumstances, the accuracy of the current assets balance of Kshs.64,338,296 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ngandori Water and Sanitation Company PLC 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 Matters

1. Budgetary Controls and Performance

The statement of comparison of budgets and actual amounts reflects final revenue budget and actual on comparable basis totaling to Kshs.124,560,954 and Kshs.130,960,530 respectively resulting into over collection of Kshs.6,399,576 or 5% of the budget. Similarly, the Company expended Kshs.107,731,791 against actual receipts of Kshs.130,960,530 resulting in under-utilization of Kshs.23,228,611 or 18% of the actual receipts.

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

2. Long Outstanding Trade and Other Payables

As previously reported, the statement of financial position reflects trade and other payables balance of Kshs.38,123,268 which as disclosed in Note 28 to the financial statements includes trade payables amounting to Kshs.28,062,290 which have been outstanding since 2023/2024 financial year and earlier years without clearance.

Failure to settle bills during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year to which they have to be charged.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Prior Year Matter

Irregularities in Borrowing

In the audit report of the previous year, one issue was raised under Lawfulness and Effectiveness in Use of Public Resources. The statement of financial position reflected borrowings balance of Kshs.38,774,910 which included an amount of Kshs.8,500,000 in respect to borrowing during the year under review. However, review of records revealed that the borrowing of Kshs.8,500,000 was above the set limit of five percent of recent audited revenue of Kshs.3,962,452 (5% of Kshs.79,249,044). Further, no evidence of authorization of the loans from the County Assembly were provided for audit.

Other Information

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

In connection with my audit on the Company's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information 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 Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Incorrect Title to the Financial Statements

Review of the heading of the Company's title on the financial statements reflects 'Ngandori Water and Sanitation Company PLC'. However, the Memorandum and Articles of Association shows the name as 'Ngandori Water and Sanitation Company Limited PLC.

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

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

The statement of profit or loss and other comprehensive income and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.51,102,509 in respect to staff costs. However, the Company incurred forty-nine percent (49%) on salaries as a percentage of operation and maintenance cost amount of Kshs.103,522,432 contrary to Section 3.6 on Performance Analysis and Ranking on Water Services Regulatory Board (WASREB) Impact Report Issue No.15 of 2023 which sets Performance Indicators, Sector Benchmarks and Scoring Regime for Water Service Providers scoring greater than 40% for Personnel Expenditure as Percentage of operations and maintenance Costs.

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

3. Failure to Budget for Climate Change and Climate 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 Ethnic Composition

As previously reported, review of payroll data and staff records provided for audit revealed that the Company had a total of nine (9) staff at the level of Management (Job group 1-3). However, as previously reported, it was noted that all employees were from the same ethnic community, contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment shall have more than one third of its staff from the same ethnic community.

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

5. Non-Revenue Water

As previously reported, the statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.97,225,705 and as disclosed in Note 6 to the financial statements in respect to water sales. However, review of the water records revealed that the Company produced water amounting to 2,340,094 cubic meters during the year out of which water amounting to 1,613,477 cubic meters was billed to customers resulting to 726,617 cubic meters as unaccounted for water or 31% of the total water produced which is above the recommended maximum of 25% as per the requirements of WASREB. No verifiable explanation was provided for the high percentage of unaccounted-for water. The amount of Kshs.41,520,622 in respect to Non-Revenue Water could have improved service delivery to the public.

The significant level of Non-Revenue Water may be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by 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 xxxi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 22 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 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.


FCCA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 October, 2025

Report of the Auditor-General on Ngandori Water and Sanitation Company PLC for the year ended 30 June, 2025

NGANDORI WATER AND SANITATION COMPANY PLC
Annual Report 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.

