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ON

YATTA WATER SERVICES COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

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water is life

YATTA WATER SERTVICES COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

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

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1. Acronyms and Glossary of Terms

A. Acronyms

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

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Entity Information

Background information

The *Yatta Water Services company Ltd* was established by the Act of Parliament CAP 387 on 27th July 2006. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and its head office is located at Matuu.Yatta Sub County.

Principal Activities

The principal activity of the Company is to provide clean and safe water within Matuu town ad 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 YAWASO area of jurisdiction in an efficient and environmentally friendly manner

Core Objectives

Customer service delivery, team work, efficiency and continual improvement

Directors

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

1.	Mr Albanus Muthama	- Chairman	- expired on September 2024
2.	Mr Augustus mboya	- Managing Director	- Appointed on July 2016
3.	Mr Stephen Mbondo	-Member	- Expired on September 2024.
4.	Mr Julius Kisilu	-Member	- Expired on September 2024
5.	Mrs Magrete Mwamisi	-Member	-Expired on September 2024
6.	Mrs Antonilla Wambua	-Member	-Expired on September 2024
7.	Mrs Beth Kioko	-Member	-Expired on September 2024
8.	Mr Stephen Ndwiki	-County Representative	-Expired on September 2024

Company Secretary

Mulekyo & Mulekyo Co.Advocates

P.O. Box 73554,

Nairobi, Kenya

Registered Office

Matuu Town, along Katangi/Ikombe Road off Garissa Road
P.O. Box 185-90119
Matuu

Corporate Headquarters

Tanathi Water Services Board
Private Bag
Kitui

Corporate Contacts

Telephone: (254) 742985039
E-mail: yattawaco@yahoo.com
Website: www.yawasco.co.ke

Corporate Bankers

Equity Bank Ltd
P.O Box 58-90119
Matuu

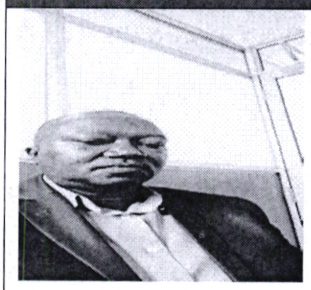
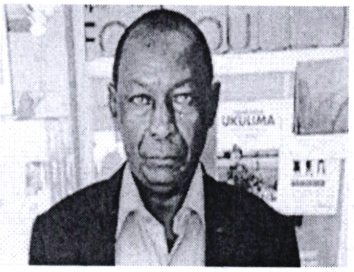
Independent Auditors

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

Principal Legal Advisers

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

3. The Board of Directors

Directors	Details
 *Albanus Muthama*	*. Age: 57 years* ***Profession/Academic qualifications*** • *Degree in Engineering from Kenyatta University* ***Work experience*** • *Businessman* ***Position Held*** • *Chairman of the Board* *Executive Director*
 *Augustus Mboya*	*Age:36 years* ***Profession/Academic Qualification*** • *Master of Arts in Economics* • *Bachelor of Economics and Finance* • *CPA(K)* ***Work Experience*** • *Internship KCB Machakos* • *Internship-KITWASCO* • *Managing Director-YAWASCO* ***Position Held*** *Managing Director/Secretary to the Board*
 *Stephen Mbondo*	*Age:65 years* ***Profession/Academic qualification*** *Degree in Public administration from University of Nairobi* ***Work Experience*** • *Former clerk of Machakos Municipal Council* • *Businessman* ***Position Held*** • *Chairman-Finance and administration committee* • *Member-Technical and projects committee* *Executive member*
Julius Kisilu	*Age:55 years* ***Profession /Academic qualification*** • *Bachelor of commerce-BBA* ***Work experience***

	• *Businessman* • *Farmer* ***Position held*** • *Chairman-Audit and Risk Assessment committee* • *Member-Technical and project committee* *Executive Member*
Margarete mwamisi 	*Age: 67years* ***Profession/Academic qualification*** • *Diploma in education* *Work experience* • *Retired teacher* • *Businesswoman* *Position held* • *Member-Finance and Administration committee* *Member-Technical and project committee*
Beth Kioko 	*Age: 56 years* ***Profession/Academic qualifications:*** • *Diploma in Education* *Work Experience* • *Retired Cabin Crew at JKIA* • *Farmer* *Position Held* • *Chairman-Technical and Project committee* • *Member-Finance and Administration Committee* *Executive Member*
Antonilla Wambua 	*Age: 56 years* ***Profession/Academic qualifications:*** *Diploma in Education* *Work Experience* • *Retired teacher* • *Businesswoman* *Position held* • *Member-Technical and Project committee* • *Member-Audit and Risk assessment committee* *Executive Member*

Stephen Ndwiki 	*Age:57 Years* ***Profession/Academic qualifications:*** • *Water Engineer from the University of Nairobi* *Work Experience* • *Water Engineer at Machakos County Government* *Executive Director*
Antony Mullekyo 	***Professional/Academic qualification*** • *LLB* • *Diploma in law KSL* • *Member ICPSK* *Position Held* • *Company Secretary*

4. Key Management Team

Managers	Details
Augustus Mboya 	Position- Managing Director **Profession/Academic qualifications:** • Master of Arts in Economics • Bachelor of Economics and Finance • CPA(K)
Damaris Mbiu 	Position- Commercial Manager **Profession/Academic qualification:** • Degree in Business Management (Procurement Option
Peninnah Kivindyo 	Position-Technical manager **Profession/Academic qualification:** Diploma in Water Engineering
 *Monica Mutunga*	Position-Accountant **Profession/Academic qualification:** • Degree in Bachelor of Commerce (Finance Option) CPA (K
 *Antony Mulekyo-* *Mulekyo & Mulekyo Company Advocates*	**Professional/Academic qualification** • LLB • Diploma in law KSL • Member ICPSK Position Held • Company Secretary

5.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 2025.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 has been high. During the year we also faced power disconnection resulting to reduced revenue. We experience shortage of Alum and chlorine leading the company to purchase.We also experience 4 months of canal dryness (January-March 2025) and we would like to thank the NYS family for agreeing to desilt some part of the canal to support lives of people and animals down stream.

Financial Overview: The performance during the period reduced compared to the previous year. The performance is mainly attributed to the high loss of water hence un-accounted for water (UFW). This is due to dilapidation of the water lines which have been in use since when the company started operations. There is also theft and faulty meters leading to water loss. 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 submitted a proposal to the Belgium Government to build a new water treatment plant at the intake We also have NYS MATUU last mile connectivity which is ongoing and is believed these proposals are awarded, it will increase our customer base hence increased revenue.

The company revenue base reduced during the year. The water pump in use has small pumping capacity and our customer base is increasing hence all the customers can't access to our services. However, this is expected to rise in next years by connecting new customers, attending to leaks and bursts and removing of illegal connections and acquiring a new water pump with a bigger capacity due to increase of our customer base. 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

The company has in place two retirement benefits schemes (NSSF and Lup-fund) for its staff which will provide earning during the retirement period. In addition, the company has a medical cover (SHIF) for its staff. The company also has work injury policy (WIBA) for its employees. 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 2025. To our esteemed customer thank you for your loyalty and supporting this course. 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.....Muthama Albane..... **SIGN:** .....f. Maya.....

6.Report Of the Managing Director

There was decrease in performance during the year due the many challenges here and there but majorly the main challenge was massive power disconnection and dryness/siltation of the canal. The Company relies on the Yatta Water Canal as its main source of water and during the rainy season, the cut off drains were washed away leading to massive siltation. Also, unpaid electricity expenses led to power disconnection leading the company to pump water using the generator hence high cost of fuel. Secondly, 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). Although repairs have been done, the company has problems with the water systems as they are old and dilapidated leading to massive leakages. The issue of illegal connections are rampant in the company whereby identifying them has proved hard to the company since most water users have devised ways to connect illegally without being detected. We also have experienced theft and vandalism of chain links and concrete blocks around our earth dam by the surrounding community due to increased sale of scrap metals.

