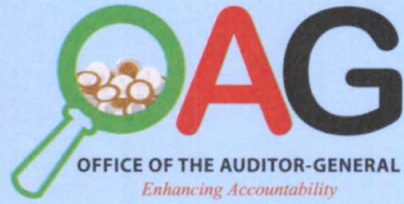


REPUBLIC OF KENYA



REPORT

426

OF

THE AUDITOR-GENERAL

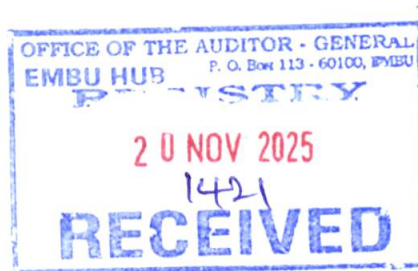
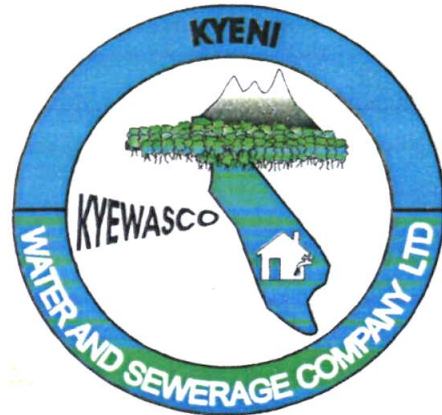
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KYENI WATER AND SEWERAGE
COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025

Ms. 25



KYENI WATER AND SEWERAGE COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2025**

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

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2025

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2025

Table of Contents	Page
1. ACRONYMS AND GLOSSARY OF TERMS.....	ii
2. KEY ENTITY INFORMATION	iii,iv
3. THE BOARD OF DIRECTORS.....	v,vi
4. MANAGEMENT TEAM.....	vi
5. CHAIRMAN'S STATEMENT.....	vii
6. REPORT OF THE CHIEF EXECUTIVE OFFICER	viii,ix
7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025.....	x,xi
8. CORPORATE GOVERNANCE STATEMENT.....	xi,xii,xiii
9. MANAGEMENT DISCUSSION AND ANALYSIS	xiii,xiv
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xiv
11. REPORT OF THE DIRECTORS	xv
12. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xvi
13. REPORT OF THE INDEPENDENT AUDITORS ON THE ENTITY (<i>Kyeni Water and Sewerage Company LTD</i>)	xvii
14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2025	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025	2
16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2025	5
19. NOTES TO THE FINANCIAL STATEMENTS	6
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	Error! Bookmark not defined.
Appendix II: Maintenance Expense.....	28

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements For the year ended June 30, 2025

1. Acronyms and Glossary of Terms

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

KYEWASCO	<i>Kyeni water and sewerage company limited</i>
ICPAK	<i>Institute of Certified Public Accountants of Kenya</i>
IFRS	<i>International Financial Reporting Standards</i>
GM	<i>General Manager</i>
PFM	<i>Public Financial Management</i>
PSASB	<i>Public Sector Accounting Standards Board</i>
WASREB	<i>Water Services Regulatory Board</i>
WRA	<i>Water resources authority</i>
TWWDA	<i>Tana Water Works Development Agency</i>

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements For the year ended June 30, 2025

2. KEY ENTITY INFORMATION

Background information

Kyeni Water and Sewerage Company Ltd. (KYEWASCO) was incorporated under the Company's Act 486 on 20TH JUNE 2008. The entity is domiciled in Kenya and has other Offices in Mufu and Runyenjes town.

KYEWASCO covers an area of approximately 192.8km² with a population of about 80,466 persons.

The head office is at Kathanjuri, Kyeni Divisional Headquarters, Runyenjes Sub-County- Embu County.

Principal Activities

The principal activity of KYEWASCO is provision of Water and Sewerage services within the designated area as contained in the Service Provision Agreement (SPA) , of Runyenjes Sub-County , Embu County.

Directors

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

- | | | | |
|-----|------------------------------|-------------------|-----------------------------------|
| 1. | Mr Erasmus Kithinji Muthenya | - Chairman | - 10 th September 2019 |
| 2. | Mr Anthony Rutere Nyaga | - Member | - 10 th September 2019 |
| 3. | Mrs Feata Marigu Mumiru | - Member- | - 10 th September 2019 |
| 4. | Mrs Besatrice Mwari Njiru | -Member | - 10 th September 2019 |
| 5. | Mr Robert Mwaniki Njeru | - Member | - 10 th September 2019 |
| 6. | Mrs Stella Kagendo Kariuki | -Member | - 10 th September 2019 |
| 7. | Mr Willy Namu | -Member | - 10 th September 2019 |
| 8. | Mr Eric Munene | - General Manager | - 16th May 2022 |
| 9. | Embu County Government | - CECM Water and | |
| 10. | ; | - CECM Finance | |

Registered Office

KATHANJURI WATER OFFICE
P.O BOX 315 – 60103
Runyenjes - KENYA

Corporate Headquarters

Kathanjuri Division Headquarter
Runyenjes - Karurumo road
P.O Box 315 – 60103,
Runyenjes, KENYA.

Corporate Contacts

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2025

Telephone: (254) 715 870 863

E-mail: kyewasco@yahoo.com

Website:

Corporate Bankers

1. Co-operative Bank of Kenya
Embu Branch
P.O. Box 1337-60100
Embu, Kenya

Independent Auditors

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







Principal Legal Advisers

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

KYENI WATER AND SEWERAGE COMPANY LTD


Annual Reports and Financial Statements
For the year ended June 30, 2025

3. THE BOARD OF DIRECTORS






WARD	NAME	
1.KYENI SOUTH	ERASMUS KITHINJI MUTHENYA 	Date appointed 27 th August 2019 DOB. 1977 Key Qualification: B.Sc. (BED - ECDE) Work experience: Teacher (Deputy H. Teacher)
2.KYENI NORTH	ANTHONY RUTERE NYAGA 	Date appointed 27 th August 2019 DOB. 1981 Key Qualification: Diploma Work experience: Businessman
3.KYENI SOUTH	FEATA MARIGU MUMERU 	Date appointed 27 th August 2019 DOB. 1969 Key Qualification: "O" Level Work experience: Farmer
4.KYENI NORTH	ROBERT MWANIKI NJERU 	Date appointed 27 th August 2019 DOB. 1959 Key Qualification: "O" Level Work experience: Farmer
5. KYENI SOUTH	STELLA KAGENDO KARIUKI 	Date appointed 27 th August 2019 DOB. 1974 Key Qualification: BSc (social work) Work experience: Social worker
6. KAGAARI SOUTH	WILLY NAMU 	Date appointed 27 th August 2019 DOB. 1975 Key Qualification: "O" Level Work experience: Farmer
7.KYENI NORTH	BEATRICE MWARI NJIRU 	Date appointed 27 th August 2019 DOB. 1958 Key Qualification: "O" Level Work experience: Farmer
8. GENERAL MANAGER	ERIC MUNENE MUGO 	Date appointed 16 th May 2022 DOB. 1989 Key Qualification: Degree Bsc. Civil Engineering. Work experience: 10 Years

