

REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

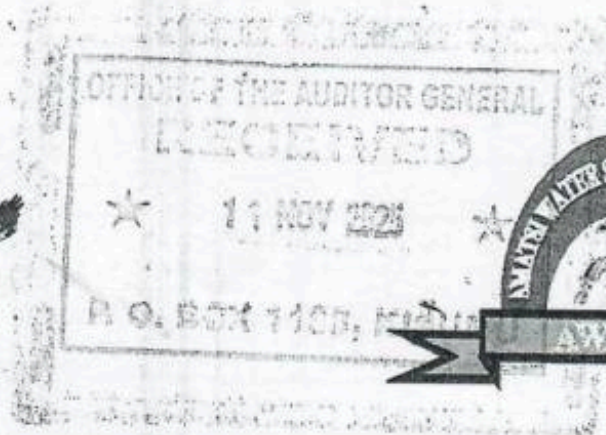
OF

THE AUDITOR-GENERAL

ON

**AMATSI WATER SERVICES COMPANY
LIMITED**

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



AMATSI WATER SERVICES COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

Amatsi Water Services Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

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Amatsi Water Services Company Ltd
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Company Secretary

The county Attorney
County Government of Vihiga
County Headquarters
P.O. Box 344-50300
Maragoli, Kenya.

Registered Office.

Amatsi Water Services Company Limited.
Mbale-Kegoye Road
P.O. Box 740-50300
Maragoli, Kenya

Corporate Headquarters

Amatsi Water Services Company Limited.
Mbale-Kegoye Road
P.O. Box 740-50300
Maragoli, Kenya

Corporate Contacts

Telephone: (254)799945300
E-mail: amatsiwaterco@gmail.com
Website: www.amastiwater.co.ke

Corporate Bankers

i)Kenya Commercial Bank

Mbale Branch
P.o Box344-50300
Maragoli

ii)Co-operative Bank

Mbale Branch
P.o Box 960-50300
Maragoli

iii)Equity Bank

Mbale Branch
P.o Box344-50300
Maragoli

iv)Safaricom Kenya Limited

Pay bill No. 803783

Amatsi Water Services Company Ltd

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

Independent Auditor

Auditor General

The Office of the Auditor General

University Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi, Kenya

Principal Legal Adviser

The County Attorney

County Government of Vihiga

P.O. Box 344-50300

Karagoli, Kenya

3. The Board of Directors

Directors	Designation	Details
Mrs. Josphine Vijehe Nyambasi 	Chairperson of the Board	Date of appointment: 5/5/2021 Gender: Female Qualifications Bachelor of Development Studies Diploma in ICT Work Experience Over 30 years in administration
Mr. Wycliffe Imende Obuhuma 	Chairperson- Finance, HR, Legal and Administration Committee	Date of appointment: 5/5/2021 Gender: Male Qualifications Bachelor of Education Work Experience Over 30 years in Education Sector rose through the ranks to School Principal.
Dr. Kati Omula Robert 	Chairperson- Technical & Audit Committee	Date of appointment: 5/5/2021 Gender: Male Qualifications -Doctorate Degree in Philosophy-Pedology (Mathematics) -Bachelor of Education Science Work Experience Over 20 years in the education sector. Currently a lecturer at Kibabii University.
Dr. Noel Malanda 	Chief Officer Water and Sanitation Vihiga County	Date of appointment: 1/7/2024 Gender: Female Qualifications -Doctorate Degree in Philosophy-(Education Psychology) Work Experience Over 20 years working experience

ent: 5/5/2021	CPA. James Atemba 	Chief Officer Finance Department Vihiga County	Date of appointment: 1/7/2024 Gender: Male Qualifications: MBA (Finance), BBA (Accounting) & ICPAK Member Work Experience Over 10 years working experience
ent: 5/5/2021	Mr. Tom Musungu 	Director – Representative of LVNWWDA	Date of appointment: 1/11/2022 Gender: Male Qualifications -Masters of Business Administration (Marketing) -Bachelor of Sociology and Geography. Work Experience Over 20 years workings experience in Public Sector, currently the Chief Manager Corporate Services at LVNWWDA
ent: 5/5/2021	CPA. Edwin Bukweye 	Managing Director	Date of appointment: Gender: Male Qualifications MBA Finance -B.Com. Accounting Option -CPA-K. Work Experience Over 15 years working in the Water Sector.
1/7/2024	Aresa 	Board Secretary	Date of appointment: 1/7/2024 Gender: Female Qualifications Advocate of the High Court of Kenya Work Experience 3 years working experience in the Public Sector

Amatsi Water Services Company Ltd
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4. Key Management Team

NAME	POSITION	QUALIFICATION
C.P.A Edwin Bukweye 	Managing Director	Qualifications -MBA Finance -B.Com. Accounting Option -CPA-K. Work Experience Over 15 years working in the W Sector.
Mr. Naftali Agalomba 	Technical Manager	Qualifications -Higher National Diploma- Water Engineering -Diploma in Water Technology Work Experience Over 25 years working experience
C.P.A Aggrey Musindalo 	Commercial and Finance Manager	Qualifications -B.Com. Accounting Option -CPA-K. Work Experience -Over 20 years working in the Public Finance

5. Chairman's Statement

It has been an honour and privilege to serve Amatsi Water Services Company Ltd and witnessed its transition into Vihiga Water & Sanitation Company. As a Board, we are proud of the transformative leadership we offered tirelessly to change the position of the company since our appointment in the year 2022 until when our term expired in 2025. We can proudly say that the company has gradually improved on its technical and Commercial viability.

Notably, there are milestones achieved during the financial year under review. This has been made possible with the support of the entire AWASCO staff, the County Government of Vihiga, development partners, and other stakeholders. Some of the Board's milestones achieved include, but are not limited to the following: -

Key performance Indicators	Year 2025	Year 2021
1. Water coverage within the area of jurisdiction %	7%	3%
2. Water quality %	>95%	90%
3. Metering Ration %	100%	55%
4. Total Number of registered water connections %	12,598	8,500
5. Billing for water services (Kshs)	>10M	5M
6. Non-Revenue Water %	42%	55%
7. Revenue collection efficiency %	>80%	68%
Other milestones		
1. Improvement of staff working environment and staff salaries and allowances.		
2. Acquisition of 4 motor bikes to improve on mobility		
3. Digitization of meter reading through acquisition of mobile phones.		
4. Improvement on automation level through procurement of hardware and software (computers) for HQ staff and those at scheme level.		
5. Renewal of Water Tariff as approved by WASREB		
6. Spearheading the process of Operation Operations License which is currently underway at WASREB.		
7. Improved internal controls after hiring of competent staff in the commercial department. (Internal Audit Officer and Commercial and Finance Manager as a recommendation of the Senate.		
8. Improvement in the Commercial and Technical viability of the company after the recruitment of a competent managing		

Amatsi Water Services Company Ltd

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

	Director who understands the Vision and Mission of the organization as a recommendation of the Senate.		
9.	Renovation and extension of office block for AWASCO HQ staff at Mbale town which has improved the company image and ease of doing business.		

