

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

**KIBWEZI MAKINDU WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2024**

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KIBWEZI MAKINDU WATER AND SANITATION COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Table of Contents	Page
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	ix
6. Report of the Managing Director	xi
7. Statement of Performance Against Predetermined Objectives for FY 2023/2024	xiv
8. Corporate Governance Statement.....	xv
9. Management Discussion and Analysis.....	xviii
10. Environmental and Sustainability Reporting	xx
11. Report of the Directors	xxiii
12. Statement of Directors’ Responsibilities.....	xxiv
13. Report of the Independent Auditors for the financial statements of Kibwezi - Makindu Water and Sanitation Company Ltd.....	xxvi
14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.	1
15. Statement of Financial Position as at 30 June 2024	2
16. Statement of Changes in Equity for the Year Ended 30 June 2024	3
17. Statement of Cash Flows for The Year Ended 30 June 2024.....	4
18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024.....	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, 2024

1. Acronyms and Glossary of Terms

<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>

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 16th 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, 2024

Directors

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

SN. Name of Director	Position	Appointed/Retired on
1. Gideon M Muange	Chairman	15 th June 2023
2. Alfred Kithome	Chairman	28 th July 2018 to 22 nd Dec, 2023
3. Daniel Mutinda	Director	28 th July 2018 to 22 nd Dec, 2023
4. Stephen Mutiso	Managing Director	28 th July 2018 to 3 rd Jan 2024
5. Carolyne Ngina Vita	Ag. Managing Director	3 rd Jan 2024 to 31 st July 2024
6. Elizabeth N Muthoka	Director	15 th June 2023
7. Albert M Musyoka	Director	15 th June 2023
8. George Muthoka	Director	2 nd April 2024
9. Gabriel Manthi	Director	2 nd April 2024
10. CECM Finance (Makueni)	Director	15 th June 2023 to 2 nd April 2024
11. CECM Water (Makueni)	Director	15 th June 2023 to 2 nd April 2024
12. Eng. David M. Makau	Director (CO-Water)	2 nd April 2024
13. John Nguni	Director (CO- Finance)	2 nd April 2024

Company Secretary

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

Registered Office

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

Corporate Contacts

Telephone: (254) 0202121713

E-mail: kibwezi_mtitowaco@yahoo.com Website: www.kibmawasco.go.ke

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, 2024

3. The Board of Directors





Directors	Details
 <p><i>Gideon Muthama Muange - BOD Chairman</i></p>	<ul style="list-style-type: none"> • Born in 1971 • Holds a Degree in Land Economics and a Master's degree in Business Administration (Finance Option) • Registered and Licenced Valuer, Registered Estate Agent • Lead Auditor, ISO 9001;2005 QMS • Over 25years work experience in various positions and Institutions in Valuation, Property Management and Real Estate Consultancy
 <p><i>Carolyne Ngina Vita –Ag. Managing Director</i></p>	<ul style="list-style-type: none"> • Born in 1986 • Holds a Degree in Food Nutrition and Dietetics; Post Graduate Diploma in Project Management and a Master's Degree in Business Administration (Strategic Management Option) • Internal Quality Auditor ISO 9001;2005 QMS • Senior Management Course (KSG) • Environmental Impact Assessment and Audit (SEKU) • Results Based Monitoring and Evaluation (KSG) • 14 years' work experience in Administration, Project Management and water governance
 <p><i>Elizabeth Ngina Muthoka-Director</i></p>	<ul style="list-style-type: none"> • Born in 1963 • Holds a Diploma in Leadership and Management – KEMI • Holds a degree in Education (Arts) and a Master's degree in Arts. • Art of Leadership – Strathmore • Over 30 years of work experience in different institutions
 <p><i>Albert M. Musyoka-Director</i></p>	<ul style="list-style-type: none"> • Born in 1983 • Certified Information Systems Auditor (CISA) • Certified Public Accountant (CPAK) – ICPAK • Accredited in Internal Audit Quality Assessment (CIAQA) • Holds a degree in Agribusiness Management and a master's degree in Business administration. • 17 years' work experience in Internal Audit, Finance and Accounting in various institutions.

