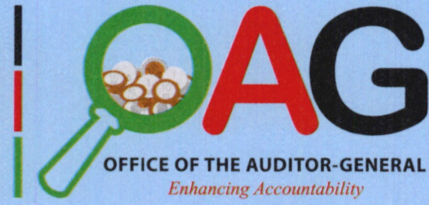


REPUBLIC OF KENYA



**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KIBWEZI MAKINDU WATER AND SANITATION  
COMPANY LIMITED**

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

PAPERS LAID	
DATE	04.12.2025.
TABLED BY	S.M.L
COMMITTEE	-
CLERK AT THE TABLE	Abdi rahman



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

17 NOV 2025

**RECEIVED**



---

**KIBWEZI MAKINDU WATER AND SANITATION  
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

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

---

<b>Table of Contents</b>	<b>Page</b>
1. Acronyms and Glossary of Terms.....	ii
2. Key Entity Information .....	iii
3. The Board of Directors.....	vi
4. Key Management Team .....	viii
5. Chairman’s Statement .....	x
6. Report of the Managing Director .....	xii
7. Statement of Performance Against Predetermined Objectives for FY 2024/2025 .....	xv
8. Corporate Governance Statement.....	xvi
9. Management Discussion and Analysis.....	xix
10. Environmental and Sustainability Reporting .....	xxi
11. Report of the Directors.....	xxiv
12. Statement of Directors’ Responsibilities.....	xxv
13. Report of the Independent Auditors for the financial statements of Kibwezi - Makindu Water and Sanitation Company Ltd.....	xxvii
14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2025.	1
15. Statement of Financial Position as at 30 June 2024 .....	2
16. Statement of Changes in Equity for the Year Ended 30 June 2025 .....	3
17. Statement of Cash Flows for The Year Ended 30 June 2025.....	4
18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025.....	5
19. Notes to the Financial Statements .....	6
20. Appendices .....	46

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

---

**1. Acronyms and Glossary of Terms**

**A. Acronyms**

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>BOD</i>	<i>Board of Directors</i>

**B. Definition of Key Terms**

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

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

---

**2. Key Entity Information**

**Background information**

The Kibwezi-Makindu Water and Sanitation Company Ltd was established by Company's Act cap 486 laws of Kenya on 16<sup>th</sup> August, 2011. 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, Makueni County.

**Principal Activities**

The principal activity of the company is to provide water and sanitation services within her area of operation by carrying out repair and maintenance of the water pipelines, carrying out treatment and distribution of potable water for domestic consumption.

**Company's Vision**

To be the leading Water Service Provider in the country and regionally.

**Company's Mission**

To supply potable, adequate and equitable water to our customers keeping the standard high and maintaining it as well as providing better sanitation services which exceed their expectation.

**Company's core objectives**

1. To exercise overall control over the sources and supply of water.
2. To provide and maintain a constant continuous supply of potable water for commercial, Industrial and domestic purposes.
3. To be responsible for the provision, control and maintenance of sanitation, sewerage and Drainage for commercial, industrial and domestic purposes.
4. Attain financial sustainability of the KIBMAWASCO.
5. Mainstreaming cross-cutting issues of poverty, gender, environment and HIV /AIDS which Impact on water and sanitation

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

---

**Directors**

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

<b>SN. Name of Director</b>	<b>Position</b>	<b>Appointed/Retired on</b>
1. Gideon M Muange	Chairman	15 <sup>th</sup> June 2023
2. Joseph Mwololo	Managing Director	1 <sup>st</sup> August 2024
3. Elizabeth N Muthoka	Director	15 <sup>th</sup> June 2023
4. Albert M Musyoka	Director	15 <sup>th</sup> June 2023
5. George Muthoka	Director	2nd April 2024
6. Gabriel Manthi	Director	2nd April 2024
7. Eng. David M. Makau	Director (CO-Water)	2nd April 2024
8. John Nguni	Director (CO- Finance)	2nd April 2024

**Company Secretary**

Mr. Njoroge Obadiah Kimani  
P.O. Box 20122 – City Square  
Nairobi

**Corporate Headquarters**

P.O Box 104-90137  
Deputy County Commissioner’s Compound off Nairobi-Mombasa Road  
Kibwezi.

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

---

**Corporate Contacts**

Telephone: 0711 697087

E-mail: kibwezi\_mtitowaco@yahoo.com and info@kibmawasco.com

Website: www.kibmawasco.com

**Corporate Bankers**

1. Kenya Commercial Bank Kibwezi Branch  
P.O Box 288-90137  
Kibwezi, Kenya.
2. Post Bank  
Kibwezi Branch  
P.O Box 30311-00100  
Nairobi, Kenya.
3. Equity Bank Kibwezi Branch  
P.O. BOX 177 - 90137  
Kibwezi, Kenya.

**Independent Auditor**

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

**Principal Legal Advisers**

The County Attorney Government of Makueni County

P.O. Box 78





Makueni, Kenya

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





**3. The Board of Directors**

Directors	Details
 <i>Gideon Muthama Muange - BOD Chairman</i>	<ul style="list-style-type: none"> <li>• Born in 1971</li> <li>• Holds a Degree in Land Economics and a Master's degree in Business Administration (Finance Option)</li> <li>• Registered and Licenced Valuer, Registered Estate Agent</li> <li>• Lead Auditor, ISO 9001;2005 QMS</li> <li>• Over 25years work experience in various positions and Institutions in Valuation, Property Management and Real Estate Consultancy</li> </ul>
 <i>Joseph Mwololo – Managing Director</i>	<ul style="list-style-type: none"> <li>• Born in 1979</li> <li>• Holds a Bachelor's Degree in Water and Environmental Engineering (BSC.WEEN).</li> <li>• Registered graduate Engineer with Engineers Board of Kenya (EBK) Reg. No. B19590.</li> <li>• 16 Years' work experience in Water and Sanitation projects design, implementation and supervision.</li> <li>• Environmental and Social Impact Assessment and Audits.</li> </ul>
 <i>Elizabeth Ngina Muthoka-Director</i>	<ul style="list-style-type: none"> <li>• Born in 1963</li> <li>• Holds a Diploma in Leadership and Management – KEMI</li> <li>• Holds a degree in Education (Arts) and a Master's degree in Arts.</li> <li>• Art of Leadership – Strathmore</li> <li>• Over 30 years of work experience in different institutions</li> </ul>
 <i>Albert M. Musyoka-Director</i>	<ul style="list-style-type: none"> <li>• Born in 1983</li> <li>• Certified Information Systems Auditor (CISA)</li> <li>• Certified Public Accountant (CPAK) – ICPAK</li> <li>• Accredited in Internal Audit Quality Assessment (CIAQA)</li> <li>• Holds a degree in Agribusiness Management and a master's degree in Business administration.</li> <li>• 17 years' work experience in Internal Audit, Finance and Accounting in various institutions.</li> </ul>



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

 <p><i>George Muthoka – Director</i></p>	<ul style="list-style-type: none"> <li>• Born in 1978</li> <li>• Holds a degree in Agricultural Education and Extension and pursuing a master's degree in Project Planning and Management</li> <li>• 20 years' experience working with international NGOs and currently in private practice consulting in project management and development</li> <li>• Currently monitoring Water Sector Trust Fund projects in Marsabit and Isiolo Counties</li> </ul>
 <p><i>Gabriel Manthi - Director</i></p>	<ul style="list-style-type: none"> <li>• Born in 1994</li> <li>• Holds a Degree in Industrial Chemistry (University of Nairobi)</li> <li>• Holds a Post Graduate Diploma in Project Management (Kenya Institute of Management)</li> <li>• Trainer of Trainers on Competency Based Assessment (TVET-CDACC)</li> <li>• Water Quality Management Consultant and Trainer at Kenya Water Institute</li> <li>• 6 Years Work experience in Various capacities at Kenya Water Institute.</li> </ul>
 <p>Eng. David M. Makau Water, Sanitation and Irrigation (CO Government of Makueni County) - Director</p>	<ul style="list-style-type: none"> <li>• YOB: 1985</li> <li>• Bsc. Environmental and Bio Systems Engineering - UoN</li> <li>• Registered with ERB.</li> <li>• 13 years' Work experience in the water sector</li> </ul>
 <p>John Nguni  Finance, Planning, Budget &amp; Revenue (CO Government of Makueni County) – Director</p>	<ul style="list-style-type: none"> <li>• Born in 1967</li> <li>• B.com Accounting</li> <li>• MBA finance</li> <li>• CPA(K)</li> <li>• 33years work experience.</li> <li>• Worked in different organizations over time. Worked in Lonrho in the early years as a management accountant. Mitchel Cotts Kenya ltd shipping industry. Manson Hart Kenya ltd as a Finance and admin manager, Philips East Africa as a Finance and Admin manager, Haggard Holdings in South Sudan as County Group Finance manager, National Oil Corporation as the Head of Finance, Petrokenya oil as Finance Manager.</li> </ul>

**4. Key Management Team**

Management	Details
 <p>Joseph Mwololo – <i>Managing Director</i>  Holds a Bachelor’s Degree in Water and Environmental Engineering (BSC.WEEN)..</p>	<p><b><u>Main responsibility:</u></b></p> <ul style="list-style-type: none"> <li>❖ Provide the board of directors with information on the company’s performance for prudent decision making and strategic direction.</li> <li>❖ Ensure all the board of directors’ resolutions are implemented.</li> </ul> <p>Offer overall leadership to the corporate management team for effective performance..</p>
 <p>Shadrack Muthiani - Technical Manager  Holds a Bachelor’s Degree in Environmental &amp; Biosystems Engineering</p>	<p><b><u>Main responsibility:</u></b></p> <ul style="list-style-type: none"> <li>❖ To oversee the company’s Technical operations</li> <li>❖ Provide strategic and technical leadership in the Technical department to ensure provision of high quality services.</li> <li>❖ Prompt repairs of water systems and servicing of master meters to ensure continuous water flows and curb technical water loses.</li> </ul>
 <p>Francis Muendo – Finance Manager  Bachelor of Commerce (Finance option)  Certified Public Accountant (CPA-K)</p>	<p><b><u>Main responsibility:</u></b></p> <ul style="list-style-type: none"> <li>❖ To ensure that all financial resources of the company are acquired, disbursed, prudently invested, fully accounted and reported for a financially sound company.</li> <li>❖ Ensure that efficient application of the available resources for maximum returns.</li> </ul>
 <p>James Mutisya – Ag. Commercial Services Manager  ‘O’Level Certificate  Bsc. Project Planning and Management.</p>	<p><b><u>Main Responsibilities</u></b></p> <ul style="list-style-type: none"> <li>❖ To oversee the company’s Commercial operations.</li> <li>❖ Ensure timely and actual billing services.</li> <li>❖ Ensure efficient collection of revenue billed to customers.</li> <li>❖ Ensure customer water meters are well functional to curb commercial water losses.</li> </ul>

