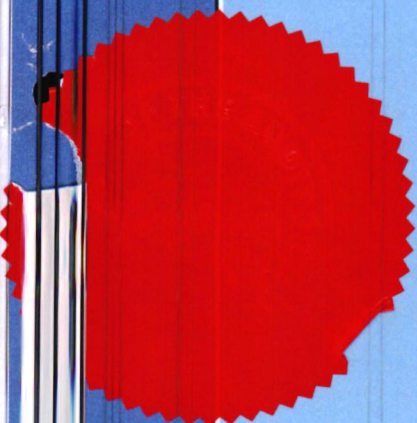
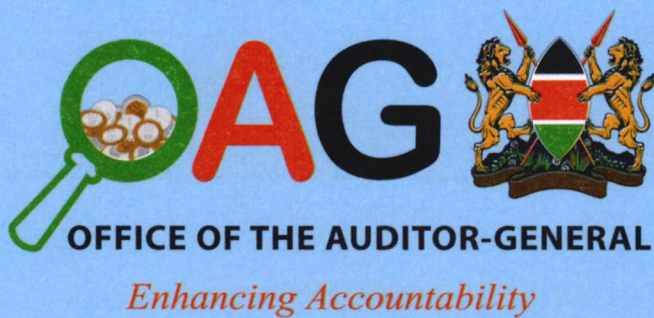


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# REPORT

OF

## THE AUDITOR-GENERAL

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ON

## EMBE WATER AND SANITATION COMPANY LIMITED

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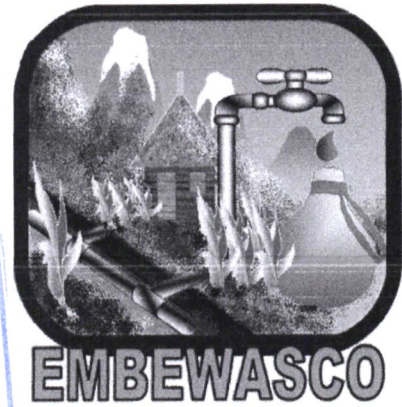
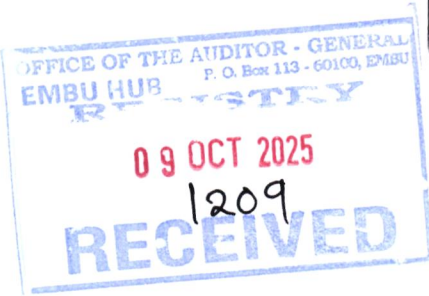
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**FOR THE YEAR ENDED  
30 JUNE, 2025**



Figure 1: Comparison of two figures.



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**EMBE WATER AND SANITATION COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**EMBE Water and Sanitation Company Ltd**  
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**1. Acronyms and Glossary of Terms**

**A. Acronyms**

<b>EMBEWASCO</b>	<i>Embu-Mbeere Water and Sanitation Company</i>
<b>GM</b>	<i>General Manager</i>
<b>IAS</b>	<i>International Accounting Standards</i>
<b>IASB</b>	<i>International Accounting Standards Board</i>
<b>IFRS</b>	<i>International Financial Reporting Standards</i>
<b>ICS</b>	<i>Institute of Certified Secretaries</i>
<b>NT</b>	<i>National Treasury</i>
<b>PFMA</b>	<i>Public Finance Management Act.</i>
<b>WASREB</b>	<i>Water Services Regulatory Board</i>
<b>WRA</b>	<i>Water Resources Authority</i>
<b>TWWDA</b>	<i>Tana Water Works Development Agency</i>
<b>WSTF</b>	<i>Water Services Trust Fund</i>

**B. Definition of Key Terms**

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

**Comparative Year**- Means the prior period.

## EMBE Water and Sanitation Company Ltd

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

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#### 2. Key Entity Information

##### Background information

*EMBE Water and Sanitation Company Ltd* was established by the Water Act 2006 under the Company's Act of Parliament Cap 486 of the Laws of Kenya in April 2006. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has two schemes Ena-Siakago and Ishiara Schemes.

##### Principal Activities

The principal activity of the Company is provision of water and sanitation services within the designated SPA region of Mbeere North Sub-County of Embu County.

##### Vision Statement

“To be a model Rural and Peri-Urban Water & Sanitation Services Provider”

##### Mission Statement

“To provide quality, safe, affordable, reliable and accessible drinking water to the residents of Ena-Siakago and Ishiara Water supplies”

##### Motto

Water is life

##### Core Values

- **Responsiveness:** being sensitive to the needs of customers, other stakeholders and the environment
- **Innovation:** encouraging and rewarding creativity and positive risk taking
- **Fairness and caring:** acknowledging diversity of views and opinions; and promoting social equity
- **Accountability:** being transparent and accountable in the use of resources entrusted to the organization
- **Team work:** supporting each other and harnessing different skills to create a superior performance culture
- **Integrity:** embracing honesty and truthfulness in discharging responsibilities

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Directors**

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

- |                          |                   |   |
|--------------------------|-------------------|---|
| 1. Jackson K. Njana      | - Chairman        | Appointed in December, 2024                 |
| 2. Nicasio Ndaru Njiru   | - Director        | Appointed in November, 2022                 |
| 3. Peter Kariuki         | -Director         | Appointed in November,2022                  |
| 4. Lucy Igoki Kirathe    | - Director        | Appointed on 8 <sup>th</sup> December, 2023 |
| 5. Carolyn Karimi Nduta  | - Director        | Appointed on 8 <sup>th</sup> December, 2023 |
| 6. Grace Wanja Muriithi  | -Director         | Embu County Government                      |
| 7. Damiano Muthee        | -Director         | Embu County Government                      |
| 8. CPA Nancy M. Mwakirie | - General Manager | Appointed on 29 <sup>th</sup> January, 2024 |

**Company Secretary**

CPS Richard Gikuhi Kiana  
P.O Box 1271-10100,  
Nyeri.

**Registered Office**

Mbeere North Sub- County Water Office Building,  
Siakago-Ugweri Road,  
P.O. Box 195,  
Siakago, Embu

**EMBE Water and Sanitation Company Ltd**  
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**Corporate Headquarters**

P.O.Box 195-60104,  
Mbeere North Sub- County Water Office Building,  
Siakago- Ugweri Road,  
SIKAGO.

**Corporate Contacts**

Mobile: 254703192338  
Email: embewater@yahoo.com  
Website: www.embe.co.ke

**Corporate Bankers**

Cooperative Bank of Kenya,  
P.O Box 193-60104,  
Siakago

**Independent Auditor**

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





**Principal Legal Adviser**

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


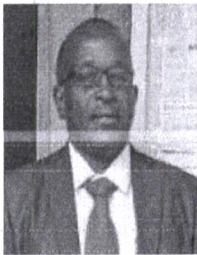



**EMBE Water and Sanitation Company Ltd**

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

**3. The Board of Directors**






Directors	Details
 <p>JACKSON KINYUA NJANA</p>	<p>Independent Director, Chairman Board</p> <p>Date Of Birth: 1974</p> <p>Bachelor Of Science Degree in Natural Resources Management, Post Graduate Diploma in Education.</p> <p>General Manager, Diocese of Embu -Caritas Mbeu Programme</p>
 <p>FCS RICHARD GIKUHI KIANA</p>	<p>FCS Richard K. Gikuhi is a Certified Secretary and a Fellow of the Institute of Certified Secretaries of Kenya. He is an Accredited Governance Auditor, holds a Master of Business Administration Degree with a major in Strategic Management from Moi University and an Advanced Practical Course in Management of Urban Development from Birmingham University. He is registered to practice as a Company Secretary and holds a current practicing certificate no. P/CPSB/285 and is in good standing with the Institute of Certified Secretaries.</p>
 <p>CAROLYN KARIMI NDUTA</p>	<p>Independent Director</p> <p>Date Of Birth: 10/07/1986</p> <p>Bachelor of Education Arts (Kiswahili/ CRE)</p> <p>A Secondary school teacher</p>
 <p>LUCY IGOKI KIRATHE</p>	<p>Independent Director</p> <p>Date Of Birth: 02/05/1986</p> <p>BSC Computer Science and Post Graduate Diploma in Education</p> <p>A secondary School Teacher</p>

**EMBE Water and Sanitation Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2025**

	<p>CPA NANCY MUCIA MWAKIRIE</p>	<p>General Manager CPA K BCOM- Finance</p>
	<p>NICASIO NDARU NJIRU</p>	<p>Independent Director(Audit Committee chairman) Date Of Birth: 10/05/1973 Master of Science degree in Mathematics, (Statistics), Bachelor of Education (Science) Working experience in several institutions of learning with a wide knowledge and experience in leadership and management and currently the Head of Mathematics at Kitui Teachers Training College.</p>
	<p>REVEREND PETER KARIUKI</p>	<p>Independent Director(Technical,Finance, Human Resource and Administration Committee Chairman) Date Of Birth: 25/11/1967 Bachelors of Arts in Biblical Studies, Primary Teacher’s Certificate. Has served as a church elder, and branch Pastor and is currently a Senior pastor in charge of a local church, Deputy Bishop at the District level where he coordinates the activities in the district. A committee member in Mission Department in FGCK Mt Kenya region.</p>
	<p>DAMIANO MUTHEE NJAGI</p>	<p>Chief Officer, Finance- Embu County Government</p>
	<p>GRACE WANJA MURIITHI</p>	<p>Chief Officer, Water and Irrigation- Embu County Government</p>

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**4. Key Management Team**

Managers	Details
 <p>CPA NANCY MUCIA MWAKIRIE</p>	<p>General Manager            CPA K            BCOM- Finance</p>
 <p>FCS GIKUHI KIANA</p>	<p>Company Secretary            Certified Public Secretary of Kenya (CPSK)</p>
 <p>NANCY JEMATIAN KORIR</p>	<p>Acting Technical Manager.            Diploma in Water and Environmental Engineering.</p>
 <p>CPA JACKLINE KANINI NJUE</p>	<p>Finance Officer, Accountant             CPAK            BCOM Accounting</p>
 <p>PIERO MWANIKI MWANGI</p>	<p>Internal Auditor            CPAK</p>

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**5. Chairman's Statement**

It is with immense pride that I present yet another year of robust growth and outstanding financial performance for our company; achievements that align seamlessly with our strategic expectations. Throughout the reporting period, we remained unwavering in our commitment to transforming the lives of the communities we serve by consistently delivering water services that truly make a difference.

We recorded significant progress in key operational areas, including water infrastructure development, increased production capacity, enhanced service delivery efficiency, and improved water quality for our customers. These milestones were made possible through the support our development partners, like Waterfund and Gatsby Africa whose collaboration has enabled us to implement targeted interventions addressing persistent challenges such as:

- Non-revenue water
- Frequent supply interruptions and infrastructure damage due to ongoing road developments
- Aging and dilapidated infrastructure
- Competition for water sources amid expanding community projects during dry seasons
- Low water coverage
- Lack of wayleaves and widespread encroachments

The adverse economic impact of the heavy rains during this period cannot be overstated. Our infrastructure suffered considerable damage, necessitating extensive replacements and repairs. In this regard, I extend heartfelt appreciation to the Tana Water Development Agency for their critical support in rehabilitating our main supply lines at both the Siakago and Ishiara schemes.

We continue to benefit from the goodwill and support of our regulatory authority, our Board, our clients, suppliers, and service providers. We deeply value these relationships and remain committed to nurturing them.

I also wish to express my sincere gratitude to our management team and staff for their unwavering loyalty, dedication, and tireless efforts—qualities that have been instrumental in achieving these commendable results.

Finally, to my fellow directors, I offer my profound thanks for your steadfast commitment, support, and thoughtful counsel, which remain essential to the success of this noble endeavor.

JACKSON KINJAKI

Sign



Date

29/8/2025

BOARD CHAIRMAN

## **6. Report Of the Managing Director**

### **OVERVIEW**

The company faces financial constraints which increase the need for external sources of financial support in form of short-term loans, grants and Government of Kenya subsidy to ensure sustainability of the water service provider.

