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REPORT

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ON

**YATTA WATER SERVICES COMPANY
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



Issued on 30th June 2022



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
MACHAKOS HUB.

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Yatta Water Services Company Ltd

YATTA WATER SERVICES COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

**Prepared in accordance with the Accrual Basis of Accounting Method under the International
Financial Reporting Standards (IFRS)**

Yatta Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

Yatta Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

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I. Key Entity Information

Background information

Yatta Water Services Company Limited (YAWASCO) was established by the Act of Parliament on 27 July 2006. At County level, the Company is represented by the County Executive Committee Member for Water of the County Government of Machakos, who is responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and the head office is located in Matuu, Yatta Sub-County.

Principal Activities

The principal activity of the company is that of provision of quality water services within Matuu town and its environs.

Our Vision:

To be a world class provider for reliable, sustainable and affordable water and sewerage services.

Our mission:

To provide sufficient, quality affordable and sustainable water and sewerage services within YAWASCO area of jurisdiction in an efficient and environmentally friendly manner.

The Company core objectives are customer service delivery, teamwork and efficiency and continual improvement.

Directors

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

- | | | | |
|----|-----------------------|---------------------|------------------------------|
| 1. | Mr Albanus Muthama | - Chairman | - Appointed on October 2021 |
| 2. | Mr Augustus Mboya | - Managing director | - Appointed on 1st July 2016 |
| 3. | Mr Stephen Mbondo | - Member | - Appointed on October 2021 |
| 4. | Mr Julius Kisilu | - Member | - Appointed on October 2021 |
| 5. | Mr Joseph Muli | - Member | - Appointed on October 2021 |
| 6. | Mrs Margaret Mwamisi | - Member | - Appointed on October 2021 |
| 7. | Mrs Antonillar Wambua | - Member | - Appointed on October 2021 |
| 8. | Mrs Beth Kioko | - Member | - Appointed on October 2021 |
| 9. | Mr Stephen Ndwiki | - Member | - Appointed on October 2021 |

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I. Key Entity Information (continued)

Corporate Secretary

Mulekyo & Mulekyo Co. Advocates

P.O. Box 73554 – 0200

Nairobi, Kenya.

Registered Office

Matuu Town,

Along katangi/ikombe Rd, Off Garissa Road

P.O. Box 185 – 90119

Matuu, Kenya.

Corporate Headquarters

Tanathi Water Services Board

Private Bag

Kitui, Kenya.

Corporate Contacts

Telephone: 020-2357-535

Email: yattawaco@yahoo.com

Corporate Bankers

Equity Bank Limited

Matuu Branch

P.O. Box 58 – 90119

Matuu, Kenya.

I. Key Entity Information (continued)

Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya



Mulekyo & Mulekyo Co. Advocates

P.O. Box 73554 – 0200



Nairobi, Kenya.

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II. The Board of Directors

Ref	Directors	Details
1.	<p>Albanus Muthama</p> 	<p>Age:55 years</p> <p>Profession/Academic qualifications Degree in Engineering from Kenyatta university</p> <p>Work experience Businessman</p> <p>Position held Chairman of the Board of Directors</p> <p>Non-Executive Director</p>
2.	<p>Mr. Augustus Mboya</p> 	<p>Age:34 Years</p> <p>Profession/Academic qualifications</p> <ul style="list-style-type: none"> — Master of Arts in Economics — Bachelor of Economics and Finance - CPA(K) <p>Work experience</p> <ul style="list-style-type: none"> — Internship KCB Machakos — Internship-Kitui water and sanitation — Managing Director-YAWASCO <p>Position held -Managing Director/Secretary to the Board</p>



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Ref	Directors	Details
3.	<p>Stephen Mbondo</p>  <p>Profession/Academic qualifications — Degree in Public Administration from University of Nairobi</p>	<p>Age: 64 Years</p> <p>Profession/Academic qualifications</p> <p>Degree in Public Administration from University of Nairobi</p> <p>Work Experience</p> <ul style="list-style-type: none"> — Former Clerk at Machakos Municipal Council — Farmer and Businessman <p>Position held</p> <p>Chairman-Finance and administration Committee</p> <p>Member-Technical and project committee</p> <p>Non- executive Director</p>
4.	<p>Julius Mutuku Kisilu</p> 	<p>Age: 53 Years</p> <p>Profession/Academic qualifications: Degree in bachelor of commerce</p> <p>Work Experience</p> <ul style="list-style-type: none"> — Businessman — Farmer <p>Position held</p> <p>Chairman-Audit and Risk Assessment committee</p> <p>Member-Technical and Project committee</p> <p>Non-executive Director</p>




II. The Board of Directors (continued)

Ref	Directors	Details
5.	<p>Joseph Muli</p> 	<p>Age: 50 Years</p> <p>Profession/Academic qualifications: Degree in Business Leadership from Scott Christian University</p> <p>Work Experience — Former MCA, Ndithini Ward -Businessman</p> <p>Position Held Member-technical and Project committee Member-Audit and Risk assessment committee Non-Executive Director</p>
6.	<p>Margaret Mwamisi</p> 	<p>Age: 65 years</p> <p>Profession/Academic qualifications: Diploma in Education</p> <p>Work Experience — Retired teacher — Businesswoman</p> <p>Position Held Member-Finance and Administration Committee Member-Technical and Project Committee Non-Executive Director</p>
7.	<p>Antonillar Wambua</p> 	<p>Age: 56 Years</p> <p>Profession/Academic qualifications: Diploma in Education</p> <p>Work Experience — Retired teacher — Businesswoman</p> <p>Position held: Member-Technical and Project committee Member-Audit and Risk Assessment committee</p> <p>Non-executive Director</p>

II. The Board of Directors (continued)



Ref	Directors	Details
8.	<p>Stephen Ndwiki</p> 	<p>Age: 56 years</p> <p>Profession/Academic qualifications: Water Engineer from the University of Nairobi</p> <p>Work Experience — Water Engineer at Machakos County Government</p> <p>Position Held County Government of Machakos Representative</p>
9.	<p>Beth Kioko</p> 	<p>Age: 54 years</p> <p>Profession/Academic qualifications: — Diploma in Education</p> <p>Work Experience — Retired Cabin Crew at JKIA — Farmer</p> <p>Position held Chairman-Technical and Project committee Member-Finance and Administration Committee</p> <p>Non-Executive Director</p>
10.	<p>Company Secretary</p> <p>Mulekyo & Mulekyo Co Advocates</p>	<p>Professional/Academic qualification — LLB — Diploma in law KSL — Member ICPSK</p>

III. Management Team

Ref	Management	Details
1.	<p>Mr. Augustus Mboya</p> 	<p>Position: Managing Director</p> <p>Profession/Academic qualifications:</p> <ul style="list-style-type: none"> — Master of Arts in Economics — Bachelor of Economics and Finance - CPA(K)
2.	<p>Ms. Beatrice Kimeu</p> 	<p>Position: HR & Administration Manager</p> <p>Profession/Academic qualifications:</p> <ul style="list-style-type: none"> — Bachelor of Commerce with a specialisation in HRM - Higher Diploma in Human Resource Management
3.	 <p>Damaris Mbiu</p>	<p>Position: Commercial Manager</p> <p>Profession/Academic qualification: Degree in Business Management (Procurement Option)</p>

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III. Management Team (continued)

Ref	Management	Details
4.	<p>Ms. Peninah Kivindyo</p> 	<p>Position: Technical manager</p> <p>Profession/Academic qualification: Diploma in Water Engineering</p>
5.	<p>Monica Mutunga</p> 	<p>Position: Accountant</p> <p>Profession/Academic qualification:</p> <ul style="list-style-type: none"> - Degree in Bachelor of Commerce (Finance Option) - CPAK
6.	<p>Mulekyo & Mulekyo Co Advocates Company Secretary</p>	<p>Position held: Company secretary</p> <p>Professional/Academic qualification</p> <ul style="list-style-type: none"> — LLB Diploma in law KSL — Member ICPSK

IV. Chairman's Statement

On behalf of the Board of the Directors, it is with great honour I present to you an overview of the annual report and financial statements of the company for the year ended 30th June 2022. The strong foundation that we have laid over time embracing our vision to be leading water utility in Kenya, supported by robust governance structure, continue to drive growth in YAWASCO, providing momentum for secure future.

In the water industry the cost of electricity which is the most common input was maintained due to intervention by the County Government of Machakos to lower the electricity consumption. During the year we also faced massive power disconnection which resulted to water being pumped with generator hence high fuel consumption. The cost of chemicals went slightly lower because of donation received from trust fund and the water levels not consistent through the period since we experienced some shortages.

Financial Overview: The performance during the period was average compared to the previous year. The performance is mainly attributed to the effective control of un-accounted for water (UFW) reduction measures which have been put in place. The company continued to partner with donors in funding of various projects. We submitted an application to Trust fund for the rehabilitation of the Ikombe water scheme for support in the promotion of water connection at Ikombe and its environs. We also have NYS MATUU last mile connectivity which is ongoing and is believed after its completion, it will increase our customer base hence increased revenue.

The company grew its revenue base by connecting new customers, attending to leaks and bursts and removing of illegal connections. For the corporate responsibility the company is more than a business that has served the community since 2007. Our policy brings together the ways in which the company ensures, at corporate level, that its activities are carried out ethnically, sustainably and for the public benefit.

During the period, the company was involved in a number of initiatives which have benefited the surrounding community. The initiatives are in line with the right to water and sanitation as enshrined in Chapter 4(41&43) Kenya Constitution-The Bill of Rights. Our initiatives are focussed on the environment, good business and ethical labour practices. The company is committed to being a good employer and contributes positively to the creation of employment in the country and Machakos County. As an employer the company is committed to ensuring that all the employees are fully supported in their work, have a decent working environment, are fairly rewarded and maintain a good work-life balance.

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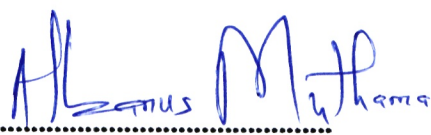
IV. Chairman's Statement (continued)

The company has in place two retirement benefits schemes (NSSF and Lapfund) for its staff which will provide earning during the retirement period. In addition, the company has a medical cover (NHIF) for its staff. The company also carries out employee's satisfaction survey every year with a view of improving the conditions and working environment of its employees and keep in touch with emerging employee issues.