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

 <p>CPA Johnson Wambua Musembi          Senior Internal Auditor          "O" Level Certificate          Certified Public Accountant Kenya CPA(K)</p>	<p><b><u>Main Responsibilities</u></b></p> <ul style="list-style-type: none"> <li>❖ Overall lead on administrative &amp; professional leader of the department</li> <li>❖ Receive &amp; appraise adequacy of internal controls.</li> <li>❖ Report quarterly to the Board Audit Committee.</li> <li>❖ Prepare departmental budget &amp; work-plans for the department.</li> <li>❖ Conduct follow-up audits to establish whether recommendations are implemented.</li> <li>❖ Conduct physical inspection of company's growth.</li> <li>❖ Appraise management report for data integrity.</li> <li>❖ Carry out investigations.</li> </ul>
 <p>Josephine N. Sila – Human Resource Officer          (Registered Member of IHRM)          '0' Level Certificate          Diploma in Human Resource Management</p>	<p><b><u>Main Responsibilities.</u></b></p> <ul style="list-style-type: none"> <li>❖ Administer employment terms and conditions of service.</li> <li>❖ Coordinate matters of training and staff development.</li> <li>❖ Administer leave and related issues.</li> <li>❖ Ensure accurate maintenance of personnel records.</li> <li>❖ Administer the registry</li> </ul>

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

---

**5. Chairman's Statement**

On behalf of the Board of Directors, I am pleased to present to you the financial statements of KIBMAWASCO for the financial year ending 30<sup>th</sup> June 2025. As the Chairperson of the Board of Directors, I am privileged to provide this detailed statement that reflects our commitment to transparency, accountability, and sustainable growth in the provision of water services to our valued customers and the communities that we serve.

1. **Investments on Infrastructure:** Our commitment to infrastructure development has continued during the year under review, the company in partnership with the County Government of Makueni invested in new pipeline extensions, Storage tanks, Rehabilitations of the pipeline network to the tune of **sixteen million shillings**. These investments have increased our water production, coverage and growth of our customer base and ensured reliability and sustainability of our services.
2. **Customer Service and Engagement:** we have made deliberate innovations to improve customer satisfaction. We have offered various initiatives to enhance customer experience through online bill payment and customer feedback channels. This has improved our responsiveness and effectiveness to customer concerns resulting to a more transparent and collaborative relationship with our valued customers.
3. **Regulatory Compliance:** The board has ensured application for new water tariff has been done which was gazetted through a gazette notice 7304 on 30<sup>th</sup> May 2025. This new tariff once implemented will increase billing and revenue and therefore the company will be able to meet its operational costs.

The board has formulated and approved various policies and procedures for implementation by the management to address the various risks identified which may restrain achievement of the desired goals.

**Challenges and Mitigation:**

1. **High Non-Revenue Water (NRW):** The company's NRW has been above the sector benchmark which is as a result of dilapidated water infrastructure which was developed in the 1950's. This dilapidated infrastructure has surpassed its service period resulting to frequent bursts and water spillage making it difficult to maintain the infrastructure and address non-revenue water to acceptable sector standards as per the regulator (WASREB).
2. **Inadequate Water Sources:** the water demand has grown over the years due to several factors including population growth through new settlements. Our water sources are strained which has left a larger population within the service area not accessing this service.

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

---

In order to address the above challenges, we are collaborating with the County Government of Makueni and other key sector strategic partners such as Water Sector Trust Fund, World Bank and Millennium Water Alliance to address these gaps.

**Future Outlook**

Kibwezi, Makindu and Mtito Andei towns have recently been earmarked for upgrade to municipality level. These towns are among the fastest growing towns in the region thus presenting a greater business opportunity for the company. The company is positioning itself to take advantage by improving its systems to manage the potential growth of our customer base.

The Kambu river, Makindu borehole, Kilui intake and the unequipped Kibwezi and Aligon boreholes development projects, will increase water production to help meet the growing demand for water.

Through strategic partnerships, the company has also submitted proposals for consideration in support of Non-Revenue Water reduction.

Adoption of new technology – The board is in the process of adopting new technologies to improve the company’s operation efficiencies. These technologies include Acquiring of an ERP system, solarization of Aligon and Kwa Venge and Makindu bore hole, smart metering and automation of water kiosks and draw points. These interventions will be implemented through public private partnerships and use of our own source revenue.

**Appreciation and Conclusion:**

The Board remained united, committed and focused on its strategic oversight mandate to support Management in steering the Company’s operations in the right direction.

I take this opportunity to express my sincere appreciation to our customers for their continued faith in our product and service. We promise to live up to your expectations. The Government of Kenya’s support is recognized and appreciated. I also thank the management, staff, suppliers, and other stakeholders for their continued support. We continue to focus on the bright future for indeed, the green growth shots are within grasp.



**Gideon M. Muange**  
**Board of Directors Chairman.**  
**Kibwezi-Makindu Water and Sanitation Company LTD.**

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

---

**6. Report of the Managing Director**

KIBMAWASCO is a water company fully owned by the Government of Makueni County. During the year under review, this report details the comprehensive review and assessment of the Financial, Commercial, and Technical aspects of the company's operations. Kibwezi-Makindu Water and sanitation company Limited is a medium-sized water company that operates in the Kibwezi East and Kibwezi West sub-counties with an approximated area coverage of **2,450 km<sup>2</sup>**, an estimated population of about 400,000 people, water demand of **13,607m<sup>3</sup>** per day and an annual water demand of **4,168,665m<sup>3</sup>**. The company has the following water sources namely;

- 1) Umani springs with a yield of 4,902M<sup>3</sup> per day.
- 2) Kwa Venge Springs with a yield of 906M<sup>3</sup> per day.
- 3) Kambu Springs (Kambu town water supply) with a yield of 160M<sup>3</sup> per day.
- 4) Kambu Springs (Kambu – Kiteng'ei water supply) with a yield of 432M<sup>3</sup> per day.
- 5) Dwa Dam with a yield of 480 M<sup>3</sup> per day
- 6) Makindu Borehole with a yield of 324M<sup>3</sup> per day.
- 7) UYI Dam, with CFU treatment component with a yield of 10M<sup>3</sup> per day.
- 8) Kiambani Borehole with purification component (Reverse Osmosis) with a yield of 24M<sup>3</sup> per day.

The company's total average production per day was **7,238m<sup>3</sup>** and an annual production of **2,641,870m<sup>3</sup>** the company is dedicated to providing high-quality water supply and wastewater treatment services to its customers. This report outlines the key areas of operations.

**1. Financial services**

The financial review entails an examination of our financial performance of the company that our financial statements accurately report. This includes revenue recognition practices to ensure compliance with public accounting standards. Our expenditure management has been analysed to confirm proper categorization and alignment with budgetary controls. Additionally, asset valuation methodologies have been reviewed to ensure accuracy and adherence to public Finance Management Act and regulations. In the fiscal year, we recorded an operating revenue of KES **98,739,231 (83.57%)** against an actual budget of KES **118,147,971**.

The company budgeted revenue was not achieved in the fiscal year under review due to delayed approval on new proposed tariff that we had used to project our revenue.

**2. Commercial Services**

Commercial department has three main functions; Billing, Revenue Collection and Customer Relations Management.

**i) Billing**

In the billing function, Customer meter readings are captured using smartphones and the captured readings are uploaded to the cloud-based billing system where billing supervisors check the readings for integrity before their release via text message to customers. This innovation has made billing and issuance of water bills accurate and timely.

**ii) Revenue collection**

We have exploited technology to improve our revenue collection. We offer various channels of payment through M-pesa, Postbank and bank transfers. This has made payment convenient to our customers from any corner of the country. We employ mass message service to remind our customers to pay their bills to avoid disconnections.

**iii) Customer relations management**

We have in place a customer service charter which clearly outlines our commitment to customer service, customer expectations and feedback. We have a customer care desk in our three area offices (Kibwezi, Mkindu and Mtito Andei) to handle customer needs.

**3. Technical Services**

The technical review looks at our infrastructure and operations to ensure that they are accurately presented in the financial statements, reflecting their impact on the company's financial position and performance. During the period under review, the quality of water produced complied 100% to the both World Health Organization Requirements and Kenya Bureau of Standards (KEBS) requirements. The distribution network as a critical component of our operations, has been analysed for maintenance requirements, leak detection strategies, and optimization measures to ensure reliability and minimize losses.

During the year, the company produced a total of **2,186,927m<sup>3</sup>** of water reflecting a decrease by **42,788M<sup>3</sup>** from **2,229,715M<sup>3</sup>** of water produced in the financial year 2023-2024. The decline in water volume produced has been attributed to decrease of water levels at Kwa Venge springs. During the year, the company made pipeline extensions of a total of **2.7km** of water pipeline against a target of 40 km translating to 7% achievement.

Non-revenue water for the year under review was **53.68%** against a target of **30%**. This high non-revenue water is as a result of the company migrating from mechanical meters to ultra-sonic meters resulting into accurate recording of water produced. We are planning to reengineer the process to ensure non-revenue water is reduced to below **30%** by the following measures;

- 1) Introduction of District Metered Areas (DMAs) in Kibwezi scheme and installation of smart customer meters.
- 2) Replacing the existing inefficient billing system with a new ERP system.
- 3) Carrying out GIS mapping of all the customer connections.
- 4) Acquiring and use of pipe leak detector to detect internal pipe leakages and bursts.
- 5) Acquiring and use of pipe locator to identify illegal connections in our pipe networks.
- 6) Timely repair of pipe bursts and leakages.
- 7) Use of prepaid meters especially for large consumers and private water kiosks.
- 8) Phased augmentation of the old and dilapidated pipe network.

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

---

During the year under review KIBMAWASCO was allocated Kshs. **16,072,102** by the Government of Makueni County for extensions, rehabilitation and Kiambani borehole water distribution system.