KYENI WATER AND SEWERAGE COMPANY LTD

**Annual Reports and Financial Statements
For the year ended June 30, 2025**

		
9. EMBU COUNTY GOVERNMENT REP	1. CECM Water 2. CECM Finance	

4. MANAGEMENT TEAM

1. Eric Munene 	<u>General Manager</u> key Profession/Academic Qualifications: Degree Bsc. Civil Engineering.
2. Julieta Karimi 	<u>Technical department</u> key Profession/Academic Qualifications: Dip (Water Technology)
3. Jacinta Ndegwa 	<u>Finance department</u> key Profession/Academic Qualifications: Dip in Accounts
4. Daniel Murimi 	<u>Human resource department</u> Key Profession/Academic Qualifications: (Dip Human Resource Management).
5. Bancy Nyakio 	<u>Finance department</u> key Profession/Academic Qualifications: CPA K, B.Sc Finance.

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements For the year ended June 30, 2025

5. CHAIRMAN'S STATEMENT

It gives me great pleasure to present the 2024-2025 annual report and financial statements for Kyeni Water and Sewerage Company Ltd. During the year under review, we continued to make great strides in water service provision in the area of jurisdiction as per the Service Provision Agreement.

Financial performance.

The financial year 2024-2025 under review was a challenging one for the company. The gross water income was kshs 15 million compared to kshs 15 million in 2023-2024.

During the year under review we have one seconded staff from the county government of Embu. The company did not engage any new board member. We are optimistic that the coming year 2025-2026 the company will perform even better.

Challenges

However the company had several challenges. Through the office of the former Governor the company was issued with a directive to bill on a flat rate of kshs 200 for all customers, leading to unsustainability of the company.

Way forward

The management has been undertaking public sensitisation on the issue of billing which could affect service delivery.

Appreciation.

We continue to enjoy the support and good will inter alia of our clients, the County Government, suppliers, other services providers, regulatory authority and the Board. I wish to record our appreciation to them all and note that we highly value these relationships. I also wish to thank and congratulate the management of the Company for the loyalty, dedication and tireless efforts that have made the year possible.

Finally, to my fellow Board members, thank you for your commitment, support and considered advice that is so essential in this extremely noble service.

Erasmus Kithinji Muthenya
CHAIRMAN (B.O.D)

SIGN



DATE 27th August 2025

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements For the year ended June 30, 2025

6. REPORT OF THE MANAGING DIRECTOR

It is my pleasure to report on another successful year. In 2024-2025 Kyeni Water and Sewerage Company Ltd has again registered a water sales income of kshs 15 million .

Customer service

Our business motto is “to exceed our customers’ expectations”. This has seen our delivery of service improved ,to no longer give our clients empty promises, but deliver them. We keep our promise at the hour of reckoning, when a customer makes a complain. We endeavour to keep abreast with the ever-changing times. We work closely with our clients. To support them and our staff, we hold regular meetings to share our thoughts and make them understand our services.

Branch Network

Our branch network continues to grow in line with our business model and we aim to align ourselves with the County Government guidelines and ensure full representation. Branches are opened after a thorough feasibility study is conducted. Our growing network currently consists of two branches. These branches are managed by dynamic persons who are always available to provide solutions to the needs of our clients. The branch offices are based at Runyenjes (rented) market and Mufu office at the chiefs ground.

Customer Base

Our Customer base is of 11,003 connections spread over an area of 192.8 km² with a population of 80,466 persons. A population of 56,660 is currently adequately served by the existing reticulation system stretching for a distance of 350 km of assorted Pipe sizes ranging from 25mm diameter to 250 mm diameter.

Information Technology

We can only accord superior services when our processes are efficient and effect. The need for a robust and pragmatic information technology platform was identified after a thorough review of the processes. The company has commenced implementation of a new integrated billing software that is web based, hence transforming the way we do business. Once implemented, the system will offer us with a competitive advantage and above all ensure that we are able to offer a superior customer service.

Staffing

Our staffs are the greatest resource and we have an exciting mix of skills in various disciplines blended with wealth of experiences. The average age of our employees is approximately forty years. They are enthusiastic to make certain that we are always in the front. These employees are always ready to roll up their sleeves whenever required to perform specific tasks to ensure that customers’ needs are met and our goals achieved.

KYENI WATER AND SEWERAGE COMPANY LTD


**Annual Reports and Financial Statements
For the year ended June 30, 2025**

Conclusion

Kyeni water has continued to be the front runner in the Sub-County and this is due to the commitment and diligence by the Board and Management Staff who have worked tirelessly to satisfy our clients, and all stakeholders. I register my appreciation to the support which has made 2024 - 2025 Financial year a momentous year for all of us.

We hope that in 2025 - 2026 Financial year we will offer even better services.

Eng. Eric Munene Mugo



27th August 2025

General Manager.

Sign

Date

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2025

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2024/2025

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

KYEWASCO has 5 strategic pillars and objectives within its Strategic Plan for the FY 2021/2022-2024/2025. These strategic pillars are as follows:

Pillar 1: Water and sewerage infrastructure development

- Increase water supply coverage from 31% to 60% by the year 2025.

Pillar 2: Operation efficiency and customer service

- Optimize operational efficiencies and reduce costs.

Pillar 3: Financial sustainability

Improve O& m cost coverage from 116% to 150%

Pillar 4: Institutional capacity

- Strengthen capacity ,efficiency and satisfaction

Pillar 5: Corporate governance

- Clear and responsible corporate gervanance policies, procedures and practices.