Change of attitude by employees, application of best management and professional practices and strengthened organization capacities have hitherto resulted to better service delivery by the WSP for the period under review. Low budgetary allocation by the Government toward improvement of dilapidated water system infrastructure remains ever a big challenge. There is need to recognize the important role that the private sector can play in increasing access, either, directly in water services provision or indirectly through financing.

### **FINANCIAL PERFORMANCE**

The operating revenue for the Financial Year 2024–2025 totals to Kshs. 33,673,271.

### **INSTITUTIONAL CAPACITY**

Among the company's core values is the continued improvement in customer services and innovation. The company has initiated information technology platform and has a digital billing system which has offered a competitive advantage and ensured superior customer services. Our staffs are the greatest resource that the company attaches great importance towards its productivity. The WSP encourages staff training and development as a means of ensuring that the organization is fully and appropriately staffed with employees who have the requisite competence to perform their jobs and that all members of staff feel valued and supported.

### **SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES STATEMENT**

The water service Provider recognizes that it has a corporate social and environmental responsibility. The company is partnering with groups with similar objectives towards social development and empowerment of the broader community through various corporate social initiatives, staff welfare and environmental conservation improvement.

### **SERVICE DELIVERY**

In the period under review, the WSP served 22,506 persons out of 43,929 persons with an average of 3,800 active connections.

These customers are served with 157 Kilometres pipeline network of various sizes, several storage tanks and other civil engineering infrastructure. The status of these infrastructures poses maintenance challenges due to their dilapidated condition which therefore require attention for them to work efficiently. This largely contributes to the high level of NRW reported.

EMBEWASCO is also facing the challenge of inadequate water supply systems to meet the ever-increasing demand for Water. There is an urgent need to construct new intakes so that the people of Mbeere can be served satisfactorily.

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Report of the Managing Director (Continued)**

**FUNDING**

The main sources of income during the period under review were internally generated revenue. However, the Company expects, in its future endeavors, to enjoy funding from Government of Kenya, Embu County Government among other Development partners.

Traditionally the WSP funds its operations expenditure with internally generated revenue and capital expenditure from the Government and development partners. In the spirit of fulfillment and protection of this Constitutional duty of the right to water, I acknowledge this obligation and realize the need to strengthen the participation and empowerment of our Board of Directors, customers, collaborators and business partners.

**APPRECIATION**

In concurrence with the emerging issues, let me take this opportunity to thank you most sincerely for entrusting us with your investment and assure you that we will always endeavour to give you a fair return.

In conclusion I would like to recognize all the respective stakeholders, public, WaterFund, Gatsby Africa, Board of Directors and management who have assisted Embe Water and Sanitation Company to realize the achievements it has made within the period under review. I request their continued support in provision of critical insight to ensure that the company achieves the primary strategic objective of being financially self-sustainable so as to fulfil its mandate of providing quality, safe, affordable and reliable water and sanitation services to its customers.

Thank you and God bless us all.

CPA NANCY M. MWAKIRIE  
GENERAL MANAGER

Sign...  Date... 29<sup>TH</sup> AUGUST 2025

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**7. Statement Of Performance Against Predetermined Objectives for FY 2024/25**

EMBEWASCO derives and aligns its key strategic thematic areas with the WASREB key performance indicators. These themes drive the key performance areas that EMBEWASCO strived to achieve for the period 2024 - 2025. These strategic themes are as follows:

**1. *Water and sanitation infrastructure development***

This thematic area includes hardware investments like water treatment plants, new pipelines, storage tanks and sewer lines.

**2. *Financial sustainability***

This thematic area refers to activities that have an impact on the financial position of the Trust including billing and collections, new connections, strong accounting and financial management systems, and proper procurement procedures and controls.

**3. *Service Delivery, Operational efficiency and customer service***

This thematic area includes internal systems improvements that reduce operations costs and water losses and increase revenues, as well as activities to promote customer satisfaction like call centers, community outreach activities and customer satisfaction surveys.

**4. *Institutional capacity/strengthening***

This thematic area refers to human resource policies, procedures, training and incentives as well as abiding by the Labour Laws of the country.

**5. *Corporate governance***

This thematic area refers to the system of rules, practices and processes by which the Trust is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders - these include its shareholders, management, customers, suppliers, financiers, government and the community.

Embewasco develops its annual work plans based on the above themes. Assessment of the Board's performance against its annual work plan is done on an annual basis. The *company* achieved its performance targets set for the FY 2024/2025 period for its strategic themes, as indicated in the diagram below:

**EMBE Water and Sanitation Company Ltd**

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

Theme	Objective	Strategy	Activity	Achievements
<b>Water and sewerage infrastructure development</b>	To provide water and sanitation services in an efficient, effective, affordable and sustainable manner	Construction of water storage tanks	i. Construct 1No.5000m3 RC storage tank at Riandu ii. Construct 1 No. 2000M3Rc tank at Ishiara	Proposals done
		Installation of distribution lines	i. Install a 17km,160mm HDPE pipeline of different pressure ratings from Riandu to Gatitu	Not Done
		Re-installation of distribution mains	Re-installation distribution network at Ciaikungugu	Done
			Re-installation Mang'ote Distribution line	Ongoing
			Re-installation Murangu line	Done
		Water Quality Management	Replacement of the sand filters in Ena T. works	Done
		Water Quality monitoring	Planned sample schedules	Done
		Water loss Management	Strengthening of the NRW team/ Unit	NRW Assistants engaged
<b>Operational Efficiency And Customer Service</b>	To improve service delivery through Customer Services Improvement.	Increase billed Revenue	i. Reactivation of 20% dormant connections per year ii. Improve on service hrs. iii. GIS Mapping of the supply area and Installation of the billing software iv. Digital meter reading v. Revised Tariff	Upgrading of the system done  Digital meter reading achieved  Done
		Increase the number of New connections	Increase of the service lines Customer sensitization Collaborate with other relevant government agencies (Public Health, schools)	Customer sensitization on going
<b>Financial Sustainability</b>	To ensure the company is financially viable/Sustainable	Automation of Services to improve services	Upgrade or acquire a billing software that will automate entities from customer care, Technical team, stores, & personnel management	Done
			Use alternative revenue collection means through available electronic networks	Not done but engagement of WPU was done
			Link & network Ishiara with Head Office	Done
			Improve on customer complains management.	Done

**EMBE Water and Sanitation Company Ltd**

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

			Develop an ICT strategy/ Policy	Done
			Automate customer self-balance query (ATM type) &Automate the queuing system.	In progress
<b>Institutional Capacity Strengthening</b>	To improve service delivery through automation and modernization of processes and capacity development.	To improve efficiency and effectiveness on functional activities	Progressively operationalize the organogram	Done
		To provide staff capacity building opportunities	Carryout a training needs assessment Ensure at least one training each for every staff member	Done
		Occupation safety health and work environment (OSH)	Base line survey/ audit on (OSH) Implement the recommendations of the base line survey/audit	In progress
<b>Corporate Governance</b>	To ensure the company is driven by the principles and practices of good governance	Strengthen the capacity of the board on corporate governance	Develop a board manual Capacity building of the board members	Done
		Promote good corporate governance practices		Done

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**8. Corporate Governance Statement**

Good corporate governance is key to the integrity of water sector institutions and markets. It is central to the health of our economics and their stability. Corporate governance plays a leading role in making certain, how corporations and their boards and management are directed, controlled and held to account.

Corporate governance therefore encompasses the systems, practices and procedures by which the individual corporation regulates itself in order to remain competitive, ethical, sustainable and fair.

The Board of Directors of EMBEWASCO limited follows principles of openness, integrity and accountability in its stewardship of the company's affairs. It recognizes the developing nature of corporate governance and assesses the company's compliance with generally accepted corporate governance practice on a regular basis, directly and through its board committees and management.

The role of the board is to ensure conformance by focusing on and providing the company's overall strategic direction and policy making, as well as performance review through accountability and ensuring appropriate monitoring and supervision. The board is also responsible for the overall system of internal control and for the reviewing its effectiveness. The controls are designed to both safeguard the company's assets and ensure the reliability of financial information.

A management team, comprising of the general manager, heads of departments and senior staff, meets regularly to consider issues of operational and strategic importance to the company. Here below are the key features of the existing corporate governance practices within the Company which are reviewed and improved on a regular basis: -

**1. Board of Directors.**

The Board of Directors is composed of six non- executive directors where the chairman is elected by the board members. Non- executive members are institutional and hold office for 3 years. They are independent of the Management. The executive member of the board is the General Manager. The execution of Board's policies is vested in the General Manager who is also responsible for the effective performance of the management which provides support to the Board and its committees.

The board is responsible for setting the direction of the company through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of strategies and policies through a structured approach to reporting by management and consequent accountability.

The non-executive directors are actively involved in and bring strong independent judgment on board deliberations and discussions. These directors have a wide range of knowledge and experience of local markets that is applied to the formulation of strategic objectives and decision making.

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Corporate Governance Statement (Continued)**

Certain functions are delegated to committees as detailed within this section. The board meets four times a year (once every quarter) and when necessary, to consider all matters relating to the overall control, company performance and strategy. A formal schedule of meetings is formulated with Notices and Agenda for all board meetings circulated to all Directors on a timely basis together with the respective documents for discussion. They are required to declare any conflicts of interests on any matters before the Board and are disqualified from participating in deliberations when there is such conflict.

The Board committees are constituted by the Board which sets out the responsibilities delegated by the Board to them and their structure and operations.

The role of a committee is to operate within the terms of its charter and to make recommendations to the Board for ratification and to determine certain matters with prior approval by the Board. Each committee meets regularly under the terms of reference set by the Board in their respective committee charters.

**Board committees**

The following are the current committees of the Board.

**a) Audit Committee**

The audit committee comprises of three directors and the Internal Auditor. The committee is responsible for inter alia, developing and advising on audit and financial controls and compliance issues of the company. It also defines the scope of the internal audit function and acts as a liaison between the external auditors and management. The directors who are current members of the committee are Nicasio Ndaru Njiru (Chairperson), Embu County representative and Lucy Igoki Kirathe.

**b) Finance and Technical Committee**

The finance, Human Resource and Administration, and technical committee comprises of three directors, the Finance Officer, The Human Resource Officer and the Technical manager. The committee is mandated to review and make recommendations on the company's financial and accounting policies, annual budgets, investment policy and asset management. The directors who are current members of the committee are Peter Kariuki (Chairperson), Carolyn Karimi Nduta and Embu County representative.

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**Information and professional development**

Keeping up-to-date with key business development is essential for the Board of Directors to maintain and enhance their effectiveness. On regular basis the Board receives corporate strategy, financial plans, including budgets and forecasts and discuss them during Board meetings.

New Board members are inducted and trained after which they are taken through the signing of the Code of Ethics. Employees sign the Code of Conduct.

**2. Internal Controls**

The company has implemented and maintained internal controls designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard and maintain accountability of the company's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties.

The effectiveness of the system of internal controls is monitored regularly through internal audit functions, operational meetings and the annual external audit.

**3. Related Party Transactions and Directors Remuneration.**


The related party transactions with the company during the year ending 30<sup>th</sup> June 2025 are detailed under note 49 on page 55-56 of these annual report and financial statements.

The remuneration for directors consists of sitting allowances for their services in connection with the Board and committee meetings.

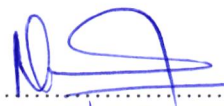
The aggregate amount of director's remuneration for services rendered during the year ending 30<sup>th</sup> June 2025 are contained under note 13 on page 28 of these annual report and financial statements.

**4. Going Concern**

The directors confirm that the company has adequate resources to continue in business for the feasible future and therefore the continued use of going concern as a basis of preparing the financial statements.

Signature   
Name JACKSON K. NTANA

**Board Chairman**

Signature   
Name CPA NATCH M. MWAKURIE

**General Manager.**

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**9. Management Discussion and Analysis**

EMBEWASCO is licensed by Water Services Regulatory Board to engage in provision of water and sanitation services in Mbeere North Sub County of Embu County.