**Conclusion and Recommendations**

Based on the comprehensive review, the following recommendations are proposed:

- Rehabilitation of old railway pipeline GI pipes that are prone to frequent bursts.
- New reticulation system in Kibwezi town to replace the many spaghetti lines.
- Purchase of leak detection systems to minimize water loss and enhance distribution network efficiency.
- Augmentation and rehabilitation of pipeline connections that are prone to bursts and leakages
- Installation of smart meters to improve accuracy in recording and reporting
- Procurement of pipe locators to help in determining illegal connections.
- Adoption of new technology like automation, use of solar technology in our pumping stations and use of pre-paid smart metering technology.
- Acquiring of an ERP system which will integrate billing, customer relation management, HR, procurement and finance.

**Looking Ahead**

The water sector space is a long-term business and thus by its very nature predicting our future is an inexact science. Also, we have to recognise the various dynamics that affect the sector including and not limited to global warming and capital-intensive nature of investments required to make this WSP self-sustaining and financially stable. The county Government of Makueni is making deliberate efforts to develop new water sources and rehabilitate the existing water infrastructure.

I wish to express my gratitude to our dedicated members of staff and the supportive Board of Directors for their concerted efforts and collaboration in ensuring the accuracy and integrity of our financial reporting.



**Joseph M. Seng'ete**  
**Managing Director**  
**Kibwezi-Makindu Water and Sanitation Company Ltd.**

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

**7. Statement of Performance Against Predetermined Objectives for FY 2024/2025**

Kibwezi-Makindu Water and Sanitation Co. Ltd has four (4) strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2024 - 2025. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Water and Sanitation Infrastructure Development

Pillar/theme/issue 2: Operational Efficiency and Customer Service

Pillar/theme/issue 3: Financial Sustainability

Pillar/theme/issue 4: Institutional Development and Strengthening

Kibwezi-Makindu Water and Sanitation Co. Ltd develops its annual work plans based on the above four pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Kibwezi-Makindu Water and Sanitation Co. Ltd achieved its performance targets set for the FY 2024/2025 period for its two (2) strategic pillars, as indicated in the diagram below:

<b>Strategic Pillar/Theme/Issues</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
Water and Sanitation Infrastructure Development	Provide water and sanitation services	Increase water coverage from 36.59% to 38%	Source for funds from development partners and county government	Water pipeline extensions of approx. 2.7 KM,
Financial sustainability	Improve O&M Cost Coverage	O & M cost coverage increased from 83% to over 100%	Develop and seek approval of new water tariff.	Implementation of the new approved tariff by WASREB.

## **8. Corporate Governance Statement**

### **Board Charter.**

The Company Board Charter sets out the role, composition and responsibilities of the Board of Directors of Kibwezi – Makindu Water and Sanitation Company Limited. The conduct of the Board is governed by the Water Act 2016, Companies Act, 2015 and the Leadership and Integrity Act of 2012 and the Public Officers Ethics Act.

### **Board Succession and Period in Office.**

The independent board members shall serve for maximum of six (6) years. One third of the Board members other than those from the County Government retires from office by rotation every year starting from the third year after appointments in order to maintain institutional memory.

### **Board Remuneration.**

The Board's remuneration is dependent upon the Company's financial ability to pay per the approved annual budget and the requirement of the corporate governance guidelines by the Water Service Regulatory Board and the guidelines of remuneration and benefits by the Salaries and Remuneration Commission.

### **Attendance to Board Meeting and Board Committees by Members.**

All board members endeavour to attend the Board meetings on invitation, The Chairperson is elected among the members and must come from the independent Board members. The Managing Director of his designate is the secretary of the Board.

The quorum for the meeting is at least two thirds of the members of the Board. In the absence of the Chairperson and while quorum of two is respected, a temporary chair is elected to conduct the meeting.

The Board exercised its oversight function through three (3) committees that reported to the full board on a quarterly basis. The committee that operated during the year were.

- i. Technical Committee - Guides board in making prudent investment decisions aimed at financing viable water and sanitation projects.
- ii. Audit Committee - Advises Board on risk management and compliance.
- iii. Finance and Administration Committee - Advises Board on all finance related issues, resource mobilisation and human resource management.

The membership to the committees was drawn from the Board of Directors and the Committee were chaired by independent directors.

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

---

**Number and Nature of Full Board & Board Committee Meetings and Key Activities.**

No.	Description	No. of Meetings
1	Full Board	4
2	Special Full Board	2
3	Adhoc meeting attended by Board Members	2
4	Technical Committee	3
5	Audit Committee	4
6	Finance and Administration Committee	4
	Total number of meetings held	19

**Attendance register of members present in Full Board meetings.**

Member Name	20.9.24	01.11.24	24.04.25	09.05.25
Gideon Muange	√	√	√	√
Elizabeth Muthoka	√		√	√
Albert Maingi		√	√	
David Makau			√	
John Nguni	√		√	
George Muthoka	√	√	√	√
Gabriel Manthi	√	√	√	√
No. of Members Present	<b>5</b>	<b>4</b>	<b>7</b>	<b>4</b>

**Roles and Responsibilities**

The Board has the following major responsibilities which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Company.

1. To be aware of the Company's operating environment and promote safety and soundness of the Company.
2. To be diligent in undertaking his/her duties and avoid conflict of interest.
3. To Understand his/her oversight role and exercise independent judgement in decision making.
4. To devote adequate time and attention to discharge his/her duties and responsibilities effectively.
5. To contribute actively to the functions of the board and be able to provide sound and objective advice.
6. Adopting and reviewing a strategic plan for the Company.
7. Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and sustained.
8. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.

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

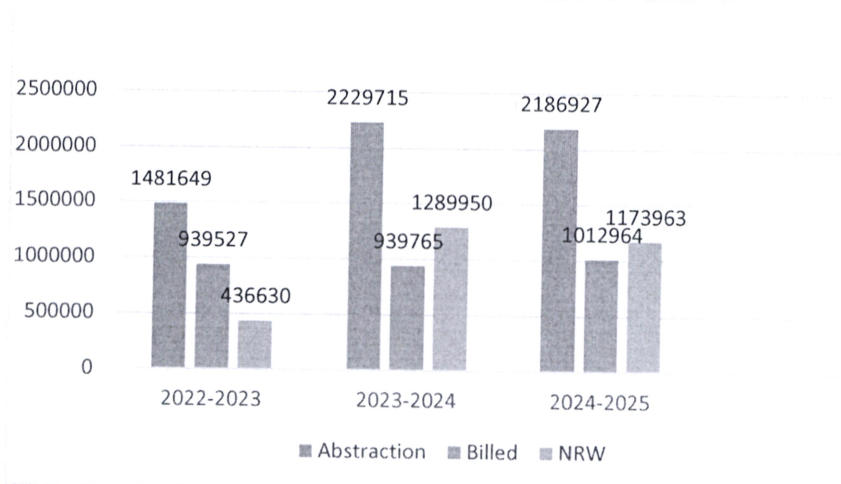
---

9. Succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing senior management of the Company.
10. Developing and implementing an investor relations programme or shareholder communications policy for the Company; and
11. Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulation, rules, directives and guidelines.
12. Approval of the annual budget and procurement plan.

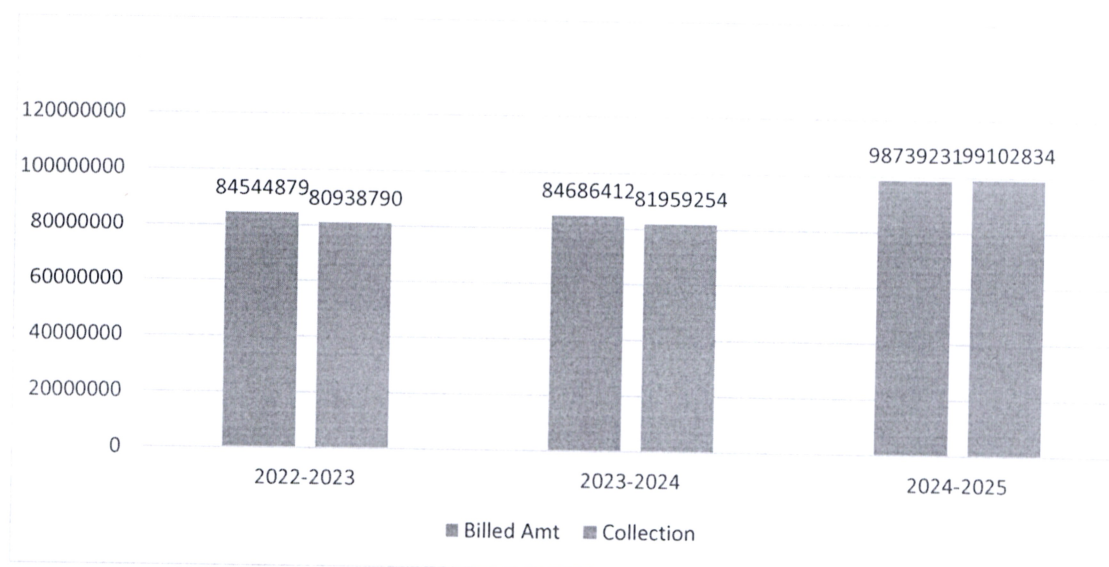
**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

**9. Management Discussion and Analysis**

The company depends on two main schemes, Makindu and Kibwezi and each has other sources. In Makindu the Company abstracted water from *Kwa-Venge* natural spring while in Kibwezi the water was abstracted from *Umani* natural spring, Kambu river and Kambu spring. The total water abstracted was two million one hundred eighty-six thousand nine hundred twenty-seven cubic meters of water (2,186,927 M<sup>3</sup>) out of which the company managed to bill one million twelve thousand nine hundred sixty-four cubic meters (1,012,964M<sup>3</sup>) which translated to 46.32% of the total water produced. On the other hand, the company recorded a non-revenue water of one million one hundred seventy-three thousand nine hundred sixty-three cubic meters (1,173,963 M<sup>3</sup>) which was 53.68%. The diagram below is a summary of the water production and billing volumes during the year.



During the financial year, the company billed Kenya shillings ninety-eight million seven hundred Thirty-nine thousand two hundred and Thirty-one (KES. **98,739,231**) from water sales and other miscellaneous incomes. Further, the company collected Kenya shillings ninety-nine million three hundred ninety-six thousand and nine only (KES. **99,102,834**), which represented 100%. The diagram below represents the billed and collected amounts for the period.