KYEWASCO develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Company* achieved its performance targets set for the FY 2024/2025 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Water and sewerage infrastructure development	Increase water supply coverage from 31% to 60% by the year 2025	Total production of 10,000m3 per day	Rehabilitate distribution network	In progress
Pillar 2: Operational efficiency and customer service	Optimize operational efficiencies and reduce costs	100% metering	Reduce operation cost in material /resources	10 connections
Pillar 3: Financial sustainability	Improve O&M cost coverage from 116% to 150%	Increase in annual revenue	Reactivation of 20%+ (plus) dormant connections	In progress. Our field staff have a duty to at least activate one

KYENI WATER AND SEWERAGE COMPANY LTD

**Annual Reports and Financial Statements
For the year ended June 30, 2025**

				account every month
Pillar 4: Institutional capacity/ strengthening	Strengthen capacity, efficiency and satisfaction	Conduct team building	Training and induction	none
Pillar 5: Corporate governance	Clear and responsible corporate governance policies, procedures and practices.	Board manual	Develop board manual	none

8. CORPORATE GOVERNANCE STATEMENT

Good corporate governance is key to the integrity of water sector institutions and markets and is central to the health of our economics and their stability. Corporate governance plays a leading role in making it 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 KYEWASCO 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 practices on a regular basis, directly and through its Board Committees and Management. The role of the Board is to ensure compliance 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 the General Manager 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 KYENI WATER AND SEWERAGE COMPANY LIMITED which are reviewed and improved on a regular basis: -

1. Board of Directors

The Board of Directors consists of seven non-executive directors representing various stakeholders’ groups and two others seconded by the County Government. The Chairman of the Board is a non-executive director and the Board meets formally at least four times a year. During the year 2024-2025 the Board conducted seven (5) meeting: - two full board and three committee meetings.

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.

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2025

The directors are actively involved and bring strong independent judgment on Board deliberations and discussions. The Directors have a wide range of knowledge and experience of social economic activities which are applied to the formulation of strategic objectives and decision making.

The Board meets regularly and retains full and effective control over the Company in all strategic, financial, operational and compliance areas. To assist the Board in the discharge of its responsibilities, Board committees have been established. All the board committees meet at least four times a year. The committees are as follows: -

a) Audit Committee

The audit committee comprises of three non-executive directors and a Senior Manager. The committee is responsible for inter alia, developing and advising an 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.

b) Finance, HR, And Technical Committee

The finance, HR and technical committee comprises of three non-executive directors and the general manager. The committee provides guidance to the board on finance and technical requirements for the company.

2. Succession plan

The company board of directors will exit the same time. however the county representative is appointed from time to time. Also, in the model memorandum and articles of association by WASREB the succession plan of directors is clearly articulated.

3. 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 operational meetings and the annual external audit.

4. Directors Remuneration.

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

5. Appointment and Removal of Directors

The aggregate amount of Director's remuneration for services rendered during the year ending 30th June 2025 are contained under note 9 of these annual report and financial statements. The Company is fully governed by the WASREB corporate guide lines which stipulates the way of appointed and removal of directors, induction and training of the board.

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2025

6. 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.

9. MANAGEMENT DISCUSSION AND ANALYSIS

The company management is composed of a lean team of five members chosen from time to time. The General Manager takes the responsibility of overseeing smooth operation of activities through effective and timely communication, coordination control and offering leadership. The other officers in the management team heads and are responsible for various sections/department in the company.

a) Operational and Financial performance

year	revenue	expenditure
2019-2020	10,938,600	15,838,535
2020-2021	13,417,150	15,821,326
2021-2022	14,388,887	16,324,511
2022-2023	14,534,200	18,699,824
2023-2024	15,536,460	18,692,069
2024-2025	15,627,460	20,057,902

b) Major Risks Facing the Organization

During the period under review, KYEWASCO has operated under difficult conditions mainly due to the following factors

- a) Disruption of mains due to ongoing/completed road constructions and rehabilitations
- b) Billing Issues
- c) Covid – 19 pandemics
- d) Intake renovations (abandoned)

a) Disruption of Mains Due to Ongoing Road Constructions

Since last year, road maintenance and construction activities have been on the rise being supported by both national and County Governments. During implementation of these activities our lines (Main and sub-branches) were sometimes destroyed making the company incur extra costs in replacing them. On the other hand, when repairs are not undertaken immediately, there was loss of revenue due to supply disruption.

b) Billing Issues

Billing issues started in November 2016 when a section of consumers from Kyeni North location started complaining about high billing through metering among other issues. The complaints were in comparison to other community-based Water providers adjacent to our area of operation; their water is not metered and their monthly charge is on average of Kshs 200/=. The matter culminated with a public baraza at Mufu market on 27th December 2017 and subsequent public meetings addressed by Kyeni North MCA. The Governor, His Excellency Martin Nyaga Wambora issued a directive that the consumers should pay a flat rate of Ksh 200/= and their account arrears to be lifted. This created confusion significantly affecting the company's revenue collection.

c) Covid -19 pandemics

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements

For the year ended June 30, 2025

Since March 2020 the Ministry of Health and Ministry of Water, Sanitation and Irrigation issued advisories to all Water service providers not to disconnect services in case of unpaid bills. This has made the Company unable to collect substantial revenue to sustain the operations.

D) Intake renovations (abandoned)

The renovations started back in the year 2021 -2022 by the county government but stopped after some works. Currently the company does not have water at all from the said intake. Our customers are in dire need especially those from areas served by the intake.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KYEWASCO provides Water and Sewerage services within the designated area as contained in the Service Provision Agreement (SPA) , of Runyenjes Sub-County , Embu County

1. Sustainability strategy and profile -

KYEWASCO exists to transform lives. This is our purpose ,the driving force behind everything we do. Its what guides us to deliver our strategy, putting the customer/citizens first, delivering relevant goods and services and improving operational excellence..

2. Environmental performance

The company acknowledges the critical role of climatic environment(weather and weather patterns) as a foundation for our existence as a corporate.

3. Employee welfare

Staff efficiency is key in KYEWASCO. Our staff are trained on areas of operation and taken for workshops to enhance their skills.

4. Market place practices-

The company aspires to be a responsible open and trustworthy market player. In this regard the company ensures that all its commercial transactions are undertaken openly, fairly and to the best interest of the parties involved.

a) Responsible competition practice.

We are a commercial company and accordingly seek to be competitive than our competitors, we consciously don't engage in deriding the competition. We capitalise on any collaboration opportunities in the market even when they involve water companies.

b) Responsible Supply chain and supplier relations

The company acknowledge the importance of managing suppliers through prompt payment.we scale our purchases to match the funds available, however in case funds are available we notify the supplier.

c) Responsible marketing and advertisement-

The company ensures fair and morally upright language is used while marketing its products.

d) Product stewardship

The company ensures safe production and distribution of its products.

5. Community Engagements-

The company continues to attach students in various departments from within and outside the community.

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements For the year ended June 30, 2025

11 REPORT OF THE DIRECTORS

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

Principal activities

The principal activities of the company are the provision of water and sanitation services within the service provision agreement (SPA) area.