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

4. Key Management Team

Management	Details
 <p>Carolyn N. Vita – Ag. <i>Managing Director</i></p>	<p><u>Main responsibility:</u></p> <ul style="list-style-type: none"> ❖ Provide the board of directors with information on the company’s performance for prudent decision making and strategic direction. ❖ Ensure all the board of directors’ resolutions are implemented. <p>Offer overall leadership to the corporate management team for effective performance.</p>
 <p>Mr. Clement Masila – <i>Technical Manager</i> <i>‘O’ Level Certificate</i> Holds a Diploma in water engineering</p>	<p><u>Main responsibility:</u></p> <ul style="list-style-type: none"> ❖ To oversee the company’s Technical operations ❖ Provide strategic and technical leadership in the Technical department to ensure provision of high quality services. ❖ Prompt repairs of water systems and servicing of master meters to ensure continuous water flows and curb technical water losses.
 <p>Mr. John K Kavisi – Finance Manager <i>‘O’ Level Certificate</i> CPA II</p>	<p><u>Main responsibility:</u></p> <ul style="list-style-type: none"> ❖ To ensure that all financial resources of the company are acquired, disbursed, prudently invested, fully accounted and reported for a financially sound company. ❖ Ensure that efficient application of the available resources for maximum returns.
 <p>Mr. Charles Ole Sein – Commercial Services Manager <i>A’ Level Certificate</i> Diploma in Computer Studies</p>	<p><u>Main Responsibilities</u></p> <ul style="list-style-type: none"> ❖ To oversee the company’s Commercial operations. ❖ Ensure timely and actual billing services. ❖ Ensure efficient collection of revenue billed to customers. ❖ Ensure customer water meters are well functional to curb commercial water losses.

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 30th June 2024. 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 **Thirty-one 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 is now under review by the Water Services Regulatory Board for approval.

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 and address non-revenue water to acceptable sector standards as per the regulator.
- 2. Inadequate Water Sources:** the water demand has grown over the years due to several factors including population growth through new settlements. Our water Sector are strained which has left a larger population within the service area not accessing this service.

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

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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 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

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.

6. Report of the Managing Director

KIBMAWASCO is a water company fully owned by the Government of Makeni 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 West sub-counties with an approximated area coverage of **2,450 KM²** and an estimated population of 400,000 people and a water demand of **13,607M³** per day and an annual demand of **4,966,555M³**. The company has three main water sources namely;

- A) Umani springs with a yield of 4,566M³ per day.
- B) Kwa Venge Springs with a yield of 1,015M³ per day.
- C) Kambu Springs with a yield of 280M³ per day.
- D) Dwa Dam with a yield of 247 M³ per day

The company's total average production per day was **6,108M³** and an annual production of **2,229,715M³** 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 **84,686,412 (91.32%)** against an actual budget of KES **92,736,340**.

The company budgeted revenue was not achieved in the fiscal year under review due to extended rainfall season that resulted to reduced water demand.

2. Commercial Services

Commercial department has two 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

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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 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 **2,229,715M³** of water reflecting an increase of **748,066M³** from **1,481,649M³** of water produced in the financial year 2022-2023. The increase in water volume produced has been attributed to an increase of water levels at both Umani springs and Kwa Venge Springs and an additional new water source at DWA dam that serves Masongaleni ward. During the year, the company made pipeline extensions of a total of **14.4km** of water pipeline against a target of 40 km translating to 36% achievement.

Non-revenue water for the year under review was **57.85%** 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 have put the following measures to ensure non-revenue water is reduced to below **30%**

During the year under review KIBMAWASCO was allocated Kshs. **31,645,909 (Thirty-one million, six hundred and forty-five thousand, nine hundred and nine)** by the Government of Makueni County for extensions, rehabilitation and replacement of Aligon pumping set.

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 reporting
- Implementation of pipe locators to help in determining illegal connections.