Finally, on behalf of AWASCO Board, I wish to extend our gratitude to the County Government Vihiga, regulators, partners, clients and staff for the immense cooperation and team work that saw the Company maintain a positive growth trajectory amidst various challenges during the year under review. God bless the Company, God bless Vihiga County, God bless Kenya



Mrs. Josephine Nyambasi,
Chairperson-AWASCO Board.

Amatsi Water Services Company Ltd

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

6. Report Of the Managing Director

It is my obligation to present to you the business performance highlights for the year ended 30th June 2025 and give insights into key areas of our operations that underlie the reported financial performance.

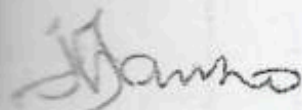
Implementation of the revised approved tariff	The Company successfully implemented the revised tariff by WASREB.	A reviewed tariff will improve the cost coverage levels of the Company's operations
Reduction of deficit	In the financial year 2024/2025 the Company reduced the deficit from Kshs 17,981,276 to Kshs 7,857,901	The reduction in deficit is an indicator of improved company performance.
Approval of the Procurement Plan	Management ensured approval and implementation of the Procurement Plan during the entire period.	This led to compliance with the PPOA regulations and prudent Financial Management.
Approval of the Annual Budget Estimates	Management ensured approval and implementation of the Annual Budget Estimates during the entire period.	This led to compliance with the Public Finance Act 2012 and prudent Financial Management.
Gross income	In the FY2024/2025 the management reported a gross income of Kshs. 163,061,997, which was an increase from the FY2024/2025 performance by Kshs 108,942,939, a 66% increase attributed to enhanced billing strategies.	Availability of funds to cater for operations.
Billing and collection efficiency	The current year billing stood at Kshs 113,507,591 M against the preceding financial year of Kshs 66,312,291. An increase of Kshs 47,195,300. The average revenue collection efficiency was 58%	The increase in billing was as a result of enhanced billing strategies.

Conclusion

On behalf of management, I wish to thank the Board of Directors of Amatsi Water Services Company for its prudence, guidance, and direction to the business and employees. I wish to express my appreciation to the entire staff for their dedication and support to the Company and its processes.

I would also like to express my gratitude to our trade customers and suppliers for their steadfast support of the Company. By continuing to work together as one team, we will make AWASCO a true leader and benchmark in Kenya's water sector.

Yours faithfully,



CPA Edwin Bukweye,

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

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

Amatsi Water Services Company Limited has 8 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021/22- FY 2026/27. These strategic pillars/ themes/ issues are as follows:

- i. Enhanced and sustainable quality water resources, production and storage
- ii. Optimized transmission and equitable distribution of quality water
- iii. Reduction of Non-Revenue Water
- iv. Waste water management
- v. Revenue growth and customer loyalty
- vi. Financial stewardship
- vii. Human resource management
- viii. Brand equity and institutional strengthening

Amatsi water and Sanitation Company Ltd develops its annual work plans based on the above pillars/themes/issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

B. Corporate Governance Statement

Corporate governance is the process and structure by which companies are directed, controlled, and held accountable in order to achieve long-term value to stakeholders.

For effective governance, the board recognizes that even though it has delegated the daily running of the business to the management team, the board is ultimately and fully responsible for the way the company is managed. The board is therefore actively engaged in leading the company and is confident that there is an effective system of corporate governance in place.

The board of directors of Amatsi Water Services Company Ltd is responsible for the governance of the company and is accountable to the shareholders and stakeholders in ensuring that the company complies with the laws and highest standards of business ethics and corporate governance. Accordingly, the board attaches high importance to generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance.

Board of Directors

The roles and functions of the Chairman and the Managing Director are distinct, and their respective responsibilities are clearly defined. The board is comprised of eight (8) directors, four (4) of whom are non-executive directors, including the Chairman. Alternate directors from the parent ministry (Water, Environment and Natural Resources) and the county treasury also sit on the board.

The board defines the company's strategies, objectives, and values and ensures that procedures and practices are set in place to ensure effective control over strategic financial, operational and compliance issues. The directors bring a wealth of experience and knowledge in various fields of expertise.

Except for direction and guidance on general policy, the board delegates authority of its day-to-day business to management through the managing director. The board is nonetheless responsible for the stewardship of the company and assumes responsibilities for effective control over the company.

Board Meetings

The board holds meetings on a quarterly basis, while special meetings are called when it is deemed necessary to do so in order to handle a backlog or an urgent matter that cannot otherwise await a normal board meeting.

Committees of the Board

The board has set up the following board committees, which meet under well-defined terms of reference set by the board. This is intended to facilitate efficient decision-making of the board in the discharge of its mandate and obligations.

(i) Audit and Risk Committee

The board audit committee, by extension, is mandated to ensure the fulfillment of corporate governance practices as outlined in the Mwongozo code of governance for Companies. The members of the committee are: -

- Dr. Robert Kati - Chairperson
- Mr. Wycliffe Obuhuma - Member
- Dr. Noel Malanda - Member

(ii) Finance, HR, Admin and Legal Committee

The committee assists the board in fulfilling its oversight responsibilities relating to the company's finance, procurement, investment strategies, monitoring project implementation, and related activities. The members of the committee are: -

- Mr. Wycliff Obuhuma - Chairperson
- Mr. Tom Musungu - Member
- CPA. James Atemba - Member

(iii) Technical Committee

The committee assists the board in fulfilling its oversight activities such as non-revenue water management, water quality, monitor production, network expansion and maintenance and related activities. The members of the committee are: -

- Dr. Robert Kati - Chairperson
- Mr. Tom Musungu - Member
- Dr. Noel Malanda - Member