To the customers who are the pillar of the company's existence great concern is put to ensure their satisfaction. Annually the company conducts a customer satisfaction survey to ascertain whether the efforts put by the company are felt by the customers and issues raised are addressed properly. The company also in an effort to improve service delivery to customers hold meeting with water Action Groups, a team appointed by the regulator, WASREB to voice the complains to customers. The company recognizes environmental sustainability as the greatest challenge of the 21st century and commits to ensuring that all of its major strategies and operations consider their environmental and ecological aspects and impacts.

Finally, the future of YAWASCO looks brighter. The company has positioned itself to expand water coverage to underserved arrears and prepared to stretch water production to maximum capacity of existing facilities. I would like to appreciate all our stakeholders, and more so the County Government of Machakos and Development partners for the solid commitment and support during the year ended on 30th June 2022. To our esteemed customer thank you for your loyalty and support. It is through the hard work and dedicated effort of the Board of the Director and Management that we are now able to celebrate together our achievement for 2021/2022 financial year. Therefore, the Management and the staff of YAWASCO, let us practice our core values of customer focus, professionalism, teamwork, integrity, innovation and creativity to the delight of our customers so as to make a difference in our country. We hope for continued cooperation from all stakeholders in the coming year.

Thank you and May God bless you all.

CHAIRMAN.....

SIGN:.....

V. Report Of the Managing Director

Generally, the year was good for the company despite the many challenges here and there but majorly the main challenge was inadequate rainfall and massive power disconnection. The Company relies on the Yatta Water Canal as its main source of water and during the month of September to November the canal and the earth dam dried completely. Also unpaid electricity expenses led to power disconnection leading the company to pump water using the generator hence high cost of fuel. Due to the challenge, our sales during the year decreased as compared to the prior year.

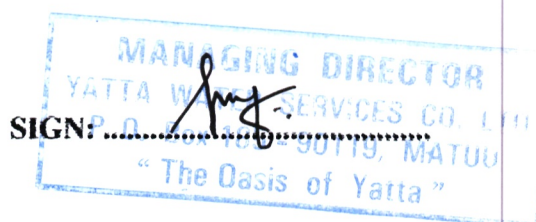
Secondly, there was COVID-19 challenge which resulted in increase in water usage as part of the disease containment measures that has been enforced by the Government of Kenya through the Ministry of Health. We educated our staff members on ways to protect themselves and their families as well as the community around us. We were able to install hand washing machines within our areas of jurisdiction. We emphasised on the need of observing the laid down health protocols to curb the spread of the virus. There were also cases of water pipes being destroyed especially when roads are being repaired which made our repair costs to rise hence wastage of water raising our Non-Revenue Water (NRW). There was also an issue of de-silting of our intake which was causing low flow of water to the canal.

We have huge outstanding debts which have proved futile for the company to collect. This due to failure of our customers to pay on timely basis hence slowing down our operations

We have a project funded by the National government and AFDB which intends to collect water from the source (Thika river) which assures us of yearly supply of water to our customers without worrying of drought. This will ensure we continue supplying clean and treated water and increase water coverage hence increased sales

In future we also intend to expound our water harvesting activities and have more sources of water like drilling of boreholes and constructing more earth dams. We plan to clean the canal intake once a year to solve the issue of de-silting. We plan to have regular inspection of our pipes to curb unnecessary spillage. We are also under the approval of the board going to involve the services of a debt collector to be able to collect outstanding debts.

MANAGING DIRECTOR.....*A. Mbatia*.....



Yatta Water Services Company Limited

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VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022

Yatta Water Services Company Limited (YAWASCO) has 4 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019 - 2022/2023. These strategic pillars are as follows:

Pillar 1: Increase revenue

Pillar 2: Increase customer satisfaction

Pillar 3: Management of non-revenue water

Pillar 4: Enhance institutional capacity

YAWASCO develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2021/2022 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Increase revenue	To increase our sales	<ul style="list-style-type: none"> — Timely collection of revenue and billing of customers — Increased water customers — Increased water production 	<ul style="list-style-type: none"> — Increased Water sales 	<ul style="list-style-type: none"> — Improvement in collection efficiency
Pillar 2: Increase customer satisfaction	Good customer relations	<ul style="list-style-type: none"> — Less customer complaints and positive feedback — Prompt handling of customer issues — Increased customer/ stakeholder participation 	<ul style="list-style-type: none"> — Good customer care service — Implement an effective feedback mechanism for customers — Enhance collaborations between customers and stakeholders 	<ul style="list-style-type: none"> — Good customer relations

VI. Statement Of Performance Against Predetermined Objectives for FY 2021/2022

(continued)

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 3: Management of Non-Revenue Water (NRW)	To reduce NRW	<ul style="list-style-type: none"> — Reduced NRW — Block maps — Reduction in response time to bursts — Increased stakeholder involvement in management of NRW — Reduced water bursts and leakages — Effective NRW unit 	<ul style="list-style-type: none"> — Implementation of GIS — Use of technology-based meters — Continuous maintenance of water infrastructure 	Current at 43%
Pillar 3: Management of Non-revenue water (continued)			<ul style="list-style-type: none"> — Staff, customer and community sensitization — Strengthen NRW unit to enhance enforcement — Benchmarking with industry standards 	
Pillar 4: Enhance institutional capacity	To attract and retain qualified staff	<ul style="list-style-type: none"> — High productivity — Improved performance — Increased staff motivation and productivity 	<ul style="list-style-type: none"> — Ensure optimal staff complement — Enhance staff training — Performance management and reward 	— Job Evaluation being done
	To increase funding to YAWAS CO	<ul style="list-style-type: none"> — Timely collection of revenue — Adequate financial planning 	<ul style="list-style-type: none"> — Improve revenue collection efficiency — Enhance effective and efficient financial management 	— Collection efficiency is much enhanced

VII. Corporate Governance Statement

Yatta Water Services Company Limited (YAWASCO) Board is committed to the values and principles of good corporate governance. Good corporate governance requires that the Board of Directors must govern the Company with integrity and enterprise in a manner which entrenches and enhances the mandate it has under section 77-83 of the Water Act 2016 to operate. This embraces the Company's interaction with customers, Machakos County Government, National Government, Water Services Regulatory Board, Water Resources Management Authority and other stakeholders.

The Board retains effective control aimed at promoting and protecting stakeholder interests/value and overseeing the Company objectives are met by delegating its authority to the Managing Director who oversees the business operations of the Company on a daily basis.

The Directors and Management of YAWASCO regard corporate governance as vital to the successes of the company and are committed to ensuring that good corporate governance is practiced so that YAWASCO remains a sustainable and viable institution for providing water services in Yatta Sub-County.

As a Public Service Organization, YAWASCO decisions are guided by the core tenets prescribed in the Public Officers Ethics Act and internal codes of conduct. We continually strive to strengthen and sustain the trust that the government, the water sector and the public have placed on us.

The Company has held board meetings in every quarter of the year which have been well attended by the members. During this financial year there were nine board meetings held of which six of them were special full board meetings. The company has a succession plan mechanism in place and is well stipulated in the appointment letters of the Board of Directors. The board remuneration is well stipulated in their appointment letters from the appointing authority. There is no conflict of interest in the existing board members.

VIII. Management Discussion and Analysis

Yatta Water Services Company Limited (YAWASCO) is a limited liability company which was incorporated in line with reforms in the water sector as enshrined in the Water Act 2016. The Company is owned fully by Machakos County Government and is mandated to provide water services within Yatta Sub-County in Machakos County.

Financial Performance

The Company's performance slightly improved during the year ended from a loss before tax of Kshs. 13,931,719 to a loss before tax of Kshs. 5,531,327

The turnover decreased from Kshs. 31,266,287 to Kshs. 22,154,723 during the financial year 2021/2022 representing a decline of 29%. The total expenses for the year ended was KShs 38,585,282(2020/2021 – Kshs. 47,759,667).

Although there has been an involvement of a debt collector, the collection of trade receivables has been difficult as a result of adamant customers and during the year ended trade receivables increased to Kshs. 19,569,865 from KShs 15,719,147 in the prior year.

Compliance with Statutory Requirements

YAWASCO has strived to meet its statutory obligations. These include providing regular operational and financial reports, monitoring and evaluation reports and regulatory fee submission to the Water Services Regulator Board (WASREB). YAWASCO also reports to the Water Resource Management Authority (WARMA) and pays abstraction fees. YAWASCO also reports to the County Government of Machakos (the owner).

YAWASCO also pays taxes regularly to KRA including VAT and PAYE and also pays other statutory bodies including NHIF and NSSF not forgetting pension service providers as directed by employees. The company has also continuously met its financial obligations as and when they fall due.

Major risks facing the company includes

- Lack of constant water supply contributed by poor and inadequate rains. The current water supply from the Yatta Canal and the earth dam cannot meet the demand from the customers.

VIII. Management Discussion and Analysis (continued)

Compliance with Statutory Requirements (continued)

- The COVID-19 pandemic has negatively impacted the company and the customers economically. Further, the government directive on providing free water to hand washing stations spread across high density areas and water kiosks so that we could help the government mitigate the effects of COVID-19 through hygiene and sanitation posed a big financial challenge due to the costs involved.
- UFW (Unaccounted for Water) commonly known as Non-Revenue Water (NRW) currently stands at 43%. However, upgrade of water main lines and reduced response time to pipe bursts will bring it down to industry standards of 25%
- Huge power expenses leading to power disconnections every now and then leading to loss of revenue.

The Company is putting in place the right mechanisms to counter the challenges it's facing at the moment and in the foreseeable future.

IX. Environmental And Sustainability Reporting

i) Sustainability strategy and profile

The Company ensures increased service provision as the population increases. In addition, the Company has an on-going water project which will increase water productivity thus increasing supply as demand arises due to population increase.

There is also a treatment works component which will supplement the current treatment works to ensure sustainability of the water infrastructure.

The company also intends to be up to date with technological changes and change old distribution lines with new pipelines which will also ensure sustainability.

ii) Environmental performance

The Company currently has a Decentralized Treatment Facility (DTF) for waste, whose design does not contribute to pollution of the environment and has no smell thus ensuring that the environment is clean.

iii) Employee welfare

YAWASCO enforces equal employment to all irrespective of race, gender, tribe, religion etc. Therefore, transparency in recruitment and selection process is key, we ensure that the recruitment processes are competitive and that affirmative action in respect to gender ratio is observed.

Our recruitment policies are always reviewed to ensure relevance and compliance with the employment laws.

The management also provides flexible working hours to employees who wish to study part time to upgrade their skills, in addition, the Company supports employees in various trainings to sharpen employee skills. The Company ensures employees' salaries are commensurate to skills, qualifications, experience and performance.