Since inception in 2006 of the Water service providers, Embe water and Sanitation Company has been endeavoring to offer quality provision of water services within legal and regulatory framework.

Over the period under review, the area under water service coverage has continued to increase and is projected to rise higher in the medium term. This forms the need to increase and ensure efficiency in the water supply systems and high production water abstraction sources.

**Operational Performance**

The company performance is reported under water coverage. Water coverage currently stands at 339km<sup>2</sup> serving a population of 43,929. The increased performance is attributed to internally generated funds coupled with assistance of development partners such as WSTF, CDF, TWWDA and the County government of Embu. However, the company faces challenges in financial resources for development, decline in water resource capture, inadequate hydro-logical data for planning. The continued consumer demand for water is rising at a higher rate than current water service provision supply. This calls for a collaborated effort to increase water production and supply capacity by designing and developing a new water supply system or at least, expanding the current ones.

The company will continue engaging its current financial partners in financing the required projects, while at the same time, looking for other sources of finance, more so commercial financing concept.

**Financial Performance.**

During the year 2024-2025, the company had an operating revenue of Kshs 33,673,271.

**Corporate Governance.**

EMBEWASCO strives to comply with the company's Act, Cap 486, water Act 2016, the Constitution of Kenya 2010 and all other laws and guidelines as spelt out by WASREB. The key issues raised by WASREB guidelines include: Public participation in appointment of directors, oversight and supervision roles of the Board, information and control systems checks and balances in operations and compliance to set Water Service Providers (WSP) systems; financial management to measure compliance with applicable IFRS and IPSAS.

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**Management Discussion and Analysis (continued)**

**SECTOR PERFORMANCE OVERVIEW**

In the year under review the WSP posted positive improvement in some areas as indicated in the following key performance indicators as illustrated below.

<i>Item</i>	<i>Description</i>	<i>Units</i>	<i>2024/25</i>	<i>2023/24</i>	<i>% increase</i>
1.	<i>Water coverage</i>	<i>%</i>	<i>54</i>	<i>54</i>	<i>0</i>
2.	<i>Sanitation coverage</i>	<i>%</i>	<i>99</i>	<i>91</i>	<i>8</i>
3.	<i>Drinking water quality</i>	<i>%</i>	<i>99</i>	<i>96</i>	<i>3</i>
4.	<i>Hours of services</i>	<i>No</i>	<i>18</i>	<i>18</i>	<i>0</i>
5.	<i>Non-Revenue Water</i>	<i>%</i>	<i>52</i>	<i>54</i>	<i>-2</i>
6.	<i>Metering ratio</i>	<i>%</i>	<i>100</i>	<i>100</i>	<i>0</i>
7.	<i>Annual turnover</i>	<i>Kshs. (M)</i>	<i>33.7</i>	<i>30.4</i>	<i>3.3</i>
8.	<i>Collection Efficiency</i>	<i>%</i>	<i>97</i>	<i>90</i>	<i>7</i>
9.	<i>Staffing per 1,000 connections</i>	<i>No</i>	<i>8</i>	<i>14</i>	<i>-6</i>

**10. Environmental And Sustainability Reporting**

Embe water and Sanitation Company Limited exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

**i) Sustainability strategy and profile -**

The company's main goal is being financially self-sustainable. Customer satisfaction through provision of quality and affordable water services is key to achieve this goal. Customer complaints are attended to immediately. Automation of services like billing where billing software has been installed to ensure accurate and billing is done on time and customers are served with bills when they fall due. The scarcity of water has made it difficult to provide our customers with adequate water. However, the company has still continued to mobilize resources from development partners by writing proposals of improving the intakes.

**ii) Environmental performance**

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).

**iii) Employee welfare**

The Company recognizes that health, safety and training, play a key role in ensuring our employees commitment to responsibility in the workplace and their working environment in which personal and employment rights are upheld. Effective policies and procedures are aligned with Company needs and the promotion of good communication processes, to assist timely and consistent delivery of relevant information to employees.

The Company provides equal opportunity for all employees and job applicants. It has in place policies covering issues such as performance management, training and family friendly policies. E.g., Compassionate Leave, Paternity Leave among others. The employees of the Company are active players of various teams which compete locally and nationally.

**iv) Market place practices-**

The company operates in a market where competition is stiff. The company strives to achieve a competitive advantage through the following practices:-

## **EMBE Water and Sanitation Company Ltd**

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

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**a) Responsible competition practice.**

Embewasco Ltd is a corruption free company. All our customers are served equally without discrimination. Respect is given to other water provision entities where the company serves within its area of jurisdiction.

**b) Responsible Supply chain and supplier relations**

The company values its suppliers to a great extent. Nothing can be achieved without the assistance of the suppliers. Their satisfaction is achieved by giving them equal opportunities of supplying the company with necessities. Prequalification is done without discrimination. The suppliers are paid on time and communication done in case of any delays.

**c) Responsible marketing and advertisement**

Marketing is done on a daily basis. Embewasco staff team and stakeholders sell the company to the outside world.

**d) Product stewardship**

Efficient delivery of services to our customer is one of the crucial areas of the Company. The aim is to sustain 24hour service delivery and minimum interruptions to the flow of water. The current water supply hours per day stands at 18 hours.

Customer service is an area of high priority as the Company is cognizant of the importance of the customer in the service delivery process and indeed to its overall performance. The Company is therefore committed to effective communication with the customers and sensitizing them on key issues in the management of water resource especially at the consumption point.

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

**v) Corporate Social Responsibility / Community Engagements**

The company upholds its core values which enshrine ethical business practices, compliance with regulatory and other legal requirements and respect for humanity, communities and the environment. The company's corporate social responsibility (CSR) hinges on two key pillars, employees and welfare programmes.

During the year, our employees have become an important part of this noble objective. The employees are the backbone of our success.

Therefore, we have unrelentingly ensured that they have a favourable work environment. Training and development of staff has continued to be an important part of our business. All staffs are encouraged to attend internal and external training sessions in order to upgrade themselves technically and professionally. The internship placement programme has continued with several students working as interns in various departments. Those students are drawn from various colleges.

**EMBE Water and Sanitation Company Ltd**

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

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The company recognizes co-existence with others and hence it has been actively involved in activities and social events occurring within its area of jurisdiction. Several events of social nature in which company has been involved with include:

**a) National Holidays:**

The Company actively participates in national holidays such as Jamhuri day and Madaraka day and provides snacks and drinks through its CSR kitty

**b) Tree planting days:**

The Company participates actively in supporting activities during tree planting days.

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**1. Report Of the Directors**

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

**i) Principal activities**

The principal activities of the Company are (continue to be) provision of water services.

**ii) Results**

The results of the company for the year ended June 30, 2025 are set out on page 1. Below is summary of the profit or loss made during the year.

**iii) Dividends**

The company has not declared dividends for the year ended June 30<sup>th</sup> June, 2025 due to since there has been no profit realisation.

**iv) Directors**

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

**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.

By Order of the Board

Name. RICHARD K. GIKATHI  
Signature. R. GIKATHI  
Date. 29-08-2025



**Corporate Secretary/Secretary to the Board**

## **12. Statement Of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015- (*entities should quote the applicable legislation under which they are regulated*)) require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company 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 Company 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 (period) ended on June 30, 2025. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 responsibility for the Company 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) – Company *should quote applicable legislation as indicated under which they are regulated*).

**EMBE Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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**Statement Of Directors' Responsibilities (Continued)**


The Directors are of the opinion that the Company'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 Company'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.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern (*disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements*) OR

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

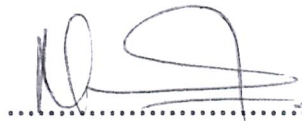
**Approval of the financial statements**

The company financial statements were approved by the Board on 22<sup>nd</sup> AUGUST 2025 and signed on its behalf by:



.....

**Jackson Kinyua Njana**  
**Chairperson of the Board**



.....

**CPA Nancy Mucia Mwakirie**  
**General Manager**

# REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

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

## REPORT OF THE AUDITOR-GENERAL ON EMBE WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

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### 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 Embe Water and Sanitation Company Limited set out on pages 1 to 76, 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 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 Embe Water and Sanitation Services Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **1. Unaccounted for Refundable Deposit Balance**

The statement of financial position and as disclosed in Note 44 to the financial statements reflects refundable deposits and prepayments balance of Kshs.8,205,497 which includes customer deposits balance of Kshs.6,686,890. However, the deposits bank account reflects a balance of Kshs.534,374 leading to unreconciled and unsupported variance of Kshs.6,152,516.

In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.6,686,890 could not be confirmed.

#### **2. Long Outstanding Trade Receivables**

As previously reported, the statement of financial position and as disclosed Note 29 to the financial statements reflects a balance of Ksh.32,306,020 in relation to trade and other receivables which resulted from an increase in trade and other receivables balance by Kshs.686,412 from prior year receivables. Review of the debtors ageing analysis revealed that debtors balance amounting to Kshs.28,643,434 or (87%) had outstanding for more than four months (Over 120 days). The Company however, does not have a Debt Management Policy and did not institute proper and effective revenue collection mechanism during the year under review.

Further, included in the balance of Kshs.32,306,020 is a general provision for bad and doubtful receivable of Kshs.1,694,663 being 5% on trade receivables balance which is deemed inadequate considering that the receivables have been outstanding for a considerably long period of time.

In the circumstances, the accuracy and recoverability of the long outstanding trade receivables balance of Kshs.28,643,434 could not be confirmed.

#### **3. Long Outstanding Trade Payables**

The statement of financial position and as disclosed in Note 43 to the financial statements reflects trade and other payables balance totalling Kshs.15,301,893. Included in this

amount is Kshs.3,060,378 which has been long outstanding for more than two (2) years as shown in the ageing analysis. It was therefore, not possible to confirm why the company has not met its obligations of settling debt as the first charge.

In the circumstances, failure to settle payables as they fall due may result to litigations and penalties.

#### **4. Undisclosed Share Capital**

As previously reported, the statement of financial position reflects Nil ordinary share capital balance. Further, the company has not included related party disclosure in Notes to the financial statements which should indicate ownership of the Company. In addition, the share certificate relating to the paid-up share capital was not provided for audit review. This is contrary to Section 495 of part XVIII of the Companies Act, 2015 which states that a certificate duly executed in accordance with section 37 specifying any shares held by a member is, in the absence of proof to the contrary, evidence of the member's title to the shares.

In the circumstances, the accuracy, completeness of Nil ordinary share capital and ownership of the Company could not be confirmed.

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

#### **Key Audit Matters**

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

#### **Other Matter**

##### **Unresolved Other Matters**

In the audit report of the previous year, several issues were raised under the Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not provided an explanation of how the issues were addressed. Most of the issues have been reiterated as substantial paragraphs since they are recurring.

#### **Other Information**

Management is responsible for the Other Information set out on pages iii to xxv 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 the Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Non-Compliance with WASREB Guidelines on Incorporation and Shareholding of the Water Company**

As previously reported, the Company's Memorandum and Articles of Association, 2006 indicates the Company is a private company limited by guarantee. This is contrary to Section 3.1(d) of the Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that the recommended model for Water Service Providers (WSP) is that they be public limited liability companies established under the Companies Act, 2015 under Section 77(3) and Section 3.3.1 (3) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that if their memorandum of objects and articles of association do not already state that they are owned by the county government which has taken up the shares of the defunct local authorities, amendments should be made to reflect this legal reality.

Further, the statement of financial position does not reflect any share capital contrary to Section 3.3.1(7) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that under the direction of Section 77 of the Water Act 2016, these companies should then change their memorandum to public companies limited by shares following the model for the sector, care being taken that real public participation in WSP governance is retained and Section 3.3.1(4) of Water Service Regulatory Board (WASREB) Corporate Guidelines, 2018 which states that the county government shall hold all the shares in trust for the people of the county and the other shareholders who hold the shares in trust and not in their personal capacity are the Office of CECM in charge of Finance, the Office of the CECM in charge of water and the County Secretary who shall hold one share each.