Amstel Water Services Company Ltd

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

A. Management Discussion and Analysis

Net Profit (Loss) for 2024/2025

Description	2024/2025	2023/2024	Decrease (Kshs)
Net Profit (Loss) Kshs	(7,857,901)	(17,981,276)	10,123,375

Description	2025/2024 (Kshs)	2024/2023 (Kshs)	Growth (Kshs)
Revenue	163,287,881	103,332,589	59,955,295

10. Environmental And Sustainability Reporting

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

i) Sustainability strategy and profile -

An effective external monitoring system is necessary for directors and the core management team in order to ensure that sustainable development policies, objectives, and management systems are appropriate for the complex and rapidly changing world in which their business operates. AWASCO gathers information on key subjects, including: -

- New and proposed legislation
- Industry practices and standards
- Community and special interest group policies and activities
- Technical developments, such as new process technologies.

ii) Environmental performance

AWASCO developed an Environmental Policy which contains laws and policies addressing water and air pollution, chemical and oil spills, smog, drinking water quality, land conservation and management, and wildlife protection.

iii) Employee welfare

AWASCO has a Human Resource Policy that guides the hiring process and whether the company takes into account the gender ratio, stakeholders' engagements, and the company usually has an annual salary increment to improve the welfare of its employees. The company has an annual training plan to improve skills and manage the careers of its employees. Annual appraisal is done and the company rewards employees who have shown great improvement. The company is currently drafting a policy on safety and compliance with the Occupational Safety and Health Act 2007 (OSHA)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The Company focuses on recruiting the right personnel, providing training to enhance their skills, and retaining them through a competitive reward system aimed at curbing issues such as corruption. Employees are encouraged to maintain political neutrality, and we uphold fair competition by respecting our competitors—including water vendors and bowser operators—while ensuring that water is sold and distributed at fair and reasonable prices.

b) Responsible Supply chain and supplier relations

The company maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

AWASCO gives the market products that are of high quality and increased publicity that meet the standards set by various regulatory bodies. The company endeavours to reduce customer response time to complaints.

Product Stewardship

AWASCO endeavours to use water in a way that is socially equitable, environmentally sustainable and economically beneficial. This is achieved through a stakeholder-inclusive process that involves site and commitment-based action.

Corporate Social Responsibility / Community Engagements

Community engagement is one of the key pillars of corporate social responsibility (CSR), alongside the concern with the workplace, the marketplace, and the environment.

AWASCO will involve itself in community involvement by: -

- Support a local charity with financial contributions
- Sponsor a local event
- Organize clean-up events
- Volunteer in local schools or community projects

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 company's affairs.

i) Principal activities

The principal activities of the Company are to provide equitable access to safe and affordable drinking water, adequate and equitable sanitation and hygiene, and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations in Vihiga county.

ii) Results

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

iii) Dividends

The company has not declared dividends for the year ended 30 June 2025 because it did not make a surplus.

iv) Directors

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

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2025.

By Order of the Board

.....
Name **JUNE ARESA**
Company Secretary/Secretary to the Board
Date: **11TH NOVEMBER 2025**

Statement Of Directors' Responsibilities

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 as at the end of the financial year ended June 30, 2025.

The 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 the Public Finance Management Act 2012, Water Act 2016, and Companies Act 2015.

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of the 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.

Section 164 of the Public Finance Management Act, 2012, and Companies Act 2015- require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results

REPUBLIC OF KENYA

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P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON AMATSI WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Amatsi Water Services Company Limited set out on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and

Section 3.8 of the Corporate Governance Standards for the Water Services Sector (Water Services Regulatory Board), 2024.

- iii) During the year under review, the Board of Amatsi Water Services Company operated without a work plan. It was not clear how the board implemented its activities or plans during the year under review without a work plan contrary to Section 3.5.1 of the Corporate Governance Standards for the Water Services Sector (Water Services Regulatory Board), 2024 which directs that the board of directors must ensure that there is an annual work plan that shows on annual basis how it will implement its strategic plan.

In the circumstances, the accuracy and regularity of board expenses of Kshs.2,131,554 could not be confirmed.

2. Trade and Other Receivables

The statement of financial position and as disclosed in Note 19 to the financial statements reflects trade and other receivables balance of Kshs.96,110,958. Review of ledgers and supporting documentation revealed the following anomalies:

- i. Included in this balance is trade receivables balance totaling to Kshs.64,359,671.32 or 65% of the total trade receivables that was outstanding for more than three sixty-five (365) days. Management did not provide documentary evidence in form of correspondences with the customers indicating efforts made to recover the outstanding amounts from debtors.
- ii. The Company did not maintain an updated receivables' ledger that reflects opening balances, amount accrued during the year, payments received and balances carried forward.
- iii. Included in the trade and other receivables balance of Kshs.96,110,958 is Kshs.1,025,192.75 in respect to debit balances in the ledger that should ideally be classified as prepayments. However, the management has offset this debit against the gross receivables which is contrary to IAS 32.42, which provides that an entity shall not offset assets and liabilities or income and expenses.
- iv. Management provided for doubtful debts totaling to Kshs.3,217,984; resulting to net trade receivables of Kshs.96,110,958. However, a schedule to show how the provisions were arrived at was not provided for audit review.

In the circumstances, the accuracy, completeness and recoverability of the trade receivables balance of Kshs.96,110,958 could not be confirmed.

4. Long Outstanding Payables

The statement of financial position and as disclosed in Note 25 to the financial statements reflects trade and other payables balance of Kshs.93,060,738. Review of documents provided for audit, revealed that payables totaling Kshs.19,612,132 have remained outstanding for a period of more than three years without settlement. The management did not explain why the pending amounts were not treated as first charge during the 2024/2025 financial year. This was contrary to The National Treasury Circular No.10/2020 dated 16 June, 2020 on prioritization of accounts payables.

It was also noted that the payables were not separated into current and non-current payables as per the aging analysis which revealed current payables of Kshs.40,556,733 and non-current payables of Kshs.52,504,005.