YAWASCO cares about the health, safety and well-being of its employees, therefore ensuring compliance with Occupation, Safety and Health Act (OSHA) and Work Injuries Benefits Act (WIBA).

iv) Market place practices

. The organisation should outline its efforts to:

The Company ensures high levels of water quality supplied by conducting monthly water quality tests to ensure consumers are supplied with clean water to safeguard their health.

The management ensures there is prompt communication to our consumers whenever there are disruptions in our services.

a) Responsible competition practice.

YAWASCO is a corruption free zone and has cultivated a culture of integrity within its employee complement. Those willing to sell water are given licences and authorization as per requirement by WASREB.

b) Responsible Supply chain and supplier relations

YAWASCO ensures there is prompt communication to our suppliers whenever there are challenges go make payments

c) Responsible marketing and advertisement

YAWASCO uses local stations to air in water issues to our customers. We plan to create a face-book page in the future so that we can reach more people

d) Product stewardship

The Company ensures high levels of water quality supplied by conducting monthly water quality tests to ensure consumers are supplied with clean water to safeguard their health

v) Corporate Social Responsibility

YAWASCO advocates for community wellbeing. Therefore, the Company has been in the forefront to provide free clean and adequate water to the community through the kiosk outlets managed by the community in Masewani, Kivandini, Kasarani, Kwa Usau and Sofia areas and children homes within Matuu town

Whenever there are outbreaks like cholera, the company supplies free water through water bowzer to schools and community tanks.

Yatta Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

X. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the company's affairs.

i) Principal activities

The principal activity of the Company is provision of quality water services and in an affordable manner to the residents of Yatta Sub-County and its environs.

ii) Results

The results of the Company for the year ended June 30, 2022 are set out on page 1. Below is summary of the loss made during the year.

	2021/2022	2020/2021
	Kshs	Kshs
Loss for the year	<u>(5,531,327)</u>	<u>(13,913,719)</u>

iii) Dividends

There shall be no dividends declared as per Company's Articles of Association where it states that all profits shall be ploughed back to the Company for provision of water services.

iv) Directors

The members of the Board of Directors who served during the year are shown on page VII to X in accordance with the Company's Articles of Association.

v) Auditors

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

By Order of the Board

Name... Mulekyo & Mulekyo Co. Advocates...

Signature.....

Date..... 29/9/2022

Corporate Secretary

VIII Statement Of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Company; (v) selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

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

**Yatta Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022**


Statement Of Directors' Responsibilities (Continued)

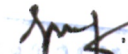
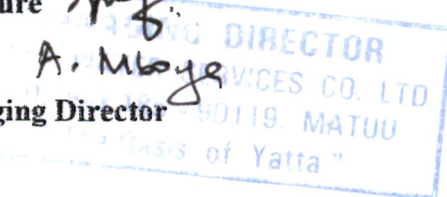
The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

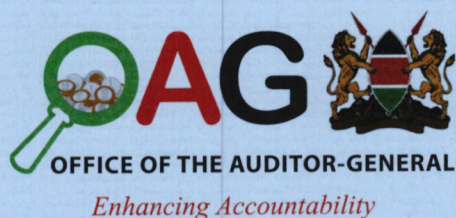
The company financial statements were approved by the Board on 29/9/ 2022 and signed on its behalf by:

Signature 
Name A. Muthama
Chairperson of the Board

Signature 
Name A. Mboya
Managing Director


REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON YATTA WATER SERVICES COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 Yatta Water and Services Company Limited set out on pages 1 to 80, which comprise the statement of financial

position as at 30 June, 2022, and statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Yatta Water Services Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016, Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Disclose Material Uncertainty in Relation to Going Concern

The statement of profit or loss and other comprehensive income indicates loss for the year of Kshs.5,531,327 for the year ended 30 June, 2022 compared to a loss of Kshs.13,913,719 in the previous period, which increased the Company's accumulated loss from Kshs.1,133,742 as at 30 June, 2021 to Kshs.6,665,069 as at 30 June, 2022. The statement of financial position further reflects current liabilities totalling Kshs.33,291,551 which exceeded current assets of Kshs.21,410,391 resulting to negative working capital of Kshs.11,881,160.

The precarious financial performance and position is an indication of the existence of material uncertainty which may cast doubt on the Company's ability to continue as a going concern and to meet its obligations as and when they fall due. The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from its stakeholders. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company Management to reverse the undesirable precarious financial situation have not been disclosed in the notes to the financial statements.

2. Inaccuracies in the Financial Statements

Review of the financial statements' amounts for the year under review and supporting ledgers' amounts provided for audit revealed variances as detailed below:

Component	Amount Disclosed in the Financial Statements (Kshs.)	Amount as Per Supporting Ledger (Kshs.)	Variance (Kshs.)
Maintenance Cost	2,076,765	512,835	1,563,930
Cash and Bank	5,434	2,164	3,270
Cash Flow Generated from Operations	31,671	102,388	70,717

Component	Amount Disclosed in the Financial Statements (Kshs.)	Amount as Per Supporting Ledger (Kshs.)	Variance (Kshs.)
Staff costs-Employer's contributions to Pension Schemes	15,428,011	0	15,428,011
Staff costs- Employer's Contributions to Social Security Schemes	60,720	15,120	45,600
Staff Cost – Medical Insurance Scheme	0	107,555	107,555
General Expenses – Electricity	6,755,668	6,324,007	431,661
General Expenses – Fuel, Oil, Lubricants, Gases	3,945,628	0	3,945,628
General Expenses – Transport, Travelling and Subsistence	1,637,800	1,267,400	370,400
General Expenses – Telephone, Postage, Courier	150,400	0	150,400
Trade and Other Payables	28,536,184	37,884,138	9,347,954

Further, the following variances were noted between the comparative amounts for the year ended 30 June, 2021 and the audited financial statements:

Component	Comparative Amount (Kshs.)	Audited Financial Statement Amount (Kshs.)	Variance (Kshs.)
Maintenance cost as per the statement of profit, loss and other comprehensive income	3,457,260	1,809,280	1,647,980
Staff cost as per the statement of profit or loss and other comprehensive income	23,842,332	23,144,290	698,042
Fuel, Oil & Lubricants as per Note 12	2,107,861	Nil	2,107,861
Customer Deposits as per the statement of financial position	Nil	3,847,688	3,847,688

In the circumstances, the accuracy and completeness of the respective financial statements amounts for the year ended 30 June, 2022 could not be confirmed.

3. Unconfirmed Trade and Other Payables Balance

The statement of financial position and as disclosed in Note 42 to the financial statements reflects trade and other payables balance of Kshs.28,536,184. However, Management did not provide the ageing analysis in support of balances. Further, the balance included other trade payables totalling Kshs.23,269,260 for which the supporting creditors listing reflects total balance of Kshs.10,969,634 as at 30 June, 2022 resulting to unexplained variance of Kshs.12,299,626.

In the circumstances, the accuracy, and fair statement of trade and other payables balance of Kshs.28,536,184 as at 30 June, 2022 could not be confirmed.

4. Unsupported Inventories Balance

The statement of financial position and as disclosed in Note 28 to the financial statements reflects inventories balance of Kshs.1,831,750. However, the balance was not supported with a stock take report as at the end of the year. In addition, the company did not maintain stock sheets or stock control cards. Further, the inventories balance reflected in the financial statements does not show any movements during the year.

In the circumstances, the accuracy, existence and fair statement of the inventories balance of Kshs.1,831,750 as at 30 June, 2022 could not be confirmed.

5. Unconfirmed Value of Property, Plant and Equipment

The statement of financial position and as disclosed in Note 20 to the financial statements reflects property, plant and equipment balance of Kshs.5,319,433. However, the company did not have an updated fixed asset register as it was last updated on 30 June, 2020. Further, Note 12 to the financial statements on general and operations expenses indicates consultancy fees of Kshs.345,000 on revaluation of assets but was not supported by a revaluation report. The procurement process for the identification of the firm was also not clear.

In addition, Note 20 to the financial statements shows depreciation charge for the year of Kshs.2,424,465 and accumulated depreciation of Kshs.19,643,325. However, the fixed assets register provided shows that the company applied reducing balance method of depreciation instead of the Company's accounting policy on depreciation of straight-line basis. As a result, the depreciation charge for the year and accumulated depreciation of Kshs.2,424,465 and Kshs.19,643,325 could not be confirmed.

In the circumstances, the accuracy and fair statement of the property, plant and equipment balance of Kshs.5,319,433 as at 30 June, 2022 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

The audit report for the year ended 30 June, 2021 highlighted several unsatisfactory matters. The Management has indicated that the issues had been resolved as at 30 June, 2022 as disclosed in Appendix 1 to the financial statements on progress on

follow up of auditor recommendations. However, no information was provided to indicate if the issues were resolved or not as at 30 June, 2022. This is contrary to Section 149(2) (l) of the Public Finance Management Act, 2012, which requires that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned try to resolve any issues resulting from an audit that remain outstanding.

In the circumstances, the audit issues remained unresolved.

Other Information

The Board of Directors is responsible for the other information, which comprises the Chairman's Statement, Report of the Managing Director, Report of Directors, the Corporate Governance Statement, Management Discussions and Analysis, Environmental and Sustainability Reporting, Statement of Performance Against Predetermined Objectives and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Public Sector Accounting Standards Board Requirements

Review of the annual report and financial statements prepared and presented for audit for the year ended 30 June, 2022 revealed the following anomalies:

- i. The statement of financial position does not indicate totals for current liabilities;
- ii. Information under the Management discussion and analysis has not made use of charts, graphs, tables or other descriptive tools to make the information as understandable as possible;
- iii. The breakdown of the appendixes (Appendix III-XXVI) is not matching with what is indicated on the table of contents for ease of reference; and
- iv. The total current liabilities figure is missing in the statement of financial position.

In the circumstances, the annual report and financial statements as presented for audit do not comply with the reporting template as prescribed by the Public Sector Accounting Standards Board.

2. Unclear Ownership of the Company

Page IV of the financial statements in the year under review on background information indicates that the Company is an entity owned by the County Government of Machakos. However, review of the Memorandum and Articles of Association, revealed that the Company was initially owned by the defunct Town Council of Matuu. However, no document was provided to confirm that the ownership of the Company was transferred to the County Government of Machakos contrary to Section 154 of the Water Act, 2016, which requires that the existing water services providers shall continue to operate as the County Water Services Providers or Cross County Water Services providers as the case may be within the period specified in the transfer plan published by the Cabinet Secretary.

In the circumstances, the ownership of the Company and its compliance to the law could not be confirmed.