	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	97,225,705	91,975,856
Grants Income	7	149,861	2,518,288
Other Income	8	3,178,700	2,807,905
Finance income	9	199,580	201,008
Total Revenue		100,753,846	97,503,057
Expenses			
Staff Costs	10	51,102,509	48,018,198
General and Operations expenses	11	22,911,987	23,488,215
Board Expenses	12	3,018,749	6,006,550
Maintenance Expenses	13	13,015,355	11,959,317
Depreciation and Amortization expenses	14	8,732,543	9,518,833
Finance Costs	15	4,741,289	5,298,707
Total Expenses		103,522,432	104,289,820
Profit/(loss)		(2,768,586)	(6,786,764)
Other Comprehensive Income			
Revaluation gain	17	4,349,994	0
Total Comprehensive Income for The Year		1,581,408	(6,786,764)

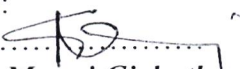
NGANDORI WATER AND SANITATION COMPANY PLC.


Annual Report and Financial Statements for the year ended June 30, 2025

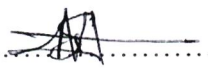
15. Statement Of Financial Position As at 30 June 2025

	Note	2024/2025	2023/2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	16	128,117,510	117,009,492
Intangible assets	18	580,495	829,279
Long term deposits	19	1,400,562	1,400,562
Total non-current assets		130,098,567	119,239,333
Current assets			
Inventories	20	4,091,422	3,484,206
Trade and receivable	21	42,161,294	48,303,430
Short-term deposits	22	851,428	850,000
Bank and cash balances	23	17,234,152	5,878,216
Total current assets		64,338,296	58,515,852
Total Assets		194,436,863	177,755,185
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	31	100,000	0
Capital and reserves	32	121,383,336	121,383,336
Revaluation reserve	33	4,349,994	0
Retained earnings	34	(25,731,483)	(22,962,897)
Capital and Reserves		100,101,847	98,420,439
Non-current liabilities			
Borrowings	27	24,917,228	30,884,131
Deferred income liability	7	24,064,548	0
Total non-current liabilities		48,981,776	30,884,131
Current liabilities			
Borrowings	27	3,872,942	7,890,779
Trade and other payables	28	38,123,268	38,207,635
Refundable deposits and Prepayments	29	3,357,030	2,352,201
Total current Liabilities		45,353,240	48,450,615
Total Equity and Liabilities		194,436,863	177,755,185

The financial statements were approved by the Board on 10/07 2025 and signed on its behalf by:


 Geoffrey Munyi Gichatha
 Managing Director


 CPA Joseph Muchangi
 Head of Finance
 ICPAK M/No: 33872


 Stephen Njiru Jonah
 Chairman of the Board

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

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2023		-	-	-	(16,176,133)	-	121,383,336	105,207,203
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(6,786,764)	-	-	(6,786,764)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2024		-	-	-	(22,962,897)	-	121,383,336	98,420,439

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2024		-	-	-	(22,962,897)	-	121,383,336	98,420,439
Issue of new share capital		100,000	-	-	-	-	-	100,000
Revaluation gain		-	4,349,994	-	-	-	-	4,349,994
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(2,768,586)	-	-	(2,768,586)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2025 (Current FY)		100,000	4,349,994	-	(25,731,483)	-	121,383,336	100,101,847

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

	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts	30	103,367,841	95,101,085
Grants Income	7	15,267,350	2,518,288
Finance Income	9	199,580	201,008
Other Income	8	3,178,700	2,807,905
Customer Deposits	29	1,181,000	961,500
Total Receipts		123,194,471	101,589,786
Payments			
Staff Costs	10	51,102,509	48,018,198
General And Operation Expenses	11	20,727,103	23,488,215
Board Expenses	12	3,018,749	6,006,550
Maintenance Expenses	13	13,015,355	11,959,317
Finance Costs	14	4,741,289	5,298,707
Total Payments		92,605,005	94,770,987
Net Cash From/ (Used In) Operating Activities	35	30,589,466	6,818,799
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	16(a)	(9,247,363)	(3,825,330)
Proceeds From Disposal Of PPE		0	0
Purchase Of Intangible Assets		0	0
Short term deposits	22	(1,428)	(850,000)
Purchase Of Quoted Investments		0	0
Proceeds From Disposal of Quoted Investments		0	0
Net Cash From/ (Used In) Investing Activities		(9,248,791)	(4,675,330)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		0	0
Proceeds From Borrowings		0	8,500,000
Repayment Of Borrowings	27	(9,984,739)	(7,355,792)
Dividends Paid		0	0
Net Cash From/(Used In) Financing Activities		(9,984,739)	1,144,208
Increase/(Decrease) In Cash and Cash Equivalents		11,355,936	3,287,677
Cash And Cash Equivalents At Beginning of Year		5,878,216	2,590,539
Effects Of Foreign Exchanges Rate Fluctuations		0	0
Cash And Cash Equivalents At End of the Year		17,234,152	5,878,216