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

5. Unsupported Refundable Deposits

The statement of financial position and as disclosed in Note 26 to the financial statement reflects refundable deposits and prepayments balance of Kshs.18,016,175. Review of ledgers and other supporting documents revealed the following concerns:

- i. The customer deposit bank statement reflects an opening balance of Kshs.441,595 which is at variance with customer's deposits opening balance as at 1 July, 2024 of Kshs.14,179,462 resulting to an unreconciled variance of Kshs.13,737,867.
- ii. Similarly, the customer deposit balance as at 30 June 2025 of Kshs.16,990,982 is at variance with the bank statement balance of Kshs.900,406.85 resulting to a variance of Kshs.16,090,575.15

In the circumstances, the accuracy and completeness of refundable deposits and prepayments balance of Kshs.18,016,175 could not be confirmed.

6. Non-Revenue Water

Review of water production and consumption records revealed that the Company produced 2,551,161 cubic meters of water valued at approximately Kshs.229,604,490 but only billed 1,433,843 cubic meters approximately valued at Kshs.100,173,600. This resulted into a loss of 1,117,318 cubic meters valued at Kshs.89,184,536 or 44% of total production. This is over and above the allowable loss of 25% as provided by schedule E of Water Services Regulatory Board (WASREB) guidelines.

In the circumstances, the Company is likely to continue incurring huge financial losses in future for failure to collect revenue accruing from the unaccounted-for water.

7. Property, Plant and Equipment

The statement of financial position and as disclosed in Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.24,601,139. However, the following anomalies were noted:

- i) In Note 16 to the financial statements, land had nil net book value yet the company owned land in Maseno, Mbale, Chango, Vihiga and Sosian. Further, ownership documents for the lands were not provided for audit review.
- ii) In Note 16 to the financial statements, buildings also had nil net book value, yet there were buildings in all the stated locations.
- iii) Ownership documents with respect to 500 solar panels in Maseno and a soda ash and aluminum sulphate reagent house in Maseno were not provided for audit review.

In the circumstances, accuracy, completeness, ownership and valuation assertions with regards to the Property, Plant and Equipment could not be confirmed.

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

Emphasis of Matter

Budget Control and Performance

The statement of comparison of budget and actual amounts reflects a final budget and actual receipts on a comparable basis of Kshs.223,573,663 and Kshs.163,287,881 respectively. Similarly, the Company recorded expenditure of Kshs.167,739,522 against an expenditure budget of Kshs.201,389,389 resulting in an under-absorption of Kshs.33,649,867 or 27% of the approved budget.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal controls, Risk management and governance. However, Management had not resolved the issues as at 30 June, 2025 as detailed in **Appendix 1**.

Other Information

The Management is responsible for the other information set out on page iii to xxi which comprise of the Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors 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, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Employees in Acting Capacity Beyond the Stipulated Period

Review of the human resource records revealed that Management paid Kshs.553,086 as acting allowances to seven (7) members of staff who have been in acting positions for more than six (6) months. This was in contravention of paragraph C.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires that when an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary and that acting allowance will not be payable to an officer for more than six (6) months.

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

2. Non-Compliance with Quarterly Financial Reporting

Amatsi Water Services Company Ltd. failed to prepare and submit quarterly financial reports to the County Treasury and the Office of the Auditor General contrary to Regulation 64 (1 and 4) of the Public Finance Management (County Government) Regulations, 2015.

Consequently, Management was in breach of the law.

3. Non- Compliance with Law on Ethnic Composition

Review of human resource documents revealed that the Company had seventy seven (77) employees during the year, out of which seventy four (74) or approximately ninety-

six percent (96%) were from the dominant community contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

4. Failure to Observe Reservations in Employment

Documentation provided for audit review revealed that there is a total of seventy-seven (77) employees out of which, only two (2) are persons with disabilities; representing 2.6% of the total population; contrary to Section 13 of the Persons with Disabilities Act which requires the Council to secure the reservation of five per cent (5%) of all casual, emergency and contractual positions in employment in the public and private sectors for persons with disabilities. In addition, out of the two (2) persons with disabilities, none is female; hence no gender balance.

5. Lack of Climate Change Unit

Review of climate change financing during the year under review revealed the following:

- i. There was no designated unit with adequate staff and financial resources to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions and mandates into sectoral strategies for implementation;
- ii. There was no integration of the climate change action plan into sectoral strategies and action plans.

This is contrary to Section (5)(a) and (c) of the Climate Change Act, 2023 which requires each entity to integrate the climate change action plan into sectoral strategies, action plans and other implementation projections for the assigned legislative and policy functions; and designate a unit with adequate staff and financial resources and appoint a senior officer as head of the unit to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions and mandates into sectoral strategies for implementation.

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

6. Non-Compliance with Public Procurement Capacity Building Levy

Management of Amatsi Water Services Company Limited did not remit 0.03% Capacity Building Levy to the Public Procurement Regulatory Authority for all contracts during the year contrary to Section 3(1) of the Public Procurement Capacity Building Levy Order, 2023 which requires that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and the 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 the circumstances, Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Incomplete Billing Records

Review of the registered customers database indicated that Amatsi Water Company had a customer base of 12,161 customers. However, the following concerns were noted:

- i. Management did not maintain a physical/digital stock register of all inactive/disconnected meters to show meters returned to store, reissued, vandalized, or those held in store after disconnection/termination, thereby making it difficult to ascertain the exact number of active customers.
- ii. Five hundred and forty-four customers (544) customers lacked mobile phones, yet billings were conducted exclusively through a mobile application known as Maji Soft and the management did not provide an alternative billing mechanism for customers without mobile phones.
- iii. There is partial integration between the billing system and the payment system where only M-PESA transactions could be traced to the system. Bank payments were manually reconciled between the billing report and payments report for individual customers in order to determine their outstanding balances, which may be prone to errors.

Lack of key information and records is a matter of concern given that Amatsi Water Services Company Limited is not realizing its full revenue potential which may lead to cashflow issues and affect the entity's operational capacity due to unbilled or uncollected amounts from inactive and customers without mobile numbers.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- 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 Report of the Directors on page xviii is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 23 has been properly prepared in accordance with the Companies Act, 2015.