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

---

The company was able to connect three hundred seventy-four (374) new customers with water increasing the total number of customer connections from nine thousand seven hundred fifteen (9,715) to ten thousand eighty-nine (10,089) at the end of the financial year. The number of dormant and or inactive connections increased from three thousand six hundred twenty-three (3,623) to four thousand one hundred thirty-nine (4,139) This was attributed to some customers being disconnected for non-payment or lack of enough water to serve the existing customers in some parts of the service area.

The company has been compliant in the remittance of the statutory obligations; however, staff deductions relating to SACCO, Pension, Workers' union, micro finance and bank loans had not been remitted in full. Water abstraction fees (WRA levies) were also outstanding by the end of the financial year.

The company's area of service is prone to rampant dry seasons which impacts negatively on the water production resulting to reduced revenue. Further, some extend of the main water pipelines pass through the Kenya Forestry area and wildlife majorly the elephants often uproot the water systems causing the service interruptions. The main water systems are aged and are prone to frequent bursts and leakages which causes high repair costs and water service interruptions to the customers.

## **10. Environmental and Sustainability Reporting**

Kibwezi-Makindu Water and Sanitation Co. Ltd exists to transform lives. This is our purpose; the driving force behind everything we do.

Below are the pillars under which we operate to sustain service to our customers.

### **i) Sustainability strategy and profile**

The company is committed to ensuring availability and sustainable management of water and sanitation for all as part of our obligation to SDG 6. Makueni County Government has been very supportive to the company in creating new water sources to reduce pressure on the existing water sources and increase our water coverage. The county government has undertaken to drilling of boreholes and developing water dams to increase water supply to connect more customers to clean, portable and adequate water.

### **ii) Environmental performance**

The Company has progressively adopted initiatives that are geared towards environmental conservation as part of our obligation to SDG 13 to combat Climate Change. We have maintained our commitment to practicing afforestation and to the donation of tree seedlings to the community and other stakeholders. The Company donated 2,000 indigenous tree seedlings and facilitated a how-to-plant session during the national tree growing restoration campaign launch at KwaVenge Water Intake in Makindu and UYI Dam. The company also has a Decentralised Treatment Plant that ensures waste is disposed in an environment friendly way and at the same time affordable to our customers.

Below are pictures of the National tree planting day



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

---

**iii) Employee welfare**

We support our employees' growth by providing opportunities for continuous professional development. This helps them acquire new skills and stay competitive in a business world that is constantly changing.

We have negotiated our first collective bargaining agreement (CBA) with Kenya Union of Commercial, Food and Allied Workers (KUCFAW) for financial year 2025/2026 and 2026/2027 covering approximately 68% of our employees. The CBA in place has taken into consideration staff welfare in terms of remuneration, salary increments, promotions, Work place safety and the general welfare of members of staff.

Upholding human rights is a crucial part of our mission. We are dedicated to treating everyone equally, without discrimination, and we adhere to international declarations and standards such as the United Nations Universal Declaration of Human Rights and the ILO Declaration on Principles and Fundamental Labour Rights. We actively combat practices like child labour, slavery, and torture. Our employees are encouraged to express their opinions without fear of retaliation.

**iv) Market place practices-**

**a) Responsible competition practice.**

The company is in the business of supply of water and sanitation services which is regulated. The tariff used is approved by the regulator after a thorough process involving stakeholders and public engagements. The company promotes fair competition and respects competitors. Communication is done to the winning bidders and at the same time to the unsuccessful bidders giving reasons as to why they were unsuccessful.

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

The company being a public entity is guided by the Public Procurement and Disposal Act of 2015 and also the Public Procurement and Asset Disposal Regulations of 2020 in its procurement of goods and services to ensure competitive bidding and quality products/services at the lowest rates are realised.

**c) Responsible marketing and advertisement.**

The service offered by the company does not involve marketing and advertisement of the services rather the company stakeholder engagement is important. Stakeholder engagements and public participation in key areas affecting services of the company such as tariff review, strategic and business plan among others is done through customer/supplier sensitizations from time to time.

**d) Product stewardship**

Efficient delivery of services to our customers is a key area of the company. The aim is to sustain a 24-hour service with very minimal interruptions. This goal is achieved in most areas of our water supply.

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

The company has not fully met needs of our un served customers but efforts are being made to extend service using own source revenue, resources from Makueni county government and Donors.

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

The entity has contributed towards National Holidays celebrations at a cost of Kshs. 50,000 during the year. Guided by Government directive on National tree planting campaign, the company undertook the initiative of planting 2,000 trees on the National tree planting holiday hosted by the President at Kiu wetland in Makindu which hosts our Kwa Venge springs. The company has also supplied water bowsers to needy schools as a way of Corporate Social Responsibility. Below is a picture of our bowser delivering water to Thange community after oil spillage.



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

---

**11. Report of the Directors**

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

**i) Principal activities**

The principal activities of the Company are supply of water and sanitation services.

**ii) Results**

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

**iii) Dividends**

The company has not declared dividends for the year ended 30 June 2025 due to loss made in the year

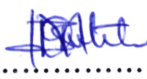
**iv) Directors**

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

**v) Auditors**

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

By Order of the Board

  
.....

Name **Joseph Mwalika**

For: **Company Secretary/Secretary to the Board**

Date: **27/8/2025**  
.....

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

---

**12. Statement of Directors' Responsibilities**

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 *and section 14 of the state Corporations Act*, 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)

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Report and Financial Statements for the year ended June 30, 2025**  
**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.

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

**Approval of the financial statements**

The company financial statements were approved by the Board on 27/8/2025 2025 and signed on its behalf by:



.....  
**Name: Gideon Muange**  
**Chairperson of the Board**



.....  
**Name: JOSEPH MWANGI**  
**Managing Director**

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON KIBWEZI MAKINDU WATER AND SANITATION 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 Kibwezi Makindu Water and Sanitation Company Limited set out on pages 1 to 47, which comprise of the statement

---

*Report of the Auditor-General on Kibwezi Makindu Water and Sanitation Company Limited for the year ended 30 June, 2025*

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kibwezi Makindu Water and Sanitation 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 Government Act, 2012 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

#### **Variance between Ledger and Financial Statements Balances**

The statement of financial position and as disclosed in Note 28 to the financial statements reflect refundable deposits and prepayments balance of Kshs.17,885,800. However, review of the customers' deposits and prepayment ledgers revealed a balance of Kshs.17,618,800 resulting in unexplained variance of Kshs.267,000.

In the circumstances, the accuracy and completeness of the refundable deposits and prepayments balance of Kshs.17,885,800 could not be confirmed.

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.118,147,971 and Kshs.101,933,311 respectively resulting to a shortfall of Kshs.16,214,660 or approximately 14% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

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 effects of the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **Other Information**

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

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

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Non-Compliance with Law on Affirmative Action**

Review of the Company's Human Resource data revealed that the entity had eighty-two (82 No.) staff on contract and permanent and pensionable terms. Further, review of affirmative action on gender revealed that 26% of the staff were women. Top Management composition revealed that there were four (4 No.) members in the entity's top Management who were all of one gender (Male). Further, review of the Board of Directors revealed that there was only one (1) female out of the eight (8) members of the

Board representing approximately 13% of the Board. In addition, there were only two (2) Persons Living with Disability (PWD) represented in the general staff representing approximately 3% of the total population. This is contrary to Section 7 (1) and (2) of the National Integration and Cohesion Act, 2008 and Paragraph 2.2.2(i) of Public Service Commission Diversity Policy, 2016 which state that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and no public establishment shall have more than one third of its staff from the same ethnic community, every public service Institution shall adopt measures aimed at facilitating the realization of the constitutional principles of ensuring an inclusive public service and that at least five per cent (5%) of appointments in the public sector shall comprise persons living with disabilities.

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

## **2. Non-Compliance with Fiscal Responsibility Principles**

### **2.1 Wages and Benefits**

The statement of profit or loss and other comprehensive income reflects Kshs.56,534,094 in respect to staff costs. The amount represents approximately 55% of the total revenue of Kshs.101,933,311 which exceeded the recommended ratio of 35% as per Regulation 25 (1) (b) of the Public Finance Management (County Governments) Regulations, 2015.

### **2.2 Development Expenditure**

The statement of comparison of budget and actual amounts reflects Kshs.3,685,587 in respect to development budget. This represents approximately 3% of the total budget of Kshs.118,147,971 which is less than the required expenditure of at least 30% of the budget as per Regulation 25(1)(g) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, Management was in breach of the law

## **3. Irregular Procurement**

Review of procurement documents for the Company revealed that the Company procured goods and services amounting to Kshs.16,413,839. However, the following issues were observed:

- i. The water Company procured fuel oil and lubricants from two (2) suppliers through framework agreements. However, there was no proof that the entity had enlisted seven (7) alternative vendors for fuel as required by Section 114(1) of the Public Procurement and Assets Disposal Act, 2015 in undertaking procurement through frameworks.
- ii. The water Company had irregularly extended a contract for Motor Vehicle and Motorcycle insurance from 1 July, 2024 to 30 June, 2025 in spite of the previous contract not having an extension clause.

- iii. There was no proof that the Company had submitted to the Board quarterly reports on the implementation of the Annual Procurement Plan for review and adjustments as required by Section 139(5) of the Public Procurement and Assets Disposal Act, 2015
- iv. There was no proof that the entity had reserved a minimum of thirty per cent (30%) of the budgetary allocations for enterprises owned by women, youth, persons with disabilities and other disadvantaged groups contrary to section 53(6) of the Public Procurement and Assets Disposal Act, 2015.

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

#### **4. Excess Non-Revenue Water**

Review of records reveals that the Company produced a total of 2,186,927 cubic Meters of water out of which 1,012,964 cubic Meters of water were billed to customers. The balance of 1,173,963 cubic meters or approximately 54% of the total water production represents Non-Revenue Water (NRW) which is above the acceptable threshold of 25% set by the Water Service Regulatory Board (WASREB).

In the circumstances, Management is in breach of the law

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

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Lack of a Staff Establishment**

Review of human resource records revealed that the Company did not have an approved staff establishment. In addition, the entity did not have an approved organogram showing the reporting structure in the organization. It was therefore, unclear how the entity carried out recruitment of staff without assessing the staffing gap based on an approved staff

establishment. Further, it was not clear how roles for the employees have been segregated and their various reporting lines.