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

Description	Original Kshs	Adjustments Kshs	Final Kshs	Actual on Kshs	Performance Kshs	% of %
	A	b	C=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Operating Revenue	104,183,719	(6,884,149)	97,299,570	103,367,841	(6,068,271)	106%
Non-Operating	3,233,000	50,950	3,283,950	3,178,700	105,250	97%
Grants	111,288,222	(87,520,872)	23,767,350	24,214,409	(447,059)	102%
Finance Income	210,084	0	210,084	199,580	10,504	95%
Total Receipts	218,915,025	(94,354,071)	124,560,954	130,960,530	(6,399,576)	105%
Payments						
Staff Costs	49,555,905	3,099,191	52,655,096	51,102,509	1,552,587	97%
Board Expenses	5,422,253	(2,266,947)	3,155,306	3,018,749	136,557	96%
General and operations	33,779,204	(13,378,102)	20,401,102	20,727,103	(326,001)	102%
Maintenance	11,255,160	1,720,614	12,975,774	13,015,355	(39,580)	100%
Finance costs	7,482,503	(2,377,503)	5,105,000	4,741,289	363,711	93%
Total Recurrent	107,495,025	(13,202,747)	94,292,278	92,605,005	1,687,274	98%
Capital Expenditure	111,420,000	(81,151,324)	30,268,676	15,126,786	15,141,826	50%
Total recurrent & capital expenditure	218,915,025	(94,354,071)	124,560,954	107,731,791	16,829,100	86%
Surplus	0	-	0	23,228,611	10,429,524	

Budget Note: The difference between actual and budgeted amounts is a result of pending project awaiting approval from Water Sector Trust Fund for implementation.

Budget Reconciliation

Description of particulars	Amounts in Ksh
Actual surplus amount as per statement of budget	23,228,611
Grant in kind from County Government of Embu(Tank)	(5,994,459)
Cash and cash equivalents as per cash flow	17,234,152

19. Notes to the Financial Statements

1. General Information

Ngandori Water and Sanitation Company PLC is established by and derives its authority and accountability from Company Act 2015. The company is wholly owned by the Embu County Government and is domiciled in Kenya. The company's principal activity is provision of water services within mandated areas. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act 2015 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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Notes to the financial statements (continued)

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

- i. *New and amended standards and interpretations in issue 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: <ul style="list-style-type: none"> 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. Or the following has been assessed to be significant for the company and has been addressed as follows....)

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Notes to the financial statements (continued)

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 earned.

Notes to the financial statements (continued)

b) In-kind contributions

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

c) Property, plant and equipment

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

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
Water meters and fittings	12.5%
Buildings	2.5%
Infrastructure works	2.5%
Plant & machinery	2.5%
Motor vehicles including motorcycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

Notes to the financial statements (continued)

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

e) Intangible assets

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

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

f) 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.

g) Investment property

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

h) Right of Use Asset

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

i) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

j) Fixed interest investments (bonds)

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

Quoted investments

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

Summary of Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange. These are measured at fair value through profit or loss (FVTPL).