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 and some customers are adamant, hostile and arrogant to our meter reader team.

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. We also did a proposal to the Belgium Government to build a new treatment plant at the NYS This will ensure we continue supplying clean and treated water and increase water coverage to areas of Kithimani ,Matuu and sofia hence increased sales.

We also engaging stakeholders and farmers along the canal on desiltation and NYS agreed to desilt the upper stream as we wait for funds to desilt the canal from the county government of Machakos. This is a temporary solution as most of the canal is full of silt and vegetation and all the cutoff drains washed out.

The company has been using an expired rural tariff which is not cost recovery in terms of high electricity costs, high chemical costs, administrative costs etc. We engaged a consultant and applied for a cost recovery tariff which is awaiting public participation.

The also requested for a new pump from Tanathi water works agency as the pump we are currently using can't sustain the growing number of consumers.

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 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..... SIGN.....

YATTA WATER SERVICES CO. LTD
P. O. Box 185 - 90119, MATUU
Tel: 020-2357535
"The Oasis of Yatta"

7.Statement Of Performance Against Predetermined Objectives for FY 20xxx/xx

Yatta Water Services Company Limited (YAWASCO) has 4 strategic pillars and objectives within its Strategic Plan for the FY 2020/2021 - 2024/2025. 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 2024/25 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	— Timely collection of revenue and billing of customers — Increased water customers — Increased water production	— Increased Water sales	— Improvement in collection efficiency
Pillar 2: Increase customer satisfaction	Good customer relations	— Less customer complaints and positive feedback — Prompt handling of customer issues — Increased customer/ stakeholder participation	— Good customer care service — Implement an effective feedback mechanism for customers — Enhance collaborations between customers and stakeholders	— Good customer relations
Pillar 3: Management of Non-Revenue Water (NRW)	To reduce NRW	— 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	— Implementation of GIS — Use of technology-based meters — Continuous maintenance of water infrastructure	— Current at 32%

Statement of Performance Against Predetermined Objectives for FY 2023/24 (CONTINUED)

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 3: Management of Non-revenue water (continued)			— 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	— High productivity — Improved performance — Increased staff motivation and productivity	— Ensure optimal staff complement — Enhance staff training — Performance management and reward	— Job Evaluation being done
	To increase funding to YAWASCO	— Timely collection of revenue — Adequate financial planning	— Improve revenue collection efficiency — Enhance effective and efficient financial management	— Collection efficiency is much enhanced

8.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 two board meetings and five committee 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

9.Management Discussion and Analysis

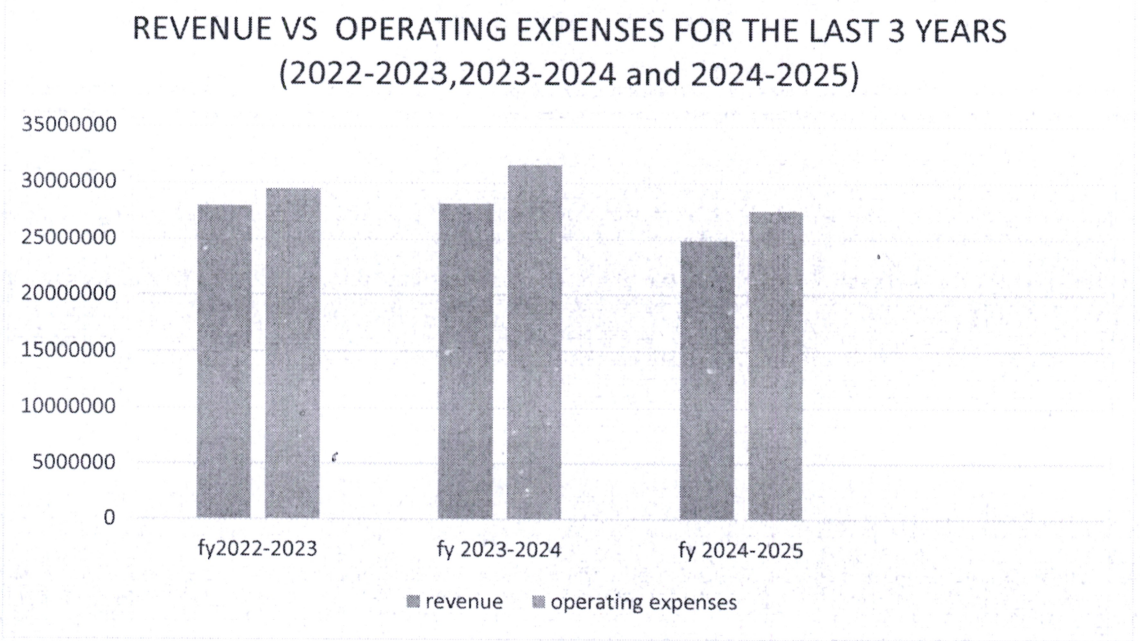
Yatta Water Services Company Limited (YAWASCO) is a limited liability company which was incorporated in line with reforms in the water sector as enshrined in the Water Act 2016. The Company is owned fully by Machakos County Government and is mandated to provide water services within Yatta Sub-County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