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

Responsibilities of the Management and 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

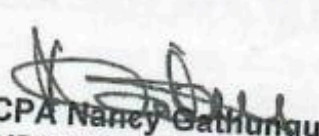
Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and 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

02 December, 2025

Appendix 1: Unresolved Prior Year Matters

In the audit report of the previous year, the following issues were raised and Management had not resolved the issues as at 30 June, 2025:

	Financial Year	Audit Issue
1	2023/2024	Inaccuracies of the Financial Statements
2	2023/2024	Inconsistencies in Explanatory Notes
3	2023/2024	Variances in the Statement of Comparison of Budget and Actual Amounts
4	2023/2024	Unsupported Prior Year Adjustments
5	2023/2024	Grants Income
6	2023/2024	Unsupported Compensation of Employees' Expenditure
7	2023/2024	Unreconciled Trade Receivables
8	2023/2024	Receivables with Debit Balances
9	2023/2024	Long Outstanding Trade Receivables
10	2023/2024	Unsupported Bank Balances
11	2023/2024	Unsupported Refundable Deposits
12	2023/2024	Long Outstanding Payables
13	2023/2024	Non-Revenue Water
14	2023/2024	Budgetary Control and Performance
15	2023/2024	Non-Compliance with Affirmative Action on Gender, Ethnicity and Regional Distribution.
16	2023/2024	Land Without Ownership Documents
17	2023/2024	Lack of a Risk Management Policy
18	2023/2024	Unauthorized Expenditure
19	2023/2024	Employees Acting Capacity Beyond Stipulated Period
20	2023/2024	Non-Remittance of Gratuity
21	2023/2024	Unsupported Procurement of Motor Cycles
22	2023/2024	Cash Procurements Beyond Allowable Limit
23	2023/2024	Partial Integration of Revenue System
24	2023/2024	Failure to Maintain Water Meters Register
25	2023/2024	Lack of Updated and Complete Asset Register
26	2023/2024	Lack of it Steering Committee

Amatsi Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2025

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

	Note	2024 / 2025	2023 / 2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	113,507,591	66,312,291
Grants Income	7	49,190,790	34,992,398
Other Income	8	589,500	2,027,900
Total Revenue		163,287,881	103,332,589
Expenses			
Staff Costs	9	57,000,984	44,285,059
General and Operations Expenses	10	86,164,037	63,951,837
Board Expenses	11	2,131,554	2,635,715
Maintenance Expenses	12	22,442,947	9,269,502
Depreciation and Amortization Expenses	13	3,406,260	1,171,753
Total Expenses		171,145,782	121,313,865
Profit (Loss) Before Taxation		(7,857,901)	(17,981,276)
Other Comprehensive Income			
Profit (Loss) After Taxation		(7,857,901)	(17,981,276)
Surplus or deficit on revaluation of PPE		-	-
Remeasurement of net defined benefit liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
Total Comprehensive Income for The Year		(7,857,901)	(17,981,276)

Amatsi Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement Of Financial Position As at 30 June 2025

	Note	2024 / 2025	2023 / 2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	16	24,601,139	22,445,386
Intangible assets	17	2,172,022	2,413,358
Total non-current assets		26,773,161	24,858,744
Current assets			
Inventories	18	13,283,171	14,403,169
Trade and receivable	19	96,110,958	93,061,861
Bank and cash balances	20	2,268,623	2,495,078
Total non-current assets		111,662,752	109,960,108
Total Assets		138,435,913	134,818,852
Equity and liabilities			
Capital and Reserves			
Ordinary share capital		129,400	129,400
Capital development fund		25,101,623	25,101,623
Reserve fund		3,000,000	3,000,000
Retained earnings		(872,023)	6,985,878
Capital and Reserves		27,359,000	35,216,901
Non-current liabilities			
Trade and other payables	25	93,060,738	82,527,010
Refundable deposits and Prepayments	26	18,016,175	14,179,462
Deferred income(provisions)		-	2,895,479
Total current Liabilities		111,076,913	99,601,951
Total Equity and Liabilities		138,435,913	134,818,852

The financial statements were approved by the Board on 10th November 2025 and signed on behalf by:

.....
Name Edwin Bukweye
Managing Director

.....
Name AGARET MRSINDO
Head of Finance
ICPAK M/No. 120219

.....
Name for the Board
Chairman of the Board

212219

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

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Reserve Fund	Capital/Development Fund	Total
As at July 1, 2023		129,400	-	-	24,967,154	-	25,101,623	50,198,177
Profit/ (Loss) for the year		-	-	-	(17,981,276)	-	-	(17,981,276)
Capital/Development grants received during the year		-	-	-	-	3,000,000	-	3,000,000
As at June 30, 2024		129,400	-	-	31,550,761	3,000,000	25,101,623	35,216,901
As at July 1, 2024		129,400	-	-	31,550,761	3,000,000	25,101,623	35,216,901
Prior Year Adjustment		-	-	-	(24,564,883)	-	-	-
Issue of new share capital		-	-	-	-	-	-	-
Profit (Loss) for the year		-	-	-	(7,857,901)	-	-	(7,857,901)
Capital/Development grants received during the year		-	-	-	-	-	-	-
At June 30, 2025		129,400	-	-	(872,023)	3,000,000	25,101,623	27,359,000

Note:

Retained earnings in FY 2023/2024 was overcast by Kshs.24,564,883 which commensurately affected the receivables by the same Kshs 24,564,883.

Amatsi Water Services Company Ltd
Annual Report 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	
Cash Flows from Operating Activities			
Receipts			
Operating Receipts			
Grants Income	6	113,507,591	66,300,000
Other Income	7		40,600,000
Customer Deposits	8	300,000	2,000,000
Total Receipts		2,337,620	108,900,000
Payments			
Staff Costs			
General And Operation Expenses	9	57,000,984	44,280,000
Board Expenses	10	35,878,123	44,000,000
Maintenance Expenses	11	2,131,554	2,630,000
	12	20,145,195	9,269,000
Total Payments		115,155,856	100,190,000
Net Cash From/ (Used In) Operating Activities	27	989,355	8,747,000
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	16	(1,215,810)	(7,952,000)
Purchase Of Intangible Assets			-
Purchase Of Investment Property		(-)	(-)
Net Cash From/ (Used In) Investing Activities		(1,215,810)	(7,952,000)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital			-
Development Grant			-
Net Cash From/(Used In) Financing Activities			-
Increase/(Decrease) In Cash and Cash Equivalents		(226,455)	795,480
Cash And Cash Equivalents At Beginning of Year			
Effects Of Foreign Exchanges Rate Fluctuations		2,495,078	1,699,590
Cash And Cash Equivalents At End of the Year		2,268,623	2,495,078