Notes to the financial statements (continued)

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables at the rate of 5% of all outstanding amounts at the end of 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.

n) Taxation

i) Current income tax

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

ii)Deferred tax

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

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

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

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

o) Borrowing costs

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

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period.

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.

q) Borrowings

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

r) 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.

s) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2024. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% of basic per employee per month.

t) Provision for staff leave pay

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

u) Exchange rate differences

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

v) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 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. Accordingly, the Company recorded additional appropriations of ksh.0 on the 2024-2025 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 14 of these financial statements.

Notes to the financial statements (continued)

w) Service concession arrangements

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

x) Comparative figures

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

y) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 11.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the financial statements (continued)

6. Operating Revenue(billing)

	2024/2025	2023/2024
	Kshs	Kshs
Water sales	97,225,705	91,975,856
Total	97,225,705	91,975,856

7. Grants Income

	2024/2025	2023/2024
	Kshs	Kshs
Capital grants WSTF	0	2,518,288
Donations from County Governments	149,861	0
Total	149,861	2,518,288

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

[grant analysis from County Government and Water Sector Trust Fund]

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund KShs	Total grant income during the year KShs	2024/2025 KShs
Embu County	149,861	8,797,198	-	8,947,059	8,947,059
WSTF	-	15,267,350	-	15,267,350	15,267,350
Total	149,861	24,064,548	-	24,214,409	24,214,409

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Notes to the financial statements (continued)

8. Other Income

	2024/2025	2023/2024
	Kshs	Kshs
Reconnection fee	1,057,950	1,057,005
New connection fee	1,171,500	975,000
Insurance compensation	64,000	0
Miscellaneous income (sundry)	0	6,000
Surcharges	885,250	769,900
Total	3,178,700	2,807,905

9. Finance Income

	2024/2025	2023/2024
Description	Kshs	Kshs
Dividends	199,580	201,008
Total	199,580	201,008

[Dividend received from Nawiri Sacco]

10. Staff Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross Salary and Allowances	38,572,809	37,608,273
Casual workers' Wages	289,200	365,600
Medical insurance schemes	5,421,345	2,915,812
Employer's contributions to social security schemes, pension gratuity	6,819,155	5,775,626
Staff retirement benefits	0	1,352,887
Total staff cost	51,102,509	48,018,198

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Notes to the financial statements (continued)
11. General and Operations Expenses

	<i>2024/2025</i>	<i>2023/2024</i>
Description	Kshs	Kshs
Chemicals	2,678,353	2,868,251
Electricity	220,575	266,033
Fuel, oil, lubricants, and gases	1,936,593	2,445,728
Office supplies	223,432	257,567
Uniform and protective clothing	172,518	326,235
Telecommunication	669,534	625,794
Insurance	482,967	312,171
Rent and Rates	48,000	96,000
Hire of Equipment and vehicles	635,773	425,142
Domestic Traveling and subsistence	1,059,005	1,328,055
Staff training and development	1,190,600	448,200
Staff end of year seminar	1,009,490	1,340,055
Publicity and advertising	835,771	195,692
Audit fees	408,400	70,000
Consultancy fees & Legal fees	1,387,414	697,920
Cleaning & detergents	177,146	159,674
Licensing and levies	5,321,004	4,474,369
Sundry expenses	20,040	4,755
Sms billing	279,080	525,960
Staff welfare	487,348	459,533
Stakeholders' expenses	1,065,000	3,381,911
Donations/CSR	124,100	153,735
Office newspapers	58,560	59,340
Subscription to professional bodies/WASPA	236,400	70,000
Provision for doubtful debts	2,184,884	2,496,095
Total General and operations expenses	22,911,987	23,488,215

12. Board Expenses

	<i>2024/2025</i>	<i>2023/2024</i>
Description	KShs	KShs
Sitting allowances	1,396,000	1,908,000
Medical Insurance	756,679	511,802
Induction and Training	0	2,783,700
Travel and accommodation & Chairman Honoraria	866,070	803,048
Total Board Expenses	3,018,749	6,006,550