In the circumstances, the effectiveness of internal controls on staffing could not be confirmed.

## **2. Lack of a Training Committee**

The statement of profit or loss and other comprehensive income reflects Kshs.49,870,482 in respect to general and operating expenses which include Kshs.518,400 incurred on staff training as disclosed in Note 11 to the financial statements. However, the requisition, names of the training Committee and training needs assessment plan were not provided for audit review. In addition, it was unclear how the entity determined suitability for the trainings without recommendations from the training Committee and training needs assessment Plans.

In the circumstances, the effectiveness of training in the absence of training committee could not be confirmed.

## **3. Internal Control Weaknesses**

Review of general information and operation environment of the Company revealed the following internal control weaknesses:

- i. There was no Strategic Plan, Operational Plan and organizational chart. Management did not explain how budget estimates for the year were developed without an approved Strategic Plan.
- ii. There was no Information Technology (IT) Strategy Committee and IT steering Committee. This may have resulted in inadequacy in IT governance, which forms a critical part of the Company's governance structure.
- iii. Management does not embrace technology in the construction of different water service facilities to differentiate the quality-of-service levels for different categories of consumers like digitalization of consumer meter and mapping of all its clients.
- iv. There was no Business Continuity Plan and IT Continuity Plan.
- v. The Company is yet to approve and adopt a Risk Management Policy to guide Management on risk management assessment and fraud preventive mechanisms for its financial, human resource and operational systems.

In the circumstances, the Company's ability to execute its strategic goals, disaster management, business recovery and continuity of the operations may not be guaranteed.

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### **Conclusion**

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xxiv to xxvi is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on pages 1 and 22 have 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 Board of Directors**

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

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

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

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

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

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

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

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

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

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

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

**Nairobi**

**27 November, 2025**

**Kibwezi – Makindu Water and Sanitation Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

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


	Note	2024 -2025	2023 -2024
		Kshs	Kshs
<b>Revenue</b>			
Operating Revenue	6	98,739,231	84,686,412
Grants Income	7	1,793,880	1,793,880
Other Income	8	293,175	337,123
Finance income	9	1,107,025	-
<b>Total Revenue</b>		<b>101,933,311</b>	<b>86,817,415</b>
<b>Expenses</b>			
Staff Costs	10	56,534,094	58,797,319
General and Operations expenses	11	49,870,482	39,525,582
Board Expenses	12	3,213,690	2,086,495
Maintenance Expenses	13	8,379,707	4,790,267
Depreciation and Amortization expenses	14	4,116,576	827,930
Finance Costs	15	36,556	104,223
<b>Total Expenses</b>		<b>122,151,106</b>	<b>106,131,815</b>
<b>Profit/(Loss) Before Taxation</b>		<b>(20,217,796)</b>	<b>(19,314,400)</b>
<b>Income Tax Expense/(Credit)</b>	16	<b>332,107</b>	<b>-</b>
<b>Profit/(Loss) After Taxation</b>		<b>(20,549,903)</b>	<b>(19,314,400)</b>
Earnings Per Share – Basic and Diluted		-	-
Dividend per share		-	-
<b>Other Comprehensive Income</b>			
<b>Profit/ (Loss) After Taxation</b>		-	-
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
<b>Total Comprehensive Income for The Year</b>		<b>-</b>	<b>-</b>


**Kibwezi-Makindu Water and Sanitation Company Ltd.**  
**Annual Report and Financial Statements for the year ended June 30, 2025**


**15. Statement of Financial Position as at 30 June 2025**

	Note	2024 -2025	2023 -2024
		Kshs	Kshs
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	77,787,246	57,906,620
Intangible assets	18	77,612	310,448
<b>Total non-current assets</b>		<b>77,864,858</b>	<b>58,217,068</b>
<b>Current assets</b>			
Inventories	19	182,966	25,056
Trade and receivable	20	20,295,175	22,277,967
Short-term deposits	21	13,000,000	12,000,000
Bank and cash balances	22	23,618,522	26,196,851
<b>Total current assets</b>		<b>57,096,662</b>	<b>60,499,874</b>
<b>Total Assets</b>		<b>134,961,520</b>	<b>118,716,942</b>
<b>Equity and liabilities</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	23	40	40
Capital reserve		2,498,835	2,498,835
Capital Fund	25	85,399,328	67,716,258
Retained earnings	26	(88,567,593)	(67,831,208)
<b>Capital and Reserves</b>		<b>(669,390)</b>	<b>2,383,925</b>
<b>Non-current liabilities</b>			
Borrowings	27	-	-
Refundable deposits and Prepayments	28	17,885,800	16,719,300
<b>Total non-current liabilities</b>		<b>17,885,800</b>	<b>16,719,300</b>
<b>Current liabilities</b>			
Borrowings	27	-	451,267
Provisions	29	153,835	329,280
Trade and other payables	30	117,379,659	98,372,444
Project fund	31	45,563	460,726
Tax payable	32	166,054	-
<b>Total current Liabilities</b>		<b>117,745,111</b>	<b>99,613,718</b>
<b>Total Equity and Liabilities</b>		<b>134,961,520</b>	<b>118,716,942</b>

The financial statements were approved by the Board on 27/08/2025 and signed on its behalf by:

  
Name Joseph Mwaoko  
**Managing Director**

  
Name FRANCIS MWENDO  
**Head of Finance**  
ICPAK M/No: 18498

  
Name: Gideon Muange  
**Chairman of the Board**

Kibwezi-Makindu Water and Sanitation Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2025

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

	Notes	Ordinary share capital	Capital reserve	Capital/ Development Fund	Retained earnings	Total
As at July 1, 2023		40	2,498,835	35,849,476	(48,515,755)	(10,167,404)
Prior year adjustment		-	-	-	(1,053)	(1,053)
Profit/ Loss for the year		-	-	-	(19,314,400)	(19,314,400)
Capital received during the year		-	-	31,866,782		31,866,782
As at June 30, 2024		40	2,498,835	67,716,258	(67,831,208)	2,383,925
As at July 1, 2024		40	2,498,835	67,716,258	(67,831,208)	2,383,925
Prior year adjustment					(186,482)	(186,482)
Profit/ Loss for the year		-	-	-	(20,549,903)	(20,549,903)
Capital received during the year		-	-	17,683,070	-	17,683,070
As at June 30, 2025		40	2,498,835	85,399,328	(88,567,593)	(669,390)

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

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

	Note	2024 -2025	2023 -2024
		Kshs	Kshs
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Receipts		99,102,834	81,959,454
Interest Income		1,107,025	-
Other Income		293,175	-
Customer Deposits		1,166,500	1,485,500
<b>Total Receipts</b>		<b>101,669,534</b>	<b>83,444,954</b>
<b>Payments</b>			
Staff Costs		56,671,237	46,122,532
Board Expenses		3,213,690	2,023,495
General And Operation Expenses		31,589,376	29,748,319
Maintenance		5,034,194	3,217,162
Finance Costs		36,556	104,223
Tax paid		166,054	166,458
<b>Total Payments</b>		<b>96,711,107</b>	<b>81,382,188</b>
<b>Net Cash From/ (Used In) Operating Activities</b>	33	<b>4,958,426</b>	<b>2,062,766</b>
<b>Cash Flows from Investing Activities</b>			
Purchase Of Property, Plant And Equipment (PPE)		(23,764,366)	(30,893,603)
Short term deposits		(1,000,000)	(12,000,000)
Purchase Of Intangible Assets		-	-
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal of Quoted Investments		-	-
<b>Net Cash From/ (Used In) Investing Activities</b>		<b>(24,764,366)</b>	<b>(42,893,603)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings		-	-
Repayment Of Borrowings		(455,459)	(474,246)
Capital fund received		17,683,070	31,866,782
<b>Net Cash From/(Used In) Financing Activities</b>		<b>17,227,610</b>	<b>31,392,536</b>
<b>Increase/(Decrease) In Cash and Cash Equivalents</b>		<b>(2,578,329)</b>	<b>(9,438,301)</b>
<b>Cash And Cash Equivalents At Beginning Of Year</b>		<b>26,196,851</b>	<b>35,635,153</b>
Effects Of Foreign Exchanges Rate Fluctuations		-	-
<b>Cash And Cash Equivalents At End of the Year</b>		<b>23,618,522</b>	<b>26,196,851</b>

Kibwezi-Makindu Water and Sanitation Company Ltd  
Annual Report and Financial Statements for the year ended June 30, 2025

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
	a	b	C=a+b	d	e= c-d	f=d/c %
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Operating Revenue	128,781,539	(13,531,448)	115,250,091	98,739,231	16,510,860	86%
Grants	1,793,880	-	1,793,880	1,793,880	-	0%
Finance Income	1,107,024	(3,024)	1,104,000	1,107,025	(3,025)	100%
Other gains	-	-	-	293,175	(293,175)	
<b>Total Revenue</b>	<b>131,682,443</b>	<b>(13,534,472)</b>	<b>118,147,971</b>	<b>101,933,311</b>	<b>16,214,661</b>	<b>86%</b>
<b>Expenses</b>			-			
Staff Costs	58,793,128	26,752	58,819,880	56,534,094	2,285,786	96%
Board Expenses	2,532,500	667,277	3,199,777	3,213,690	(13,913)	100%
General and operations Expenses	45,148,926	(957,949)	44,190,977	49,870,482	(5,679,505)	113%
Maintenance	14,560,000	(6,344,862)	8,215,138	8,379,707	(164,569)	102%
Administrative Costs	-	-	-	-	-	
Depreciation and amortization	-	-	-	4,116,576	(4,116,576)	
Finance costs	35,888	723	36,612	36,556	56	100%
Total Recurrent Expenditure	121,070,443	(6,608,059)	114,462,384	122,151,106	(7,688,722)	107%
<b>Profit or Loss</b>	<b>10,612,000</b>	<b>(6,926,413)</b>	<b>3,685,587</b>	<b>(20,217,796)</b>	<b>23,903,383</b>	
			-			
<b>Capital Expenditure</b>	<b>10,612,000</b>	<b>(6,926,413)</b>	<b>3,685,587</b>	<b>1,146,587</b>	<b>2,539,000</b>	<b>31%</b>
			-			
<b>Total Expenditure</b>	<b>131,682,443</b>	<b>(13,534,472)</b>	<b>118,147,971</b>	<b>123,297,693</b>	<b>2,539,000</b>	<b>104%</b>

The over expenditure in general and operations expenses attributed to; Increased electricity cost during the year resulting from operationalization of Makindu borehole water supply, Water permit expense of Kshs 1,668,217 and Land rent, easement and way leave expense of Kshs. 4,593,600 incurred during the year.