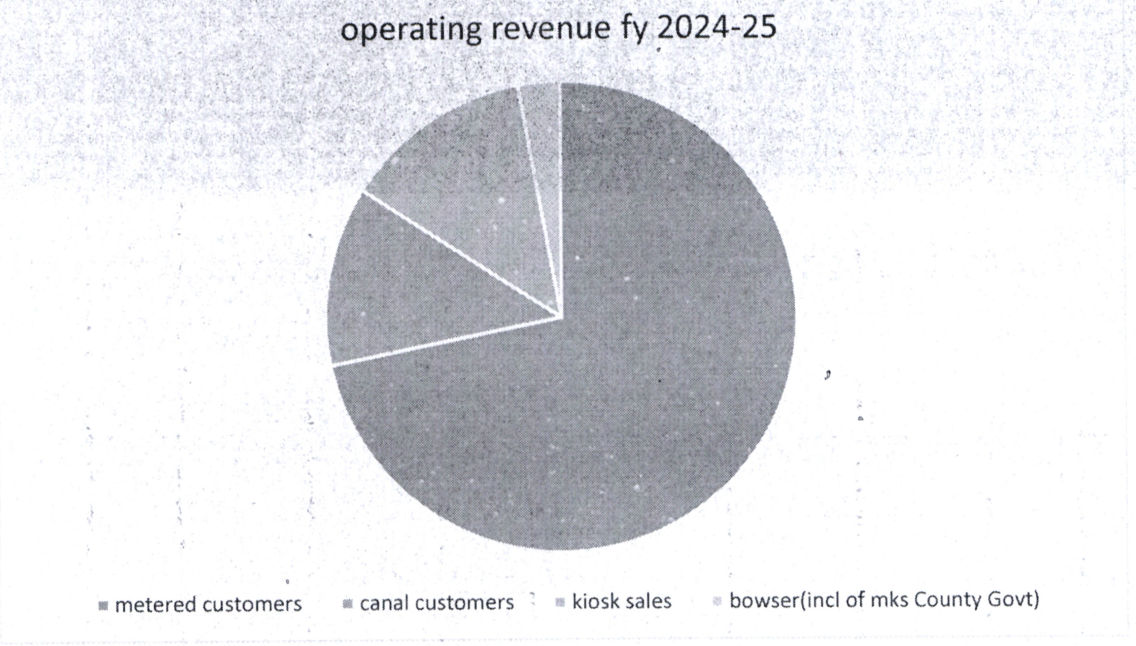
Financial Performance

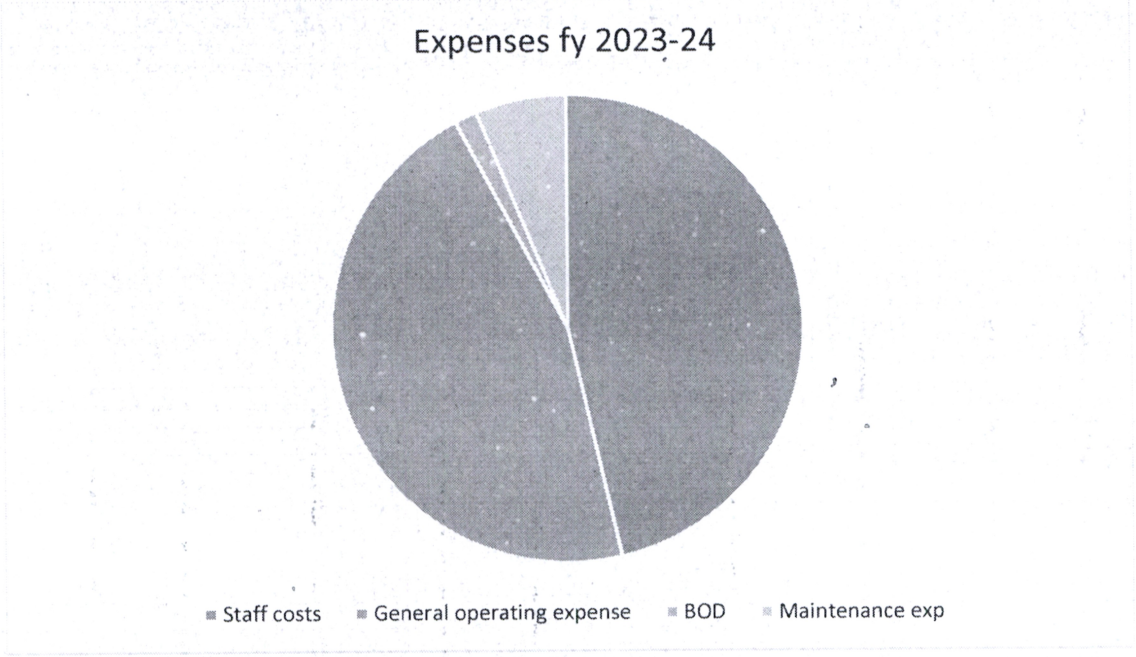
The Company's performance decreased during the year ended from a loss before tax of Kshs. 3,112,024 to a loss before tax of Kshs. 2,624,272

The turnover decreased from Kshs. 28,139,013 to Kshs. 24,894,185 during the financial year 2024/2025 representing a decrease of 12%. The operating expenses for the year ended was KShs 27,518,458 (2023/24 – Kshs. 28,821,323).

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. 34,444,267 from KShs 31,588,009 in the prior year.




operating revenue fy 2024-25
metered customers
canal customers
kiosk sales
bowser(incl of mks County Govt)


Expenses fy 2023-24
Staff costs
General operating expense
BOD
Maintenance exp

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,PAYE ,AFFORDABLE HOUSING LEVY AND NITA FEE 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.

The company is using an expired tariff which was gazetted in November 2010 and has since expired in 2012 We applied for a new tariff in June 2024 and we are waiting the information from WASREB on when to hold public participation. We have attached the tariff application we did to them.

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 customer*
- *The Company is currently operating using the rural tariff. We supply water to rural and peri urban area hence reduced revenue.*
- *UFW (Unaccounted for Water) commonly known as Non-Revenue Water (NRW) currently stands at 32%. 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.

10. Environmental And Sustainability Reporting

Yatta water Services Company limited is mandated to supply clean and safe water to the residents of Matuu and its environs. Therefore, it has put in place its environmental and sustainability policies to ensure its mission and visions are met.

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 in making payments

c) Responsible marketing and advertisement

YAWASCO uses local stations to raise water issues to our customers. We have a website and facebook page 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

e) 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.

We also supply water treatment chemicals to secondary schools within Matuu town upon request.

11.Report Of the Directors

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

i) Principal activities

The principal activity of the Company is the provision of clean and safe water and in an affordable manner to residents of Matuu and its environs

ii) Results

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

	2024-2025	2023-2024
Loss for the year	10,935,302	3,112,024

iii) Dividends

The company has not declared dividends for the year ended June 30,2025 due to making loss during the year.

iv) Directors

The members of the Board of Directors who served during the year are shown on page V-VII. 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
Company Secretary/Secretary to the Board
Date:

12.Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015- *(entities should quote the applicable legislation under which they are regulated))* require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i)Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii)maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv)Safeguarding the assets of the Company; (v)selecting and applying appropriate accounting policies; and (vi)Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015) – Company *should quote applicable legislation as indicated under which they are regulated).*

Statement Of Directors' Responsibilities (Continued)

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

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

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

Approval of the financial statements

The company financial statements were approved by the Board on 12/8/ 2025 and signed on its behalf by:

Muthama Albani .....

Name f. Mayai

Chairperson of the Board

.....

Name A. Mbaya

Managing Director

YATTA WATER SERVICES CO. LTD
P. O. Box 195 - 90119, MATUU
Tel: 020-2357535
"The Oasis of Yatta"

REPUBLIC OF KENYA

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

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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, 2025

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Yatta Water Services Company Limited set out on pages 1 to 73, which comprise of the statement of financial position as

at 30 June, 2025 and the statement of profit or loss and other comprehensive income for the year ended 30 June, 2025, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Unsupported Revaluation Reserve Balance

The statement of financial position reflects revaluation reserve balance of Kshs.8,255,514 as disclosed in Note 35 to the financial statements. However, the supporting documents to confirm the balance were not provided for audit review.

In the circumstances, the accuracy and completeness of the revaluation reserve balance of Kshs.8,255,514 could not be confirmed.

2. Long Outstanding and Unsupported Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.35,548,149 as disclosed in Note 29 to the financial statements. Included in the balance are receivables totalling Kshs.35,974,970 which have been outstanding for more than one hundred and twenty (120) days. However, Management did not provide measures put in place to recover the debts. Further, sales invoices for receivables balance of Kshs.24,876,125 in respect to Machakos County Government and the canal customers were not provided for audit review.

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.35,548,149 could not be confirmed.

3. Inaccuracies in Refundable Deposits and Prepayments

The statement of financial position reflects refundable deposits and prepayments balance of Kshs.4,326,588 as disclosed in Note 44 to the financial statements. However, the reconciled cash book balance reflected customer's deposits balance of Kshs.5,011 resulting to a variance of Kshs.4,321,577. Although, Management explained that the money was utilized to finance its operations and that they were working on a pay plan to

refund the money, the ability of the Company to refund the Customers' deposits as and when demanded could not be confirmed.

In the circumstances, the accuracy and completeness of the customers' deposits balance of Kshs.4,326,588 could not be confirmed.

4. Unsupported Board Expenses

The statement of profit or loss and other comprehensive income reflects Board expenses totalling Kshs.423,000 which, as disclosed in Note 13 to the financial statements includes sitting allowances of Kshs.213,000, However, the payments were not supported with invitation letters, signed minutes and/or attendance registers. In addition, the payment schedules were not signed.

In the circumstances, the accuracy and completeness of the Board expenses amounting to Kshs.213,000 could not be confirmed.

5. Unconfirmed Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.44,900,375 as disclosed in Note 20 to the financial statements. Included in the balance are three (3) vehicles valued at Kshs.3,850,000 whose logbooks were not provided for audit review.

In the circumstances, the accuracy, completeness and ownership of motor vehicles valued Kshs.3,850,000 could not be confirmed.

6. Unconfirmed Operating Revenue

The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.24,894,185 as disclosed in Notes 6 and 8 to the financial statements. However, data obtained from the billing system was incomplete as the system lacked key features expected in a modern revenue management environment such as, Unstructured Supplementary Service Data (USSD) access, Mobile Application Support, Financial System Integration, Automated Meter Reading (AMR), Instant Service Task processing and a Customer Self-Service web portal. The limitations affected the efficiency in billing, real-time tracking, debt recovery and service delivery.