3. Use of Customers Deposits for Operational Activities

The statement of financial position and as disclosed in Note 43 to the financial statements reflects customer deposits of Kshs.4,021,588. However, the corresponding bank account for the customer deposits reflects a balance of Kshs.9.92. This is indicative that Management had withdrawn funds from the deposits account for operational use.

In the circumstances, the availability of customers deposits funds for application as and when required is not guaranteed.

4. Excessive Non-Revenue Water

Note 6 to the financial statements reflects sale of water totalling to Kshs.22,093,223 for the year ended 30 June, 2022. However, the Company produced 260,579 cubic meters (m³) of water during the year under review and out of this volume only 148,438 m³ was billed to customers. The balance of 112,141 m³ (or 43%) of total production represents Non-Revenue Water (NRW) valued at Kshs.16,737,310 which is above the allowable loss of 25% contrary to the Water Services Regulatory Board guidelines.

In the circumstances, Management was in breach of the Board guidelines.

5. Late Remittance of Statutory Deductions

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects staff costs of Kshs.16,058,022 as at 30 June, 2022. However, it was noted that the Management did not remit Pay As You Earn (PAYE) tax totalling Kshs.452,696 on time for some months as detailed below:

Month	Due Date	Date Remitted	Amount (Kshs.)
July, 2021	09 August, 2021	09 September, 2021	116,102
February, 2022	09 March, 2022	08 June, 2022	112,198
March, 2022	09 April, 2022	08 June, 2022	112,198
April, 2022	09 May, 2022	08 June, 2022	112,198
Total			452,696

In the circumstances, Management was in breach of law.

6. Use of Expired Water Sales Tariff

Note 6 to the financial statements reflects water sales amounting to Kshs.22,093,223. Review of the water tariff in use revealed that the water tariff was gazetted on 26 November, 2010 and was to be used for the period 1 November, 2010 to 30 June, 2012. However, there was no document provided for audit to confirm that extension was granted for the continued use of expired water tariff.

In the circumstances, the water tariff in use by the Company is irregular.

7. Non-Banking of Own Generated Revenue - Kiosk Sales

Note 6 to the financial statements reflects water sales amounting to Kshs.22,093,223. Included in this amount is kiosk sales of Kshs.985,770. Review of documents provided for audit revealed that the proceeds from kiosk water sales were not banked to the Company bank account but were utilized in the office as petty cash. This is contrary to Section 63(4) of the Public Finance Management (County Governments) Regulations, 2015 which provides that all public moneys collected by a receiver of revenue or collector of revenue or collected and retained by a County government entity, shall be paid into the designated bank accounts of the county government and shall not be used by any public officer in any manner between the time of their receipts and payment into the bank except as provided by law.

In the circumstances, Management was in breach of law.

8. Lack of an Approved Procurement Plan

Statement of profit or loss and other comprehensive income reflect expenditure totaling Kshs.38,582,282 for the year under review. However, the Company did not have in place an approved annual procurement plan detailing all the items and services required by various departments, contrary to Section 40(1) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that a procuring entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process.

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

9. Unauthorized Expenditure

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.38,585,282 and Kshs.27,781,344 respectively, resulting to an expenditure of Kshs.10,803,938 or 39% of the budget without approval contrary to Regulation 53(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that except as provided for in the Act and these regulations, an Accounting Officer of an entity may not authorise payment to be made out of funds earmarked for specific activities other than those activities.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, 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 matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Non-Collection of Trade and Other Receivables

The statement of financial position and as disclosed in Note 29 to the financial statements reflects trade and other receivables balance of Kshs.19,569,865, an increase of Kshs.3,850,718 from the previous year balance of Kshs.15,719,147. Further, trade receivables balance is net of provision for bad debts of Kshs.1,016,488 computed as 10% of all overdue trade receivables as at the end of the year. In addition, trade receivables totaling Kshs.14,028,639 or 68% of the gross balance had been outstanding for more than 90 days which casts doubts on their collectability. Management did not demonstrate any tangible efforts towards recovery of the long outstanding debts.

In the circumstances, the collectability of receivables balance of Kshs.19,569,865 reflected in the financial statement is doubtful and may negatively affect the operations of the company.

2. Lack of an Internal Audit Function

During the year under review, the Company did not have an internal audit function to perform risk assessment processes and evaluate operational effectiveness of the Company through reviews of the internal controls in the Company, contrary to Regulation 153 (1)(a) of the Public Finance Management (County Governments) Regulations, 2015 which states that internal auditors shall evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes in County Government entities..

In the circumstances, the company operational efficiency and risk management effectiveness could not be ascertained.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, 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 matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or 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 are in compliance 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 the entity 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

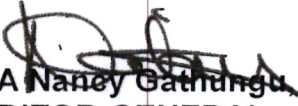
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 April, 2023

Yatta Water Services Company Limited

Annual Report and Financial Statements for the year ended June 30, 2022

XII. Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2022.

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue			
Operating Revenue	6	22,154,723	31,266,287
Grants Income	7	10,899,232	2,579,661
Other Income	8	-	-
Finance income	9	-	-
Other gains/(losses)	10	-	-
Total Revenue		33,053,955	33,845,948
Expenses			
Staff Costs	11	16,058,022	23,842,332
General and Operations expenses	12	16,142,430	15,950,129
Board Expenses	13	1,883,600	2,243,000
Maintenance Expenses	14	2,076,765	3,457,260
Depreciation and Amortization expenses	15	2,424,465	2,266,946
Finance Costs	16	-	-
Total Expenses		38,585,282	47,759,667
Profit/(Loss) Before Taxation		(5,531,327)	(13,913,719)
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		(5,531,327)	(13,913,719)
Earnings Per Share – Basic And Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		-	-
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		-	-
Total Comprehensive Income For The Year		(5,531,327)	(13,913,719)

Yatta Water Services Company Limited

Annual Report and Financial Statements for the year ended June 30, 2022

XIII. Statement Of Financial Position As at 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	5,319,433	7,691,398
Intangible assets	21	-	-
Investment property	22	-	-
Right- of -use assets	23	-	-
Biological Assets	24	-	-
Fixed interest investments	25	-	-
Quoted investments	26	-	-
Unquoted investments	27	-	-
Total Non-Current Assets		5,319,433	7,691,398
Current Assets			
Inventories	28	1,831,750	1,831,750
Trade and receivable	29	19,569,865	15,719,147
Tax recoverable	30	-	-
Short-term deposits	31	-	-
Bank and cash balances	32	5434	3,367
Total Non-Current Assets		21,410,391	17,554,264
TOTAL ASSETS		26,726,049	25,245,662
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	33	100,000	100,000
Revaluation reserve	34	-	-
Fair value adjustment reserve	35	-	-
Retained earnings	36	(6,665,069)	(1,133,742)
Capital and Reserves		(6,565,069)	(1,033,742)
Non-Current Liabilities			
Deferred tax liability	37	-	-
Borrowings	38	-	-
Lease Liability	39	-	-
Provisions	40	-	-
Retirement Benefits	41	-	-

Yatta Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

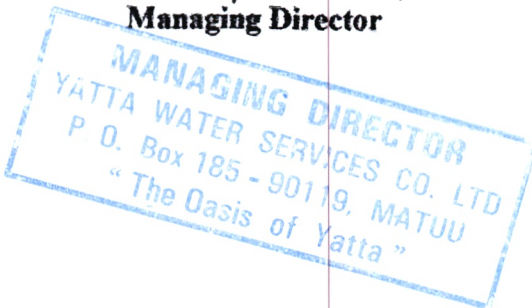
Total Non-Current Liabilities		-	-
Current Liabilities			
Borrowings	38	137,329	51,091
Lease Liability	39	-	-
Provisions	40	596,450	596,450
Retirement benefit obligations	41	-	-
Trade and other payables	42	28,536,184	25,631,863
Customer Deposits	43	4,021,588	-
Deferred Income	44	-	-
Dividends payable	45	-	-
Taxation	46	-	-
Total Current Liabilities		-	-
TOTAL EQUITY AND LIABILITIES		26,726,482	25,245,662

The financial statements were approved by the Board on 29/9/ 2022 and signed on its behalf by:

.....
 Name S. Mboya
 Managing Director

Monica Mutunga
 Name
 Head of Finance
 ICPAK M/No: 15643

.....
 Name A. L. Muthama
 Chairman of the Board



Yatta Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

XIV. Statement Of Changes In Equity For The Year Ended 30 June 2022

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2020		100,000	-	-	12,779,977	-	-	12,879,977
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Loss for the year		-	-	-	(13,913,719)	-	-	(13,913,719)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
As at June 30, 2021		100,000	-	-	(1,133,742)	-	-	(1,033,742)
As at July 1, 2021		100,000	-	-	(1,133,742)	-	-	(1,033,742)

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	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Issue of new share capital		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	-	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Loss for the year		-	-	-	(5,531,327)	-	-	(5,531,327)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	-	-
Dividends paid – prior year		-	-	-	-	-	-	-
Interim dividends paid – current year		-	-	-	-	-	-	-
Proposed final dividends		-	-	-	-	-	-	-
At June 30, 2022		100,000	-	-	(6,665,069)	-	-	(6,565,069)

Note:

1. For items that are not common in the financial statements, the entity should include a note on what they relate to – either on the face of the statement of changes in equity/net assets or among the notes to the financial statements.
2. Prior year adjustment should have an elaborate note describing what the amounts relate to. In such instances a restatement of the opening balances needs to be done.