Depreciation expense is attributed to work in progress converted to water infrastructure during the year.

**19. Notes to the Financial Statements**

**1. General Information**

Kibwezi-Makindu Water and Sanitation Company Ltd is established by and derives its authority and accountability from Water Act. The Company is wholly owned by the Makueni County Government and is domiciled in Kenya. The Company's principal activity is supply of water and sanitation services. 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.

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 2015 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

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

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

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

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> <li>i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date.</li> <li>ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and</li> <li>iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.</li> </ul>	1 January 2026

*(The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a*

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

*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.**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
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 was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

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

**iii. Early adoption of standards**

KIBMAWASCO 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.

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

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

**Summary of Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

**d) Depreciation and impairment of property, plant and equipment**

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

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

<b>Item</b>	<b>Years</b>	<b>Rates</b>
Freehold Land	-	-
Leasehold Land	-	-
Buildings and civil works	25	4%
Infrastructure works	25	4%
Plant and machinery	12.5	8%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	33.3%
Office equipment, furniture and fittings	12.5	8%

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

---

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 recognized 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.

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

---

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

**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) 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).

**j) Quoted investments**

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

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

**Summary of Accounting Policies**

**k) Unquoted investments**

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

**l) Inventories**

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

**m) Trade and other receivables**

Trade and other receivables are recognized at 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.

**n) Taxation**

**i) Current income tax**

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

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

---

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

**Summary of Accounting Policies**

**o) Deferred tax**

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

**Summary of Accounting Policies**

**p) Borrowing costs**

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

**q) Cash and cash equivalents**

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

**r) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at 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.

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

---

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

**Summary of Accounting Policies**

**s) 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.

**t) Retirement benefit obligations**

The Company operates a defined contribution scheme for all full-time employees from July 1, 2016. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

**u) 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.

**v) Exchange rate differences**

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

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

---

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

**Summary of Accounting Policies**

**w) Budget information**

The original budget for FY 2024-2025 was approved by the Board of Directors on 21<sup>st</sup> June 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 in these financial statements.

**x) Service concession arrangements**

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

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

---

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

**Summary of Accounting Policies**

**y) Comparative figures**

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

**z) Subsequent events**

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

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**a) Estimates and assumptions**

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

**b) Useful lives and residual values**

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

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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available.

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

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

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

**6. Operating Revenue**

	2024 -2025	2023 -2024
	Kshs	Kshs
Water sales	97,241,941	82,399,912
Sewerage Services	-	7,000
Billing for other services*	1,497,290	2,279,500
<b>Total</b>	<b>98,739,231</b>	<b>84,686,412</b>

*Billing for other services refers to income generated from services such as reconnection fees, sludge treatment charges, and surcharges.*

**7. Grants Income**

	2024 -2025	2023 -2024
	Kshs	Kshs
Donations from County Governments	1,793,880	1,793,880
<b>Total</b>	<b>1,793,880</b>	<b>1,793,880</b>

*These are staff salaries paid directly to the county seconded staff during the year and not actual cash receipts.*

**8. Other Income**

	2024 -2025	2023 -2024
	Kshs	Kshs
Impairment income on liability	-	337,123
Other income (Refund of 2012 performance guarantee)	293,175	-
<b>Total</b>	<b>293,175</b>	<b>337,123</b>

**9. Finance Income**

	2024 -2025	2023 -2024
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	1,107,025	-
<b>Total</b>	<b>1,107,025</b>	<b>-</b>

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

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

**10. Staff Costs**

Description	2024 -2025	2023 -2024
	Kshs	Kshs
Gross Salary and Allowances	40,576,145	39,734,353
Casual workers' Wages	7,728,620	7,840,276
County Government staff salaries paid up directly	1,793,880	1,793,880
Employer's contributions to social security schemes(NSSF)	1,764,385	1,142,009
Employer's contributions to pension scheme	2,734,540	2,893,095
Provisions for Leave pay	740,191	769,701
Gratuity provisions	200,880	4,323,405
Staff self-help welfare Employer contribution	187,200	300,600
Housing Levy(Employer)	718,203	620,122
Nita Levy	90,050	127,250
<b>Total</b>	<b>56,534,094</b>	<b>59,544,691</b>
<b>The average number of employees during the year</b>	<b>79</b>	<b>83</b>

*There was a 15% decrease in aggregate staff cost attributed to, few staff retiring during the year resulting to decrease in provision for gratuity.*

**11. General and Operations Expenses**

Description	2024 -2025	2023 -2024
	Kshs	Kshs
Chemicals	651,114	399,422
Electricity	12,811,194	10,059,543
Fuel, oil, lubricants, and gases	5,723,171	6,456,020
Water abstraction charges	5,718,623	6,145,652
Subscription on professional bodies	72,600	70,800
Office supplies	417,005	376,556
Uniform and protective clothing	58,000	24,700
Telecommunication	580,921	567,142
Postage and courier	58,120	48,510
Office utilities (Electricity and water)	136,742	161,565
Motor vehicle Insurance	320,428	215,640
Rent and Rates	116,506	-
Hire of Equipment and vehicles	71,400	198,200
Billing hosting charges	498,540	459,940
Domestic Traveling and subsistence	2,395,880	2,240,220
Computer and Printer consumables	453,216	125,745

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

Staff welfare	4,429,700	3,553,465
Staff training and development	518,400	151,463
Bank & revenue Charges	418,708	360,857
Security services	570,000	-
Library expenses	18,020	17,340
Advertising, printing, stationery and photocopying	722,723	528,971
Audit fees Provision	232,000	232,000
Accounting and Payroll software subscriptions	95,386	-
Consultancy fees	630,000	116,080
Secretarial services	125,600	-
Billing bulk sms	760,000	320,000
Stakeholders' expenses	286,350	11,000
Donations/CSR	40,000	50,000
Hospitality expenses	79,830	60,470
Provision for bad and doubtful debts	233,593	2,258,131
Regulatory fee	3,933,655	3,408,555
Interest and Penalties	-	36,850
Water permit renewal	1,668,217	-
Land rent & Way leave	4,593,600	-
Computer and Printer servicing	188,940	123,374
Annual General Meeting	242,300	-
<b>Total</b>	<b>49,870,482</b>	<b>38,778,210</b>

*There was 28% increase in general expenses attributed to; Increased electricity cost during the by 27% resulting from operationalization of Makindu borehole water supply. Water permit expense of Kshs 1,668,217 and Land rent & way leave expense of Kshs. 4,593,600 incurred during the year.*

**12. Board Expenses**

Description	2024 -2025	2023 -2024
	KShs	KShs
Chairman Honoraria	480,000	360,000
Sitting allowances	1,950,000	855,000
Induction and Training	-	-
Travel and accommodation	552,500	646,750
Other allowances	231,190	224,745
<b>Total Board Expenses</b>	<b>3,213,690</b>	<b>2,086,495</b>

*There was 54% increase in board expense during the year, resulting from more board meeting held during the year.*

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

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

**13. Maintenance Expenses**

	2024 -2025	2023 -2024
Description	Kshs	Kshs
Plant and Equipment	105,000	268,183
Buildings	457,301	54,810
Infrastructural networks	5,541,709	2,064,036
Motor vehicles	2,239,540	2,327,868
Furniture	36,158	75,370
<b>Total Maintenance Expenses</b>	<b>8,379,707</b>	<b>4,790,267</b>

*Maintenance increase by 75% due to major Infrastructural repairs and overhaul done during the year.*

**14. Depreciation and Amortization Expenses**

	2024 -2025	2023 -2024
Description	KShs	KShs
Property, plant, and equipment	3,883,740	595,094
Intangible assets	232,836	232,836
<b>Total Depreciation and Amortization</b>	<b>4,116,576</b>	<b>827,930</b>

**15. Finance costs**

	2024 -2025	2023 -2024
Description	Kshs	Kshs
Interest expense on loans	36,556	104,223
<b>Total</b>	<b>36,556</b>	<b>104,223</b>

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

**Current taxation**

	2024 -2025	2023 -2024
Description	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	332,107	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
<b>Total</b>	<b>332,107</b>	<b>-</b>

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

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

	<b>2024 -2025</b>	<b>2023 -2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Profit before taxation	(20,219,984)	(19,314,400)
Prior year losses adjusted	(44,300,253)	(27,691,059)
Total	(64,520,237)	(47,005,459)
Tax at the applicable tax rate of 30%	30%	30%
Current tax	(19,356,071)	(14,101,638)
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	1,448,158	688,494
Tax effects of income not taxable	332,107	-
Tax effects of excess capital allowances over depreciation/amortization	(1,080,719)	123,068
Deferred tax prior year over-provision	-	-
<b>Total</b>	<b>(18,656,525)</b>	<b>(13,290,076)</b>

Kibwezi-Makindu Water and Sanitation Company Ltd  
Annual Reports and Financial Statements  
For the year ended June 30, 2025

Notes to the financial statements (continued)

17. Property, Plant and Equipment

2024 - 2025	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Cost Or Valuation</b>									
At July 1, 2024	350,000	6,358,553	1,021,383	3,006,285	3,175,000	1,788,274	1,184,587	48,586,363	65,470,445
Additions	-	-	-	-	501,000	505,192	140,395	22,617,779	23,764,366
Transfers	-	-	65,954,500	4,985,652	-	-	-	(70,940,152)	-
Disposals	-	-	-	-	-	-	-	-	-
<b>As at June 30, 2025</b>	<b>350,000</b>	<b>6,358,553</b>	<b>66,975,883</b>	<b>7,991,937</b>	<b>3,676,000</b>	<b>2,293,466</b>	<b>1,324,982</b>	<b>263,990</b>	<b>89,234,810</b>
<b>Depreciation</b>									
At July 1, 2024	-	508,684	81,711	1,587,549	2,926,395	1,669,383	790,103	-	7,563,824
Charge For the Year	-	254,342	2,679,035	512,351	187,401	207,820	42,790	-	3,883,740
Impairment Loss	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
<b>At June 30, 2025</b>	<b>-</b>	<b>763,026</b>	<b>2,760,746</b>	<b>2,099,900</b>	<b>3,113,796</b>	<b>1,877,202</b>	<b>832,893</b>	<b>-</b>	<b>11,447,564</b>
									-
<b>Net Book Value At June 30, 2025</b>	<b>350,000</b>	<b>5,595,527</b>	<b>64,215,137</b>	<b>5,892,036</b>	<b>562,204</b>	<b>416,264</b>	<b>492,089</b>	<b>263,990</b>	<b>77,787,246</b>