Annual Financial Statement for the year ended June 30, 2023
 18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs a	Kshs b	Kshs C=a+b	Kshs D	Kshs e=d-d	f=d/e %
Budget carryovers from the previous year*	-	-	-	-	-	-
Receipts						
Operating Revenue	121,968,845	22,129,095	144,097,940	113,507,591	30,590,349	78.77%
Non-Operating Revenue	-	-	-	-	-	-
Grants	167,350,000	(99,984,277)	67,365,723	49,190,790	18,174,933	73.02%
Finance Income	-	-	-	-	-	-
Other gains	15,110,000	(3,000,000)	12,110,000	589,500	11,520,500	4.87%
Total Receipts	304,428,845	(80,855,182)	223,573,663	163,287,881	60,285,782	73.04%
Payments						
Staff Costs	57,058,348	(883,547)	56,174,801	57,000,984	(98,874)	101.47%
Board Expenses	4,798,450	-	4,798,450	2,131,554	2,666,896	44.42%
General and Operations Expenses	137,300,234	(17,584,096)	119,716,138	86,164,037	33,552,101	71.97%
Maintenance	43,100,000	(22,400,000)	20,700,000	22,442,947	(1,742,947)	108.42%
Finance costs	-	-	-	-	-	-
Total Payment	242,257,032	(10,867,643)	231,389,389	167,739,522	63,649,867	83.29%
Capital Expenditure Payments	52,600,000	(32,950,000)	19,650,000	5,320,677	14,329,323	27.08%
Surplus/deficit	9,571,813	(72,937,539)	2,534,274	(9,772,318)		

Amatsi Water Services Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025
(Budget Reconciliation)

Description of Particulars		Amount (Kshs)
Actual Surplus Amounts as per the statement of Budget		
1	Depreciation and Amortization	(9,772,318)
2	Timing Difference	3,406,260
	Closing Cash and Cash Equivalent as per the statement of Cash flows	8,634,681
		2,268,623

The timing difference arises from the variance between our billing cycle which runs from 15th of every month and not by the calendar month

Amatsi Water Services Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

Notes To the Financial Statements

1. General Information

Amatsi Water Company Ltd is established by and derives its authority and accountability from the Water Act 2016. The Company is wholly owned by the Vihiga County Government and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services. In accordance with the 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 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 judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

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

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

Notes to the financial statements (continued)

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

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

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

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

Amatsi Water Services Company Ltd

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

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

	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

Early adoption of standards

Amatsi Water Services Company Ltd did not early-adopt any new or amended standards in the year under review.

Notes to the financial statements (continued)

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

b) In-kind contributions

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

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

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

Item	Years	Rates
Buildings and civil works	25	2%
Plant and machinery	12.5	10%
Motor vehicles, including motorcycles.	4	25%
Computers and related equipment	3	25%
Office equipment, furniture and fittings	12.5	10%

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized. [G6]

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset,

ensure the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise its purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

g) Biological Assets

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

D Fixed interest investments (bonds)

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

k) Quoted investments

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

l) Unquoted investments

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

m) Inventories

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

n) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on page xxx of this report.

o) Taxation

i) Current income tax

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

p) Deferred tax

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

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

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

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

q) Borrowing costs

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

r) Cash and cash equivalents

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

Restricted cash

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

s) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of transaction 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 costs and any discount or premium on settlement. Finance charges, including premiums payable on settlement and 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.

Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at their 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.

Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 20xx. 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. XXX per employee per month.

Provision for staff leave pay

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

Exchange rate differences

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

Budget information

The original budget for FY 20xx-20xx was approved by the Board of Directors on xxx. Subsequent variations or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of xxx on the 20xx-20xx budget following the governing body's approval. The Company's budget is prepared on a different basis than the actual income and expenditure disclosed in the financial statements. The financial statements

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prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the amounts as per the statement of Comprehensive income has been presented under section xxx of these financial statements.

y) Service concession arrangements

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

z) Comparative figures

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

aa) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx.

Notes to the financial statements (continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

Provisions

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

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

Notes to the financial statements (continues)

6. Operating Revenue

	2024 / 2025	2023 / 2024
	Kshs	Kshs
Water sales	100,739,125	61,071,125
Sewerage Services	8,868,466	5,241,125
Billing for other services*	3,900,000	
Total	113,507,591	66,312,250

Billing for other services refers to income generated from connection fees, water bowser sales

7. Grants Income

	2024 / 2025	2023 / 2024
	Kshs	Kshs
Operational grants from Government entities	47,158,771	34,303,771
Recurrent/operational grants from other agencies	2,032,019	6,299,250
Total	49,190,790	40,603,021

Operational grants from Government entities refer to the support the company receives from the government of Vihiga towards payment of electricity bills.

Recurrent/Operational grants from other agencies refer to grants received under UPC – Projects

8. Other Income

	2024 / 2025	2023 / 2024
	Kshs	Kshs
Fine and penalties	289,500	
Miscellaneous income (meter rent)	300,000	2,027,500
Total	589,500	2,027,500

Miscellaneous Income refers to compensation for pipeline damages

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Notes to the financial statements (continued)

2. Staff Costs

Description	2024 / 2025	2023 / 2024
	Kshs	Kshs
Gross Salary and Allowances	46,263,422	36,574,919
Casual Workers' Wages	3,909,624	3,914,480
Employer's contributions to social security schemes	2,729,365	1,277,201
Employer's contributions to pension scheme	1,434,581	1,249,939
Leave Pay	512,424	-
Gratuity provisions	1,408,330	1,268,520
Other allowances	743,238	-
Total	57,000,984	44,285,059
The average number of employees during the year	100	80

Other allowances refer to the Housing Levy

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Notes to the financial statements (continued).

10. General and Operations Expenses

Description	2024 / 2025	2023 / 2024
	Kshs	Kshs
Chemicals	5,500,250	5,330,000
Electricity	47,466,771	44,030,000
Fuel, oil, lubricants, and gases	2,293,202	1,400,000
Bulk Water Costs		
Office supplies		
Uniform and protective clothing	611,540	900,000
Telecommunication	890,032	
Postage and courier	262,227	80,000
Water and sewerage		
Insurance		
Rent and Rates		
Hire of Equipment and vehicles	48,000	30,000
Claims and compensation		
Domestic Traveling and Subsistence		
Foreign travel and accommodation	991,520	5,470,000
Staff training and development		
Bank Charges	982,500	1,000,000
Security services	180,575	150,000
Agency commissions	682,500	1,700,000
Publicity and advertising		
Audit fees	576,173	
Legal fees	272,600	270,000
Consultancy fees		
Licensing and levies		670,000
Sports and recreation	9,769,562	
Stakeholders' expenses		
Donations/CSR		1,050,000
Hospitality expenses		
Research and Development	417,863	
Conservation expenses		
Provision for doubtful debts		
Others (Specify)	3,217,984	
Total	86,164,037	63,950,000

WRA levies are estimated on previous year's invoices. WASREB inclusive is actual.