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XV. Statement Of Cash Flows for The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash Flows From Operating Activities			
Profit or loss before tax		(5,531,327)	(13,913,719)
Depreciation on property, plant and equipment		2,424,465	2,266,946
Operating profit/(loss) before working capital changes		(3,106,862)	(11,646,773)
(Increase)/decrease in inventories		-	418,425
(Increase)/decrease in trade and other receivables		(3,850,718)	(4,154,278)
Increase/(decrease) in trade and other payables		6,925,909	15,403,281
Increase/(decrease) in provision for staff leave pay		-	
Cash generated from/(used in) operations		(31,671)	20,655
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(52,500)	(77,000)
Proceeds From Disposal Of PPE		-	-
Purchase Of Intangible Assets		-	-
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal Of Quoted Investments		-	-
Net Cash From/(Used In) Investing Activities		(52,500)	(77,000)
Cash Flows from Financing Activities			
Proceeds From Issues Of New Share Capital		-	-
Proceeds From Borrowings	35	137,329	51,091
Repayment Of Borrowings	35	51,091	-
Dividends Paid	41	-	-
Net Cash From/(Used In) Financing Activities		86,238	51,091
Increase/(Decrease) In Cash And Cash Equivalents		2,067	(5,254)
Cash And Cash Equivalents At Beginning Of Year		3,367	8,621
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End Of The Year		5,454	3,367

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XVI. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 20xx

	Original budget	Adjustme nts	Final budget	Actual on comparabl e basis	Performan ce difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Xxx%
Operating Revenue	27,600,000	-	27,600,000	22,154,723	(5,445,277)	-20%
Grants	2,500,000	-	2,500,000	10,899,232	8,399,232	336%
Total Revenue	30,100,000	-	30,100,000	33,053,955	2,953,955	10%
Expenses						
Staff cost	13,560,103	-	13,560,103	16,058,022	2,497,919	18%
Board expenses	1,806,000		1,806,000	1,883,600	77,600	4%
General and operations expenses	10,156,963		10,156,963	16,142,430	5,985,467	59%
maintenance	2,258,278	-	2,258,278	2,076,765	(181,813)	-8%
Depreciation and amortization	-		-	2,424,465	2,424,465	100%
Finance cost	-		-	-	-	-
Total Recurrent Expenditure	27,781,344	-	27,781,344	38,585,282	10,803,938	39%
Profit or (Loss)	2,318,656		2,318,656	(5,531,327)	(7,846,773)	-338%
Capital Expenditure	-	-	-	-52,500	52,500	100%
Total Expenditure	27,781,344	-	27,781,344	38,585,282	10,856,438	39%

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Budget notes

Sales of goods for the year ended decreased by 20% from a budgeted amount of KShs 27,600,000 to an actual amount of KShs 22,154,723 attributed to low water sales due to power disconnection leading to pumping of water with the generator leading to low volumes pumped to customers, prolonged drought during the months of September to November 2021 hence dried Yatta Canal and the earth dam.

During the year the grant amount increased from budgeted amount kshs 2500,000 to ksh 10,989,232. This amount includes ksh 3,549,635 from the county Government of Machakos and kshs 7,439,597 from Water Services Trust Fund.

Staff cost increased by 18% from the budgeted kshs 13,560,103 to an actual amount of kshs 16,058,022 attributed to engaging casual workers during repair works, unpaid salaries and dues during the year. Statutory deductions were also remitted during the year.

General and operation expense increased by 59% from the budgeted kshs 10,156,963 to ksh 16,142,430 attributed to high fuel cost, canal maintenance during the year, numerous canal patrol, frequent reminder messages sent to customers, door to door debt collection by our staff, unpaid trade payables during the year.

XVII. Notes To the Financial Statements

1. General Information

Yatta Water Services Company (YAWASCO) Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the County Government of Machakos and is domiciled in Kenya. The Company's principal activity is provision of water to the residents of Matuu and its environs.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note 5*.

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Kenyan Companies Act, 2015 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 effective in the year ended 30 June 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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Title	Description	Effective Date
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Derecognition of Financial Liabilities	substantially different from the terms of the original financial liability.	
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, 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, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

Title	Description	Effective Date
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021/2022.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line 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	2021/2022	12.50%
Plant and machinery	2021/2022	12.50%
Motor vehicles, including motor cycles	2021/2022	25%
Computers and related equipment	2021/2022	30%
Office equipment, furniture and fittings	2021/2022	12.50%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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) Amortisation and impairment of intangible assets

Amortisation 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 recognised so that the asset is written down immediately 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 on 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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.

o) Deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

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

q) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The company 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. 200 per employee per month.

u) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 29 June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

x) Service concession arrangements

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

y) Comparative figures

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

z) 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.

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.

State all judgements, estimates and assumptions made: e.g.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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 from disposal:

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

c) Provisions

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

(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021-1
	Kshs	Kshs
Water sales	22,093,223	31,266,287
Sewerage Services		
Billing for other services*	61,500	-
Total	22,154,723	31,266,287

Billing for other services refers to income generated from DTF services.

7. Grants Income

	2021-2022	2020-2021-1
	Kshs	Kshs
Operational grants from Government entities	3,549,635	2,579,661
Recurrent/operational grants from other agencies	7,349,597	
Capital grants amortized	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	-	-
Total	10,899,232	2,579,661

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

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund KShs	Total grant income during the year KShs	2021-2022 KShs
County Government of Machakos	3,549,635	-	-	3,549,635	2,579,661
Water Sector Trust Fund (WaterFund)	7,349,597			7,349,597	-
Total	10,899,232	-	-	10,899,232	2,579,661

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Sale of Tender	-	-
Fine and penalties	-	-
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (specify)	-	-
Total	-	-

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	-
Interest on staff loans	-	-
Dividends	-	-
Total	-	-

{Provide short appropriate explanations as necessary}

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

Yatta Water Services Company Limited
Annual Report and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Sale of Tender	-	-
Fine and penalties	-	-
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (specify)	-	-
Total	-	-

9. Finance Income

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	-
Interest on staff loans	-	-
Dividends	-	-
Total	-	-

[Provide short appropriate explanations as necessary]

10. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Loss/gain on disposal on sale of investments	-	-
Gain on sale of fixed assets	-	-
Fair value gain/loss on biological Assets	-	-
Fair value gain or losses on revaluation of investment property	-	-
Revaluation losses on inventory	-	-
Unrealized foreign exchange gains/(losses)	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Gross Salary and Allowances	11,811,085	22,624,052
Casual workers Wages	241,660	-
Medical insurance schemes	-	336,000
Employer's contributions to social security schemes	49,700	156,240
Employer's contributions to pension scheme	1,406,993	22,624,052
Provisions for Leave pay	-	-
Gratuity provisions	872,467	-
Fringe Benefit tax	-	-
Staff welfare	1,169,500	28,000
Staff incentives	343,840	698,040
WIBA	162,777	-
Total	16,058,022	23,842,332
The average number of employees during the year		
Permanent employees – Management	5	5
Permanent employees – Unionisable	24	24
Total	29	29

[Provide short appropriate explanations as necessary]

Yatta Water Services Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Chemicals	-	547,225
Electricity	6,755,668	3,992,284
Fuel, oil, lubricants, and gases	3,945,628	2,107,861
Staff training and development	34,800	350,333
Transportation, travelling and subsistence	1,637,800	1,585,750
Advertising, printing, stationery and photocopying	93,420	404,440
Hospitality supplies and services	-	9,000
Insurance costs	5,100	138,952
Bank charges and commissions	220,817	92,245
Office and general supplies and services	276,935	616,947
Auditors' remuneration	232,000	232,000
Consultancy fees	345,000	184,000
Provision for bad and doubtful debts	1,016,488	949,999
Accountancy expenses	-	303,000
Telephone, postage & courier	150,400	259,652
Subscription and levies	41,200	2,688,899
Entertainment	451,415	773,705
Security	677,000	713,837
Debt collection	211,359	
Office rent	47,400	
Total	16,142,430	15,950,129

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Chairman Honoraria	-	-
Directors' emoluments (BoD administration expenses)	1,465,600	1,725,000
Sitting allowances	418,000	518,000
Other allowances	-	-
Total Board Expenses	1,883,600	2,243,000

14. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Water system repairs	908,030	1,236,910
Billing system repairs	-	395,500
Motor vehicle running expenses	456,745	830,580
Canal maintenance	520,500	306,600
Office and Stores repairs	135,400	104,470
Other maintenance costs	56,090	583,200
Total Maintenance Expenses	2,076,765	3,457,260

15. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	2,424,465	2,266,946
Right of Use Assets	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortization	2,424,465	2,266,946

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Finance costs

Description	2021-2022 Kshs	2020-2021 Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
Total	-	-

[Provide short appropriate explanations as necessary]

17. Income Tax Expense/(Credit)

As earlier reported in the previous years, the Directors in terms of IAS 1 declare that the financial statements present a fair view of the Company's financial position; financial performance and cash flows and that they have complied with applicable International Accounting Standards and interpretations. However, the Company has in terms of IAS 1 paragraphs 13 to 22 departed from the requirements of IAS 12 in order to have a fair representation of its tax liability status for the following reasons:

- The Company is wholly owned by County Government of Machakos. The Company operations are under the County Government and as per the provision of the Constitution FOURTH SCHEDULE (Article 185 (2), 186 (1) and 187 (2)). It is principally owned by County Government of Machakos to deliver services as per the County Government Act. According to the 1st schedule paragraph 8 of the Income Tax Act (ITA), the income of a County Government is exempted from the provisions of ITA. The income thus generated by the Company in pursuit of its mandate and as its agent, is tax exempt. Any surplus arising thereon is re-invested in the water services infrastructure for development and enhancing sustainability.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Earnings Per Share

There was no earning per share for the financial years 2021/2022 and 2020/2021 as the company reported a loss after tax in the both the financial years.

19. Dividend Per Share

The company incurred a loss for the year ended and as per the Articles of Association all profits shall be ploughed back to the company for provision of water services and hence no dividend is declared by the company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

2021/2022	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST					
At July 1, 2021	18,122,101	5,267,885	299,160	1,221,112	24,910,258
Additions	52,500	-	-	-	52,500
At June 30, 2022	18,174,601	5,267,885	299,160	1,221,112	24,962,758
DEPRECIATION					
At July 1, 2021	11,157,660	5,267,885	299,160	494,155	17,218,860
Charge for the year	2,271,826	-	-	152,639	2,424,465
At June 30, 2022	13,429,486	5,267,885	299,160	646,794	19,643,325
NET BOOK VALUE At June 30, 2022	4,745,115	-	-	574,318	5,319,433

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment (Continued)

2020/2021	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST					
At July 1, 2020	18,122,101	5,267,885	299,160	1,144,112	24,833,258
Additions	-	-	-	77,000	77,000
At June 30, 2021	18,122,101	5,267,885	299,160	1,221,112	24,910,258
DEPRECIATION					
At July 1, 2020	8,892,397	4,852,610	865,391	341,516	14,951,914
Charge for the year	2,265,263	415,275	(566,231)	152,639	2,266,946
At June 30, 2021	11,157,660	5,267,885	299,160	494,155	17,218,860
NET BOOK VALUE At June 30, 2021	6,964,441	-	-	726,957	7,691,398

Yatta Water Services Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 (b) Property, Plant and Equipment at Cost

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

	Cost or valuation	Normal annual depreciation charge
Motor vehicles, including motor cycles	5,267,885	658,486
Computers and related equipment	299,160	89,748
Total	5,567,045	748,234

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	-	-
Additions	-	-
Disposals	-	-
At June 30	-	-
AMORTISATION		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	-	-
NET BOOK VALUE		
At June 30	-	-

[Provide short appropriate explanations as necessary in relation to what constitutes the intangible assets]