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2023 - 2024	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
<b>Cost or valuation</b>									
As at July 1, 2023	350,000	6,358,553	1,021,383	3,006,285	3,175,000	1,788,274	1,184,587	17,692,760	<b>34,576,841</b>
Additions	-	-	-	-	-	-	-	30,893,603	<b>30,893,603</b>
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	<b>350,000</b>	<b>6,358,553</b>	<b>1,021,383</b>	<b>3,006,285</b>	<b>3,175,000</b>	<b>1,788,274</b>	<b>1,184,587</b>	<b>48,586,363</b>	<b>65,470,444</b>
<b>Depreciation</b>									
At July 1, 2023	-	254,342	40,855	1,464,181	2,843,526	1,610,026	755,800	-	6,968,731
Charge for the year	-	254,342	40,855	123,368	82,868	59,356	34,303	-	595,094
Impairment loss	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2024</b>	<b>-</b>	<b>508,684</b>	<b>81,711</b>	<b>1,587,549</b>	<b>2,926,395</b>	<b>1,669,383</b>	<b>790,103</b>	<b>-</b>	<b>7,563,824</b>
<b>Net book value at June 30, 2024</b>	<b>350,000</b>	<b>5,849,869</b>	<b>939,672</b>	<b>1,418,736</b>	<b>248,605</b>	<b>118,891</b>	<b>394,484</b>	<b>48,586,363</b>	<b>57,906,620</b>

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

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

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

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Land	350,000	-	350,000
Buildings	6,358,553	763,026	5,595,527
Water & Sewer Infrastructure	67,030,603	2,762,935	64,267,668
Plant and machinery	7,991,937	2,099,900	5,892,036
Motor vehicles, including motorcycles	3,676,000	3,113,796	562,204
Computers and related equipment	2,293,466	1,877,202	416,264
Office equipment, furniture, and fittings	1,324,982	832,893	492,089
Capital work in progress	263,990	-	263,990
	<b>89,289,530</b>	<b>11,449,753</b>	<b>77,839,777</b>

**18. Intangible Assets**

	<b>2024 -2025</b>	<b>2023 -2024</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cost</b>		
<b>At July 1</b>	1,357,500	1,357,500
Additions	-	-
Disposals	-	-
<b>At June 30</b>	<b>1,357,500</b>	<b>1,357,500</b>
<b>Amortization</b>		
<b>At July 1</b>	1,047,052	814,216
Charge for the year	232,836	232,836
Disposals	-	-
Impairment loss	-	-
<b>At June 30</b>	<b>1,279,888</b>	<b>1,047,052</b>
<b>Net book value at June 30</b>	<b>77,612</b>	<b>310,448</b>

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

**19. Inventories**

	2024 -2025	2023 -2024
	Kshs	Kshs
Chemicals & Laboratory items	182,966	25,056
Stationery and general stores	-	-
Finished goods	-	-
<b>Total</b>	<b>182,966</b>	<b>25,056</b>

water inventory as at 30 June 2025 amount to 3,740.87 cubic meters valued at Kshs. 32,618.

Water inventory represents the cost of treated water held in reservoirs and distribution systems as at 30 June 2024. The costing takes into account of direct expenses such as chemicals, electricity and water abstraction charges

**20. Trade and Other Receivables**

	2024 -2025	2023 -2024
	KShs	KShs
Trade receivables (note (29a))	20,203,157	22,164,449
Deposits and prepayments	81,018	98,518
Staff receivables (note 29 (c))	11,000	15,000
<b>Gross trade and other receivables</b>	<b>20,295,175</b>	<b>22,277,967</b>
Provision for bad and doubtful receivable	-	-
<b>Net trade and other receivables</b>	<b>20,295,175</b>	<b>22,277,967</b>

**20. (a) Trade Receivables**

	2024 -2025	2023 -2024
	Kshs	Kshs
Gross trade receivables	40,103,181	41,908,580
Water trucking receivables	346,700	269,000
Provision for doubtful receivables	(20,246,724)	(20,013,131)
Net trade receivables	<b>20,203,157</b>	<b>22,164,449</b>
<b>As at June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	6,302,213	6,484,079
Between 30 and 60 days	2,879,212	2,908,274
Between 61 and 90 days	1,267,736	1,081,980
Between 91 and 120 days	1,366,858	1,619,935
Between 121 and 180 days	1,503,386	1,745,040
Over 180 days	26,783,777	28,069,273
<b>Total</b>	<b>40,103,181</b>	<b>41,908,580</b>

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

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

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

**20. (c) Staff Receivables**

	2024 -2025	2023 -2024
	Kshs	Kshs
Gross staff loans and advances	11,000	15,000
Provision for impairment loss	-	-
Net staff loans	<b>11,000</b>	<b>15,000</b>

**20. (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	-	-

**21. Short Term Deposits**

	2024 -2025	2023 -2024
	Kshs	Kshs
<b>Commercial banks</b>		
Equity Bank of Kenya	13,000,000	12,000,000
	<b>13,000,000</b>	<b>12,000,000</b>

*The average effective interest rate on the short-term deposits as at June 30, 2025 was 11.2% (2024: 9.2%). However, the fixed deposit would mature on October 2025.*

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

**22. Bank and Cash Balances**

	<b>2024 -2025</b>	<b>2023 -2024</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash at bank	23,609,438	25,259,533
Cash in hand	1,460	335
Mobile money account	7,624	936,983
	<b>23,618,522</b>	<b>26,196,851</b>

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

<b>Financial institution</b>	<b>Account number</b>	<b>2024 -2025</b>	<b>2023 -2024</b>
		<b>KShs</b>	<b>KShs</b>
<b>a) Current account</b>			
Kenya Commercial Bank (Expenditure)	1133896480	254,945	508,341
Kenya Commercial Bank (Revenue)	1133705480	2,644,568	210,481
Kenya Commercial Bank (Customer deposits)	1133705561	3,044,748	2,297,528
Kenya Commercial Bank (Drought mitigation)	1206098465	-	38,696
Equity Bank (Customer deposit)	1730280030258	2,141	14,607
Equity Bank (Kikumbulyu South)	1730279884522	91,381	8,054,312
Equity Bank (Kikumbulyu North)	1730279884551	1,092,134	2,134,655
Equity Bank (Conditional Liquidity Grant)	1730280474256	96	96
Equity Bank (Machinery Town Project)	1730282599670	550,730	1,447,860
Equity Bank(Kibwezi East Flagship Project)	1730282385789	22,835	22,835
Equity Bank(KIBMAWASCO-County Conditional Rev Acc)	1730280474230	14,718,141	876
Equity Bank (Masongaleni Water Project)	1730283914271	19,760	2,562,859
Equity Bank ( Ngumo Ward Project)	1730284973206	1,080,701	5,057,703
Equity Bank (Mtito Ward Project)	1730284973226	73,309	2,893,990
Post Bank	0744130007798	13,950	14,695
<b>Sub- total</b>		<b>23,609,438</b>	<b>25,259,533</b>
<b>b) Others</b>			
Mpesa	Pay bill:913110	7,624	936,983
<b>Sub- total</b>			
<b>Grand total</b>		<b>23,617,062</b>	<b>26,196,516</b>

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

---

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

**23. Ordinary Share Capital**

	2024 -2025	2023 -2024
	Kshs	Kshs
<b>Authorized:</b>		
5,000 ordinary shares of Kshs. 20 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
2 ordinary shares of Kshs. 20 par value each	40	40

**24. 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.

**25. 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.

**26. 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.

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

**27. Borrowings**

<b>Description</b>	<b>2024 -2025</b>	<b>2023 -2024</b>
	<b>KShs</b>	<b>KShs</b>
<b>a) External Borrowings</b>		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>
<b>b) Domestic Borrowings</b>		
Balance at beginning of the year	455,459	925,513
Domestic borrowings during the year	-	-
Repayments during the year	(455,459)	(474,246)
<b>Balance at end of the year</b>	<b>-</b>	<b>451,267</b>
<b>C) Total Balance at end of the period c = a+b</b>	<b>-</b>	<b>451,267</b>

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

	<b>2024 -2025</b>	<b>2023 -2024</b>
	<b>KShs</b>	<b>KShs</b>
<b>External Borrowings</b>		
Dollar denominated loan	-	-
Sterling Pound denominated loan	-	-
Euro denominated loan	-	-
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB	-	451,267
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
<b>Total balance at end of the year</b>	<b>-</b>	<b>451,267</b>

<b>Description</b>	<b>2024 -2025</b>	<b>2023 -2024</b>
	<b>KShs</b>	<b>KShs</b>
Short term borrowings (current portion)	-	451,267
Long term borrowings	-	-
<b>Total</b>	<b>-</b>	<b>451,267</b>

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

**28. Refundable Deposits and Prepayments**

	2024 -2025	2023 -2024
	<i>Kshs</i>	<i>Kshs</i>
Customer deposits	16,719,300	15,233,800
Add: deposits received during the period	1,166,500	1,485,500
Less: Refunded deposits during the period	-	-
Closing balance (at the end of the period/year)	<b>17,885,800</b>	<b>16,719,300</b>

**29. Provisions**

Description	2024 -2025	2023 -2024
	<b>KShs</b>	<b>KShs</b>
Balance at the beginning of the year	329,280	518,536
Adjustment for prior year leave provision	-	(337,123)
Additional Provisions	740,191	769,701
Provision utilised	(915,636)	(621,834)
Change due to discount and time value for money	-	-
Balance at the end of the year	<b>153,835</b>	<b>329,280</b>

**Provisions details**

Description	2024 -2025	2023 -2024
	<b>Kshs</b>	<b>Kshs</b>
Current Portion of Provisions	153,835	329,280
Long-term portion of Provisions	-	-
<b>Total</b>	<b>153,835</b>	<b>329,280</b>