Results

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

Directors

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

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

Erasmus Kithinji
Chairman
27th August 2025

Sign

KYENI WATER AND SEWERAGE COMPANY LTD

Annual Reports and Financial Statements For the year ended June 30, 2025

12.STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164(2)(f) of the Public Finance Management Act, 2012 requires the Directors to prepare financial statements in respect of the *company*, which give a true and fair view of the state of affairs of the *company* at the end of the financial year and the operating results of the *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's* financial statements, which give a true and fair view of the state of affairs of the *company* for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by section 164 of the PFM Act, 2012 . 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's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the *company* will not remain 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 27/08/2025 and signed on its behalf by:

Erasmus Kithinji Muthenya

.....

Chairperson of the Board.

Eng. Eric Munene



General Manager

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KYENI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the 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

Adverse Opinion

I have audited the accompanying financial statements of Kyeni Water and Sewerage Company Limited set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2025, and the statement of profit or loss and other comprehensive

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

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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kyeni Water and Sewerage 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 do not comply with the Companies Act, 2015, the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Unreconciled Variance Between the Statement of Financial Position and the Statement of Changes in Equity

The statement of financial position reflects total assets and total equity and liabilities balances of Kshs.38,984,914 respectively including current liabilities balance of Kshs.28,499,950 hence a net assets balance of Kshs.10,484,964. However, the statement of changes in equity reflects net assets balance of Kshs.2,940,956 leading to unexplained and unreconciled variance of Kshs.7,544,008.

In the circumstances, the accuracy of the statement of financial position and the statement of changes in equity could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The statement of financial position and as disclosed in Note 13 to the financial statements reflects trade and other receivables balance of Kshs.31,499,383. Review of the receivables ageing analysis revealed that payables with a balance of Kshs.22,977,033 had been outstanding for more than one hundred and twenty (120) days.

In addition, the company does not have a debt management policy to ensure that recoveries are made effectively, the Company does not have a muster register for both active and inactive customers which is an indication that the Company is not proactive in debt recovery.

In the circumstances, accuracy and completeness of trade and other receivables balance of Kshs.31,499,383 could not be confirmed.

3. Unsupported Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment net book value of Kshs.8,191,114 as disclosed in Note 12 to the financial statements. However, review of the assets register revealed the following;

- i. The register only included motor vehicles and equipment, while other asset categories such as buildings, furniture, computers, office fittings, and land were not listed.
- ii. The register did not indicate key identification details such as serial numbers, asset codes, location, acquisition dates, cost, depreciation, condition, or custodian.
- iii. The type and description of equipment recorded could not be confirmed due to lack of detail and supporting documentation.

In the circumstances, the accuracy, existence and completeness of property, plant and equipment net book value of Kshs.8,191,114 could not be confirmed.

4. Long Outstanding Borrowings

As previously reported, the statement of financial position reflects borrowings balance of Kshs.7,544,006 as disclosed in Note 18 to the financial statements. Review of documents provided revealed that the borrowings were from customer deposits which included Kshs.4,613,050 borrowed during the year under review. However, the Management did not provide approval from the regulator, Tana Water Services Board to allow it, use of customer deposits.

In addition, a repayment schedule, repayment plan or an alternative on how it would refund customers' deposit if they were to opt out of the water agreement with the Company, was not provided for audit.

In the circumstances, the accuracy and validity of the long outstanding borrowings balance of Kshs.7,544,006 could not be confirmed.

5. Non-Disclosure of Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects Kshs.15,627,460 and Kshs.20,057,902 in respect to total revenue and total expenses respectively resulting to a deficit of Kshs.4,430,442 (2023/2024: Kshs.2,507,979). The deficit resulted to an increase in accumulated deficit of retained earnings from Kshs.12,065,594 as at 30 June, 2024 to accumulated deficit in retained earnings of Kshs.16,496,036 as at 30 June, 2025. The trend of making deficits every financial year is not a positive position as this is an indication of weak financial management. However, this material uncertainty has not been disclosed.

In the circumstances, the Company's continued existence as a going concern may depend on the goodwill and support from the County Government, bankers and creditors.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kyeni Water and Sewerage 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 adverse opinion.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.20,255,552 and Kshs.15,627,460 respectively resulting to an under-funding of Kshs.4,628,092 or 23% of the budget. Similarly, the Company spent Kshs.20,057,902 against actual receipts of Kshs.15,627,460 resulting to an over-utilization of Kshs.4,430,442 or 28% of the actual receipts.

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

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.19,009,555. Review of the account payable ledger and ageing analysis for trade and other payables revealed that the payables totaling Kshs.13,864,989 or 73% of the total trade and other payables balance of Kshs.19,009,555, were more than 3 (three) years old. This is contrary to the requirements of Regulation 41(2) of the Public Finance Management Regulations, 2015 which require that these obligations should be paid as a first charge in the subsequent budgets. The Regulation stipulates that any unpaid commitments and pending bills from previous financial years should be paid as a first charge in the following financial year.

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

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Company in 2024/2025 revealed that numerous matters remained unresolved as detailed in **Appendix I**.

Other Information

The Board of Directors is responsible for the Other Information set out on pages ii to xvi 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 USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Abandoned Rehabilitation at New Thuci Water Intake

As previously reported, review of records provided revealed that the County Government of Embu awarded tender for the rehabilitation of Thuci Water intake system to a contractor at a contract sum of Kshs.24,858,580 in the year, 2019. The feasibility study documents, contract drawings, bid documents, contract documents, project file, project progress and status report, payments made and outstanding balances were not provided for audit review. The water pipes which had been installed within the intake are vandalized leading to waste of public funds. Physical inspection done in November, 2025 revealed that the new Thuci Water intake project was not operational.

The intake was started in 2012/2013 financial year and was only to be rehabilitated with the removal of the asbestos pipes which had been condemned. There are 84, 254 mm plastic pipes lying idle within the Kyeni water office compound meant for the rehabilitation. It was not explained how soon with the project will be redone to allow the residents use of the water from the intake.

In the circumstances, value for money has not been realized by the public.

2. Unapproved Un-Metered /Flat Rate Billing

As previously reported, the statement of profit or loss and comprehensive income reflects operating revenue amount of Kshs.15,627,460 in respect to as disclosed in Note 6 to the financial statements. Examination of revenue ledgers provided for audit revealed that the company had a total of nine hundred and sixty three (963) un-metered connections charged at a flat rate of Kshs.250 per connection per month during the year. No explanation was provided by the Management for not installing meters to these customers for water supplied during the year. Further, the Management did not provide any documentary evidence of authority from WASREB on the flat rate of Kshs.250 charged per connection per month. This contravenes Regulation 79 (1) of the Water Services Regulations, 2021 which requires installation of measuring devices for all water users.

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

3. Billing of Water Using Expired Tariffs

As previously reported, review of documents provided for audit revealed that the Company used outdated tariff structure that expired on 30 June, 2016. This was contrary to Section 46 (1) of the Water Services Regulations, 2021 which requires the water services provider to make an application to the Regulatory Board for a regular tariff review not less than six months before the expiry of the regular tariff.