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

## **2. Audit Fees**

As previously reported, the statement of financial position reflects a balance of Kshs.35,358,352 in respect to current liabilities which includes provisions of Kshs.11,850,962 as disclosed in Note 41 to the financial statements for the year. This balance further includes a balance of Kshs.350,000 in respect to audit fees payable to the Auditor-General relating to accumulated audit fees which should have been paid in accordance with Section 41(1)(c) of the Public Audit Act, 2015 which states that the funds of the office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

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

## **3. Lack of Staff Ethnic Diversity**

As previously reported, the statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.17,723,925. Review of payroll records reveal that during the year under review, the company had thirty-six (36) employees out of which twenty-seven (27) or (75%) of the total number were members of the same ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

## **4. Earnings Below the Statutory Minimum Requirement**

Review and analysis of the payroll revealed that the water company had twelve (12) of its employees over-commit their salaries beyond two thirds (2/3) of their basic salaries. This was contrary to Section C.1 (3) of the Human Resource Policies and Procedures Manual for the Public Service on Salary and Allowances states that public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance.

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

## **5. Non-Revenue Water**

The statement of profit or loss and other comprehensive income reflects operating revenue totalling Kshs.33,664,945 and as disclosed in Note 6 to the financial statements which includes water sales amount of Kshs.28,206,145. However, review of the water records revealed that the Company produced water amounting 1,095,384 cubic meters (m<sup>3</sup>) of water during the year out of which 519,911 cubic meters were billed to customers resulting to 575,473 cubic meters as unaccounted for water or 52% of the total water produced which is above the recommended maximum of 25% as per the requirements of Water Service Regulatory Board guidelines. No verifiable explanation was provided for the high percentage of unaccounted-for water. The amount of Kshs.31,220,479 from the Non-Revenue Water could have improved service delivery to the public.

The significant level of Non-Revenue Water is 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.

## **6. Non-Compliance With Fiscal Responsibility Principles on Wage Bill**

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects amounts of Kshs.17,733,461 in respect to staff costs. However, the Company incurred 49% on salaries as a percentage of operation and maintenance cost of Kshs.35,985,985 contrary to Paragraph 3.2 of the performance report of Kenya's Water Service Sector 2020/2021 from Water Service Regulatory Board (WASREB), issue Number 14/2022 on Performance Analysis and Ranking under economic efficiency which states that the personnel expenditure for any Company ranked as large Company should not exceed 30% as percentage of Operation and Maintenance Cost.

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

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Use of Old Water Tariffs**

As previously reported, the statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue amount of Kshs.33,664,945. It was noted that the Company applied a tariff structure approved by the Water Services Regulatory Board (WASREB) for the period 2013/2014, 2014/2015, 2015/2016 and 2016/2017. However, although the Management through WASREB has started the process of renewal the new tariff has not yet been Gazetted and therefore, the Company has continued to use the same old tariffs for eight (8) subsequent years without approval leading to deficits and an inability to meet financial obligations.

In the circumstances, the tariffs charged are irregular since the same have not been approved.

## **2. Weaknesses In Internal Controls in Water Connections**

As previously reported, the statement of financial position and as disclosed in Note 29 to the financial statements reflects trade and other receivable balance of Kshs.32,306,020. However, review of the sampled customer statements revealed the status of some customers' accounts were still active and customers still enjoying the water services with huge unpaid balances amounting to Ksh.8,581,721.00 and still accumulating penalties and no effort was shown to settle the debt since 2022. It was therefore, uncertain why reasonable steps were taken to recover the debt.

In the circumstances, the Company will continue to incur losses on the increasing in paid bills.

## **3. Use of Manual Payroll**

During the year under review, it was observed that the water company operated a Manual payroll using Microsoft excel worksheet instead payroll system. The use of Manual system requires manual calculation of deductions and net pay and constant monthly or annual updates of the data manually which is prone to error or manipulations. However, Management did provide a justification for maintaining the manual payroll and did not demonstrate mechanisms put in place to migrate from the manual payroll and what they are doing to protect payroll data integrity in respect of the manual. This was contrary to Section 110(1)(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer for a County Government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity. Further, access controls to be instituted shall include (d) use of multi-factor authentication including standardization of user primary identity linked to national identification numbers, payroll numbers and assigned responsibilities.

In the circumstances, the Individual Members accounts may easily be manipulated and therefore, the accuracy of the account's balances could not be confirmed.

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Conclusion**

As required by 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 xxiii is consistent with the financial statements; and
- iii. The auditable part of the directors' remuneration report on page 28 has been properly prepared in accordance with the Companies Act, 2015.

### **Basis for Conclusion**

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

### **Responsibilities of Management and the Board of Directors**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial

statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**14 October, 2025**

EMBE Water and Sanitation Company Ltd

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
<b>Revenue</b>			
Operating Revenue	6	33,664,945	30,439,570
Grants Income	7	-	-
Other Income	8	-	-
Finance income	9	8,326	-
Other gains/(losses)	10	-	-
<b>Total Revenue</b>		<b>33,673,271</b>	<b>30,439,570</b>
<b>Expenses</b>			
Staff Costs	11	17,733,461	19,900,330
General and Operations expenses	12	9,053,803	13,171,953
Board Expenses	13	1,122,000	1,044,000
Maintenance Expenses	14	3,893,302	4,449,723
Depreciation and Amortization expenses	15	4,183,418	4,811,991
Finance Costs	16	-	-
<b>Total Expenses</b>		<b>35,985,985</b>	<b>43,377,996</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(2,312,714)</b>	<b>(12,938,426)</b>
<b>Income Tax Expense/(Credit)</b>	17	-	-
<b>Profit/(Loss) After Taxation</b>		<b>(2,312,714)</b>	<b>(12,938,426)</b>
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		<b>(2,312,714)</b>	<b>(12,938,426)</b>
Surplus or deficit on revaluation of PPE		-	-
Remeasurement of net defined benefit liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
<b>Total Comprehensive Income for The Year</b>		<b>(2,312,714)</b>	<b>(12,938,426)</b>

**EMBE Water and Sanitation Company Ltd**  
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**15. Statement Of Financial Position As at 30 June 2025**

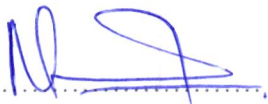
	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	20	40,649,056	44,382,173
Intangible assets	21	210,700	301,000
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
<b>Total non-current assets</b>		<b>40,859,756</b>	<b>44,683,173</b>
<b>Current assets</b>			
Inventories	28	929,100	801,234
Trade and receivable	29	32,306,020	31,619,608
Tax recoverable	30	-	-
Short-term deposits	31	-	-
Prepayments	32	-	-
Bank and cash balances	33	602,256	271,034
<b>Total non-current assets</b>		<b>33,837,376</b>	<b>32,691,876</b>
<b>Total Assets</b>		<b>74,697,132</b>	<b>77,375,050</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	34	-	-
Revaluation reserve	35	-	-
Fair value adjustment reserve	36	-	-
Capital/Development fund		190,497,018	190,497,018
Retained earnings	37	(155,954,254)	(153,641,540)
<b>Capital and Reserves</b>		<b>34,542,764</b>	<b>36,855,478</b>
<b>Non-current liabilities</b>			
Deferred tax liability	38	-	-
Borrowings	39	-	-

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	Note	2024-2025	2023-2024
		Kshs	Kshs
Lease liability	40	-	-
Provisions	41	4,796,015	4,365,975
Retirement benefits	42	-	-
<b>Total non-current liabilities</b>		<b>4,796,015</b>	<b>4,365,975</b>
<b>Current liabilities</b>			
Borrowings	39	-	-
Lease liability	40	-	-
Provisions	41	11,850,962	12,179,699
Retirement benefit obligations	42	-	-
Trade and other payables	43	15,301,893	16,516,877
Refundable deposits and Prepayments	44	8,205,497	7,457,021
Deferred income	45	-	-
Dividends payable	46	-	-
Taxation	47	-	-
<b>Total current Liabilities</b>		<b>35,358,352</b>	<b>36,153,597</b>
<b>Total Equity and Liabilities</b>		<b>74,697,132</b>	<b>77,375,050</b>

The financial statements were approved by the Board on <sup>16</sup>22 August 2025 and signed on its behalf by:



**CPA Nancy Mucia Mwakirie**  
General Manager



**CPA Jackline Kanini Njue**  
Head of Finance  
ICPAK M/No:29967



**Jackson Kinyua Njana**  
Chairman of the Board

**EMBE Water and Sanitation Company Ltd**  
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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
<b>As at July 1, 2023 (Previous FY)</b>		-	-	-	(140,703,114)	-	190,497,018	49,793,904
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		-	-	-	(12,938,426)	-	-	(12,938,426)
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		-	-	-	(-)	-	-	-
<b>As at June 30, 2024 (Previous FY)</b>		-	-	-	(153,641,540)	-	190,497,018	36,855,478
<b>As at July 1, 2024 (Current</b>		-	-	-	(153,641,540)	-	190,497,018	36,855,478

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	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
<b>Year)</b>								
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(2,312,714)	-	-	(2,312,714)
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		-	-	-	(-)	-	-	-
<b>At June 30, 2025 (Current Year)</b>		-	-	-	<b>(155,954,254)</b>	-	<b>190,497,018</b>	<b>34,542,764</b>

**EMBE Water and Sanitation Company Ltd**  
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**17. Statement Of Cash Flows for The Year Ended 30 June 2025**

	Note	2024-2025	2023-2024
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		32,272,900	29,485,623
Grants Income		-	-
Finance Income		8,326	-
Other Income		-	-
Customer Deposits		472,500	333,000
<b>Total Receipts</b>		<b>32,753,726</b>	<b>29,818,623</b>
<b>Payments</b>			
Staff Costs		19,317,007	17,923,096
General And Operation Expenses		8,233,286	7,569,654
Board Expenses		970,000	1,004,000
Maintenance Expenses		3,548,416	3,547,824
Finance Costs		-	94,015
Refund Of Customer Deposits		-	-
<b>Total Payments</b>		<b>32,068,709</b>	<b>30,138,589</b>
<b>Net Cash From/ (Used In) Operating Activities</b>	48	<b>685,016</b>	<b>(319,966)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		(353,793)	(159,180))
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets		(-)	(-)
Purchase Of Investment Property		(-)	(-)
Purchase Of Quoted Investments		(-)	(-)
Proceeds From Disposal of Quoted Investments		-	-
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(353,793)</b>	<b>(159,180)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		(-)	(178,427)
Dividends Paid		(-)	(-)
<b>Net Cash From/(Used In) Financing Activities</b>		<b>-</b>	<b>(178,427)</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>331,223</b>	<b>(657,572)</b>
<b>Cash And Cash Equivalents At Beginning of Year</b>		<b>271,034</b>	<b>928,606</b>
Effects Of Foreign Exchanges Rate Fluctuations		-	-
<b>Cash And Cash Equivalents At End of the Year</b>		<b>602,257</b>	<b>271,034</b>

EMBE Water and Sanitation Company Ltd  
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18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=a+b	d	e= c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Budget carryovers from the previous year*</b>	-	-	-	-	-	
<b>Receipts</b>						
Operating Revenue	34,600,000	-	34,600,000	28,206,145	6,393,855	18.48%
Non-Operating Revenue	5,480,000	-	5,480,000	5,458,800	21,200	0.39%
Grants	-	-	-	-	-	-%
Finance Income	20,000	-	20,000	8,326	11,674	58%
Other gains	-	-	-	-	-	-%
<b>Total Receipts</b>	<b>40,100,000</b>	<b>-</b>	<b>40,100,000</b>	<b>33,673,271</b>	<b>6,426,729</b>	<b>16.0%</b>
<b>Payments</b>						
Staff Costs	19,598,000	-	19,598,000	17,733,461	1,864,539	9.51%
Board Expenses	1,130,000	-	1,130,000	1,122,000	8,000	0.71%
General and operations Expenses	13,723,000	-	13,723,000	9,053,803	4,742,797	34.56%
Maintenance	4,334,000	-	4,334,000	3,893,302	440,698	10.17%
Finance costs	-	-	-	-	-	-%
Total Recurrent Expenditure	38,785,000	-	38,785,000	31,802,566	6,982,434	18.00%
<b>Total Payments</b>	<b>38,785,000</b>	<b>-</b>	<b>38,785,000</b>	<b>31,802,566</b>	<b>6,982,434</b>	<b>18.00%</b>
<b>Capital Expenditure Payments</b>	<b>1,315,000</b>	<b>-</b>	<b>1,315,000</b>	<b>360,000</b>	<b>955,000</b>	<b>72.62</b>
<b>Surplus</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-%</b>