Notes to the financial statements (continued)

13. Maintenance Expenses

	2024/2025	2023/2024
Description	Kshs	Kshs
Buildings repair and maintenance	619,260	918,406
Infrastructural networks	6,159,341	3,961,447
Motor vehicles, motorcycle& generators maintenance	1,032,679	1,160,387
Minor Extensions (O&M)	3,721,597	4,924,515
Software licences renewals	1,321,198	885,492
ICT (Information Communication Technology)	161,280	109,070
Total Maintenance Expenses	13,015,355	11,959,317

14. Depreciation and Amortization Expenses

Description	2024-2025 FY	2023-2024 FY
	KShs	KShs
Property, plant, and equipment	8,483,801	9,163,427
Intangible assets	248,742	355,406
Total Depreciation and Amortization	8,732,543	9,518,833

15. Finance costs

	2024/2025	2023/2024
Description	Kshs	Kshs
Bank Charges	96,145	70,237
Interest expense on bank loans	4,645,144	5,228,470
Total	4,741,289	5,298,707

Notes to the financial statements (continued)
16. Property, Plant and Equipment

Description	Freehold land	Buildings & civil	Furniture &	Motorvehicle	Motor motorcycle	Water fittings	Water meters	pipeline	water pipes	Computers	Tools	tank	Total
Depreciation rate		2.50%	12.50%	25%	25%	12.50%	12.50%	2.50%	12.50%	30%	12.50%	2.50%	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Ksh	Ksh	Kssh	Ksh
As At 1 July (2023)	6,638,710	29,425,347	1,244,710	1,302,884	985,446	5,598,970	16,466,044	25,408,867	37,648,704	518,416	269,446	7,282,565	132,790,109
Additions	0	0	619,000	0	0	531,095	2,130,381	0	0	0	36,350		3,316,826
As at 30 th June (2024)	6,638,710	29,425,347	1,863,710	1,302,884	985,446	6,130,065	18,596,425	25,408,867	37,648,704	518,416	305,796	7,282,565	136,106,935
Additions	2,000,000	0	334,440	0	0	0	1,320,555	5,499,908	0	23,250	69,210	5,994,459	15,241,822
Disposals	(0)	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	0	0	0	
Revaluation Adjustments	9,261,290	574,653	0	0	0	0	0	0	0	0	0	(5,485,949)	4,349,994
As at 30 th June (2025)	17,900,000	30,000,000	2,198,150	1,302,884	985,446	6,130,065	19,916,980	30,908,775	37,648,704	541,666	375,006	7,791,075	155,698,751
At 1 July (2024)	0	1,452,877	369,104	570,012	431,133	1,378,645	4,125,527	1,254,563	8,823,915	264,392	67,695	359,577	19,097,440
Depreciation and amortisation	0	713,678	228,631	183,218	138,578	593,928	1,973,931	741,355	3,603,099	83,182	38,414	185,787	8,483,801
Depreciation As At 30 th June 2025	0	2,166,555	597,735	753,230	569,711	1,972,573	6,099,458	1,995,918	12,427,014	347,574	106,109	545,364	27,581,241
NBV As at 30 th June 2024	6,638,710	27,972,470	1,494,606	732,872	554,313	4,751,417	14,470,898	24,154,304	28,824,789	254,024	238,101	6,922,988	117,009,492
NBVs at 30 th June 2025	17,900,000	27,833,445	1,600,415	549,654	415,735	4,157,492	13,817,522	28,912,857	25,221,690	194,092	268,897	7,245,711	128,117,510

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Notes to the financial statements (continues)

16. (a) Purchase of PPE

	2024/2025	2023/2024
	Kshs	Kshs
Additions	15,241,822	0
Grant in kind(Tank)	(5,994,459)	0
Total	9,247,363	0

17. Valuation

Land, buildings, and tanks were valued by independent valuer.