**30. Trade and Other Payables**

	2024 -2025	2023 -2024
	<b>Kshs</b>	<b>Kshs</b>
Trade payables	99,147,269	45,880,929
Accrued expenses	18,232,390	49,460,808
Revenue received in advance	-	967,708
Retention/ contract monies	-	-
Advance Receipts	-	-
Other Payables	-	2,063,000
<b>Total</b>	<b>117,379,659</b>	<b>98,372,444</b>

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

---

Notes to the financial statements (continued)

**31. Project funds**

<b>Description</b>	<b>2024 -2025</b>	<b>2023 -2024</b>
	<b>KShs</b>	<b>KShs</b>
Water Sector Trust Fund	45,563	460,726
County Government of Makueni	-	-
Tanathi Water Development Agency	-	-
<b>Total deferred income</b>	<b>45,563</b>	<b>460,726</b>

**32. Taxation**

	<b>2024 -2025</b>	<b>2023 -2024</b>
	<b>Kshs</b>	<b>Kshs</b>
At beginning of the year	-	128,555
Income tax charge for the year	332,107	-
Under/(over) provision in prior year/s	-	1,053
Income tax paid during the year	(166,054)	(129,608)
At end of the year	<b>166,054</b>	-

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

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

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

	2024 -2025	2023 -2024
	Kshs	Kshs
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations</b>		
Profit or loss before tax	(20,217,796)	(19,314,400)
Depreciation	3,883,740	595,094
Amortization	232,836	232,836
Tax Paid	(166,054)	(129,608)
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(16,267,273)	(18,616,078)
Working capital changes:		
(Increase)/decrease in inventories	(157,910)	2,066,358
(Increase)/decrease in trade and other receivables	1,982,793	(2,337,923)
Increase/(decrease) in trade and other payables	18,592,051	19,654,165
Increase/(decrease) in prior year adjustments	(182,289)	-
Increase/(decrease) in provision for staff leave pay	(175,445)	(189,256)
Increase/(decrease) in Customer deposits	1,166,500	1,485,500
<b>Cash generated from/ (used in) operation</b>	<b>4,958,426</b>	<b>2,062,767</b>
<b>(b) Analysis of changes in loans</b>		
<b>Balance at beginning of the year</b>	<b>455,459</b>	<b>925,513</b>
Receipts during the year	-	-
Repayments during the year	(455,459)	(474,246)
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
<b>Balance at end of the year</b>	<b>-</b>	<b>451,267</b>
<b>(c) Analysis of cash and cash equivalents</b>		
Short term deposits	13,000,000	12,000,000
Cash at bank	23,617,062	26,196,516
Cash in hand	1,460	335
<b>Balance at end of the year</b>	<b>36,618,522</b>	<b>38,196,851</b>

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	2024 -2025	2023 -2024
	Kshs	Kshs
<b>(d) Analysis of interest paid</b>		
Interest on loans	36,556	104,223
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	<b>36,556</b>	<b>104,223</b>
<b>(e) Analysis of dividend paid</b>		
Balance at beginning of the year	-	-
20xx dividends paid	-	-
20xx dividends paid	-	-
20xx interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

---

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

**Other Disclosures**

**34. Related Party Disclosures**

**County Government of Makueni**

The County Government of Makueni is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County Government of Makueni 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 Makueni
- Water works Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

**Transactions with related parties**

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

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

	2024 -2025	2023 -2024
	Kshs	Kshs
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
<b>Total</b>	-	-
<b>b) Grants from the Government</b>		
Grants from National Govt Agencies	2,991,805	-
Grants from County Government	1,793,880	31,645,909
Donations in kind	16,072,102	1,793,880
<b>Total</b>	<b>20,857,787</b>	<b>33,439,789</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for seconded employees	1,793,880	1,793,880
Payments for goods and services for county water projects & WSTF	19,243,416	30,854,499
<b>Total</b>	<b>21,037,296</b>	<b>32,648,379</b>
<b>d) Key management compensation</b>		
Directors' emoluments	1,215,000	1,215,000
Compensation to key management	9,926,337	6,362,136
<b>Total</b>	<b>11,141,337</b>	<b>7,577,136</b>

**35. Capital Commitments**

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

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

**36. Contingent Assets and Liabilities**

**Contingent Assets**

	2024 -2025	2023 -2024
	Kshs	Kshs
<b>Contingent assets</b>		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

Receivables from other government entities	-	-
Others (Specify)	-	-
<b>Total</b>	-	-

**Contingent Liabilities**

	2024 -2025	2023 -2024
	Kshs	Kshs
<b>Contingent liabilities</b>		
Performance bond for issuance of licence by WASRRB	1,616,866	1,616,866
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs (Public Private Partnership)	-	-
Others (Specify)	-	-
<b>Total</b>	<b>1,616,866</b>	<b>1,616,866</b>

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

**37. 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:

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**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:

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due but not Impaired Kshs</b>	<b>Past due and Impaired Kshs</b>
<b>At 30 June 2025</b>				
Trade Receivables	40,449,881	40,467,941	-	-
Other Receivables	92,018	92,018	-	-
Investments	-	-	-	-
Bank balances	23,618,522	23,618,522	-	-
<b>Total</b>	<b>64,167,481</b>	<b>64,167,481</b>	-	-
<b>At 30 June 2024 (previous Year)</b>				
Receivables	25,076,015	25,076,015	-	-
Other Receivables	15,000	15,000	-	-
Investments	-	-	-	-
Bank balances	26,210,351	26,210,351	-	-
<b>Total</b>	<b>51,301,366</b>	<b>51,301,366</b>	-	-

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

***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 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 4 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June current year</b>				
Trade payables	1,731,782	10,463,746	86,629,695	98,825,224
Current portion of borrowings	-	-	-	-
Provisions	232,000	-	-	232,000
Project funds	-	-	45,563	45,563
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>1,963,782</b>	<b>10,463,746</b>	<b>86,675,258</b>	<b>99,102,787</b>
<b>At 30 June previous year</b>				
Trade payables	-	4,628,678	92,274,902	96,903,580
Current portion of borrowings	42,792	86,832	321,643	451,267
Provisions	-	-	329,281	329,281
Project funds	-	-	460,726	460,726
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>42,792</b>	<b>4,715,510</b>	<b>93,386,553</b>	<b>98,144,854</b>

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

---

**(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 no transactional currency exposures. Since purchases of goods and services that are done in 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.

**b) 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 130,000 (2024/2025). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 650,000 (2024/2025)

**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:

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

---

At 30 June 2024 Current FY	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-
<b>At 30 June 20xx Previous FY</b>				
<b>Financial Assets</b>				
Quoted equity investments	-	-	-	-
<b>Non- financial Assets</b>				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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

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

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

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

---

**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	(88,569,781)	(63,371,919)
Capital reserve	2,498,835	2,498,835
Capital funds	85,399,328	67,716,258
<b>Total funds</b>	<b>(671,618)</b>	<b>6,843,174</b>
Total borrowings	-	451,267
Less: cash and bank balances	(23,618,522)	(26,210,351)
Net debt/ (excess cash and cash equivalents)	<b>(23,618,522)</b>	<b>(25,759,084)</b>
<b>Gearing</b>		

**38. Incorporation**

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

**39. Events After the Reporting Period**

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

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe : (Put a date when you expect the issue to be resolved)</b>
<b>Basis of Qualified Opinion</b>				
1.	Budget and Budgetary Performance	The management will ensure Expenditure is managed to ensure that the core mandates of the company are not underfunded in avoidance of adverse impact on service delivery to the public.	Resolved	
2.	Lack of an Approved Bad Debts Policy	The management has developed a debt management policy which will guide the company on provision of doubtful debt, the draft Debt Management Policy is pending approval of the Board	Resolved	
3.	Irregular Investment in Short Term Deposit	The Company short-term deposits of Kshs. 12,000,000 is a rollover of previously fixed short-term deposits which was approved by the Board in year 2020/2021 However, the subsequent short-term deposit of Kshs. 13,000,000 was approved by the Board.	Resolved	
4.	Non-Revenue Water	- The company has established a Non-Revenue Water Unit to implement the NRW reduction strategy and plan. - Its planning to carry out phased	Resolved	

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
		<p>augmentation of the dilapidated Main distribution infrastructure through partnering with the County Government of Makueni and WSTF.</p> <p>- Its developing metering policy to assist in accuracy of water billings &amp; control water metering inefficiencies.</p> <p>- Its embarking on District metering areas (DMAs) to measure water supplied and billed to control illegal connection and water theft.</p>		
5.	Use of Out-Dated Tariff Structure	The company's new tariff has been gazetted.	Resolved	

Name JOSEPH MURUKTO  
Signature [Signature]  
Managing Director  
Date..... 27/8/2025

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2025**

**Appendix II: Projects Implemented by the Company**  
**Projects**

Projects implemented by the Company Funded by development partners.

<b>Project title</b>	<b>Project Number</b>	<b>Donor</b>	<b>Period/duration</b>	<b>Donor commitment</b>	<b>Separate donor reporting required as per the donor agreement (Yes/No)</b>	<b>Consolidated in these financial statements (Yes/No)</b>
Masongaleni ward Water Project		County Government of Makueni	1 year	9,457,975	No	yes
Kikumbulyu South Ward Water Project		County Government of Makueni	1 Year	8,829,172	No	yes
Kikumbulyu North Ward Water Project		County Government of Makueni	1 Year	4,299,944	No	yes
Mtito-Andei Ward Water Project		County Government of Makueni	1 Year	4,000,000	No	yes
Nguumo Ward water Project		County Government of Makueni	1 Year	5,058,818	No	yes

**Kibwezi-Makindu Water and Sanitation Company Ltd**  
**Annual Reports and Financial Statements**  
**For the year ended June 30 2025**

**Status of Projects completion**

*The following is a summary of the status of project completion at the end of the reporting period, i.e., total costs incurred, stage which the project is etc.*

<b>Project Title</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual</b>	<b>Sources of funds</b>
Masongaleni ward Water Project	9,457,975	9,457,975	100%	9,457,975	9,457,975	County Government
Kikumbulyu South Ward Water Project	8,829,172	8,829,172	100%	8,829,172	8,829,172	County Government
Kikumbulyu North Ward Water Project	4,299,944	2,839,465	94%	4,299,944	4,299,944	County Government
Mtito-Andei Ward Water Project	4,000,000	4,000,000	100%	4,000,000	4,000,000	County Government
Nguumo Ward water Project	5,058,818	5,058,818	100%	5,058,818	5,058,818	County Government