Others include general office expenses and electricity, staff year-end party, billing expenses, licensing, certification, subscription, penalties and interest, cross-cutting issues, enforcement, vacancies, promotions, and audit expenses

Notes to the financial statements (continued)

11. Board Expenses.

Description	2024 / 2025	2023 / 2024
	KShs	KShs
Chairman Honoraria	34,281	364,000
Sitting Allowances	1,554,400	1,880,315
Travel and Accommodation	585,800	391,400
Others	76,073	-
Total Board Expenses	2,131,554	2,635,715

Others include Board Retreat Meals.

12. Maintenance Expenses

Description	2024 / 2025	2023 / 2024
	KShs	KShs
Plant and Equipment	349,920	-
Buildings	2,297,750	-
Infrastructural networks	9,038,816	9,269,502
ICT (Information Communication Technology)	756,461	-
Total Maintenance Expenses	22,442,947	9,269,502

Plant and Equipment includes computer maintenance expenses

Infrastructural networks include repairs and maintenance, and operations and maintenance – Cheptulu Project

ICT (Information Communication Technology) includes Internet Expenses and ICT Expenses

Notes to the financial statements (continued)

13. Depreciation and Amortization Expenses

Description	2024 / 2025	2023 / 2024
	KShs	KShs
Property, plant, and equipment	3,164,924	903,602
Intangible assets	241,336	268,151
Total Depreciation and Amortization	3,406,260	1,171,753

14. Dividend Per Share

The earnings per share is calculated by dividing the profit after tax of the Company by the number of ordinary shares in issue during the year. There were not dilutive or potentially dilutive ordinary share as at the reporting date

15. Dividend Per Share

There were no proposed dividends.

10. Property, Plant and Equipment

Description	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including motorcycles	Computers & related equipment	Office equipment, furniture & fittings	WIP	Total
Depreciation rate	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2023	-	-	-	10,001,823	-	-	293,427	13,447,667	17,579,932
Additions	-	-	-	-	1,036,107	347,265	405,860	-	7,952,217
As at 30 th June 2024	-	-	-	10,001,823	1,036,107	347,265	699,287	13,447,667	25,532,149
Additions	-	-	-	309,800	-	1,068,540	921,423	3,020,914	5,320,677
Transfer to Water Sewer and Infrastructure	-	-	16,468,581	-	-	-	-	(16,468,581)	-
As at 30 th June 2025	-	-	16,468,581	10,311,623	1,036,107	1,415,805	1,620,710	-	30,852,826
Depreciation And Impairment	-	-	-	-	-	-	-	-	-
At 1 July 2024	-	-	-	2,761,188	129,513	34,727	161,335	-	3,086,763
Depreciation	-	-	1,646,858	755,044	226,649	353,951	182,422	-	3,164,924
As At 30 th June 2025	-	-	1,646,858	3,516,232	356,162	388,678	343,757	-	6,251,687
Net Book Value	-	-	-	-	-	-	-	-	-
As at 30 th June 2024	-	-	-	7,240,635	906,594	312,538	537,952	13,447,667	22,445,386
As at 30 th June 2025	-	-	14,821,723	6,795,391	679,945	1,027,127	1,276,953	-	24,601,139

Work in Progress completed and transferred to Water & Sewer Infrastructure

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Notes to the financial statements (continued)

19. Trade and Other Receivables

	2024 / 2025	2023
	KShs	KShs
Trade receivables (note (20a))	99,328,942	93,061,360
Deposits and prepayments		
VAT (Value Added Tax) recoverable		
Staff receivables (note 19 (c))		
Other receivables		
Gross trade and other receivables	99,328,942	93,061,360
Provision for bad and doubtful receivables	(6,217,984)	
Net trade and other receivables	96,110,958	93,061,360
Analysed as:		
Short- Term Trade and Other Receivables	11,666,262	8,072,000
Long- Term Trade and Other Receivables	84,444,696	84,989,360

19. (a) Trade Receivables

	2024 / 2025	2023
	KShs	KShs
Gross trade receivables	99,328,942	93,061,360
Provision for doubtful receivables	(3,217,984)	
Net trade receivables	96,110,958	93,061,360
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	5,766,184	3,467,000
Between 30 and 60 days	2,454,759	2,216,500
Between 61 and 90 days	3,445,319	2,390,400
Between 91 and 120 days	3,167,090	2,176,500
Over 120 days	84,295,589	82,810,960
Total	99,328,942	93,061,360

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Notes to the financial statements (continued)

20. Bank and Cash Balances

	2024 / 2025	2023
	KShs	KShs
Cash at bank	2,268,623	2,268,623
Cash in hand	2,268,623	2,268,623

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024 / 2025	2023
		KShs	KShs
Current account			
KCB - Revenue account	1110554516	305,300	305,300
KCB - Customer deposit account	1170433855	900,407	900,407
KCB - Water bowser	1170433928	31,090	31,090
Equity bank	0960279357402		
Cooperative bank	01141246255400	39,156	39,156
KCB- 8th call UPC Jeptulu project account	1302816268	690,428	690,428
Sub-total		1,966,381	1,966,381
Mobile money account	803783	302,242	302,242
Sub- total		302,242	302,242
Grand total		2,268,623	2,268,623

Notes to the financial statements (continued)

21. Ordinary Share Capital

	2024/2025	2023/2024
	Kshs	Kshs
Ordinary shares	100,000	100,000
Share premium	29,400	29,400
Total	129,400	129,400

One ordinary share valued at Kshs 20 (5000 @kshs 20) 100,000

	2024/2025	2023/2024
	Kshs	Kshs
Authorized:		
County Government of Vihiga	1,000	1,000
Department of environment water and natural resource (Vihiga County)	1	1
Department of finance and economic planning (Vihiga County)	1	1
Office of the County Secretary (Vihiga County)	1	1
Total	5,000	5,000

Company is fully owned by the County Government of Vihiga.

22. Revaluation Reserve

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

23. 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.