In addition, customers were billed using estimated consumption units, rather than actual meter readings. Further, customers' records lacked corresponding meter numbers, raising concerns over the authenticity and traceability of the billed amounts. Although the Company had an internally developed desktop application, it could not be relied on to generate the required information like accurate billing, real-time tracking and debt recovery.

In the circumstances, the accuracy and completeness of operating revenue totalling Kshs.24,894,185 could not be confirmed.

7. Inaccuracies in Retained Earnings

The statement of financial position and as disclosed in Note 37 to the financial statements reflect retained earnings balance of Kshs.14,994,610. However, the balance differs with the recalculated balance of Kshs.27,572,293 Negative (previous years balance of Kshs.16,636,991 Negative added to the current years balance of Kshs.10,935,302 Negative) resulting to unexplained variance of Kshs.42,566,903. In addition, the statement of changes in equity reflects opening retained earnings balance of Kshs.25,929,912 while the statement of financial position reflects a comparative opening balance of (Kshs.16,636,991) resulting to unexplained variance of Kshs.42,566,903.

In the circumstances, the accuracy and completeness of the retained earnings balance of Kshs.14,994,610 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 and Services Company Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects loss before tax of Kshs.10,935,302 (Deficit of Kshs.3,112,024 for 2023/2024). In addition, the statement of financial position reflects current assets totalling Kshs.37,214,046 against current liabilities of Kshs.58,764,297 resulting in a negative working capital of Kshs.21,550,251. Further, trade and other payables balance of Kshs.53,841,259 increased by Kshs.8,716,204 from Kshs.45,125,055 reported in the previous financial year, an indication of the Company's inability to meet its financial obligations as and when they fall due. Although Management outlined a number of measures taken to ensure future profitability of the Company including; replacement of existing pipes with HDPE pipes, solarization of pumping stations and engaging a debt collector to assist in recovery of debts, the measures may not bear immediate results.

In the circumstances, the ability of the Company to continue to sustain its services is dependent on continued support from the County Government and other stakeholders.

My opinion is not modified in respect of this matter.

Emphasis of Matter

Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.53,841,259 as disclosed in Note 43 to the financial statements. Included in the balance are payables totalling Kshs.30,012,414 which have been outstanding for more

than three (3) years. Although Management indicated that the payables had been outstanding for long due to financial constraints, no measures had been put in place to clear the payables.

Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on pages iii to xxii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of Directors Responsibilities and Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Lawfulness and Effectiveness in Use of Public Resources section of my report, I

confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Transfer Shares to the County Government

As previously reported, the statement of financial position and the statement of changes in equity reflect ordinary share capital balance of Kshs.100,000 as disclosed in Note 34 to the financial statements. However, review of the Company's registration certificates reflect Kshs.40 for two (2) ordinary shares held by two (2) former Directors of the Company, who own one (1) ordinary share each. No explanation was provided as to why the shares have not been transferred to the County Government of Machakos. This is contrary to Section 636(1) of the Companies Act, 17 of 2015 which requires financial statements to give a true and fair view, and financial disclosures to comply with International Financial Reporting Standards (IFRS) ensuring accurate representation of share capital and liabilities.

In the circumstances, Management was in breach of law.

2. Excess Non-Revenue Water

Review of the Company records revealed that water production was 191,750 Cubic Meters (M^3) during the year under review, out of which only 128,824 M^3 was billed to customers. The balance of 62,926 M^3 or approximately 33% of total production represents Non-Revenue Water (NRW) which is above the acceptable threshold of 25% set by the Water Service Regulatory Board (WASREB). Although Management attributed the high levels of Non-Revenue water (NRW) to dilapidated distribution network, old inaccurate water meters and illegal connections, no measures have been put in place to address the issues.

In the circumstances, Management was in breach of law.

3. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company was twenty-seven (27) out of which twenty-five (25) or approximately 93% were from the dominant ethnic community in the County. This is contrary to Section 65(e) of the County Governments Act, 2012 which requires that in selecting candidates for appointment, the County Public Service Board shall consider the need to ensure at least thirty percent (30%) of the vacant posts at the entry level are filled by candidates who are not from the dominant ethnic community in the County.

In the circumstances, Management was in breach of law.

4. Non-Remittance of Statutory Deductions

Review of records revealed that Management did not remit statutory deductions totalling Kshs.3,149,532 which were due to Kenya Revenue Authority (KRA), National Social

Security Fund (NSSF) and the Social Health Insurance Fund (SHIF) Local Authorities Pensions Trust Fund (LAPFUND) and Housing Levy. This is contrary to Section 19(4) of the Employment Act, 2007 which stipulates that an employer who deducts an amount from an employee's remuneration shall pay the amount so deducted in accordance with the time period and other requirements specified in the law.

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

5. Lack of Valid Contracts

Review of payment vouchers revealed that the Company procured water treatment chemicals and repairs and maintenance services amounting to Kshs.697,110 and Kshs.1,700,500 respectively without valid written contracts between the procuring entity and the respective service providers. This is contrary to Section 135(2) of the Public Procurement and Assets Disposal Act, 2015 which stipulates that an Accounting Officer of a procuring entity shall enter into a written contract with the person submitting the successful tender based on the tender documents and any clarifications that emanate from the procurement proceedings.

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

6. Irregularities in Procurement of Security and Debt Recovery Services

The statement of profit or loss and other comprehensive income reflects general and operations expenses of Kshs.12,542,395 which, as disclosed in Note 12 to the financial statements include security services totalling Kshs.714,000 which were directly procured. This is contrary to Section 103.(2)(a) of the Public Procurement and Assets Disposal Act, 2015 which stipulates that a procuring entity may use direct procurement if the goods, works or services are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods, works or services, and no reasonable alternative or substitute exists.

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

7. Use of Expired Water Tariff

As previously reported, review of the applicable water tariff revealed that the Company relied on the tariff of the Kenya Gazette Notice of the year 2010 that gazetted approved water tariff for the Kenya Water Works Development Authority (formerly Tanathi Water Services Board) whose tariffs were valid from November, 2010 to June, 2012. No further gazettement and/ or approvals have been made on the tariffs by the Water Service Regulatory Board (WASREB). This is contrary to Section 72.(1) of the Water Act, 2016 which states that the powers and functions of the Regulatory Board shall be to—(a) determine and prescribe National standards for the provision of water services and asset development for water services providers and (b) evaluate and recommend water and sewerage tariffs to the County water services providers and approve the imposition of such tariffs in line with consumer protection standards;

Although, Management explained that they had applied for new tariffs in June, 2024, no feedback had been received.

In the circumstances, the validity and regularity of the water tariffs applied could not be confirmed and Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Internal Audit Function and an Audit Committee of the Board

The Company has not established an internal audit function and an Audit Committee of the Board. This is contrary to Section 155 of the Public Finance Management Act, 2012 which provides for the establishment of the internal audit function and an Audit Committee of the Board. As such, the Company did not benefit from the assurance and advisory services of the internal audit function as well as oversight from the Audit Committee.

In the circumstances, the existence of effective internal controls could not be confirmed.

2. Expired Terms of Service for the Board of Directors

Review of records revealed that the Board of Directors were appointed on 24 September, 2021 vide Gazette Notice Number 9866 for a period of three (3) years. The Board of Directors' terms of service expired in October, 2024. However, the Board continued to be in office without any authority for seven (7) months during the year under review.