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

4. Inactive Water Connections

Audit revealed that the total number of registered connections as at 30 June, 2025 was 11,003 out of which a total of 6,753 (61%) customers had inactive connections and were due for disconnection. Further, 1,189 (11%) of the registered connections were unmetered. Consequently, the Company was operating way below its capacity at 39% in regards to revenue collections. The Management did not provide any evidence on measures it had taken to improve water supply in the region.

In the circumstance, the Company is not fulfilling its mandate of providing water to all as specified in the Water Act.

5. Employee Costs

5.1 Non-Adherence to a Third Gender Rule

As previously reported, review of Payroll records revealed that the Company had twenty-five (25) employees. However, an analysis of the gender composition revealed that twenty (20) or 80% are male and the remaining five (5) employees or 20% are female contrary to contrary to Article 27(8) of the Constitution of Kenya, 2010 which states that in addition to the measures contemplated in clause (6), the state shall take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

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

5.2 Non-Compliance with Requirements in Staff Ethnic Diversity

Review of human resource records revealed that 88% of the staff were from one dominant ethnic community. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

5.3 Excess Wage Bill

The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.11,926,035 or 59% of the total operation and maintenance cost amounts to Kshs.20,057,902 thereby exceeding 30%. The company acted contrary to Paragraph 3.5 of WASREB Impact Assessment Report No.13/2021 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 coverage.

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

6 Non – Compliance with the Public Procurement Capacity Building Levy Order

Management did not provide evidence to confirm that the Company complied with paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20th day of the subsequent month and also file monthly returns.

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

Basis for Conclusion

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 Article 229(6) of the Constitution, based on the audit procedures performed, because of the significance of the effect of the matters discussed in the Basis for Adverse Opinion and the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Water Meters

1.1 Lack of an Automated Billing System

As previously reported, audit of the revenue and billing process revealed that the Company did not have an automated billing system in place. Billing was done manually, where staff compute customer charges based on meter readings or estimates, and communicate the amounts to customers via SMS messages. No integrated system or database exists to generate, record, or store billing information electronically. Consequently, there is no system-based audit trail or automated reconciliation between meter readings, bills issued, and payments received. This manual process limits management's ability to effectively monitor billing accuracy, detect anomalies, and ensure complete revenue collection.

1.2 Non-Functional Water Meters and Absence of Master Meters

Review of water production, distribution, and billing processes revealed that the Company had no master meters installed at the main water intake or distribution points. In addition, majority of customer meters were non-functional (stalled). This means that only forty eight (48) out of nine hundred and fifty seven (957) connections (approximately 5%) were metered and billed based on actual consumption. The remaining 95% of connections were billed based on flat rates or estimates, which were not supported by actual water usage data. The absence of master meters also means that the company could not measure total water produced versus water sold, making it impossible to determine Non-Revenue Water (NRW) levels accurately. In the circumstances, audit could not establish how much water the company lost during the year under review.

In the circumstances, the Company is exposed to risks of loss of water and misstatements in the financial statements.

2. Lack of an Internal Audit Function

During the audit of the Company's governance and internal control environment, it was observed that the Company did not have an Internal Audit Function.

There is no designated internal auditor, department, or structure responsible for conducting regular internal audits, evaluating internal controls, or reviewing the adequacy of risk management and compliance processes. Management relies solely on external audits and ad hoc supervisory reviews, which are not sufficient to provide continuous assurance on the effectiveness of the internal control systems and risk management framework.

In the absence of internal audit, the Company may not obtain assurance on existence and effectiveness of internal control systems.

3. Lack of Approved Staff Establishment

The Company did not have an approved staff establishment. It is not possible to confirm the methods used in engaging the staff in employment presently within the company.

The Company was not able to gauge the employment requirement under various cadres without an approved staff establishment.

4. Lack of Career Progression Guidelines

The Management did not have a career progression guideline in place. According to the sampled employees' personal files, it was noted that the employees remained in one job group for many years and did not progress as there was no career progression guidelines to refer to. This is contrary of the Company Human Resource Policy and Procedures Manual of the Water Company.

5. Use of Manual Payroll

Review of payroll records revealed that the Company used manual payroll. 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. The Management did not provide a justification of maintaining a manual payroll and did not demonstrate mechanisms that are put in place to protect payroll data integrity in respect of the manual payroll.

In the circumstances, the integrity of data in the manual payroll system could not be guaranteed and could lead to misappropriation of assets and misstatements in the financial statements.

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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on page xvi is consistent with the financial statements; and
- iii. The auditable part of the Directors' Remuneration Report on page 14 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 November, 2025

Appendix I; Unresolved Prior Year Audit Matters

No.	Year	Audit Issue
1.	2023/2024	Inaccurate Provision for Bad and Doubtful Debts
2.	2023/2024	Long Outstanding Trade and Other Receivables
3.	2023/2024	Long Outstanding Borrowings
4.	2023/2024	Long Outstanding Trade and Other Payables
5.	2023/2024	Property, Plant and Equipment
6.	2023/2024	Lack of Fixed Asset Register
7.	2023/2024	Non-Valuation and Non-Disclosure of Property, Plant and Equipment
8.	2023/2024	Non-Disclosure of Material Uncertainty on Sustainability of Services
9.	2023/2024	Irregular Water Billings
10.	2023/2024	Unapproved Un-Metered /Flat Rate Billing
11.	2023/2024	Billing of Water Using Expired Tariffs
12.	2023/2024	Inactive Water Connections.
13.	2023/2024	Loss of Water (Non-Revenue Water)
14.	2023/2024	Personnel Costs Above Industrial Sector Benchmark
15.	2023/2024	Non-Adherence to the Third Gender Rule.
16.	2023/2024	Lack of Approved Staff Establishment
17.	2023/2024	Non-Compliance with One third basic Salary Rule
18.	2023/2024	Late Remittance of Statutory Deductions

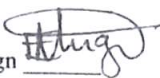
Kyeni Water and Sewerage Company Ltd
Annual Reports and Financial Statements
For the year ended June 30, 2025

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

	Note	2024/2025	2023/2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	15,627,460	15,536,460
Total Revenue		15,627,460	15,536,460
Expenses			
Staff Costs	7	11,926,035	10,571,935
General and Operations expenses	8	5,211,914	5,247,363
Board Expenses	9	241,430	106,135
Maintenance Expenses	10(a)	1,031,445	369,350
Fee Expenses	10(b)	1,109,802	1,106,162
Depreciation and Amortization expenses	11	537,276	643,494
Total Expenses		20,057,902	18,044,439
Profit/(Loss) Before Taxation		(4,430,442)	(2,507,979)
Total Comprehensive Income for The Year		(4,430,442)	(2,507,979)