Revaluation

	Cost	additions	revaluation	Accumulated depreciation	NBV
	Kshs	Kshs			Kshs
Land	6,638,710	2,000,000	9,261,290	0	17,900,000
Buildings	29,425,347	0	574,653	(2,166,555)	27,833,445
Tanks	7,282,565	5,994,459	(5,485,949)	(545,364)	7,245,711
Total	43,346,622	7,994,459	4,349,994	(2,711,919)	52,979,156

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Notes to the financial statements (continued)

18. Intangible Assets

	<i>2023/2024</i>
	Kshs
Cost	
At July 1,2023	990,258
Additions	491,504
Disposals	0
At June 30 2024	1,481,762
Amortization	30%
At July 1 2024	1,481,762
Charge for the year	355,406
At June 30 2024	652,483
Net book value	829,279
At June 30 2024	829,279
	<i>2024/2025</i>
	Kshs
Cost	
At July 1,2024	1,481,762
Additions	0
Disposals	0
At June 30 2024	1,481,762
Amortization	30%
At July 1 2024	652,483
Charge for the year	248,742
At June 30 2025	901,225
Net book value	580,495
At June 30 2025	580,495

19. Long term deposits

	<i>2024/2025</i>	<i>2023/2024</i>
	Kshs	Kshs
Nawiri sacco	1,400,562	1,400,562
Total	1,400,562	1,400,562

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Notes to the financial statements (continues)

20. Inventories

	2024/2025	2023/2024
	Kshs	Kshs
General stores	4,091,422	3,484,206
Total	4,091,422	3,484,206

[General stores is inclusive of chemicals, pipes, stationaries, water fitting and consumables]

20 (a) Inventory movement details

Description	2024/2025	2023/2024
	KShs	KShs
At the beginning of the year	3,484,206	3,484,206
Additional provisions during the year	607,216	0
Recovered during the year	(0)	(0)
Written off during the year	(0)	(0)
At the end of the year	4,091,422	3,484,206

21. Trade and Other Receivables

	2024/2025	2023/2024
	KShs	KShs
Trade receivables (note (21a))	43,697,682	49,921,893
Staff receivables (note 21 (b))	77,136	167,750
Rent prepayment	0	48,000
Insurance prepayment	571,360	661,882
Gross trade and other receivables	44,346,178	50,799,525
Provision for bad and doubtful receivable	(2,184,884)	(2,496,095)
Net trade and other receivables	42,161,294	48,303,430

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Notes to the financial statements (continues)

21. (a) Trade Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Gross trade receivables	43,697,682	49,921,893
Provision for doubtful receivables	(2,184,884)	(2,496,095)
Net trade receivables	41,512,798	47,425,798
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	13,109,305	11,256,987
Between 30 and 60 days	6,991,629	7,325,112
Between 61 and 90 days	4,369,768	5,896,879
Between 91 and 120 days	5,243,722	7,099,438
Over 120 days	13,983,258	18,343,477
Total	43,697,682	49,921,893

21. (b) Staff Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Gross staff advances	77,136	167,750
Net staff Advances	77,136	167,750

22. Short Term Deposits

	2024/2025	2023/2024
	Kshs	Kshs
Commercial banks		
Opening balance	850,000	0
Additions during the year	1,428	850,000
Totals	851,428	850,000

(Short term deposits held at Nawiri Sacco)

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Notes to the financial statements (continued)

23. Bank and Cash Balances

	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	17,025,570	4,161,857
Cash in hand	74,185	289,709
Mobile money account	134,397	1,426,650
Totals	17,234,152	5,878,216

Detailed analysis of the cash and cash equivalents

		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) Current / savings account			
Cooperative bank	01120052778400	249,660	882,553
Cooperative bank	01120052778401	0	601
Cooperative bank	01100052778400	157,960	11,120
Cooperative bank	01100052778401	0	20,735
Cooperative bank	0110116859001	478,269	0
Cooperative bank	012460527784	0	15,000
Daima sacco	L05-001/014297-00	58,218	47,065
Nawiri sacco	103200061625	272,256	434,705
National bank-	01020258164900	221,876	62,847
National bank	01020258164901	12,823,311	2,516,396
National bank	01098258164900	2,764,020	170,684
Sub-total		17,025,570	4,161,857
b) Others(specify)			
Cash in hand(petty cash)		74,185	289,824
Mobile money account		134,397	1,426,650
Sub- total		208,582	1,716,474
Grand total		17,234,152	5,878,216

Notes to the financial statements (continued)

24. 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.