22. Investment Property

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-
DEPRECIATION (IF AT COST)		
At July 1	-	-
Charge for the year	-	-
Disposals	-	-
Impairment loss	-	-
At June 30	-	-
NET BOOK VALUE		
At June 30	-	-

(Provide details of the property, date last valued, the valuer and method of valuation as per IAS 40. Where investment property is carried at cost, depreciation will be shown, however, no depreciation is provided for when the asset is carried at fair value)

Yatta Water Services Company Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Right-of-use assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2020	-	-	-	-
Additions	-	-	-	-
As at 30 June 2021	-	-	-	-
Additions	-	-	-	-
As at 30 June 2022	-	-	-	-
Accumulated Depreciation				
As at 1 July 2020	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2021	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2022	-	-	-	-
Carrying Amount				
As at 30 June 2021	-	-	-	-
As at 30 June 2022	-	-	-	-

24. Biological Assets

	2021-2022	2020-2021
	Kshs	Kshs
Cattle	-	-
Trees	-	-
Others (Specify)	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Fixed Interest Investments (Bonds)

	2021-2022	2020-2021
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Bond	-	-
AB Corporate Bond (give details)	-	-
CD Corporate Bond (give details)	-	-
Total	-	-

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

Details	2021-2022	2020-2021
	Kshs	Kshs
Balance at 1 July	-	-
Additions during the year	-	-
Interest accrued during the year	-	-
Investment maturities during the year	-	-
Balance at 30 June	-	-

26. Quoted Investments

	2021-2022	2020-2021
	Kshs	Kshs
Opening valuation	-	-
Movements during the year		
Additions	-	-
Disposals	-	-
Fair value gains/(losses)	-	-
Closing valuation	-	-

[Provide short appropriate explanations as necessary, including make-up of the investments in the table below]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

27. Unquoted Investments

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1	-	-
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	-
At June 30	-	-
IMPAIRMENT		
At July 1	-	-
Disposals	-	-
Impairment loss in the year	-	-
At June 30	-	-
NET BOOK VALUE	-	-

[Provide short appropriate explanations as necessary, including make-up under the table below]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

28. Inventories

	2021-2022	2020-2021
	Kshs	Kshs
Engineering stores (Pipes, meter boxes & wheelbarrows)	1,831,750	1,831,750
Chemicals & Laboratory items	-	-
Water fittings and Accessories	-	-
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery and general stores	-	-
Finished goods	-	-
Work in progress	-	-
Less: Impairment of stocks	-	-
Total	1,831,750	1,831,750

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 a) Reconciliation of Impairment Allowance for Inventories

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

29.) Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Trade receivables (note (29a))	20,586,353	16,669,146
Deposits and prepayments	-	-
VAT recoverable	-	-
Staff receivables (note 29 (c))	-	-
Other receivables	-	-
Gross trade and other receivables	20,586,353	16,669,146
Provision for bad and doubtful receivable	(1,016,488)	(949,999)
Net trade and other receivables	19,569,865	15,719,147

29 (a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	20,586,353	16,669,146
Provision for doubtful receivables	(1,016,488)	(949,999)
Net trade receivables	19,569,865	15,719,147
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	863,084	569,182
Between 30 and 60 days	2,286,951	1,393,841
Between 61 and 90 days	3,255,249	2,227,588
Between 91 and 120 days	3,863,755	2,978,546
Over 120 days	10,317,314	9,499,989
Total	20,586,353	16,669,146

[Entities to provide the aging analysis relevant to their institution.]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	949,999	-
Additional provisions during the year	66,489	949,999
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	1,016,488	949,999

29 (c) Staff Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross staff loans and advances	-	-
Provision for impairment loss	-	-
Net staff loans	-	-
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

[Provide short appropriate explanations as necessary]

29 (d) Reconciliation of Impairment Allowance for Staff Receivables

Description	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
At the end of the year	-	-

30. Tax Recoverable

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	-	-

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Short Term Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Commercial banks		
Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (specify)	-	-
	-	-

[Provide short appropriate explanations as necessary]. Example: The average effective interest rate on the short term deposits as at June 30, 20xx was xx% (20xx-1: xx %).

32. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	4,387	2,640
Cash in hand	1,047	727
Mobile money account	-	-
	5434	3,367

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2021-2022	2020-2021
		KShs	KShs
a) Current account			
Equity Bank-Expenses a/c	0390290228130	1035	2,640
Equity Bank-Expenses a/c	0390290557216	-	-
Equity Bank-Deposits a/c	0390290558218	10	
Equity Bank-CSLG a/c	0390280474105	3,342	
Sub- total		4,387	2,640
b) On – call deposits			
Commercial banks		-	-
others		-	-
Sub- total		-	-
c) Fixed deposits account			
Other Commercial banks		-	-
others		-	-
Sub- total		-	-
Sub- total		-	-
d) Others(specify)			
Cash in transit		-	-
cash in hand		1,047	727
Mobile money account		-	-
Sub- total		1,047	727
Grand total		5434	3,367

33. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized:		
10,000 ordinary shares of Kshs 10 par value each	100,000	100,000
Issued and fully paid:		
10,000 ordinary shares of Kshs 10 par value each	100,000	100,000

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Revaluation Reserve

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

35. 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.

36. Retained Earnings

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37. Deferred Tax Liability

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

	2021-2022	2020-2021
	Kshs	Kshs
Accelerated capital allowances	-	-
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	-	-
Provisions for liabilities and charges	-	-
Net deferred tax liability	-	-

The movement on the deferred tax account is as follows:

	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	-	-
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	-	-

38. Borrowings

Description	2021-2022	2020-2021
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	137,329	51,091
Repayments during the year	-	-
Balance at end of the year	-	-
C) Total Balance at end of the period c = a+b	137,329	51,091

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2021-2022	2020-2021
	KShs	KShs
Domestic Borrowings		
Kenya Shilling loan from Equity Bank	137,329	51,091
Total balance at end of the year	137,329	51,091

Description	2021-2022	2020-2021
	KShs	KShs
Short term borrowings (current portion)	137,329	51,091
Long term borrowings	-	-
Total	137,329	51,091

(NB: the total of this statement should tie to note 43 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed).

[Foreign denominated loans should be restated based on CBK closing mean rates at the end of financial year]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. Lease Liability

Description	2021-2022	2020-2021
	KShs	KShs
At the start of the year	-	-
Discount interest on lease liability	-	-
Paid during the year	-	-
At end of the year	-	-

	2021-2022	2020-2021
Maturity analysis	Kshs	Kshs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
	-	-
Less: unearned interest	-	-
	-	-
Analysed as:		
Non-Current	-	-
Current	-	-

40. Provisions

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	596,450	-	-	-	596,450
Additional Provisions	-	-	-	-	-
Provision utilised	-	-	-	-	-
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	596,450	-	-	-	596,450

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Provisions details

Description	2021-2022	2020-2019
	Kshs	Kshs
Current Portion of Provisions	596,450	596,450
Long-term portion of Provisions	-	-
Total	596,450	596,450

41. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2021-2022	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	-	-	-	-	-
Total employee benefits obligation	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021-2022	2020-2021
	Kshs	Kshs
Discount rates	-	-
Future salary increases	-	-
Future pension increases	-	-
Mortality (Pre- retirement)	-	-
Mortality (Post- retirement)	-	-
Withdrawals	-	-
Ill health	-	-
Retirement	-	-

Recognition of Retirement Benefit Asset/ Liability

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

	2021-2022	2020-2021
Description	Kshs	Kshs
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	•	•
Others (Specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Remeasurement of the net defined benefit liability (asset)	-	-

b) Amounts recognised in the Statement of Financial Position

	2021-2022	2020-2021
Description	Kshs	Kshs
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded Status(=a-b)	-	-
Restrictions on asset recognized	-	-
Others	-	-
Net Asset or liability arising from defined benefit obligation	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

42. Trade and Other Payables

	2021-2022	2020-2021
	Kshs	Kshs
Trade creditors	163,421	921,585
Accrued expenses	5,103,403	5,103,403
Other payables	23,269,260	15,759,187
Total	28,536,084	21,784,175

[Provide short appropriate explanations as necessary]

43. Customer Deposits

	2021-2022	2020-2021
	Kshs	Kshs
Opening Balance	3,847,688	3,398,688
Add: deposits received during the year	173,900	449,000
Less: Refunded deposits during the year	-	-
Closing balance	-	-
Total	4,021,588	3,847,688

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Deferred Income

Description	2021-2022	2020-2021
	KShs	KShs
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
Total deferred income	-	-

The deferred income movement is as follows:

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

45. Dividends Payable

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders.

The balances are analysed in annual amount below.

	2021-2022	2020-2021
	Kshs	Kshs
At the beginning of the year	-	-
Additional declared during the year	-	-
Paid during the year	-	-
Balance at end of the year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. Taxation

	2021-2022	2020-2021
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	-	-
At end of the year	-	-

[Provide short appropriate explanations as necessary]

47. Notes to The Statement of Cash Flows

	2021-2022	2020-2021
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(5,531,327)	(13,913,719)
Depreciation	2,424,465	2,266,946
Operating profit/(loss) before working capital changes	(3,106,862)	(11,646,773)
(Increase)/decrease in inventories	-	418,425
(Increase)/decrease in trade and other receivables	(3,850,718)	(4,154,278)
Increase/(decrease) in trade and other payables	6,925,909	15,403,281
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	(31,671)	20,655
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	137,329	51,091
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	137,329	51,091
(c) Analysis of cash and cash equivalents		

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	2021-2022	2020-2021
	Kshs	Kshs
Short term deposits	-	-
Cash at bank	4387	2,640
Cash in hand	1,047	727
Balance at end of the year	5424	3,367

	2021-2022	2020-2021
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans	-	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalised	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2019 dividends paid	-	-
2020 dividends paid	-	-
2021 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

48. Related Party Disclosures

County Government of Machakos

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

Other related parties include:

- The County Department in charge of water
- County Government of Machakos
- Water works Agencies
- WASREB
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

Transactions with related parties

	2021-2022	2020-2021
	Kshs	Kshs
a) Sales to related parties		
Rent Income from govt. agencies	•	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	-	-
b) Purchases from related parties		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-

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	2021-2022	2020-2021
	Kshs	Kshs
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt Agencies	-	-
Grants from County Government	3,549,635	2,579,661
Donations in kind	-	-
Total	3,549,635	2,579,661
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	1,465,600	1,725,000
Compensation to key management	-	-
Total	1,465,600	1,725,000

49. Capital Commitments

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

	2021-2022	2020-2021
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

50. Contingent Assets and Liabilities

Contingent Assets

	2021-2022	2020-2021
	Kshs	Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

(Give details)

Contingent Liabilities

	2021-2022	2020-2021
	Kshs	Kshs
Contingent liabilities	-	-
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Others (Specify)	-	-
Total	-	-

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

51. Financial Risk Management

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

The company's financial risk management objectives and policies are detailed below:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2022				
Trade Receivables	20,586,353	863,084	9,405,955	10,317,314
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	4,387	4387	-	-
Total	20,590,740	867,471	9,405,955	10,317,314
At 30 June 2021 (previous Year)				
Receivables	16,669,146	569,182	6,599,975	9,499,989
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	2,640	2,640	-	-
Total	16,671,786	571,822	6,599,975	9,499,989

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has no significant concentration of credit risk.