General Manager

Name: Eric Munene


Sign 

Date 27 / 08 / 2025

Head of Finance

Name: Bancy Nyakio

ICPAK Member No: 33112

Sign 

Date 27 / 08 / 2025

Chairman of the Board

Name: Erasmus Kithinji

Sign 

Date 27 / 08 / 2025

Kyeni Water and Sewerage Company Ltd

Annual Reports and Financial Statements

For the year ended June 30, 2025

15.STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	8,191,114	8,728,390
Total Non-Current Assets		8,191,114	8,728,390
Current Assets			
Trade and other receivables	13	28,349,445	26,620,291
Bank and cash balances	14	2,444,355	6,812,992
Total current Assets		30,793,800	33,433,283
Total Assets		38,984,914	42,161,673
EQUITY AND LIABILITIES			
Capital and Reserves			
Revaluation reserve	24(iv)	19,436,994	19,436,994
Retained earnings	17	(16,496,036)	(12,065,594)
Capital and Reserves		2,940,958	7,371,400
Non-Current Liabilities			
Borrowings	18	7,544,006	2,930,956
Total Non-Current Liabilities		7,544,006	2,930,956
Current Liabilities			
Trade and other payables	20	19,009,555	22,368,922
Customer deposits	21	9,490,395	9,490,395
Total Current Liabilities		28,499,950	31,859,317
TOTAL EQUITY AND LIABILITIES		38,984,914	42,161,673

The Financial Statements set out on pages 1-2 were signed on behalf of the Board of Directors by:

General Manager

Head of Finance

Chairman of the Board

Name: Eric Munene

Name: Bancy Nyakio

Name: Erasmus Kithinji

ICPAK Member No: 33112

Sign



Sign



Sign



Date 27 / 08 / 2025

Date 27 / 08 / 2025

Date 27 / 08 / 2025

Kyeni Water and Sewerage Company Ltd
Annual Reports and Financial Statements
For the year ended June 30, 2024

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

	Revaluation reserve	Retained earnings	Total
At July 1, 2024	19,436,994	(9,557,615)	9,879,379
Total comprehensive income	-	(2,507,979)	(2,507,979)
At June 30, 2024	19,436,994	(12,065,594)	7,371,400
At July 1, 2024	19,436,994	(12,065,594)	7,371,400
Total comprehensive income		(4,430,442)	(4,430,442)
At June 30, 2025	19,436,994	(16,496,036)	2,940,958

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus/(deficit) before taxation		(4,430,442)	(2,507,979)
Depreciation and amortisation	12	537,276	643,494
Provision for bad and doubtful debts		3,149,938	2,662,029
Operating profit/(loss) before working capital		(743,228)	797,544
Changes in working capital			
(Increase)/decrease in trade receivables	13	(4,879,092)	(3,223,495)
Increase/(decrease) in trade payables	20	(3,359,367)	1,549,972
(Increase)/decrease in customer deposits		0	0
Cash generated from operating activities		(8,981,687)	(1,673,523)
Net cash generated from/(used in) operating activities		(8,981,687)	(875,979)
Cash flow from financing activities			
Proceeds from borrowing		4,613,050	
Net cash from (used in) financing activities		4,613,050	
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4,368,637)	(875,979)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,812,992	7,688,971
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	40(b)	2,444,355	6,812,992

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

**18.STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR
THE PERIOD ENDED 30 JUNE 2025**

	Original budget 2024-2025	Final budget 2024-2025	Actual on comparable basis 2024-2025	Performance difference 2024-2025	Percenta ge %
	Kshs	Kshs	Kshs	Kshs	
Revenue					
Sale of goods	20,255,552	20,255,552	15,627,460	(4,628,092)	77.15%
Sale of services	0	0	0	0	
Transfers from the Government	0	0	0	0	
Gain on revaluation					
Total income	20,255,552	20,255,552	15,627,460	(4,628,092)	77.15%
Expenses					
Compensation of employees	12,467,703	12,467,703	11,926,035	1,541,668	95.7% %
General & operating expenses	4,966,988	4,966,988	5,211,914	-244,926	104.9%
Board expenses	990,950	990,950	241,430	749,520	24.36%
Maintaince expenses	990,533	990,533	1,031,445	-40,912	104.13%
Fee expenses	2,820,444	2,820,444	1,109,802	1,710,642	39.35%
depreciation and aromotization	0	0	537,276	537,276	0
Grants and subsidies paid	0	0			
Total expenditure	20,255,552	20,255,552	20,057,902	4,253,268	99.02%
Surplus for the period	0	0	(4,430,442)	(374,824)	

The company did not collect as anticipated during the preparation of the budget.

19. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

KYEWASCO is established by and derives its authority and accountability from Companies Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The company's principal activity is water service provision.

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 entity'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 Kenya shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, *water act 2016* and the *companies act* and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years

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 2023.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Title	Description	Effective Date
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

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	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Title	Description	Effective Date
	does not recognise any amount of the gain or loss.	
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

iii. Early adoption of standards

The company did not adopt any new or amended standards in year under review.

4. Summary of Accounting Policies

The principal 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 water** 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

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

- iii) financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iv) **Other income** is recognized as it accrues.

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 financial performance both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

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

Item	Years	Rates
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	8	12.5%

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

Notes to the financial statements (continued)

e) Inventories

Cost is calculated using the FIFO method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

f) Trade and other receivables

Trade and other receivables are recognized at fair value 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.

g) 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.

h) 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.

i) Trade and other payables

Trade and other payables are non-interest bearing and are carried at 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.

Notes to the financial statements (continued)

j) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees. 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. 1080/or 6% per employee per month.

k) 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.

l) Comparative figures

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

m) 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, 2024.

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

Notes to the financial statements (continued)

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.