25. Fair Value Adjustment Reserve

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

26. Retained Earnings

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

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Notes to the financial statements (continued)

27. Borrowings

Description	2024/2025	2023/2024
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	38,774,909	37,630,701
External borrowings during the year	0	8,500,000
Repayments of during the year	(9,984,739)	(7,355,792)
Balance at end of the year	28,790,170	38,774,909

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

Description	2024/2025	2023/2024
	KShs	KShs
Short term borrowings (current portion)	3,872,942	7,890,778
Long term borrowings	24,917,228	30,884,131
Total	28,790,170	38,774,909

(Current portion of borrowings are those borrowings that are payable within one year or the next financial year.)

28. Trade and Other Payables

	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	38,123,268	38,207,635
Total	38,123,268	38,207,635
As at June 30, the ageing analysis for trade payables was as follows:		
Less than 30 days	2,575,956	1,472,198
Between 30 and 60 days	306,421	6,290,668
Between 61 and 90 days	1,144,142	2,195,723
Between 91 and 120 days	3,064,912	1,323,280
Between 121 days and 150 days	513,997	1,258,974
Above 150 days	30,517,839	25,666,792
Total	38,123,267	38,207,635

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29. Refundable Deposits and Prepayments

	2024/2025	2023/2024
	Kshs	Kshs
Customer deposits(previous years)	1,631,050	669,550
Customer deposits	1,181,000	961,500
Prepayments by customers	544,980	721151
Total	3,357,030	2,352,201

30. Operating receipts

	2024/2025	2023/2024
	Kshs	Kshs
Collection from sale of water (actual)	103,367,841	95,870,985
Total Collections	103,367,841	95,870,985

31. Ordinary share capital

	2024/2025	2023/2024
	Kshs	Kshs
5,000 Ordinary shares(Ksh 20)	100,000	0
Totals	100,000	0

32. Capital and Reserves

	2024/2025	2023/2024
	Kshs	Kshs
As at 30 th June	121,383,336	121,383,336
Total capital & Reserves	121,383,336	121,383,336

33. Revaluation Reserve

	2024/2025	2023/2024
	Kshs	Kshs
As at 1 st July 2024	0	0
Revaluation reserve	4,349,994	0
Total Revaluation reserve	4,349,994	0

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Notes to the financial statements (continued)

34. Retained Earnings

	2024/2025	2023/2024
	Kshs	Kshs
As at 1 st July 2024	(22,962,897)	(16,176,133)
Surplus for the year	(2,768,586)	(6,786,764)
Total retained earnings	(25,731,483)	(22,962,897)

35. Notes to The Statement of Cash Flows

	2024/2025	2023/2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(2,768,586)	(6,786,764)
Depreciation and Amortization	8,732,543	9,518,833
Provision for doubtful debts	2,184,884	0
Grant income	15,267,350	0
Operating profit/loss before working capital changes	23,416,191	2,732,069
Working capital changes:		
Bank Charges and Interest	717,893	585,727
(Increase)/decrease in inventories	(607,216)	12,318,437
(Increase)/decrease in trade and other receivables	6,142,136	(3,787,702)
Increase/(decrease) in trade and other payables	(84,367)	(5,991,232)
Increase in customer deposits	1,181,000	1,530,223
Customer water prepayments	(176,171)	(568,723)
Cash generated from operations	7,173,275	4,086,730
Cash generated from/ (used in) operation	30,589,466	6,818,799

Notes to the financial statements (continued)

Other Disclosures

36. Related Party Disclosures

County Government of Embu

The County Government of Embu is the principal shareholder of the Company, holding 5,000 ordinary shares(Ksh 20 each par value) of the Company's equity interest. The County of Government of Embu has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- County Government of Embu
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors

37. Financial Risk Management

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

(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.