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

ii) Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 5 months Kshs	Total Kshs
At 30 June 2022 current year				
Trade payables	163,421	-	28,372,763	28,536,184
Customer Deposits	-	-	4,021,588	4,021,588
Current portion of borrowings	137,329	-	-	137,329
Provisions	-	-	596,450	596,450
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	300,750	-	32,987,791	33,291,551
At 30 June 2021 previous year				
Trade payables	921,585	-	20,862,590	21,784,175
Customer Deposits	-	-	3,847,688	3,847,688
Current portion of borrowings	51,091	-	-	51,091
Provisions	-	-	596,450	596,450
Total	921,585	-	25,306,728	26,228,313

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

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 Company'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 Board of Directors.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by the Board of Directors) and for the day to day implementation of those policies.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

At 30 June 2022 Current FY	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
At 30 June 2021 Previous FY				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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

Financial instruments not measured at fair value

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(6,565,069)	(1,033,742)
Capital reserve	-	-
Total funds	(6,565,069)	(1,033,742)
Total borrowings	137,329	51,091
Less: cash and bank balances	(5,434)	(3,367)
Net debt/(excess cash and cash equivalents)	131,895	47,724
Gearing	-2%	-5%

52. Incorporation

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

53. Events After the Reporting Period

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

54. Currency

The financial statements are presented in Kenya Shillings (Kshs).

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Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Errors of Presentation and Misstatements in the Financial Statements				
1.1	Presentation and Disclosure Errors in the Financial Statements				
	<p>Review of the Water Company's financial statements for the year ended 30 June, 2020 showed several errors of presentation and disclosure as follows:</p> <p>1.1.1 Director's passport-size photo and a concise description of each director's date of birth and work experience was not included under the Board of Directors' information.</p> <p>1.1.2 The management discussion analysis report did not include descriptive tools such as tables, graphs and pie charts. Consequently, the financial statements as prepared and presented do not comply with the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB).</p>			Resolved	
1.2	Misstatements in the Financial Statements				
1.2.1.	Inaccurate Comparative Balances				
	The statement of financial position shows trade and other payables of Kshs. 12,433,121 for 2018/2019 which differs with the amount of			Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved).
	<p>Kshs.11,947,663 shown in the prior year audited financial statement resulting to a variance of Kshs.485,458.</p> <p>In addition, the statement of profit or loss and other comprehensive income reflects comparative amount for administration costs of Kshs.13,739,150 while note 12(a) shows a balance of Kshs.12,469,711 resulting to a variance of Kshs.1,269,439.</p> <p>It was further noted that the statement of financial position reflects Kshs. 435,458 (negative) as the retained earnings for 2018/2019 which is at variance with amount of negative Kshs. 436,265 shown in the prior year audited financial statement resulting to a variance of Kshs. 807.</p> <p>In view of the foregoing, the accuracy of the financial statements as presented cannot be confirmed.</p>				
1.2.2	Inaccurate Statement of Cash Flows				
	<p>The statement of cash flows reflects net increase in cash and cash equivalents of Kshs. 908,755.57. However, a casting error of Kshs. 1,428,190.89 was noted and the correct balance should be negative Kshs.519,435.32. The same error is repeated in cash and cash equivalents at the end of the year which should have been indicated as negative Kshs. 1,372,810.32 instead of the Kshs. 55,380.57 now shown. Further, the corrected cash and cash equivalents balance at the end of the year is at variance with cash and bank balance of Kshs.</p>				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>55,380.57 reflected in the statement of financial position as at 30 June, 2020.</p> <p>In the circumstances, the statement of cash flows does not reflect the correct position on cash movements for the year and the closing balance.</p>				
1.2.3	Inaccurate Statement of Profit and Loss and Other Comprehensive Income				
	<p>The statement of profit and loss and other comprehensive income shows nil balance for income tax expense (credit). However, note 16 to the financial statements shows income tax expense of negative Kshs. 136,464.</p> <p>Further, the depreciation charge of Kshs. 3,814,996 shown under note 19 to the financial statements has not been included in the statement of profit or loss and other comprehensive income thus overstating the operating results.</p> <p>In the circumstances, the accuracy and completeness of the statement of profit and loss and other comprehensive income cannot be confirmed.</p>			Resolved	
				Resolved	
1.2.4	Understatement of Revenue				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The statement of profit or loss and other comprehensive income reflects sales revenue of Kshs. 21,347,420. However, casting errors of Kshs. 7,460 and Kshs. 125,000 were noted under total revenue collection and billings for the year respectively. In addition, the recognized revenue of Kshs. 16,697,313 was found to differ from the Kshs. 19,448,720 total billings to the customers for the year leading to a Kshs. 2,751,407 understatement. In addition, analysis done from the bank statements showed total revenue collected of Kshs. 19,426,838.96 which was more than the Kshs. 16,697,313 reported resulting to a Kshs. 2,729,526 variance. Further, billings and non-revenue reports reflect water billing for the year of Kshs. 16,721,770 which was at variance with the Kshs. 17,896,007 verified from customer billings summary resulting to a Kshs. 1,174,237 difference. In addition, the billing schedules, invoices and receipts for canal customers, water kiosks and water boozers were not provided for audit thus it was not possible to ascertain how the customers were billed.</p> <p>In the circumstances, the accuracy and completeness of sales revenue of Kshs. 21,347,420 for the year ended 30 June, 2020 could not be confirmed.</p>			Resolved	
1.2.5	<p>Differences between Financial Statement and Ledger Balances</p> <p>The statement of profit or loss and other comprehensive income and note 12 to the financial statements reflects administration costs amounting to Kshs. 14,711,288. Review of the general ledger and the</p>				

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Annual Reports and Financial Statements for the year ended June 30, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)																												
	<p>schedules provided in support revealed variances of Kshs. 1,841,317 affecting four (4) components as shown below:</p> <table border="1" data-bbox="338 531 1171 1082"> <thead> <tr> <th>Item</th> <th>Financial Statements (Kshs)</th> <th>General Ledger (Kshs)</th> <th>Variance (Kshs)</th> </tr> </thead> <tbody> <tr> <td>Staff costs</td> <td>8,829,329</td> <td>11,500,495</td> <td>(2,671,165)</td> </tr> <tr> <td>Advertising, printing, stationery and photocopying</td> <td>208,971</td> <td>171,721</td> <td>37,250</td> </tr> <tr> <td>Subscriptions</td> <td>0</td> <td>100,000</td> <td>(100,000)</td> </tr> <tr> <td>Motor vehicle expenses</td> <td>1,394,147</td> <td>755,549</td> <td>638,598</td> </tr> <tr> <td>Honoraria</td> <td>254,000</td> <td>0</td> <td>254,000</td> </tr> <tr> <td>Total</td> <td>10,686,447</td> <td>12,527,765</td> <td>(1,841,317)</td> </tr> </tbody> </table> <p>No explanation or reconciliation was provided for the variances.</p> <p>Consequently, the accuracy of the administrative costs balance of Kshs. 14,711,288 reflected in the statement of profit or loss and other comprehensive income could not be ascertained.</p>	Item	Financial Statements (Kshs)	General Ledger (Kshs)	Variance (Kshs)	Staff costs	8,829,329	11,500,495	(2,671,165)	Advertising, printing, stationery and photocopying	208,971	171,721	37,250	Subscriptions	0	100,000	(100,000)	Motor vehicle expenses	1,394,147	755,549	638,598	Honoraria	254,000	0	254,000	Total	10,686,447	12,527,765	(1,841,317)				
Item	Financial Statements (Kshs)	General Ledger (Kshs)	Variance (Kshs)																														
Staff costs	8,829,329	11,500,495	(2,671,165)																														
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Yatta Water Services Company Limited
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.0	<p>Property, Plant and Equipment</p> <p>The statement of financial position reflects Property, Plant & Equipment balance of Kshs. 9,931,343 and as disclosed under note 19. However, this amount differed from amounts confirmed from the summary of the fixed asset register. In addition, management did not provide for audit a fixed asset register showing details such as; the date of acquisition, cost, location and condition of the assets. Further, it was noted that most assets had been depreciated to negative balances which is incorrect and revaluation should have been done on fully depreciated assets still in use. In addition, the depreciation charge of Kshs. 3,814,996 shown under note 15 was not included in the statement of profit and loss and other comprehensive income.</p> <p>In view of the above, the accuracy, fair statement and validity of the Property, Plant & Equipment balance of Kshs. 9,963,045 could not be confirmed.</p>				
3.0	<p>Staff Costs</p> <p>Note 12(a) on administration costs reflects Kshs. 8,829,329 in respect to staff costs. However, analysis of the payroll for the twelve months gave a total of Kshs. 9,429,012 resulting to unexplained difference of Kshs. 599,683.</p> <p>In the circumstances, the accuracy of staff costs reflected in the financial statements of Kshs. 8,829,329 could not be confirmed.</p>				