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

6. Operating Revenue

	2024/2025	2023/2024
	Kshs	Kshs
Water sales	15,627,460	15,536,460
Total	15,627,460	15,536,460

7. Staff Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross Salary and Allowances	10,969,302	9,718,004
Casual workers' Wages	118,778	201,077
Medical insurance schemes	300,357	259,300
Employer's contributions to social security schemes	445,598	297,554
Provisions for Leave pay	92,000	96,000
Total	11,926,035	10,571,935
The average number of employees during the year		
Permanent employees- company	21	21
Permanent employees -seconded from county government	1	1
Temporary and contract employees	3	3
	25	25

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

8. General and Operations Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Electricity	25,770	38,780
Fuel, oil, lubricants, and gases	316,340	266,600
Office supplies	153,580	245,955
Telecommunication	235,150	215,900
Postage and courier	77,571	61,011
Insurance	45,705	
Rent and Rates	72,000	72,000
Domestic Traveling and subsistence	705,740	962,520
Bank Charges	305,643	157,440
Security services	24,000	48,000
Publicity and advertising	0	0
Subscriptions to professional bodies	11,200	
Audit fees	50,000	393,410
Licensing and levies	0	12,435
Hospitality expenses	39,277	111,283
Provision for doubtful debts	3,149,938	2,662,029
Total	5,211,914	5,247,363

9. Board Expenses

Description	2024/2025	2023/2024
	KShs	KShs
Sitting and other allowances	241,430	106,135
Total Board Expenses	241,430	106,135

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

10. (A) Maintenance Expenses

	2024/2025	2023/2024
Description	Kshs	Kshs
Buildings	3,910	7,550
Infrastructural networks	919,425	323,000
Motor vehicles	108,110	38,800
Total Maintenance Expenses	1,031,445	369,350
(B) Fee Expenses		
Grounds-forest easement	45,000	45,000
Board fee WASREB	625,098	621,458
Water use charges – WRA	439,704	439,704
Total Fee Expenses	1,109,802	1,106,162

11. Depreciation and Amortization Expenses

	2024/2025	2023/2024
Description	KShs	KShs
Property, plant, and equipment	537,276	643,494
Total Depreciation and Amortization	537,276	643,494

12. Property, Plant and Equipment

2023 2024 Cost	Motor vehicles, including, motor cycles	Computers & related equipment	Work in progress (Water Tanks)	Total
Cost or valuation				
As at 1 July 2023	1,100,000	11,482,118	7,044,755	19,626,873
Prior year adjustments	0	0	(1,995,823)	(1,995,823)
As at 30th June 2024	1,100,000	11,482,118	5,048,932	17,411,050
Depreciation				
At July 1, 2024	275,000	7,984,166	0	8,259,166
Charge for the year	206,250	437,244	0	643,494

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

2023 2024 Cost	Motor vehicles, including, motor cycles	Computers & related equipment	Work in progress (Water Tanks)	Total
As at 30th June 2024	481,250	8,421,410	0	8,902,660
Net book value	618,750	3,060,708		3,679,458
At June 30, 2024	618,750	3,060,708	5,048,932	8,728,390
Cost or valuation				
As at 1July 2024	1,100,000	11,482,118	5,048,932	17,411,050
Prior year adjustments	0	0	0	0
As at 30th June 2025	1,100,000	11,482,118	5,048,932	17,411,050
Depreciation				
At July 1, 2024	481,250	8,421,410	0	8,902,660
Charge for the year	154,688	382,588	0	537,276
As at 30th June 2025	635,938	8,803,998	0	9,439,936
Net book value	464,062	2,678,120		3,142,182
At June 30, 2025	464,062	2,678,120	5,048,932	8,191,114

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30, 2025

Notes to the financial statements (continued)

12 (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	Work in progress	NBV
	Kshs	Kshs	Kshs	Kshs
Motor vehicles, including motorcycles	1,100,000	635,938		464,062
Water tank	0	0	5,048,932	5,048,932
Computers and related equipment	11,482,118	8,803,998		3,060,708
	12,582,118	9,439,936	5,048,932	8,191,114

13. Trade and Other Receivables

	2024/2025	2023/2024
	KShs	KShs
Trade receivables	31,499,383	26,620,291
Gross trade and other receivables	31,499,383	26,620,291
Provision for bad and doubtful receivable	(3,149,938)	(2,662,029)
Net trade and other receivables	28,349,445	23,958,261

13. (a) Trade Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Gross trade receivables	31,499,383	26,620,291
Provision for doubtful receivables	(3,149,938)	(2,662,029)
Net trade receivables	28,349,445	23,958,261
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	2,055,500	1,057,880
Between 30 and 60 days	1,525,200	1,286,100
Between 61 and 90 days	3,121,300	1,861,050
Between 91 and 120 days	1,820,350	1,350,550
Over 120 days	22,977,033	21,064,711
Total	31,499,383	26,620,291

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

13. (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2024/2025	2023/2024
	KShs	KShs
At the beginning of the year	26,620,291	23,396,796
Additional provisions during the year	15,627,460	15,536,460
Recovered during the year	(10,748,368)	(12,312,965)
Prior year adjustments		
At the end of the year	31,499,383	26,620,291

14. Bank and Cash Balances

	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	2,444,355	6,812,992
Cash in hand	0	0
	2,444,355	6,812,992

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024/2025	2023/2024
		KShs	KShs
a) 1. Current account			
Commercial banks		68,206	146,556
Sub- total		68,206	146,556
2. Current account			
Commercial banks		373,050	60,000
Sub- total		373,050	60,000
b) Fixed deposits account			
Other Commercial banks		2,003,099	6,606,436
Sub- total		2,003,099	6,606,436
Sub- total		2,444,355	6,812,992
c) Others(specify)			
Cash in hand		0	0
Sub- total		0	0
Grand total		2,444,355	6,812,992

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

15. 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.

16. 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.

17. Retained Earnings

	2024/2025	2023/2024
	KShs	KShs
As at 1 st July	-12,065,594	-9,557,615
Surplus / (deficit) for the year	-4,430,442	-2,507,979
Total	-16,496,036	-12,065,594

18. Borrowings

Description	2024/2025	2023/2024
	KShs	KShs
Domestic Borrowings		
a. Balance at beginning of the year	2,930,956	2,264,750
b. Borrowing during the year	4,613,050	666,206
Balance at end of the year	7,544,006	2,930,956
Total Balance at end of the period c = a+b	7,544,006	2,930,956

Being loan from customer deposits.