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	41,512,798	-	43,697,682	2,184,884
Other Receivables	648,496	648,496	-	-
Short term deposits	851,428	851,428	-	-
Bank balances	17,234,152	17,234,152	-	-
Total	60,246,874	18,734,076	43,697,682	2,184,884
At 30 June 2024				
Receivables	47,425,798	-	49,921,893	2,496,095
Other Receivables	877,632	877,632	-	-
Short term deposits	850,000	850,000	-	-
Bank balances	5,878,331	5,878,331	-	-
Total	55,031,761	7,605,963	49,921,893	2,496,095

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.

(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.

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.

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Notes to the financial statements (continued)

iv) Capital Risk Management

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

	2024/2025	2023/2024
	Kshs	Kshs
Ordinary share capital	100,000	0
Capital reserve	121,383,336	105,207,203
Revaluation reserve	4,349,994	0
Retained earnings	(25,731,483)	(6,786,764)
Net Capital reserve	100,101,847	98,420,439
Total funds		
Total borrowings	28,790,884	38,774,909
Less: cash and bank balances	(17,234,152)	(5,878,331)
Net debt/ (excess cash and cash equivalents)	11,556,732	32,896,578
Gearing Ratio	11.5%	33.7%

38. Incorporation

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

39. Events After the Reporting Period

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

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20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

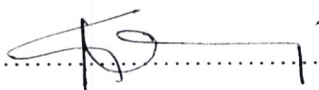
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date)
1.	Unsupported value of Land	Valuation report in place.	Resolved	
2.	Long outstanding trade receivable balance	Trade receivables are decreasing progressively Debts recovery policy in place.	Resolved	
3.	Unaccounted refundable deposit balance	The borrowing was authorised by the board and Management has instituted a standing order to refund the deposits amount,	Resolved	
4.	Material uncertainty related to going concern	Improvement on profit/loss for the year from (6,7M) to (1.7M) plus revaluation gain of 4.3M resulting to a total comprehensive	Resolved	
5.	Undisclosed water inventory held in distribution	Measure are being put in place to calculate water inventory in our reservoir and pipelines. Awaiting for OAG guideline.	Not resolved	June 2026
6	Budgetary control and performance	The management is progressively preparing a realistic budget.	resolved	
7	Long outstanding trade and other payables	Payables have reduced as a result of establishment of a payment plan by the management.	Resolved	
8	Non-compliance with the law on staff Ethnic	There were no jobs openings during the year under review, in subsequent years when vacancies arise the company will post	Not resolved	

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Reference No. on the external audit	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date)
9	Non-revenue water	There is a notable improvement on NRW from 34% to 29% as a result of measures put in place e.g. NRW Policy	Resolved	
10	Irregularities in borrowing	The borrowings were authorised by the Board and County Government representative.	Resolved	
11	Non-adherence to data protection Act 2019	The company has registered with office of Data Protection Commission. The registration certificate in place.	Resolved	
12	Non-compliance with fiscal responsibilities	This was as a result of introduction of new statutory deductions and levies	Resolved	
13	Failure to carry out board evaluation	The first AGM was held in August 2025 and board evaluation budget is factored in the current financial year budget.	Resolved	

Name Geoffrey Munyi Gichatha

Signature: 

Managing Director

Date: 10/9/2025

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Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidate d in these financial statements (Yes/No)
Construction and Rehabilitation of pipeline 5.2 Km	NGANWASCO/CLSG II/2024/2025	WSTF	175 DAYS	5,499,908	YES	YES

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Construction and Rehabilitation of pipeline 5.2 Km	5,499,908	4,949,918	100%	5,000,000	4,949,918	Grant from WSTF
2							
3							