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***Budget notes:***

***1. Revenue***

*The projected income of Ksh. 40,100,000 was not achieved, with actual earnings totaling Ksh. 33,673,271. This shortfall is primarily attributed to customers utilizing irrigation water for the majority of their domestic needs, reserving treated water exclusively for drinking purposes.*

***2. Expenditure***

***A) General and operation expenses***

***B) Board expenses***

***C) Maintenance expenses***

*With the limitation of revenue, all the expenses were minimized with financing done on priority areas.*

**Budget Reconciliation**

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	602,256

**19. Notes To the Financial Statements**

**1. General Information**

EMBE Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act. The Company is wholly owned by the Embu County Government and is domiciled in Kenya. The Company's principal activity is provision of water companies. 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 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 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"> <li>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>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</li> <li>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.</li> </ul>	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*

**EMBE Water and Sanitation Company Ltd**  
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*impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....)*

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 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 entity) did not early – adopt any new or amended standards in year under review.*

**Notes to the financial statements (continued)**

**4. Summary of Accounting Policies**

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

**a) Revenue recognition**

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

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

**Notes to the financial statements (continued)**

**Summary of Accounting Policies**

**b) In-kind contributions**

In-kind contributions are donations that are made to the 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 straight-line/reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Item	Years	Rates
Freehold Land	-	-%
Leasehold Land	-	-%
Buildings and civil works	-	2.5%
Infrastructure works	-	-%
Plant and machinery	-	12.5%
Motor vehicles, including motorcycles	-	25%
Computers and related equipment	-	30%

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Office equipment, furniture and fittings	-	12.5%
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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. <sup>[Obj]</sup>

**Summary of Accounting Policies**

**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). *(Whichever is applicable).*

**k) 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**

#### **l) 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).

#### **m) 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/ FIFO (*Whichever is applicable*). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **n) 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 based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page xxx of this report.

#### **o) 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.

**p) 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.

**q) 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.

**r) 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.

**s) 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.

**t) Trade and other payables**

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

**u) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2010. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.1,080 per employee per month.

**v) 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.

**w) 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.

**x) Budget information**

The original budget for FY 2024-2025 was approved by the Board of Directors on 18<sup>th</sup> June, 2024. . 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

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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.

**y) 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.

**z) Comparative figures**

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

**aa) 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.

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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*Below are provisions applicable to EMBEWASCO LTD*

- 1. Bad debts is provided at 5% of the total debtors.*
- 2. Provision for regulatory levy to WASREB is Ksh. 4% of water sales*
- 3. Provision for Water usage to WARMA is Ksh. 2.5 per cubic meter billed.(there had been an overcharge in the previous years and the amount has since been reversed.*

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Notes to the financial statements (continues)

**6. Operating Revenue**

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	28,206,145	24,948,245
Sewerage Services	-	-
Billing for other services*	5,458,800	5,491,325
<b>Total</b>	<b>33,664,945</b>	<b>30,439,570</b>

{Billing for other services refers to income generated from services such as reconnection fees, meter rent, Surchages etc. }

**7. Grants Income**

	2024-2025	2023-2024
	Kshs	Kshs
Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	-	-
Capital grants amortised	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(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).

[Provide a detailed analysis of grants received from the Government in the table below:]

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	Insert Current FY KShs
Department	-	-	-	-	-
XX Ministry	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**Notes to the financial statements (continued)**

**8. Other Income**

	2024-2025	2023-2024
	Kshs	Kshs
Sale of Tender	-	-
Fine and penalties	-	-
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Finance Income**

	2024-2025	2023-2024
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	8,326	-
Interest on staff loans	-	-
Dividends	-	-
<b>Total</b>	<b>8,326</b>	<b>-</b>

*[This was interest earned on the deposit account]*

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**10. Other Gains and Losses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	- / (-)	- / (-)
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
<b>Total</b>	-	-

**11. Staff Costs**

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Salary and Allowances	15,326,365	16,600,427
Casual workers' Wages	1,377,056	2,272,892
Medical insurance schemes	-	-
Employer's contributions to social security schemes	-	-
Employer's contributions to pension scheme	-	-
Provisions for Leave pay	-	-
Gratuity provisions	980,041	803,011
Fringe Benefit tax	-	-
Staff welfare	50,000	224,000
Other allowances	-	-
<b>Total</b>	<b>17,733,461</b>	<b>19,900,330</b>
<b>The average number of employees during the year</b>	<b>31</b>	<b>36</b>

*[Costs directly related to staff]*

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**12. General and Operations Expenses**

Description	2024-2025	2024-2025
	Kshs	Kshs
Chemicals	1,728,342	1,858,520
Electricity	251,664	186,271
Fuel, oil, lubricants, and gases	1,454,117	1,731,877
Bulk water Costs	-	-
Office supplies	123,930	227,705
Uniform and protective clothing	73,600	-
Telecommunication	748,870	871,654
Postage and courier	10,850	1,243
Water and sewerage	-	-
Insurance	157,606	116,406
Rent and Rates	-	-
Hire of Equipment and vehicles	23,500	59,100
Claims and compensation	-	1,055,914
Domestic Traveling and subsistence	751,445	844,700
Foreign travel and accommodation	-	-
Staff training and development	536,410	30,000
Bank Charges	83,581	45,211
Security services	634,500	663,750
Agency commissions	-	-
Publicity and advertising	66,520	20,880
Audit fees	-	100,000
Legal fees	76,757	680,000
Consultancy fees	271,050	500,418
Licensing and levies	1,027,226	3,173,005
Sports and recreation	-	-
Stakeholders' expenses	219,500	193,000
Donations/CSR	4,000	16,000
Hospitality expenses	774,208	737,534
Research and Development	-	-
Conservation expenses	-	-
Provision for doubtful debts	36,127	38,765
Others (Penalties)	-	20,000
<b>Total</b>	<b>9,053,803</b>	<b>13,171,953</b>

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**Notes to the financial statements (continued)**

**13. Board Expenses**

Description	2024-2025	2023-2024
	KShs	KShs
Chairman Honoraria	120,000	120,000
Sitting allowances	723,000	608,500
Medical Insurance	-	-
Induction and Training	-	81,000
Travel and accommodation	279,000	234,500
Other allowances	-	-
<b>Total Board Expenses</b>	<b>1,122,000</b>	<b>1,044,000</b>

**14. Maintenance Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Plant and Equipment	-	-
Buildings	48,960	9,850
Infrastructural networks	3,229,843	3,010,658
Grounds	22,710	138,010
Motor vehicles	508,329	1,226,175
Software	11,360	4,680
ICT (Information Communication Technology)	72,100	60,350
Furniture	-	-
Water Meter maintenance costs	-	-
Maintenance of access roads	-	-
<b>Total Maintenance Expenses</b>	<b>3,893,302</b>	<b>4,449,723</b>

*{The comparative figure previously under plant and equipment has been transferred to Infrastructural networks as it had been misplaced}*

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**15. Depreciation and Amortization Expenses**

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant, and equipment	4,093,118	4,682,991
Right of Use Assets	-	-
Intangible assets	90,300	129,000
Investment property carried at cost	-	-
<b>Total Depreciation and Amortization</b>	<b>4,183,418</b>	<b>4,811,991</b>

**16. Finance costs**

Description	2024-2025	2023-2024
	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*[No finance costs incurred during the period]*

**17. Income Tax Expense/(Credit)**

**Current taxation**

	2024-2025	2024-2025
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

	2024-2025	2023-2024
	Kshs	Kshs
Profit before taxation	(2,157,105)	(12,938,426)
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
<b>Total</b>	<b>(2,312,714)</b>	<b>(12,938,426)</b>

*(The company did not incur any tax expense since no profit was realized during the period)*

**18. Earnings Per Share**

The Company is incorporated as a legal company under the Company's Act Cap. 486 law of Kenya as a Public Limited company guaranteed by the Government of Kenya with no shareholding but with Stakeholders. Any profits made are ploughed back to finance the extension of services in the underserved areas hence no earnings per share.

**19. Dividend Per Share**

The company has not declared dividends for the year ended 2024 due to its incorporation as a legal company under the Company's Act Cap. 486 law of Kenya as a Public Limited company guaranteed by the Government of Kenya with no shareholding but with Stakeholders. Any profits made are ploughed back to finance the extension of services in the underserved areas.

**20. Property, Plant and Equipment**

Description	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Depreciation rate</b>		2.5%	-%	12.5%	25%	30%	12.5	-%	
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As At 1July 2023(Comparative FY)</b>	4,850,000	15,160,344	-	95,834,052	3,301,063	1,719,550	256,162	430,000	121,551,171
Additions	-	-	-	-	-	14,500	-	(430,000)	(415,500)
Disposals	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	(-)	(-)	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024(comparative FY)</b>	<b>4,850,000</b>	<b>15,160,344</b>	<b>-</b>	<b>95,834,052</b>	<b>3,301,063</b>	<b>1,734,050</b>	<b>256,162</b>	<b>-</b>	<b>121,135,671</b>
Additions	-	-	-	<b>360,000</b>	-	-	-	-	<b>360,000</b>
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/Adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025 (Current FY)</b>	<b>4,850,000</b>	<b>15,160,344</b>	<b>-</b>	<b>96,194,052</b>	<b>3,301,063</b>	<b>1,734,050</b>	<b>256,165</b>	<b>-</b>	<b>121,495,671</b>
<b>Depreciation And Impairment</b>									
<b>At 1July 2023 (comparative FY)</b>	-	3,701,817	-	65,491,977	1,310,734	1,430,298	135,680	-	72,070,506
Depreciation		286,463	-	3,792,759	497,582	91,125	15,060	-	4,682,991

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Description	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Impairment		-	-	-	-	-	-	-	-
Transfers/ Adjustments		-	-	-	-	-	-	-	-
<b>As At 30<sup>th</sup> June 2024(Current FY)</b>		3,988,280	-	69,284,736	1,808,316	1,521,424	<b>150,740</b>	-	76,753,497
Depreciation		279,302	-	3,363,664	373,187	63,788	<b>13,178</b>	-	4,093,118
Disposals		-	-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-	-
Transfer/Adjustment		-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025 (Current FY)</b>	-	<b>4,267,582</b>		<b>72,648,401</b>	<b>2,181,503</b>	<b>1,585,212</b>	<b>163,918</b>	-	<b>80,846,615</b>
<b>As at 30<sup>th</sup> June 2024 (comparative FY)</b>	<b>4,850,000</b>	<b>11,172,064</b>	-	<b>26,549,316</b>	<b>1,492,747</b>	<b>212,626</b>	<b>105,422</b>	-	<b>44,382,174</b>
<b>As at 30<sup>th</sup> June 2025 (Current FY)</b>	<b>4,850,000</b>	<b>10,892,762</b>	-	<b>23,545,651</b>	<b>1,119,560</b>	<b>148,838</b>	<b>92,244</b>	-	<b>40,649,056</b>

*[No capital works in progress]*

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**Valuation**

No valuation was done on Land and buildings.