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

19. Retirement Benefit Obligations

The entity also 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. . Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

20. Trade and Other Payables

	2024/2025	2123/2024
	Kshs	Kshs
Trade payables	8,633,307	15,710,559
Accrued expenses	0	0
Employee payables	2,832,242	3,727,407
Other payables	7,544,006	2,930,956
Total	19,009,555	22,368,922

Aging Analysis for Trade and other Payables

	2024/2025	% of the total	2023/2024	% of the total
Under one year	2,832,242	14.89%	6,232,331	27.86%
1-2 years	1,156,162	6.08%	2,277,270	10.18%
2-3 years	1,156,162	6.08%	3,986,592	17.82%
Over 3 years	13,864,989	72.95%	9,872,729	44.14%
Total	19,009,555		22,368,922	

21. Refundable Deposits and Prepayments

	2024/2025	2023/2024
	Kshs	Kshs
Customer deposits	9,490,395	9,490,395
Total	9,490,395	9,490,395

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Notes to the financial statements (continued)

Aging Analysis for Refundable Deposits and Prepayments

	2024/2025		% of the total	2023/2024	% of the total
Under one year	0		0	0	0
1-2 years	0		0	182,000	1.9%
2-3 years	182,000		1.9%	384,000	4.0%
Over 3 years	8,924,385		98.1%	8,924,385	94.1%
Total	9,490,395		100	9,490,395	100

22. Notes to The Statement of Cash Flows

	2024/2025	2023/2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(4,430,442)	(2,507,979)
Provision for bad and doubtful debts	3,149,938	2,662,029
Depreciation	537,276	643,494
(Increase)/decrease in trade and other receivables	(4,879,092)	(3,223,495)
Increase/(decrease) in trade and other payables	(3,359,367)	1,549,972
Increase/(decrease) in retirement benefit obligations	0	0
Increase/(decrease) in provision for staff leave pay	0	0
Cash generated from/ (used in) operation	-8,981,687	-875,979
(b) Analysis of changes in loans		
Balance at beginning of the year	2,930,956	2,264,750
Balance at end of the year	7,544,006	2,264,750
Cash generated from financing activities	4,613,050	
(c) Analysis of cash and cash equivalents		
Balance at the beginning of the year	6,812,992	
Short term deposits	0	0
Cash at bank	2,444,355	6,812,992
Cash in hand	0	0
Balance at end of the year	2,444,355	6,812,992

Notes to the financial statements (continued)

Other Disclosures

23. 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
- Tana Water works Agencies
- WASREB (Water Services Regulatory Board)
- WRA
- Water Sector Trust Fund

Transactions with related parties

	2024/2025	2023/2024
	Kshs	Kshs
a) expenses incurred on behalf of related parties		
WRA	439,704	439,704
WASREB	625,098	621,458
Payments of salaries and wages for 1 employees	180,000	180,000
Total	1,244,802	1,241,162
a) Key management compensation		
Directors' emoluments	241,430	106,135
Total	241,430	106,135

24. 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

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

Notes to the financial statements (continued)

(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:

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	28,349,445	-	-	-
Bank balances	2,444,355	-	-	-
Total	30,793,800	-	-	-
At 30 June 2024				
Trade Receivables	26,620,291	-	-	-
Bank balances	6,812,992	-	-	-
Total	33,433,283	-	-	-

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

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due.

Notes to the financial statements (continued)

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June previous year				
Trade payables	704,717	2,162,299	16,570,950	19,437,966
Current portion of borrowings	666,206	0	2,264,750	2,930,956
Total	1,370,923	2,162,299	18,835,700	22,368,922
At 30 June current year				
Trade payables	841,527	1,606,929	9,017,093	11,465,549
Current portion of borrowings	0	0	7,544,006	7,544,006
Total	841,527	1,606,929	16,561,099	19,009,555

(iii) Market risk

a) Foreign currency risk

The organisation is not exposed to foreign exchange risk since it does not have foreign currency transactions.

b) Interest rate risk

The organisation is not exposed to interest rate risk since it has no external borrowing.

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

c) Price risk

Notes to the financial statements (continued)

The organisation does not hold investment that would be subject to price risk hence there is no exposure to price risk.

iv) Capital Risk Management

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

	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve	19,436,994	19,436,994

25. Incorporation

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

26.

Currency

The financial statements are presented in Kenya shillings (KSHS).

27. Events After the Reporting Period

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

28. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolve / Not Resolve d)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Trade and other receivables				
1.1	Inaccurate	The company has a		Resolve	

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Provision for Bad and doubtful debts	approved finance manual to guide on provision for bad and daoubtful debts		d	
1.2	Long Outstanding Trade and other Receivables			In Progress	
2.	Liabilities				
2.1	Long Out Standing Borrowing	The company has comeup with a payment plan for debts owed		In-progress	
2.2	Long outstanding Trade and Other Payables	The company has comeup with a payment plan for debts owed		In progress	
3.	Property , plant and Equipment				
3.1	Lack of Fixed Asset Register			resolved	
3.2	Non-Valuation and Non-Disclosure of Property, Plant and Equipment	The offices are housed by the chief Kyeni North and Kyeni South. Motor cycles were donated by Tana Water Works but no official handing over of documents.The tanks are built on private and public lands.		resolved	
4.	Abandoned Rehabilitation at New Thuci Water Intake	The company will followup for quick completion by the county government of embu.		In progress	
5.	Non-Disclosure of Material Uncertainty on Sustainability of services			In progress	

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Irregular Water Billings			In progress	
1.1	Unapproved Un-Metered/Flatrate Billing	The company is in the process of preparing risk management policy and frame work.		In progress	
1.2	Billing of Water Using Expired Tariffs	The company is in the final stages of tariff application .		In progress	
1.3	Inative Weter connections			In progress	
1.4	Loss of Water (Non-Revenue Water)	Low flow due to major repairs lead to shotfalls in revenue		In progress	
2	Staff Costs				
2.1	Personnel Costs Above Industrial Sector Benchmark			In progress	
2.2	Non-Adherence to the Third Gender Rule	The company will ensure compliance in gender composition rule in all its future engagements		In progress	
2.3	Lack of Approved Staff Establishment	The company as a draft staff establishment awaiting board approval		In progress	
2.4	Non-Compliance with One third basic Salary Rule			Resolved	
2.5	Late Remittance of Statutory Deductions			Resolved	

General Manager
Mr Eric Munene



27th August 2025

Chairman of the Board
mr. Erasmus Kithinji



27th August 2025

KYENI WATER AND SEWERAGE COMPANY LTD
Annual Reports and Financial Statements
For the year ended June 30 2025

Appendix II: Maintenance Expenses

	balance b/f july 2024	adjustments	accrued 2024- 2025	payments	2,025
Strategic plan	331,600		0	20,000	311,600
knao	1,866,442	1,766,442	50,000		150,000
internal borrowing	2,930,956		4,613,050		7,544,006
TAX	2,945,910	2,945,910	353,326		353,326
salary					-
Jun-23	860,391		841,527	860,391	841,527
May-23	770,865		815,084	770,865	815,084
Apr-23	695,717		791,845	695,717	791,845
Mar-23	695,717		383,786	695,717	383,786
Feb -24	704,717			704,717	
audit provision	393,410	393,410	50,000		50,000
sub total	11,424,342		7,898,618	3,747,407	11,241,174
Fee Expenses					
twsb	4,589,712				
wasreb	3,215,427	636,128	625,098		4,476,653
warma	2,233,058		439,704		2,672,762
forest	135,000		45,000		208,800
sub total	10,173,196	-	1,109,802		7,358,215
TOTAL	22,368,922		9,008,420	3,747,407	18,599,390