In the circumstances, the Board was in office irregularly and the existence of effective governance measures could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. The information given in the Directors' report on page xx is consistent with the financial statements; and

iii. The auditable part of the Directors' remuneration report on page 52 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

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

Responsibilities of the Management and those Charged with Governance

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 October, 2025

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

	Note	*Insert Current FY* Kshs	*2023-2024* Kshs
Revenue			
Operating Revenue	6	24,053,771	28,139,013
Grants Income	7	-	-
Other Income (bowser sale to MCG)	8	795,414	-
Finance income	9	-	-
Other gains/(losses)	10	-	-
Total Revenue		**24,894,185**	**28,139,013**
Expenses			
Staff Costs	11	**12,697,530**	**12,824,660**
General and Operations expenses	12	**12,542,395**	**13,893,473**
Board Expenses	13	**423,000**	**392,500**
Maintenance Expenses	14	**1,700,500**	**1,710,690**
Depreciation and Amortization expenses	15	**8,466,062**	**2,429,714**
Finance Costs	16	-	-
Total Expenses		**35,829,487**	**31,251,037**
Profit/(Loss) Before Taxation		**(10,935,302)**	**(3,112,024)**
Income Tax Expense/(Credit)	17	**(10,935,302)**	**(3,112,024)**
Profit/(Loss) After Taxation		**(10,935,302)**	**(3,112,024)**
Earnings Per Share – Basic and Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		-	-
Surplus on revaluation of PPE		8,255,514	-
Remeasurement of net defined benefit liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
Total Comprehensive Income for The Year		**(2,679,788)**	**(3,112,024)**

15.Statement Of Financial Position As at 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	20	44,900,375	502,005
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		44,900,375	502,005
Current assets			
Inventories	28	1,565,968	1,255,110
Trade and receivable	29	35,548,149	31,588,009
Tax recoverable	30	-	-
Short-term deposits	31	-	-
Prepayments	32	-	-
Bank and cash balances	33	99,929	105,978
Total non-current assets		**37,214,046**	**32,949,876**
Total Assets		**82,114,421**	**33,451,102**
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	34	100,000	100,000
Revaluation reserve	35	8,255,514	-
Fair value adjustment reserve	36	-	-
Retained earnings	37	14,994,610	(16,636,991)
Capital and Reserves		**23,350,124**	**(16,536,991)**
Non-current liabilities			
Deferred tax liability	38	-	-
Borrowings	39	-	-
Lease liability	40	-	-

	Note	2024-2025	2023-2024
		Kshs	Kshs
Provisions	41	-	-
Retirement benefits	42	-	-
Total non-current liabilities		-	-
Current liabilities			
Borrowings	39	-	-
Lease liability	40	-	-
Provisions	41	596,450	596,450
Retirement benefit obligations	42	-	-
Trade and other payables	43	53,841,259	45,125,055
Refundable deposits and Prepayments	44	4,326,588	4,266,588
Deferred income	45	-	-
Dividends payable	46	-	-
Taxation	47	-	-
Total current Liabilities		**58,764,297**	**49,988,093**
Total Equity and Liabilities		**82,114,421**	**33,451,102**

The financial statements were approved by the Board on 12/08/ 2025 and signed on its behalf by:

YATTA WATER SERVICES CO. LTD
P.O. Box 185 - 90119, MATUNGA
Tel: 0202357535
"The Oasis of Yatta"

.....	.....	.....
Name	*Name* M. Mutunga	*Name* A. Muthanea
Managing Director	**Head of Finance**	**Chairman of the Board**
	ICPAK M/No: 15643	

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

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Fund	Total
As at July 1, 2023		**100,000**	-	-	**29,041,936**	-	-	**29,141,936**
New capital issued		-	-	-	-	-		-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(3,112,024)	-	-	(3,112,024)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
Dividends paid – prior year		-	-	-	-	(-)	(-)	(-)
Interim dividends paid – current year		-	-	-	-	(-)	-	(-)
Proposed final dividends		-	-	-	(-)	-	-	-
As at June 30, 2024		**100,000**	-	-	**25,929,912**	-	-	**26,029,912**
As at July 1, 2024		**100,000**	-	-	**25,929,912**	-	-	**26,029,912**

	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		-	8,255,514	-	-	-	-	8,255,514
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
loss for the year		-	-	-	(10,935,302)	-	-	(10,935,302)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
Dividends paid – prior year		0716020878	-	-	-	(-)	(-)	(-)
Interim dividends paid – current year		-	-	-	(-)	-	-	(-)
Proposed final dividends		-	-	-	(-)	-	-	-
At June 30, 2025		**100,000**	**8,255,514**	-	**14,994,610**	-	-	**23,350,124**

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.*

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

	Note	2024-2025	2023-2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		18,192,272	19,842,333
Grants Income		-	-
Finance Income		-	-
Other Income		-	-
Customer Deposits		60,000	120,000
Total Receipts		**18,252,272**	**19,962,333**
Payments			
Staff Costs		9,400,453	9,506,639
General And Operation Expenses		6,732,368	8,275,376
Board Expenses		423,000	392,500
Maintenance Expenses		1,702,500	1,710,690
Finance Costs		-	-
Refund Of Customer Deposits		-	-
Total Payments		**18,258,321**	**19,885,205**
Net Cash From/ (Used In) Operating Activities	48	**(6,049)**	**77,128**
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(-)	(-)
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		-	-
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		(-)	(-)
Dividends Paid		(-)	(-)
Net Cash From/(Used In) Financing Activities		-	-
Increase/(Decrease) In Cash and Cash Equivalents		**(6,049)**	**77,128**
Cash And Cash Equivalents At Beginning of Year	**49**	**105,978**	**28,850**
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End of the Year		**99,929**	**105,978**

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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=a+b	d	e= c-d	f=d/c %
	Kshs	**Kshs**	**Kshs**	**Kshs**	**Kshs**	
Budget carryovers from the 2023-2024	-	-	-	-	X	
Receipts						
Operating Revenue	25,816,104	-	25,816,104	24,894,185	(966,919)	-4%
Non-Operating Revenue	-	-	-	-	-	-%
Grants	-	-	-	-	-	-%
Finance Income	-	-	-	-	-	-%
Other gains	-	-	-	-	-	-%
Total Receipts	**25,816,104**	-	**25,816,104**	**24,849,185**	**(966,919)**	-4%
Payments						
Staff Costs	12,101,716	-	12,101,716	12,557,422	475,706	4%
Board Expenses	923,280	-	923,280	423,000	-500,280	-118%
General and operations Expenses	11,331,419	-	11,331,419	12,470,689	1,139,270	9%
Maintenance	1,459,689	-	1,459,689	1,700,500	240,811	14%
Finance costs	-	-	-	-	-	-%
Total Recurrent Expenditure	25,816,104	-	25,816,104	27,151,611	1,335,507	5%
Total Payments	**25,816,104**	-	**25,816,104**	**27,151,611**	**1,335,507**	5%
Capital Expenditure Payments	-	-	-	-	-	
Surplus	-	-	-	-	-	-%

Budgetary Notes

The Operating revenue for the year ended decreased by 4% from the budgeted amount of kshs 28,139,013 to an actual amount of kshs 24,894,185 attributed by low water sales due to power disconnections, massive desiltation of the Yatta canal leading to loss of revenue. This led to pumping of water using the generator hence low volumes pumped during the year. There was also loss of water due to theft, faulty meters and bursting of old pipes hence loss of revenue. The company also experienced drought in the months of September and October and lack of water at the Yatta canal during the months of February, march and April 2025

Staff costs slightly decreased by 4% from the budgeted kshs 12,824,660 to an actual of kshs 12,557,422 attributed to engaging of casual workers during repair, payment of staff incentives due to weekend stand by and canal patrols during the year, unpaid salaries and dues. Statutory deductions were unremitted during the year.

General and operating expenses slightly decreased by 9% from the budgeted kshs 13,893,473 to actual of kshs 12,451,431 attributed to attributed to purchase of fuel to pump water, purchase of treatment chemicals, unpaid trade payable during the year, frequent travels to attend seminars, workshops and county meetings, purchase of chemicals and electricity and maintenance of water systems and motor vehicle. There was also non-cash items like provisions of doubtful debts and items like electricity a bill which does not undergo procurement process.