**20 (b) Property, Plant and Equipment at Cost**

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	4,850,000	-	4,850,000
Buildings	15,160,344	4,267,582	10,892,762
Plant and machinery	96,194,052	72,648,401	23,545,651
Motor vehicles, including motorcycles	3,301,063	2,18,503	1,119,560
Computers and related equipment	1,734,050	1,585,212	148,838
Office equipment, furniture, and fittings	256,162	163,918	92,244
	<b>121,495,671</b>	<b>80,846,615</b>	<b>40,649,056</b>

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles, including motorcycles	-	-
Computers and related equipment	-	-
Office equipment, furniture and fittings	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**21. Intangible Assets**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Cost</b>		
<b>At July 1</b>	430,000	-
Additions	-	430,000
Disposals	(-)	(-)
<b>At June 30</b>	<b>430,000</b>	<b>430,000</b>
<b>Amortization</b>		
<b>At July 1</b>	<b>129,000</b>	-
Charge for the year	90,300	129,000
Disposals	(-)	(-)
Impairment loss	(-)	(-)
<b>At June 30</b>	<b>219,300</b>	<b>129,000</b>
<b>Net book value</b>		
<b>At June 30</b>	<b>210,700</b>	<b>301,000</b>

*[Cost related to the upgrading of the billing system]*

**22. Investment Property**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Opening valuation</b>	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
<b>Closing valuation</b>	-	-
<b>Depreciation (if at cost)</b>		
<b>At July 1 2024</b>	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
<b>At June 30 2025</b>	-	-
<b>Net book value</b>		
<b>At June 30 2025</b>	-	-

*(No valuation was done)*

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**23. Right-of-use assets**

	<i>Buildings</i>	<i>Plant</i>	<i>Equipment</i>	<i>Total</i>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Cost</b>				
As at 1 July 2024	-	-	-	-
Additions	-	-	-	-
As at 30 June 2025	-	-	-	-
Additions	-	-	-	-
As at 30 June 2025	=	=	=	=
<b>Accumulated Depreciation</b>				
As at 1 July 2024	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2025	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2025	=	=	=	=
<b>Carrying Amount</b>				
As at 30 June 2024	=	=	=	=
As at 30 June 2025	=	=	=	=

**24. Biological Assets**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
<b>Total</b>	-	-

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**25. Fixed Interest Investments (Bonds)**

	2024-2025	2023-2024
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
<b>Total</b>	-	-

*[The movement in investment during the year is as follows:]*

Details	2024-2025	2023-2024
	Kshs	Kshs
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Fair value gain/(loss) – if measured at FVOCI/FVTPL	-	-
Balance at 30 June	-	-

*(state whether these investments are carried at amortized cost or at FVTOCI or at FVTPL). Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.*

**26. Quoted Investments**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Opening valuation</b>	-	-
<b>Movements during the year</b>		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
<b>Closing valuation</b>	-	-

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Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No			
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

**27. Unquoted Investments**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Cost</b>		
<b>At July 1</b>	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	(-)	(-)
<b>At June 30</b>	-	-
<b>Impairment</b>		
<b>At July 1</b>	-	-
Disposals	(-)	(-)
Impairment loss in the year	(-)	(-)
<b>At June 30</b>	-	-
<b>Net book value</b>	-	-

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Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	No	No	No	Shs	Current year Shs	Prior year Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

**28. Inventories**

	2024-2025	2023-2024
	Kshs	Kshs
General stores	763,380	801,234
Water Balance	165,720	-
Chemicals & Laboratory items	-	-
Water fittings and Accessories	-	-
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery and general stores	-	-
Finished goods	-	-
Others specify	-	-
Work in progress	-	-
Less: Impairment of stocks	(-)	(-)
<b>Total</b>	<b>929,100</b>	<b>801,234</b>

*[Water balance in the distribution system and Items in the store as at 30<sup>th</sup> June, 2025]*

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**28. a) Inventory movement details**

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

**29. Trade and Other Receivables**

	2024-2025	2023-2024
	KShs	KShs
Trade receivables (note (29a))	33,893,252	33,170,713
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	11,667	11,667
Other receivables	95,764	95,764
<b>Gross trade and other receivables</b>	<b>34,000,683</b>	<b>33,278,144</b>
Provision for bad and doubtful receivable	(1,694,663)	(1,658,536)
<b>Net trade and other receivables</b>	<b>32,306,020</b>	<b>31,619,608</b>
<b>Analysed as:</b>		
<b>Short- Term Trade and Other Receivables</b>	<b>32,306,020</b>	<b>31,619,608</b>
<b>Long- Term Trade and Other Receivables</b>	<b>-</b>	<b>-</b>

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**29. (a) Trade Receivables**

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	33,893,252	33,170,713
Provision for doubtful receivables	(1,694,663)	(1,658,536)
Net trade receivables	32,198,589	31,512,177
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	2,876,131	2,156,211
Between 30 and 60 days	1,091,006	1,003,129
Between 61 and 90 days	599,878	606,134
Between 91 and 120 days	682,802	688,244
Over 120 days	28,643,434	28,716,994
<b>Total</b>	<b>33,893,251</b>	<b>33,170,713</b>

*[Ageing analysis for EMBEWASCO Ltd]*

**29. (b) Reconciliation of Impairment Allowance for Trade Receivables**

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

**29. (c) Staff Receivables**

	2024-2025	2023-2024
	Kshs	Kshs
Gross staff loans and advances	11,667	11,667
Provision for impairment loss	(-)	(-)
Net staff loans	<b>11,667</b>	<b>11,667</b>
Less: Amounts due within one year	(11,667)	(11,667)
Amounts due after one year	-	-

**29. (d) Reconciliation of Impairment Allowance for Staff Receivables**

Description	2024-2025	2023-2024
	KShs	KShs
At the beginning of the year	-	-

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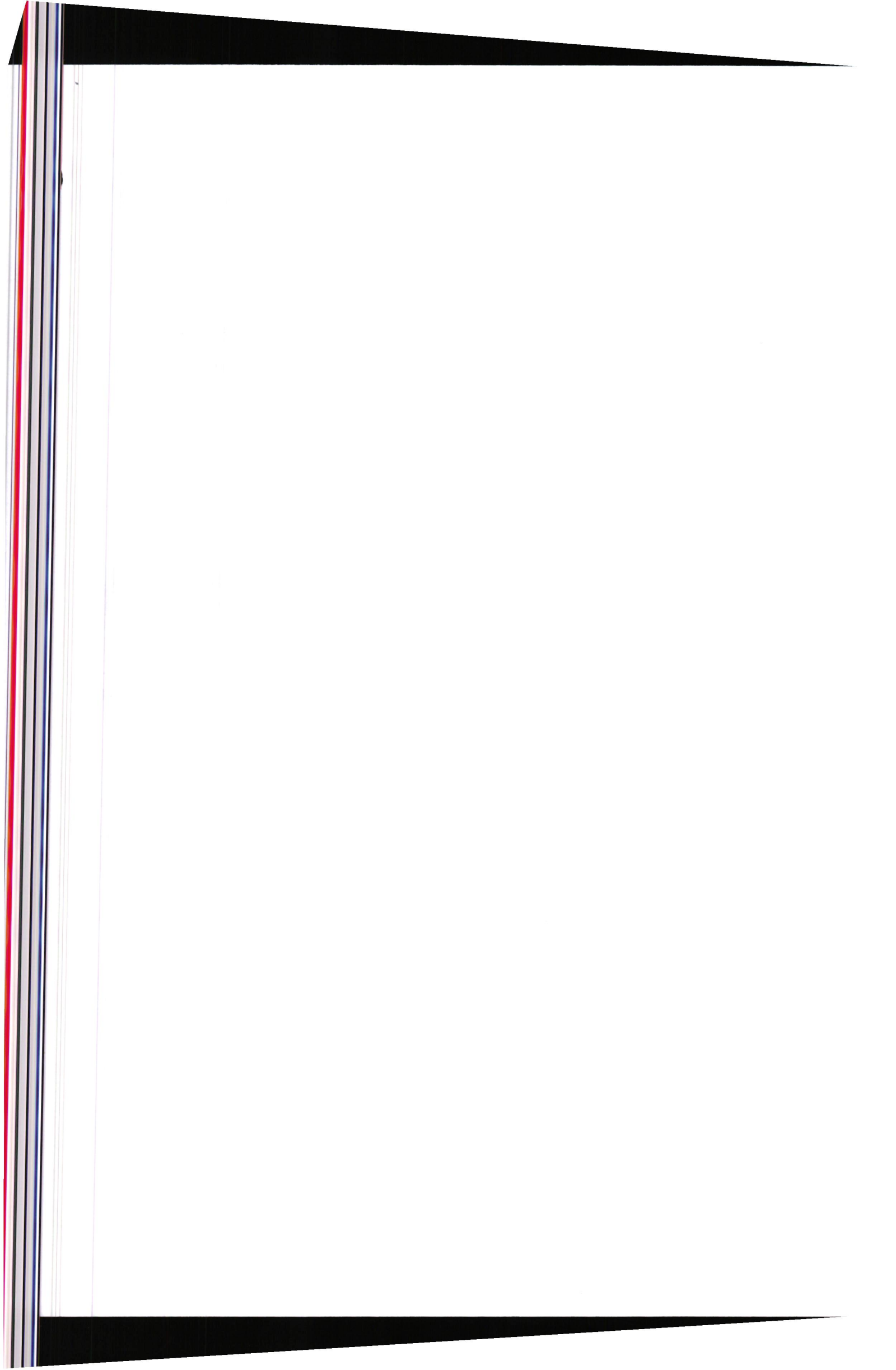
Additional provisions during the year	-	-
Recovered during the year	(-)	(-)
Written off during the year	(-)	(-)
At the end of the year	-	-

**30. Tax Recoverable**

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

**31. Short Term Deposits**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
<b>Commercial banks</b>		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (specify)	-	-
	-	-



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**32. Prepayments**

Description	2024-2025	2023-2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**33. Bank and Cash Balances**

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	602,256	271,034
Cash in hand	-	-
Mobile money account	-	-
	<b>602,256</b>	<b>271,034</b>

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**Detailed analysis of the cash and cash equivalents**

Financial institution	Account number	2024-2025	2023-2024
		KShs	KShs
<b>a) Current account</b>			
Cooperative Bank	01120051633800	47,221	31,127
Cooperative Bank	01100051633805	-	-
<b>Sub- total</b>		<b>47,221</b>	<b>31,127</b>
<b>b) On – call deposits</b>			
Cooperative Bank	01100051633800	20,662	178,859
Others		-	-
<b>Sub- total</b>		<b>20,662</b>	<b>178,859</b>
<b>c) Fixed deposits account</b>			
Cooperative Bank	01100892352001	534,374	61,048
Others		-	-
<b>Sub- total</b>		<b>534,374</b>	<b>61,048</b>
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
Mobile money account		-	-
<b>Sub- total</b>		<b>-</b>	<b>-</b>
<b>Grand total</b>		<b>602,256</b>	<b>271,034</b>

**34. Ordinary Share Capital**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Authorized:</b>		
-ordinary shares of Kshs. par value each	-	-
<b>Issued and fully paid:</b>		
- ordinary shares of Kshs. par value each	-	-

*[No shares for the period]*

### **35. Revaluation Reserve**

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

### **36. Fair Value Adjustment Reserve**

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

### **37. Retained Earnings**

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

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**38. Deferred Tax Liability**

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

	2024-2025	2023-2024
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(-)	(-)
Provisions for liabilities and charges	(-)	(-)
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2024-2025	2023-2024
	Kshs	Kshs
<b>Balance at beginning of the year</b>	-	-
Credit to revaluation reserve	(-)	(-)
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
<b>Balance at end of the year</b>	-	-

**39. Borrowings**

Description	2024-2025	2023-2024
	KShs	KShs
<b>a) External Borrowings</b>		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	(-)	(-)
<b>Balance at end of the year</b>	-	-
<b>b) Domestic Borrowings</b>		
Balance at beginning of the year	-	178,427
Domestic borrowings during the year	-	-
Repayments during the year	(-)	(178,427)
<b>Balance at end of the year</b>	-	-
<b>C) Total Balance at end of the period c = a+b</b>	-	-

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

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

Description	2024-2025	2023-2024
	KShs	KShs
<b>Short term borrowings (current portion)</b>	-	
<b>Long term borrowings</b>	<b>8,205,497</b>	<b>7,587,426</b>
<b>Total</b>	<b>8,205,497</b>	<b>7,587,426</b>