Yatta Water Services Company Limited
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.0	<p>Cash and Bank Balances</p> <p>The statement of financial position reflects bank and cash balances of Kshs. 55,380 and as disclosed in note 30 to the financial statements which comprised of Kshs.111, Kshs.41,553 and Kshs.13,715 for expenditure, revenue and deposit bank account balances respectively. However, it was noted that the company did not maintain separate cashbooks for each of the three bank accounts and no separate bank reconciliations were prepared. In addition, certificates of bank balances and board of survey report were not provided for audit verifications. Further, it was noted that the customers make payments through the Mpesa platform but Mpesa statements were not provided for audit and the balances in Mpesa accounts were not disclosed in the financial statements.</p> <p>In the circumstances, it has not been possible to confirm, the accuracy and completeness of the cash and bank balance of Kshs. 55,380 as at 30 June, 2020.</p>			Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5.0	<p>Trade and Other Receivables</p> <p>The statement of financial position reflects a balance of Kshs. 1,894,041 in respect to trade and other receivables and as disclosed under note 27(a) to the financial statements. This amount is net of Kshs. 150,000 provision for bad debts computed on the basis of 10% of debts outstanding for more than 120 days. However, included in this amount are trade receivables totalling Kshs. 1,500,000 or about 73% of the balance which had been outstanding for over 180 days. Consequently, the adequacy of the Kshs. 150,000 provision for bad and doubtful debts could not be determined. In addition, management did not demonstrate any tangible efforts towards recovery of the long outstanding debts.</p> <p>Further, it was noted that the ageing analysis disclosed under note 27 (b) has gross receivables totalling Kshs.2,094,041 which exceeds the Kshs.2,044,041 reflected in note 27(a) by Kshs.50,000. The variance was neither reconciled nor explained.</p> <p>The statement of financial position reflects trade and other receivables of Kshs. 2,044,041 and Kshs. 1,944,041 for 2019/2020 and 2018/2019 respectively. However, note 27(a) reflects balances of Kshs. 894,041 and Kshs. 1,794,041 respectively on the same account.</p>				

Yatta Water Services Company Limited
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	In the circumstances, the accuracy, fair statement and recoverability of trade and other receivables valued at Kshs. 1,894,041 could not be confirmed.				
6.0	Unaccounted for Customers' Deposits				
	<p>The statement of financial position reflects a balance of Kshs. 15,533,608 in respect to current liabilities which includes customers' deposits balance of Kshs.8,107,265 as disclosed under note 37 to the financial statements. However, the respective bank account for customer deposits A/c No.0390290558218 maintained with Equity Bank had a Kshs. 13,715 balance as at 30 June, 2020 which implies that customers' deposits totaling Kshs. 8,093,549 could not be accounted for. In addition, ledgers and schedules in support of customers' deposit balance were not provided for audit.</p> <p>Consequently, it has not been possible to confirm the fair statement and accountability of the customers' deposits and the ability of the company to make refunds to the customers as and when they are demanded.</p>			Resolved	
7.0	Un-Disclosed Material Uncertainty Related to Going Concern				
	The statement of profit or loss and other comprehensive income shows total realized revenue for the year of Kshs. 20,809,579 which was a decline from the Kshs. 24,204,959 reported in the prior year. Further, the operations of the company for the year resulted to a net loss of				

Yatta Water Services Company Limited
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kshs. 454,883. In addition, the financial position reflects current liabilities of Kshs. 15,533,608 which exceeds current assets totalling Kshs. 5,383,847 by Kshs. 10,149,761 implying that the company is technically insolvent.</p> <p>These factors are indicative that the Company is facing financial difficulties which may negatively impact on the its continued operations and casts significant doubt on its ability to continue as a going concern. This matter has not been disclosed in the financial statements and the measures in place to reverse the negative trend.</p> <p>Consequently, it has not been possible to ascertain the company's ability to sustain its operations in the foreseeable future and the appropriateness of use of the going concern basis of reporting.</p>				
8.0	Budget and Budgetary Performance				
	<p>The statement of comparison of budget and actual amounts reflects budgeted revenue and actual amount on comparable basis of Kshs. 22,800,000 and Ksh. 23,217,920 respectively. However, actual revenue reflected in the statement has not been netted off against the cost of sales of Kshs. 2,408,341 and the correct amount for actual amount on comparable basis is Kshs. 20,809,579. This implies that there was a Kshs. 1,990,421 shortfall in revenue realization during the year equivalent to 9% of the budget.</p>				

Yatta Water Services Company Limited
Annual Reports and Financial Statements for the year ended June 30, 2022

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Similarly, the statement reflects budgeted expenditure and actual amount on comparable basis of Kshs. 19,222,315 and Kshs. 18,953,579 respectively with a resultant under-expenditure of Kshs. 268,735. However, the statement of profit or loss and other comprehensive income reflects actual expenditure for the year of Kshs. 21,264,462 which implies that the expenditure for the year is understated in the statement of comparison of budget and actual amounts. Actual under expenditure for the year was Kshs. 2,042,147 or about 11% of the budget.</p> <p>Failure to realize the budgeted revenue and the related under-expenditure implies that some of the planned activities and programmes for the company were not undertaken thus denying the associated benefits to the targeted community.</p>				
9.0	Non - Revenue Water				
	<p>A review of available records revealed that the Company produced 278,463 cubic meters (M³) of water out of which only 182,735 M³ was billed to customers leaving the balance of 95,728 M³ or approximately 34% of total production as unaccounted for water (UFW) valued at Kshs. 10,242,896. The level of un-accounted for water for the year is over and above the allowable limit of 25% as provided under schedule E of the Water Services Regulatory (WASREB) guidelines. Further, the high level of NRW negatively affects the company's financial soundness and its continued operations.</p>				

Yatta Water Services Company Limited
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	To this extent, the Company is in breach of the law.				
10.0	Irregular Procurement of Security Services				
	<p>Note 12(a) on administration costs shows a figure of Kshs. 662,600 in respect to security expenses. However, management did not provide evidence on how security services were procured. Further, review of a contract between the Company and the security services provided show that the contract period has no limit and can be renewed indefinitely. In addition, although the signed contract agreement provided for four (4) security guards daily (1 security guard during the day and three during the night), no evidence was provided for audit verification to confirm that the four security guards were deployed to the Company throughout the year. Further, management did not provide documents in support of the security services expenditure such as the payment vouchers and invoices for audit.</p> <p>Consequently, it has not been possible to confirm the regularity of procurement of security services and the validity and value for money from the Kshs. 662,600 paid.</p>				
11.0	Un-clear Ownership of the Company				
	The background information to financial statements indicate that the Company is fully owned by County Government of Machakos. According to the Memorandum and Articles of Association reviewed, the Company was initially owned by Town Council of Matuu, but this				

Yatta Water Services Company Limited
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>changed upon enactment of Water Act, 2016 which placed ownership of the Company under the County Government of Machakos. Further, unconfirmed minutes of an Annual General Meeting (AGM) held on 26 June, 2015 indicates that board members resolved that the shares formerly held by the Town Council of Matuu be transferred to the County Government of Machakos, but there was no evidence to show that this has been done.</p> <p>In the circumstances, it has not been possible to confirm the ownership status of the Company and it is in compliance with Section 154 of Water Act 2016.</p>				
12.0	<p>Failure to Appoint Board Members Through a Competitive Process</p>				
	<p>The Board members the water Company were appointed by the Governor of County Government of Machakos on 7 September, 2018 through gazette notice No.9030. However, there is no evidence to show that a competitive process was followed as required under section 2(2) of schedule 1 of water Act of 2016. Further, it was not possible to ascertain if the members appointed had attained the required level of education and experience.</p> <p>To this extent, the Company was in breach of the law.</p>				

Yatta Water Services Company Limited
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
13.0	<p>Lack of Approved HR Policy Documents</p> <p>Audit revealed that the Water Company was operating with and implementing key human resource policy documents which had not been approved by the Board as follows:</p> <ul style="list-style-type: none"> • Scheme of service • Staff establishment • Organogram • Grading structure • Human Resource Manual <p>Consequently, it has not been possible to ascertain the lawfulness of the human resource decisions made over the years such as, recruitment, remuneration, staff disciplinary actions and progression.</p>			Resolved	
14.0	<p>Lack of Internal Audit Function and Committee</p> <p>Audit revealed that the Company does not have in place an internal audit function nor committee contrary to the requirements of Section 155 of the Public Finance Management Act, 2012 which requires every county government entity to have arrangement in place for internal audit function for the purpose of carrying out in depth reviews of management operations and internal controls.</p> <p>To this extent, the Company is in breach of the law.</p>			Resolved	
15.0	<p>Lack of Information Communication Technology Policy</p>				

Yatta Water Services Company Limited
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	<p>Review of the Company's ICT environment revealed that there the only one IT system deployed for water billing while all other key areas such as; assets management, human resource, procurement and finance were in form of manual records. Further, it was noted that the water company did not have in place an approved ICT policy to guide on management of IT assets in matters such as; data, ownership, confidentiality, integrity, backup and access and control over IT assets.</p> <p>Consequently, the company is exposed to errors in processing and loss of data due to failure to automate key operational areas and for lack of an ICT policy.</p>			Resolved	
16.0	<p>Lack of Risk Management Policy and Disaster Recovery Plan</p>				
	<p>The Company does not have an approved risk management policy and a disaster recovery plan. This is contrary to the provisions of Section 655(3)(a)(ii) of the Company's Act, 2015 which requires companies to give a description of principal risks and uncertainties facing their operations and Section 158(1)(a) and (b) of the Public Finance Management (County Government) Regulations 2015, which requires the Accounting Officer to ensure that the entity develops risk management strategies which include fraud prevention mechanisms and develop a system of risk management and internal control that builds robust business operations.</p>			Resolved	

Yatta Water Services Company Limited
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Consequently, the Company lacks a blue print for identifying, and mitigating against risks and is exposed to interruption of services in case of disasters.				

Managing Director
Yatta Water Services Company Limited

Date..... 22/9/22

MANAGING DIRECTOR
 YATTA WATER SERVICES COMPANY LIMITED
 P. O. Box 185 - 90119, MATUGU
 "The Oasis of Yatta"

Chairman of the Board
Yatta Water Services Company Limited

Date..... 22/9/22

[Handwritten signature]

**Yatta Water Services Company Limited
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**Appendix II: Projects Implemented By The Company
Projects**

Projects implemented by the Company Funded by development partners.

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

Status of Projects completion

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

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

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Appendix III- Inter-Entity Confirmation Letter

[Insert your Letterhead]

[Insert name of beneficiary entity]

[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by <i>[Insert name of beneficiary entity]</i> as at 30 th June 2022							
Reference Number	Date Disbursed	Amounts Disbursed by <i>[SC/SAGA/Fund]</i> (KShs) as at 30th June 2022				Amount Received by <i>[beneficiary entity]</i> (KShs) as at 30 th June 2021 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
	30 June 2022	3,549,635			3,549,635		
Total							

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

Head of Accountants department of beneficiary entity:

Name *Monica Mutugi* Sign *[Signature]* Date *29/9/2022*

Appendix IV: Reporting of Climate Relevant Expenditures

Name of the Organization

Telephone Number

Email Address

Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications)

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

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Appendix V: Disaster Expenditure Reporting Template

Date:						
Entity:						
Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer:	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

(Attach forms from each transferring Government entity.)

Yatta Water Services Company Limited
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Appendix VI: Recording of Transfers from Other Government Entities

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