Maintenance expesnses increased by 14% from the budgted kshs 1,419,689 to actual of kshs 1,700,500 attributed to repair and maintenance of the pump, water networks and pipes, canal maintenanace and desilting , motor vehicle repairs.

The board expenses decreased by 118% from the budgeted kshs 923,000 to actual of kshs 423,000 since the board term had expired in September 2024 and a new board had not been appointed and therefore no board meetings were held after its expiry date.

Budget Reconciliation

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

19.Notes To the Financial Statements

1. General Information

Yatta Water Services Company Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the Machakos County Government and is domiciled in Kenya. The Company's principal activity is provision of water to residence 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 Company's Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

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

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

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January2027.Earlier application is permitted.

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

iii. Early adoption of standards

(*The entity*) did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

i) **Revenue from the sale of goods and services** is recognized in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.

ii) **Grants from Government Entities** are recognized in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.

vi) **Other income** is recognized as it accrues.

Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers. Our assets were revalued by Horizon valuers in June 2023.

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line 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	2024-2025	12.5%
Plant and machinery	2024-2025	12.5%
Motor vehicles, including motorcycles	2024-2025	25%
Computers and related equipment	2024-2025	30%
Office equipment, furniture and fittings	2024-2025	12.5%

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

e) Intangible assets

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

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

f) Amortization and impairment of intangible assets

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

g) Investment property

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

Summary of Accounting Policies

h) Right of Use Asset

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

i) Biological Assets

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

j) Fixed interest investments (bonds)

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

k) Quoted investments

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

l) Unquoted investments

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

m) Inventories

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

n) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. Our trade receivables are sales from metered customers, canal users and water sale to the county government of Machakos. The policy of the company is to provide for 10% of trade and other receivables above 120 days.

o) Taxation

i) Current income tax

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

p) Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at

the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

q) Borrowing costs

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

r) Cash and cash equivalents

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

Restricted cash

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

s) Borrowings

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

t) Trade and other payables

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

u) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2018. The scheme is administered by LUPFUND and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at 6% per employee per month.

v) Provision for staff leave pay

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

w) Exchange rate differences

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

x) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on October 11, 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 18C of these financial statements.

y) Service concession arrangements

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

z) Comparative figures

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

aa) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in **Note 29.**

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

Notes to the financial statements (continues)

6. Operating Revenue

	2024-2025	2023-2024
	Kshs	Kshs
Water sales	24,894,185	28,026,513
Sewerage Services	-	-
Billing for other services*	-	112,500
Total	**24,894,185**	**28,139,013**

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples etc.

7. Grants Income

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

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

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

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2024-2025
Machakos county Government	-	-	-	-	-
Total	-	-	-	-	-

Notes to the financial statements (continued)

8. Other Income

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

9. Finance Income

	2024-2025	2023-2024
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	-	-
Interest on staff loans	-	-
Dividends	-	-
Total	-	-

10. Other Gains and Losses

	2024-2025	2023-2024
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	-	-

11. Staff Costs

Description	2024-2025	2023-2024
	Kshs	Kshs
Gross Salary and Allowances	10,591,668	10,685,668
Casual workers' Wages	178,550	134,650
Medical insurance schemes	-	-
Employer's contributions to social security schemes	371,880	323,640
Employer's contributions to pension scheme	1,346,652	1,369,752
Provisions for Leave pay	-	-
Gratuity provisions	-	-
Fringe Benefit tax	-	-
Staff incentives	208,780	310,950
Total	**12,697,530**	**12,824,660**
The average number of employees during the year	**24**	**26**

[Provide short appropriate explanations as necessary]

12. General and Operations Expenses

Description	2024-2025	2023-2024
	Kshs	Ksns
Chemicals	931,110	573,400
Electricity	3,782,985	4,231,063
Fuel, oil, lubricants, and gases	1,928,585	2,647,556
Telephone, postage, internet and sms billing	103,160	60,485
Insurance	5,000	11,000
Hire of motor vehicle/motorbikes	72,150	-
Domestic Traveling and subsistence	691,700	1,938,540
Office and general supplies and services	488,690	494,255
Bank charges	112,291	82,004
Security services	714,000	724,800
Provision of bad and doubtful debts	1,934,970	1,662,527
Advertising, printing, stationery and photocopying	163,272	222,370
Audit fees	232,000	232,000
Legal fees	90,000	-
Consultancy fees (website)	70,000	100,000
Licensing and levies to WASREB	795,782	858,473
Annual subscription to WASPA	55,000	55,000
Stakeholders' expenses	240,500	-
Debt collection fee	49,500	-
Biling system upgrade	37,000	-
welfare	40,000	-
Customer refund	4,700	-
Total	**12,542,395**	**13,893,473**

13. Board Expenses

Description	2024-2025	2023-2024
	KShs	KShs
Chairman Honoraria	210,000	220,000
Sitting allowances	213,000	172,500
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	-
Other allowances	-	-
Total Board Expenses	**423,000**	**392,500**

14. Maintenance Expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Water system repair	385,730	1,289,620
Motor vehicle repair	580,190	369,790
Canal Maintenance	696,080	-
Office and store repair	38,500	51,280
Total Maintenance Expenses	**1,700,500**	**1,710,690**

15. Depreciation and Amortization Expenses

Description	2024-2025 KShs	2023-2024 KShs
Property, plant, and equipment	8,466,062	2,429,714
Right of Use Assets	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortization	**8,466,062**	**2,429,714**

16. Finance costs

Description	2024-2025 Kshs	2023-2024 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)

Current taxation

	2024-2025 Kshs	2023-2024 Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

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

	2024-2025	2023-2024
	Kshs	Kshs
Profit before taxation	-	-
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision	-	-
Total	-	-

(Provide short appropriate explanations as necessary]

18. Earnings Per Share

No Earning per Share declared during the year as at company made a loss.

19. Dividend Per Share

The company declared no dividend per share as it made a loss during the financial year under review.

20. Property, Plant and Equipment

Description	Buildings and civil works	Plant and machinery	Motor vehicles, including, motorcycles	Computers & related equipment	Office equipment, furniture & fittings	Total
Depreciation rate	12.5%	12.5%	25%	30%	12.5%	
		Kshs	**Kshs**	**Kshs**	**Kshs**	**Kshs**
As At 1 July 2023	29,745,499	26,040,000	5,700,000	140,000	207,000	61,832,499
Additions	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)
Transfers/Adjustments	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-
As at 30th June 2024	29,745,499	26,040,000	5,700,000	140,000	207,000	61,832,499
Additions	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)
Transfer/Adjustments3	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-
As at 30th June 2025	**29,745,499**	**26,040,000**	**5,700,000**	**140,000**	**207,000**	**61,832,499**
Depreciation And Impairment						
At 1 July 2023	-	-	-	-	-	-
Depreciation	3,718,187	3,255,000	1,425,000	42,000	25,875	8,466,062
Impairment	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As At 30th June 2024	**3,718,187**	**3,255,000**	**1,425,000**	**42,000**	**25,875**	**8,466,062**
Depreciation	**3,718,187**	**3,255,000**	**1,425,000**	**42,000**	**25,875**	**8,466,062**
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-

Description	Buildings and civil works	Plant and machinery	Motor vehicles, including, motorcycles	Computers & related equipment	Office equipment, furniture & fitting	Total
Transfer/Adjustment	-	-	-	-	-	-
As at 30th June ,2025	**7,436,374**	**6,510,000**	**2,850,000**	**98,000**	**51,750**	**16,932,124**
NBV As at 30th June 2024	**22,309,125**	**22,785,000**	**4,275,000**	**98,000**	**181,125**	**53,366,437**
NBV As at 30th June 2025	**18,590,938**	**19,530,000**	**2,850,000**	**56,000**	**155,250**	**44,900,375**