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

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**40. Lease Liability**

Description	2024-2025	2023-2024
	KShs	KShs
<b>At the start of the year</b>	-	-
Discount interest on lease liability	-	-
Paid during the year	(-)	(-)
<b>At end of the year</b>	-	-

Maturity analysis	2024-2025	2023-2024
	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
	=	=
Less: unearned interest	-	-
	=	=
Analysed as:		
<b>Non-Current</b>	-	-
<b>Current</b>	-	-

**41. Provisions**

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	4,365,974	12,179,699	16,545,673
Additional Provisions	-	-	980,041	2,485,598	3,465,639
Provision utilised	(-)	(-)	(550,000)	(-)	(550,000)
Change due to discount and time value for money	-	-	-	(2,814,335)	(2,814,335)
<b>Balance at the end of the year</b>	-	-	<b>4,796,015</b>	<b>11,850,962</b>	<b>16,646,977</b>

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**Provisions details**

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Portion of Provisions	11,850,962	12,179,699
Long-term portion of Provisions	4,796,015	4,365,975
<b>Total</b>	<b>16,646,977</b>	<b>16,545,674</b>

**42. Retirement Benefit Obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2024-2025	2023-2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Retirement benefit Asset/ Liability**

The entity contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Octagon Pension Fund. Employees contribute 7.5% while employers contribute 7.5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was not carried out. If valuation was done, the present value of the defined benefit obligation and the related current service cost and past service cost would have been measured using the Projected Unit Credit Method. The principal assumptions that would have been used for the purposes of valuation are as follows:

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	2024-2025	2023-2024
	Kshs	Kshs
Discount rates	-%	-%
Future salary increases	-%	-%
Future pension increases	-%	-%
Mortality (Pre- retirement)	-%	-%
Mortality (Post- retirement)	-%	-%
Withdrawals	-	-
Ill health	-	-
Retirement	- years	- years

**Recognition of Retirement Benefit Asset/ Liability**

**a) Amounts recognised under other gains/ Losses in the statement of Comprehensive Income**

	2024-2025	2023-2024
Description	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	-	-

**b) Amounts recognised in the Statement of Financial Position**

	2024-2025	2023-2024
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	(-)	(-)
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

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**Notes to the financial statements (continued)**

**43. Trade and Other Payables**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Trade payables	7,467,006	7,318,918
Accrued expenses	-	-
Employee payables	7,474,887	8,917,959
Other payables	360,000	280,000
<b>Total</b>	<b>15,301,893</b>	<b>16,516,877</b>

**Aging Analysis for Trade and other Payables**

	<i>2024-2025</i>	<i>% of the total</i>	<i>2023-2024</i>	<i>% of the total</i>
Under one year	9,181,136	60%	8,258,439	50%
1-2 years	3,060,379	20%	4,129,219	25%
2-3 years	2,295,284	15%	3,303,375	20%
Over 3 years	765,094	5%	825,844	5%
<b>Total</b>	<b>15,139,893</b>		<b>16,516,877</b>	

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**44. Refundable Deposits and Prepayments**

	2024-2025	2023-2024
	Kshs	Kshs
Customer deposits	6,686,890	7,204,604
Prepayments by customers	1,518,607	252,417
Retention/Contract deposits	-	-
Others (Specify)	-	-
<b>Total</b>	<b>8,205,497</b>	<b>7,457,021</b>

**Aging Analysis for Refundable Deposits and Prepayments**

	2024-2025	% of the total	2023-2024	% of the total
Under one year	748,476	10%	585,417	7%
1-2 years	585,417	7%	350,000	5%
2-3 years	350,000	4%	433,600	6%
Over 3 years	6,521,604	79%	6,088,004	80%
<b>Total</b>	<b>8,205,497</b>		<b>7,457,021</b>	

**45. Deferred Income**

Description	2024-2025	2023-2024
	KShs	KShs
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
<b>Total deferred income</b>	<b>-</b>	<b>-</b>

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The deferred income movement is as follows:

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

**46. Dividends Payable**

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders. The balances are analysed in annual amount below.

	2024-2025	2023-2024
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	(-)	(-)
Balance at end of the year	-	-

**Dividend Payable analysis**

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

*Dividends payable to ordinary shareholders amounts to Kshs.xxx, while dividends payable to preference shareholders amounts to Kshs xxx.*

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**Notes to the financial statements (continued)**

**47. Taxation**

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

**48. Notes to The Statement of Cash Flows**

	2024-2025	2023-2024
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(2,312,714)	(12,938,426)
Depreciation	4,093,118	4,682,991
Amortization	90,300	129,000
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	1,870,705	(8,126,435)
Working capital changes:		
(Increase)/decrease in inventories	(127,866)	(249,634)
(Increase)/decrease in trade and other receivables	(686,412)	(724,239)
Increase/(decrease) in trade and other payables	(1,119,887)	8,347,343
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Customer deposits and prepayments	748,476	433,000
<b>Cash generated from/ (used in) operation</b>	<b>685,016</b>	<b>(319,966)</b>
<b>(b) Analysis of changes in loans</b>		
<b>Balance at beginning of the year</b>	-	<b>178,427</b>
Receipts during the year	-	-
Repayments during the year	(-)	(178,427)
Repayments of previous year's accrued interest	(-)	(94,015)
Foreign exchange (gains)/losses	-	(-)
Accrued interest	-	-
<b>Balance at end of the year</b>	-	-

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	2024-2025	2023-2024
	Kshs	Kshs
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	-	-
Cash at bank	602,256	271,034
Cash in hand	(-)	(-)
	<u>602,256</u>	<u>271,034</u>
Balance at end of the year	602,256	271,034
<b>(d) Analysis of interest paid</b>		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	94,015
Balance at end of the year (note 35(b))	(-)	(-)
Interest paid	-	94,015
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
20xx dividends paid	-	-
20xx dividends paid	-	-
20xx interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-	-

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**Other Disclosures**

**49. Related Party Disclosures**

**County Government of Embu**

The County Government of Embu is the principal shareholder of the Company, holding 100% 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
- Others (specify)

**Transactions with related parties**

	2024-2025	2023-2024
	Kshs	Kshs
<b>a) Sales to related parties</b>		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	1,410,307	498,961
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
<b>Total</b>	<b>1,410,307</b>	<b>498,961</b>
<b>b) Purchases from related parties</b>		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-

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	2024-2025	2023-2024
	Kshs	Kshs
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	-	-
Grants from County Government	-	-
Donations in kind	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>d) Key management compensation</b>		
Directors' emoluments	1,122,000	1,044,000
Compensation to key management	980,041	803,011
<b>Total</b>	<b>2,102,041</b>	<b>1,847,011</b>

**50. Capital Commitments**

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

	2024-2025	2023-2024
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	(-)	(-)
	-	-

*[Provide short appropriate explanations as necessary]*

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**51. Contingent Assets and Liabilities**

**Contingent Assets**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Contingent assets</b>		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

*(No contingent assets realized)*

**Contingent Liabilities**

	2024-2025	2023-2024
	Kshs	Kshs
<b>Contingent liabilities</b>	-	
Court case E015 OF 2023 against the entity	-	1,682,970
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	-	-
Others (Specify)	-	-
<b>Total</b>	-	1,682,970

*{The provision is for the amount the employee claimed to be paid by the company}*

**52. 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:

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**(i) Credit risk**

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

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

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due but not Impaired Kshs</b>	<b>Past due and Impaired Kshs</b>
<b>At 30 June 2025</b>				
Trade Receivables	33,893,252	32,198,589	32,198,589	1,694,663
Other Receivables	107,431	107,431	107,431	
Investments	-	-	-	-
Bank balances	602,256	602,256	-	-
<b>Total</b>	<b>34,602,939</b>	<b>32,908,276</b>	<b>32,306,020</b>	<b>1,694,663</b>
<b>At 30 June 2024 (previous Year)</b>				
Receivables	33,170,713	31,512,177	31,512,177	1,658,536
Other Receivables	107,431	107,431	107,431	-
Investments	-	-	-	-
	-	-	-	-
Bank balances	271,034	271,034	-	-
<b>Total</b>	<b>33,549,178</b>	<b>31,890,642</b>	<b>31,619,608</b>	<b>1,658,536</b>

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

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***Credit Risk (Continued)***

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

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

**ii) Liquidity risk management**

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2025 current year</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2024 previous year</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

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

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

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

**a) Foreign currency risk**

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

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2025 Current Year</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	602,256	-	602,256
Debtors	32,306,020	-	32,306,020
<b>Financial Liabilities</b>			

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Trade and other payables	31,948,871	-	31,948,871
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2024 Previous year</b>			
<b>Financial assets</b>			
Investments	-	-	-
Cash	271,034	-	271,034
Debtors	31,512,177	-	31,512,177
<b>Financial Liabilities</b>			
Trade and other payables	16,516,877	-	16,516,877
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

**b) Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2025 Current FY</b>			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx
<b>2025 Previous FY</b>			
Euro	10%	xxx	xxx
USD	10%	xxx	xxx

**c) Interest rate risk**

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

**i) Management of interest rate risk**

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

**ii) Sensitivity analysis**

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs - (2025: KShs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs - (2025 – KShs -)

**iii) Fair value of financial assets and liabilities**

**a) *Financial instruments measured at fair value***

Determination of fair value and fair values hierarchy

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

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

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- ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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

At 30 June 2025 Current FY	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
<b>At 30 June 2024 Previous FY</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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

***Financial instruments not measured at fair value***

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

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**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:

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	-	-
Retained earnings	(155,954,254)	(153,641,540)
Capital reserve	190,497,018	190,497,018
<b>Total funds</b>	<b>34,542,764</b>	<b>36,855,478</b>
Total borrowings	-	-
Less: cash and bank balances	(602,256)	(271,034)
Net debt/ (excess cash and cash equivalents)	602,256	271,034
<b>Gearing</b>	<b>-%</b>	<b>-%</b>

**53. Incorporation**

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

**54. Events After the Reporting Period**

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

**55. Notes To the Cashflow Statement- Operating Receipts**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Water sales	29,900,679	26,949,394
Sewerage Services	-	-
Billing for other services*	2,372,221	2,536,229
<b>Total</b>	<b>32,272,900</b>	<b>29,485,623</b>

**56. Notes To the Cashflow Statement- Finance Income**

	<i>2024-2025</i>	<i>2023-2024</i>
	<b>Kshs</b>	<b>Kshs</b>
Interest on customer deposits	8,326	-
<b>Total</b>	<b>8,326</b>	<b>-</b>

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**57. Notes To the Cashflow Statement-Staff Costs**

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Salary and Allowances	16,963,865	15,625,750
Casual workers'Wages	1,753,142	2,073,826
Medical insurance schemes		
Employer's contributions to social security schemes		
Employer's contributions to pension scheme		
Provisions for Leave pay		
Gratuity provisions	550,000	-
Fringe Benefit tax		
Staff welfare	50,000	224,000
Other allowances	-	-
<b>Total</b>	<b>19,317,007</b>	<b>17,923,576</b>

**58. Notes To the Cashflow Statement-General and Operation Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Chemicals	1,942,541	953,692
Electricity	242,636	194,846
Fuel, oil, lubricants, and gases	1,454,117	1,902,607
Bulk water Costs	-	-
Office supplies	184,341	140,820
Uniform and protective clothing	-	-
Telecommunication	748,870	866,054
Postage and courier	10,850	320
Water and sewerage	-	-
Insurance	78,176	104,421
Rent and Rates	-	-
Hire of Equipment and vehicles	23,500	53,100
Claims and compensation	-	-
Domestic Traveling and subsistence	752,945	807,500
Foreign travel and accommodation	-	-