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Notes to the financial statements (continued)

24. Retained Earnings

The retained earnings represent amounts available for distribution to the Amatsi water Company Ltd shareholders. Undistributed retained earnings are utilised to finance the Company's business activities.

The Company also contributes to the statutory National Social Security Fund (NSSF). This is a 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. Other than NSSF, the Company also has a defined contribution scheme operated by County Pension Fund. Employees contribute 5% of basic salary while employers contribute 5% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

25. Trade and Other Payables

	2024 / 2025	2023 / 2024
	Kshs	Kshs
Trade payables	52,346,231	55,000,000
Accrued expenses	1,000,000	1,000,000
Employee payables	40,714,504	26,000,000
Other payables	1,000,000	1,000,000
Total	93,060,738	82,000,000

Aging Analysis for Trade and other Payables

	2024 / 2025	% of the total	2023 / 2024	% of the total
Under one year	40,556,733	43.58%	-	0%
1-2 years	32,424,342	34.84%	-	0%
2-3 years	10,983,915	11.80%	-	0%
Over 3 years	9,095,748	9.78%	-	0%
Total	93,060,738	100%	-	0%

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Notes to the financial statements (continued)

26. Refundable Deposits and Prepayments

	2024 / 2025	2023
	Kshs	Kshs
Customer deposits	16,990,982	13,895,000
Prepayments by customers	1,025,193	1,170,000
Retention/Contract deposits	-	880,000
Others (Specify)	-	-
Total	18,016,175	14,145,000

27. Notes to The Statement of Cash Flows

	2024 / 2025	2023
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(7,857,901)	(17,981,200)
Depreciation	3,164,924	903,800
Amortization	241,356	268,000
Operating profit/(loss) before working capital changes	(4,451,621)	(16,809,400)
Working capital changes:		
(Increase)/decrease in inventories	1,119,998	(2,221,400)
(Increase)/decrease in trade and other receivables	(3,049,097)	24,880,000
Increase/(decrease) in trade and other payables	11,474,962	(79,500,000)
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
		2,970,000
Cash generated from/ (used in) operation	5,094,222	8,740,000

Notes to the financial statements (continued)

Other Disclosures

28 Related Party Disclosures

County Government of Vihiga

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

Other related parties include:

- The County Department in charge of Water
- County Government of Vihiga
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WRA (Water Resources Authority)
- Water Sector Trust Fund
- Key management
- Board of directors
- Business Community

Transaction with related parties

	2024/2025	2023/2024
	Kshs	Kshs
Revenues from the Government		31,224,873
Revenues from County Government		-
Revenues from Donors WSTF		31,224,873
Total		
Key management compensation		2,635,715
Directors emoluments		-
Compensation to Managing Director		-
Compensation to key management (TM&CM)		2,635,715
Total		

Notes to the financial statements (continued)

29. Financial Risk Management

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

(i) Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings 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 on prior experience and their assessment of the current economic environment.

Credit Risk (Continued)

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

The board of directors sets the company's credit policies and objectives and lays down the framework 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. The company has built an appropriate liquidity risk management framework for the management of the Company's liquidity risk.

medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

Notes to the financial statements (continued)

b) Interest rate risk

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

30. Incorporation

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

31. Events After the Reporting Period

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

20. Appendices

Appendix 1: progress on follow up of auditor recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Inaccuracies of Financial Statements	There was casting error of original entry that will be adjusted in the subsequent financial statement preparation of 2024/2025 FY under prior year adjustments.	Resolved	During preparation of FS for FY 2024/2025
2.	Inconsistency in explanatory notes	The inconsistency noted by Auditor on the Financial Statements will be corrected by aligning the notes to statement of cash flow, financial position, profit or loss and other comprehensive income in subsequent financial statements preparation 2024/2025 FY 2024/2025 under prior year adjustments.	Resolved	During preparation of FS for FY 2024/2025
3.	Variances in the Statement of Comparison of Budget and Actual Amounts	Amatsi Water Services Company Ltd has been preparing its Financial Statements under accrual basis of accounting where in the comprehensive income we report revenue earned and not received. In the budget comparison we report on revenue received and revenues are recognized when bills are sent and not when	Resolved	During preparation of FS for FY 2024/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		collected. Expenses are recognized when an expense is incurred and not when its paid.		
4.	Unsupported, Prior Year Adjustments	The prior year adjustment refers to a loan initially received from Lake Victoria North water Works Development Agency Kshs.3,000,000 and the same was overstated by Kshs.751,839 and included under payables. The correction has been effected by passing a journal entry and the amount transferred to capital reserves.	Resolved	2024-2025
13.	Grants income	The relevant documents supporting were provided for verification following the issue of management letter.	Resolved	2024-2025
14.	Unsupported compensation of employees	The list of beneficiaries entitled to gratuity was provided for verification	Resolved	2024-2025
15.	Unreconciled trade receivables	Data collection and customer details verification is currently being implemented to ascertain the actual number of customers in our data base which will eventually form the basis for data clean up in the current billing system.	Ongoing	Continuous
16.	Receivables with debit balances	Management is considering the replacement of the existing billing system which has gaps in reporting.	Ongoing	2025-2026

Name Edwin Burkner

Managing Director

Date...10/11/2025...

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Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in the financial statements (Yes/No)
1						
2						

There were no projects funded by development partners.

Status of Projects completion

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

	Project	Total project Cost	Total expended to-date	Completion % to date	Budget	Actual	Source of Funds
1							
2							
3							

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Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
There was no climate relevant expenditure									

Appendix V: Reporting Disaster Management Expenditure

Date: _____						
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Ksh s.)	Comments
There was no disaster related activity that required expenditure reporting						

(Attach forms from each transferring Government entity.)

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Appendix VI: Recording of Transfers from Other Government Entities

Name of the County MPAs Donor Transferring the fund	Date received or other document	Nature Recurrent Development Others	Fund Allocation KES	Statement of Compreh ensive Income	Where Recorded/recognized					Other Notes must be speci fic
					Capital Expend iture	Debt Expend iture	Receivab les			
Ministry/Coun ty department of Water	-	Recurrent	-	-	-	-	-	-	-	-
Ministry/Coun ty Department of water.	-	Development	-	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-	-
name of Development partner/Count y department etc.	-	Direct Payment	-	-	-	-	-	-	-	-
Total	-		-	-	-	-	-	-	-	-
There were no transfers from other government entities										