[Include a brief description of what the Capital Work in Progress relate]

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings	-	-	-
Plant and machinery	-	-	-
Motor vehicles, including motorcycles	-	-	-
Computers and related equipment	-	-	-
Office equipment, furniture, and fittings	-	-	-
	-	-	-

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

	Cost	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles, including motorcycles	-	-
Computers and related equipment	-	-
Total	-	-

21. Intangible Assets

	2024-2025	2023-2024
	Kshs	Kshs
Cost		
At July 1	-	-
Additions	-	-
Disposals	(-)	(-)
At June 30	-	-
Amortization		
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

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

(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)

23. Right-of-use assets

	Buildings	*Plant*	*Equipment*	*Total*
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2023	-	-	-	-
Additions	-	-	-	-
As at 30 June 2024	-	-	-	-
Additions	-	-	-	-
As at 30 June 2025	-	-	-	-
Accumulated Depreciation				
As at 1 July 2023	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2024	-	-	-	-
Charge for the year	-	-	-	-
As at 30 June 2025	-	-	-	-
Carrying Amount				
As at 30 June 2024	-	-	-	-
As at 30 June 2025	-	-	-	-

24. Biological Assets

	2024-2025	*2023-2024*
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
Total	-	-

25. Fixed Interest Investments (Bonds)

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

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

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

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

26. Quoted Investments

	2024-2025	2023-2024
	Kshs	Kshs
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] Disclose also the amount of dividends received with respect to quoted investments and the valuation methodology).

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

27. Unquoted Investments

	2024-2025	2023-2024
	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]. Disclose any dividends received with respect to unquoted investments and the valuation methodology. OBJ

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		Current year	Prior year
	No	No	No	Shs	Shs	Shs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
Entity D	-	-	-	-	-	-
	-	-	-	-	-	-

28. Inventories

	2023-2024	2023-2024
	Kshs	Kshs
General stores	1,531,640	1,163,600
Chemicals & Laboratory items	1,218	58,400
Finished goods	33,310	33,310
Total	**1,565,968**	**1,255,110**

28. a) Inventory movement details

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

29. Trade and Other Receivables

	2024-2025	2023-2024
	KShs	KShs
Trade receivables (note (29a))	39,145,646	33,250,536
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	-	-
Other receivables	-	-
Gross trade and other receivables	**39,145,646**	**33,250,536**
Provision for bad and doubtful receivable	(3,597,497)	(1,662,527)
Net trade and other receivables	**35,548,149**	**31,588,009**
Analysed as:		
Short- Term Trade and Other Receivables	**6,101,005**	-
Long- Term Trade and Other Receivables	**29,447,144**	**31,588,009**

29. (a) Trade Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	39,145,646	33,250,536
Provision for doubtful receivables	(3,597,497)	(1,662,527)
Net trade receivables	**35,548,149**	31,588,009
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,034,433	1,697,375
Between 30 and 60 days	1,088,123	3,417,403
Between 61 and 90 days	528,060	3,850,413
Between 91 and 120 days	520,060	7,660,075
Over 120 days	35,974,970	16,625,270
Total	**39,145,646**	**33,250,536**

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

Description	2024-2025	2023-2024
	KShs	KShs
At the beginning of the year	1,662,527	1,511,894
Additional provisions during the year	1,934,970	150,633
Recovered during the year	(-)	(-)
Written off during the year	(-)	(-)
At the end of the year	**3,597,497**	**1,662,527**

29. (c) Staff Receivables

	2024-2025	2023-2024
	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	-	-

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

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

30. Tax Recoverable

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

[Provide short appropriate explanations as necessary]

31. Short Term Deposits

	2024-2025	2023-2024
	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: xx %).

32. Prepayments

Description	2024-2025	2023-2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Others specify	-	-
Total	-	-

33. Bank and Cash Balances

	2024-2025	*2023-2024*
	Kshs	**Kshs**
Cash at bank	93,549	99,565.10
Cash in hand	1,380	1,388
Mobile money account	5,000	5,025
	99,929	**105,987.10**

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024-2025 KShs	2023-2024 KShs
a) **Current account**			
Equity Bank-Expenditure A/C	0390290228130	1,035	1,035
Equity Bank-Revenue A/C	0390290558216	84,161	95,049.30
Equity Bank-Deposit A/C	0390290557218	5,011	133.80
Equity Bank-CLSG A/C	0390280474105	3,342	3,347
Sub- total		**93,549**	**99,565.10**
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		1,380	1,388
Mobile money account		5,000	5,025
Sub- total		**6,380**	**6,413**
Grand total		**99,929**	**105,978.10**

34. Ordinary Share Capital

	2024-2025 Kshs	2023-2024 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]

35. Revaluation Reserve

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

36. Fair Value Adjustment Reserve

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

37. Retained Earnings

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

38. Deferred Tax Liability

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

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

The movement on the deferred tax account is as follows:

	2024-2025	2023-2024
	Kshs	Kshs
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	-	-

39. Borrowings

Description	2024-2025	2023-2024
	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	-	-
Repayments during the year	(-)	(-)
Balance at end of the year	-	-
C) Total Balance at end of the period c = a+b	-	-

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

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

Description	2024-2025	2023-2024
	KShs	KShs
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

(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]

40. Lease Liability

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

Maturity analysis	2024-2025 Kshs	2023-2024 Kshs
Year 1	-	-
Year 2	-	-
Year 3	-	-
Year 4	-	-
Year 5	-	-
On wards	-	-
	-	-
Less: unearned interest	(-)	(-)
	-	-
Analysed as:		
Non-Current	-	-
Current	-	-

41. Provisions

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

Provisions details

Description	2024-2025	2023-2024
	Kshs	Kshs
Current Portion of Provisions	**596,450**	**596,450**
Long-term portion of Provisions	-	-
Total	**596,450**	**596,450**

42. Retirement Benefit Obligations

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

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 20XX. The scheme is administered by xxx while xxx are the custodians of the scheme. The scheme is based on xxx percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS 39 was carried out as at xxx June xxx by xxx actuarial valuers. On this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

Notes to the financial statements (continued)

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

Recognition of Retirement Benefit Asset/ Liability

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

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

b) Amounts recognised in the Statement of Financial Position

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

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 6% per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by Lupfund Pension Fund. Employees contribute 10% while employers contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

43. Trade and Other Payables

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	13,897,480	10,511,128
Accrued expenses	5,103,403	5,103,403
Employee payables	29,434,228	25,157,918
Other payables	5,406,148	4,352,606
Total	**53,841,259**	**45,125,056**

Aging Analysis for Trade and other Payables

	2024-2024	% of the total	2023-2024	% of the total
Under one year	**12,269,646**	%	**6,535,521**	%
1-2 years	**6,609,765**	%	**9,095,104**	%
2-3 years	**4,949,434**	%	**0**	%
Over 3 years	**30,012,414**	%	**29,494,430**	%
Total	**53,841,259**		**45,125,055**	

44. Refundable Deposits and Prepayments

	2024-2025	2023-2024
	Kshs	Kshs
Customer deposits	4,266,588	4,146,588
Prepayments by customers	60,000	120,000
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	**4,326,588**	**4,266,588**

Aging Analysis for Refundable Deposits and Prepayments

	2024-2025		% of the total	2023-2024	% of the total
Under one year	**60,000**		%	**120,000**	%
1-2 years	**120,000**		%	**298,900**	%
2-3 years	**298,900**		%	**874,250**	%
Over 3 years	**3,847,688**		%	**2,973,488**	%
Total	**4,326,588**			**4,266,588**	

45. Deferred Income

Description	2024-2025	2023-2024
	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	-	-	-	-

46. Dividends Payable

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

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

Dividend Payable analysis

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

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

Notes to the financial statements (continued)

47. Taxation

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

[Provide short appropriate explanations as necessary]