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Staff training and development	536,410	15,000
Bank Charges	83,581	45,211
Security services	642,984	521,250
Agency commissions	-	-
Publicity and advertising	66,520	39,360
Audit fees	-	50,000
Legal fees	76,757	200,000
Consultancy fees	297,950	267,000
Licensing and levies	90,000	208,956
Sports and recreation	-	-
Stakeholders' expenses	219,500	323,130
Donations/CSR	4,000	1,000
Hospitality expenses	777,608	791,330
Research and Development	-	-
Conservation expenses	-	-
Provision for doubtful debts	-	-
Funeral Expenses	-	20,000
<b>Total</b>	<b>8,233,286</b>	<b>7,505,597</b>

**59. Notes To the Cashflow Statement-Maintenance Expenses**

Description	2024-2025	2023-2024
	Kshs	Kshs
Plant and Equipment	-	-
Buildings	58,106	14,400
Infrastructural networks	3,044,576	2,624,542
Grounds	22,710	81,280
Motor vehicles	531,308	804,579
Software	11,360	-
ICT (Information Communication Technology)	72,100	32,600
Furniture	-	-
Water Meter maintenance costs	-	-
Maintenance of access roads	-	-
<b>Total Maintenance Expenses</b>	<b>3,548,416</b>	<b>3,557,401</b>

{Ksh 2,624,542 has been transferred to Infrastructural networks account as it had been wrongly placed}

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**60. Notes To the Cashflow Statement- Loan Interest**

Description	2024-2025	2023-2024
	Kshs	Kshs
Interest expense on loans	-	94,015
Interest expense on bank overdrafts	-	
Interest on lease liabilities	-	
Others (specify)	-	
<b>Total</b>	<b>-</b>	<b>94,015</b>

**61. Notes To the Cashflow Statement- Payments for PPE**

Description	2024-2025	2023-2024
	Kshs	Kshs
Water Meters	353,793	-
Office Furniture and Fittings	-	-
Computer	-	159,180
<b>Total</b>	<b>353,793</b>	<b>159,180</b>

**62. Notes To the Cashflow Statement- Board Expenses**

Description	2024-2025	2023-2024
	KShs	KShs
Chairman Honoraria	130,000	120,000
Sitting allowances	606,000	608,500
Medical Insurance	-	-
Induction and Training	-	81,000
Travel and accommodation	234,000	234,500
Other allowances	-	-
<b>Total Board Expenses</b>	<b>970,000</b>	<b>1,044,000</b>

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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 Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	<p><b>Inaccurate Opening Balance</b></p> <p>The statement of cashflow reflects opening balance cash generated from operating activities balance of Ksh.928, 606. However, Note 47 reflects opening balance of Kshs.178, 427 resulting to unexplained and unreconciled variance of Kshs.750, 179.</p> <p>In the circumstances, the accuracy of the opening balance could not be confirmed.</p>	<p>As per International Financial Reporting Standards (IFRS), the closing balance of the previous year by default becomes the opening balance of the current year. In the case at hand, the Cashflow Statement and note 47 to the financial statements page 52 reflect Kshs.928, 606 as the opening balance of cash and cash equivalents while on page 51 the Kshs.178, 427 was the loan opening balance. Therefore, Kshs. 928,606 on the financial statements reflect a closing balance for the year 2022/2023 which by default becomes the opening balance for the year 2023/2024 as reflected on page 6 of the financial statements. The two figures therefore, are different items and do not result into any variance.</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	<p><b>Unaccounted For Refundable Deposit Balance</b></p> <p>The statement of financial position and as disclosed in Note 43 to the financial statements reflects Kshs. 7,457,021 in respect to refundable deposits and prepayments. Included in this balance is Kshs. 7,204,604 for customer deposits. However, this amount was not supported by a corresponding bank account balance reflecting the same amount.</p> <p>In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs. 7,457,021 could not be confirmed.</p>	<p>Due to financial constraints, customer deposits were utilized to finance other company expenses where authority was sought in the year 2020. Initially, the customer deposits did not have a separate bank account. However, the management has so far opened account number 01100892352001 with Cooperative bank Siakago branch, being Customer Deposits' account where the current deposits are being directed. Additionally, the management remains committed to refund the utilized deposits in phases when the company stabilizes.</p>	Resolved	
2.	<p><b>Material Uncertainty Related to Going Concern</b></p> <p>The statement of profit or loss and other comprehensive income reflects a loss before tax of Kshs.</p>	<p>Currently, the company is operating on revenue only received from water sales which is pegged on a tariff that expired in 2017. This only enables the company to finance part of its current expenditure.</p>	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>12,938,426 (2023: a loss of Kshs. 6,172,632) which brought the company's accumulated loss to Kshs. 153,641,540 as at 30 June, 2024 (2022: Kshs. 140,703,114). Further, the current liabilities of Kshs. 36,153,597 exceeded the current assets of Kshs. 32,691,876 resulting to a negative working capital of Kshs. 3,461,721 as at 30 June, 2024. The negative liquidity position was an indication of the existence of material uncertainty on the company's ability to continue as a going concern.</p> <p>The financial statements, however, were prepared on a going concern basis on the assumption that the company will continue to receive financial support from the County Government of Embu and its creditors. Management did not disclose the material uncertainty related to</p>	<p><b>Growth of a company is enabled by capital expenditure/projects which the management has remained hopeful to be undertaken by the County Government of Embu. The financial statements were prepared on a going concern basis since the management has employed ways of reducing its operating expenditure and increasing revenue. The wage bill has been reduced by 10% through company re-structuring. On the other hand, the company undertook augmentation of two distribution lines which has so far seen the company increase its customer base hence increased revenue. Additionally, tariff negotiations with WASREB were done on 18<sup>th</sup> June, 2025 and Public Participation took place on 17<sup>th</sup> July, 2025.</b></p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>going concern or measures taken to mitigate this.</p> <p>In the circumstances, the sustainability of the Company could not be confirmed</p>			
4.	<p><b>Long Outstanding Trade Receivables</b></p> <p>The statement of financial position and as disclosed in Note 29 to the financial statements reflects trade and other receivables totalling Kshs. 31,619,608. The trade and other receivables increased by Kshs. 724,239 from Kshs.30, 895,369 as at 30 June, 2023. Review of the debtors' age analysis revealed that debtors amounting to Kshs.29, 405,238 (95%) was outstanding for more than three months (above 90 days). The company however, does not have a debt management policy and did not institute proper and effective revenue</p>	<p><b>The company serves customers under different categories that is, individuals, schools, Government Institutions both County and National, Commercial and Multi-dwelling. Schools and institutions are not able to pay their bills on monthly basis due to how their money is released from exchequer. This results to bills being paid after 90 days. However, the management has achieved the following: -</b></p> <p><b>A Debt Management Policy is in place.</b></p> <p><b>A debt recovery unit has been formed with the following Terms of Reference (TOR): -</b></p>	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>collection mechanism during the year under review. Further, included in the Kshs.31, 619,608 accounts receivables is a general provision for bad and doubtful receivable of Kshs. 1,658,536 being 5% on trade receivables balance which is deemed inadequate considering that the receivables have been outstanding for a considerably long period of time.</p> <p>In the circumstances, the accuracy and recoverability of the account receivables balance of Kshs. 31,619,608 as at 30 June, 2024 could not be confirmed.</p>	<p><b>Carrying out normal disconnections and disconnection from the mains (DFM) to discontinue service</b></p> <p><b>Entering into a MoU with customers with huge debts to settle their debts in installments</b></p> <p><b>Giving demand letters to customers with huge and long outstanding debts</b></p> <p><b>Reaching out to customers to clear their debts</b></p> <p><b>Engagement of the Water Police Unit to reinforce debt recovery exercise in the company.</b></p> <p>A Debt Management Policy is in place.</p> <p>A debt recovery unit has been formed with the following Terms of Reference (TOR): -</p> <p>Carrying out normal disconnections and disconnection from the mains (DFM) to discontinue service</p> <p>Entering into a MoU with customers with huge debts to settle their debts in installments</p> <p>Giving demand letters to</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>customers with huge and long outstanding debts</p> <p>Reaching out to customers to clear their debts</p> <p>Engagement of the Water Police Unit to reinforce debt recovery exercise in the company</p>		
5.	<p><b>Undisclosed Water Inventory Held in The Distribution Infrastructure</b></p> <p>The statement of financial position reflects inventory of Kshs. 801,234 as disclosed in Note 28 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 the year in accordance with International Accounting Standard on Inventories (IAS) 2.</p> <p>In the circumstances,</p>	<p><b>The management has determined the amount of water in the distribution system at the close of the year</b></p>	resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	the accuracy and completeness of the inventory balance of Kshs. 801,234 could not be confirmed.			
6.	<p><b>Long Outstanding Trade Payables</b></p> <p>The statement of financial position and as disclosed in Note 42 to the financial statements reflects trade and other payables totalling to Kshs. 16,516,877 which increased by Kshs. 3,137,281 from Kshs. 13,379,596 as at 30 June, 2023. The continued increase in trade and other payables may be an indication that the company may not be able to settle the debts as and when they fall due.</p> <p>In addition, the aging analysis of trade and other payables provided for audit review reflected a balance of Kshs. 4,129,219 which have</p>	<p><b>The company has been experiencing financial constraints since the year 2020. Nevertheless, to mitigate the situation, the company has reduced its operating expenditures through re-structuring which has reduced employee emoluments by 10%. Additionally, the management is fast-tracking the tariff review process which will increase the revenue base of the company to enable it meet its payables when they fall due. The management has also entered into agreements with the company’s creditors on how to pay their debts in phases. On the other hand, the management remains hopeful that the National Government as well as the</b></p>	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>been long outstanding for more than 2 years. It was therefore not certain why the company has not met its obligations of settling debt as the first charge.</p> <p>In the circumstances, failure to settle payables as they fall due may result to litigations and penalties.</p>	<p><b>County Government of Embu will clear their outstanding unpaid water bills which contain a substantial amount of money that may be used to reduce the outstanding payables.</b></p>		
7.	<p>The Statement of Financial position reflects Nil balance in respect to capital and capital reserve balance. Further, the company has not included related party disclosure in Notes to the financial statements which should indicate ownership of the company. In addition, the share certificate relating to the paid-up share capital was not provided for audit review. This is contrary to Section 495 of Part XVIII of the Companies Act, 2015 which states that a certificate duly executed in accordance</p>	<p><b>Currently, the company is under guarantee but the Memorandum and Articles of Association (MAA) were already amended and the Embu County legal department is working on the Company registration to be by shareholding. Nevertheless, The Company is wholly owned by the County Government of Embu.</b></p>	Not resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>with section 37 specifying any shares held by a member is, in the absence of proof to the contrary, evidence of the member's title to the shares.</p> <p>In the circumstances, the accuracy, completeness and ownership of the Company could not be confirmed.</p>			

NAME: CPA Nancy Mwakirie

Sign: 

**General Manager**

Date: 29<sup>TH</sup> August 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)	Consolidated in these financial statements (Yes/No)
1						
2						

**Status of Projects completion**

*(Summarise the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.)*

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

(No development projects)

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**Appendix III- Inter-Entity Confirmation Letter**

Name of Transferring entity.....

Name of Beneficiary entity.....

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 <sup>th</sup> June 2025 (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
Total					

I confirm that the amounts shown above are correct as of the date indicated.

**Head of Accounts Department - Disbursing Entity:**  
Name ..... Sign ..... Date .....

**Head of Accounts Department - Beneficiary Entity:**  
Name ..... Sign ..... Date.....

**(No inter entity transfers)**

**Appendix IV: Reporting of Climate Relevant Expenditures**

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

(No climate related expenditure)

**Appendix V: Reporting Disaster Management Expenditure**

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

*(No transfers.)*

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**Appendix VI: Recording of Transfers from Other Government Entities**

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/Others	Where Recorded/recognized					Others - must be specific	Total Transfers during the Year
			Total Amount - KES	Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables		
Ministry/County department of Water	-	Recurrent	-	-	-	-	-	-	
Ministry/County Department of water.	-	Development	-	-	-	-	-	-	
USAID	-	Donor Fund	-	-	-	-	-	-	
name of Development partner/County department etc.	-	Direct Payment	-	-	-	-	-	-	
			-	-	-	-	-	-	
<b>Total</b>			-	-	-	-	-	-	

{No transfers}