48. Notes to The Statement of Cash Flows

	2024-2025	2023-2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
loss before tax	(10,935,302)	(3,112,024)
Depreciation	8,466,062	2,429,714
Amortization	-	-
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(2,469,240)	(682,310)
Working capital changes:		
Increase in inventories	(310,858)	710,792
Increase in trade and other receivables	(3,960,140)	(2862,022)
Increase in trade and other payables	8,716,203	2,770,669
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/ (used in) operation	**1,975,965**	**(62,871)**
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	-	-
Repayments during the year	(-)	(-)
Repayments of previous year's accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	(-)
Accrued interest	-	-
Balance at end of the year	-	-

	2024-2025 Kshs	2023-2024 Kshs
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	93,549	99,565
Cash in hand	6,380	6,413
Balance at end of the year	99,929	105,978
(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	-	-
2024 dividends paid	-	-
2025 dividends paid	-	-
2025 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-	-

Notes to the financial statements (continued)

Other Disclosures
49. 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 of Government of Machakos has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

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

Transactions with related parties

	2024-2025	2023-2024
	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	-	-
Bank charges paid to Govt Commercial banks	-	-

	2024-2025 Kshs	2023-2024 Kshs
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	-	-
Donations in kind	-	-
Total	-	-
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	423,000	392,500
Compensation to key management	-	-
Total	423,000	392,500

50. Capital Commitments

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

	2024-2025 Kshs	2023-2024 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]

51. Contingent Assets and Liabilities

Contingent Assets

	2024-2025	2023-2024
	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

	2024-2025	2023-2024
	Kshs	Kshs
Contingent liabilities	-	-
Court case xxx against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	-	-
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.

52. Financial Risk Management

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

Notes to the financial statements (continued)

(i) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	39,145,646	2,122,566	1,048,120	35,974,970
Other Receivables				
Investments	-	-	-	-
Bank balances	99,929	99,929	-	-
Total	**39,245,575**	**2,222,495**	**1,048,120**	**35,974,970**
At 30 June 2024				
Receivables	33,250,536	1,662,527	14,962,741	16,625,268
Other Receivables	-	-	-	-
Investments	-	-	-	-
	33,250,536	1,662,527	14,962,741	16,625,268
Bank balances	99,565.10	99,565.10	-	-
Total	**33,350,101.10**	**2,658,177.10**	**14,962,741**	**16,625,268**

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

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025	-			
Trade payables	13,897,480	-	39,943,779	53,841,259
Current portion of borrowings	-	-	4,326,588	4,326,588
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**13,897,480**	-	**44,270,367**	**58,167,847**
At 30 June 2024				
Trade payables	10,511,128	-	34,613,928	45,125,056
Current portion of borrowings	-	-	4,266,588	4,266,588
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**10,511,128**	-	**38,880,516**	**49,391,644**

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

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

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

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

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

a) Foreign currency risk

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

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2025			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

	Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June Previous year			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
Financial Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

b) Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
20xxCurrent FY			
Euro	10%	-	-
USD	10%	-	-
20xx Previous FY			
Euro	10%	-	-
USD	10%	-	-

c) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (20xx: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (20xx – KShs xxx)

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

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

At 30 June 2025	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 2024				
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.

Notes to the financial statements (continued)

iv) Capital Risk Management

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

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	14,994,610	(10,783,893)
Capital reserve	-	-
Total funds	**14,994,610**	**(10,783,893)**
Total borrowings	-	-
Less: cash and bank balances	(99,929)	(105,978)
Net debt/ (excess cash and cash equivalents)	(99,929)	(105,978)
Gearing	**0%**	**0%**

53. Incorporation

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

54. Events After the Reporting Period

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

20.Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	**Errors of Presentation and Misstatements in the Financial Statements**			
1.1.1.	**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 Kshs.11,947,663 shown in the prior year audited financial statement resulting to a variance of Kshs.485,458. 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	Adjustment done through the retained earnings	resolved	30/6/2024

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	12(a) shows a balance of Kshs.12,469,711 resulting to a variance of Kshs.1,269,439. 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. In view of the foregoing, the accuracy of the financial statements as presented cannot be confirmed.			
1.1.2	Inaccurate Statement of Cash Flows			
	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. 55,380.57 reflected in the statement of financial position as at 30	The cashflow statement fy 2018/2019 was corrected and submitted	Resolved	

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	June, 2020. In the circumstances, the statement of cash flows does not reflect the correct position on cash movements for the year and the closing balance.			
1.1.3	**Understatement of Revenue**			
	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	Error corrected through the Retained earnings	resolved	30/6/2024

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	customers were billed. 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.			
2.0	**Property, Plant and Equipment**			
	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 Kshs3,814,996 shown under note 15 was not included in the statement of profit and loss and other comprehensive income. In view of the above, the accuracy, fair statement and	we tabled this issue to the board who gave us a thumbs up to involve a valuer.We will give out the report when its ready		

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	validity of the Property, Plant & Equipment balance of Kshs. 9,963,045 could not be confirmed.			
3.0	**Staff Costs**			
	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. In the circumstances, the accuracy of staff costs reflected in the financial statements of Kshs. 8,829,329 could not be confirmed	Adjusted through retained earnings	resolved	30/6/2024
4.0	**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 ofKshs. 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.		Not resolved	

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	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. 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			
5.0	**Budget and Budgetary Performance**			
	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	There was errors in budget preparation which was corrected in the financial statement 2023/2024	resolved	

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	year equivalent to 9% of the budget. 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. 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.			
6.0	**Non - Revenue Water**			
	A review of available records revealed that the Company produced 278,463 cubic meters (M^3) of water	A NRW team was formed in year	Not Resolved	

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	out of which only 182,735 M^3 was billed to customers leaving the balance of 95,728 M^3 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. To this extent, the Company is in breach of the law.	2021 which as timely responded to leakages, detection of illegal disconnections and has advised the management on the need to replace the old lines with HDPE pipes to avoid the numerous water losses and theft.		
7.0	**Irregular Procurement of Security Services**			
	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	Contract submitted in during 2024-2025 in-year audit	Resolved.	30/6/2025

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	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. 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.			
8.0	**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 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	We are in the process of changing the MOA and AOA after the new board is appointed	Not resolved	30/6/2026

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Matuu be transferred to the County Government of Machakos, but there was no evidence to show that this has been done. 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.			
9.0	**Failure to Appoint Board Members Through a Competitive Process**			
	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. To this extent, the Company was in breach of the law.		Not resolved	
10.0	**Lack of Internal Audit Function and Committee**			
	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	There is no audit and risk committee	Not Resolved	30/6/2026

Reference No.ok. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	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. To this extent, the Company is in breach of the law.	in place since board members term expired in September 2024.We are waiting for the appointment of the new board		
11.0	**Lack of Risk Management Policy and Disaster Recovery Plan**			
	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.	The company has an approved risk and disaster recovery policy,which was approved by the board on November 5,2021	Resolved	05/11/2021

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

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

(iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report.

Name

Signature

Managing Director

Date.....12/8/25.....

YATTA WATER SERVICES CO. LTD
P. O. Box 185 - 90119, MATUU
Tel: 020-2357535
"The Oasis of Yatta"

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							

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 20xx as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate 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 [Insert name of beneficiary entity] as at 30th June 2025							
		Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June 20xx				Amount Received by [beneficiary entity] (KShs) as at 30th June 20xx (E)	Differences (KShs) (F)=(D-E)
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter–Ministerial (C)	Total (D)=(A+B+C)		
	-	-			-	-	-
Total							

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

Head of Accountants department of beneficiary entity:

Name ……A. Msoya…… **Sign** …… **Date** 2/8/25

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Appendix IV: Reporting of Climate Relevant Expenditures

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

Appendix V: Reporting Disaster Management Expenditure

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

(Attach forms from each transferring Government entity.)

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	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	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			-	-	-	-	-	-	-