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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, 2024

7. Statement of Performance Against Predetermined Objectives for FY 2023/2024

Kibwezi-Makindu Water and Sanitation Co. Ltd has four (4) strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2023 - 2024. 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 2023/2024 period for its two (2) strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievement
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. 14.4 KM, Construction of six (6) water kiosks and connection of 118 customers at machinery town.
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.	The company acquired the consent from the county government, and submitted tariff application to WASREB for review.

8. Corporate Governance Statement

Board appointments, Retirement and Removal.

During the financial year 2023 -2024 two (2) members were appointed on 2nd April 2024 to replace the two (2) retired directors who retired on 23rd December 2023. The appointed director represents the youth and business and manufacturing community.

The board recruitment process was transparent, competitive and in adherence with WASREB corporate governance guideline.

Board members shall serve for a maximum of six (6) years based on the approval of the shareholder and subject to satisfactory performance.

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.

Director's Training and Development.

All board members participated in a Board induction training organised by the company in collaboration with development partners USAID –STAWI and conducted by the Water Service Regulatory Board. Additionally, directors were oriented on the company water sources, network, infrastructure and major storage facilities.

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.

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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.

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

No.	Description	No. of Meetings
1	Full Board	6
2	Special Full Board	1
3	Adhoc meeting attended by Board Members	3
4	Technical Committee	2
5	Audit Committee	2
6	Finance and Administration Committee	2
7	Full Board induction & governance training	1
	Total number of meetings held	17

Attendance register of members present in Full Board meetings.

Member Name	26.7.23	27.10.23	10.11.23	22.12.23	28.3.24	19.4.24	21.6.24
Alfred Kithome	√	√	√	√			
Daniel Mutinda	√	√	√	√			
Gideon Muange	√		√	√	√	√	√
Elizabeth Muthoka	√		√	√	√	√	√
Albert Maingi	√		√	√	√	√	√
John K. Kieti	√	√		√			
Damaris M. Kavoi		√		√			
David Makau						√	√
John Nguni							
George Muthoka						√	√
Gabriel Manthi						√	√
No. of Members Present	6	4	5	7	3	6	6

Roles and Responsibilities

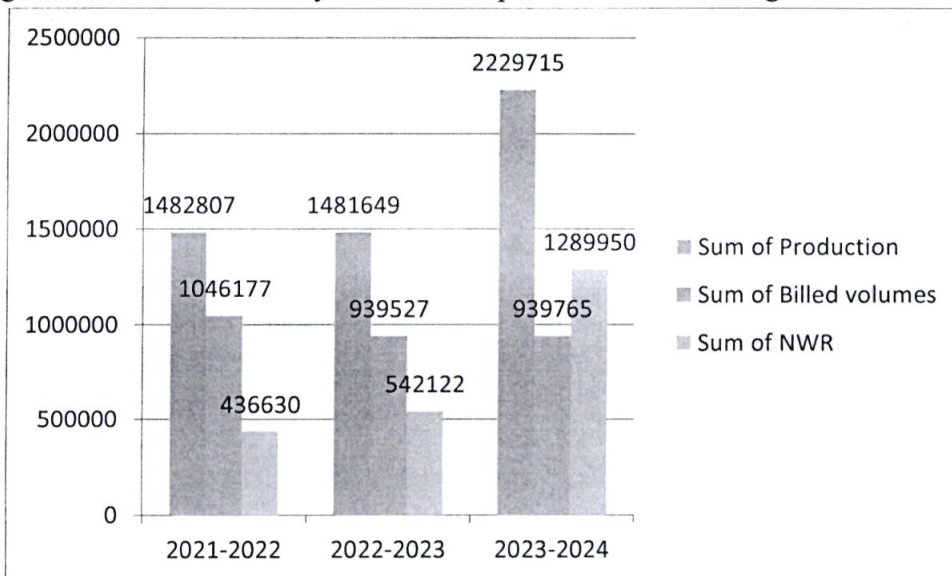
The Board has the following major responsibilities which facilitate the discharge of the Board's stewardship in the pursuit of the best interest of the Company.

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.
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.

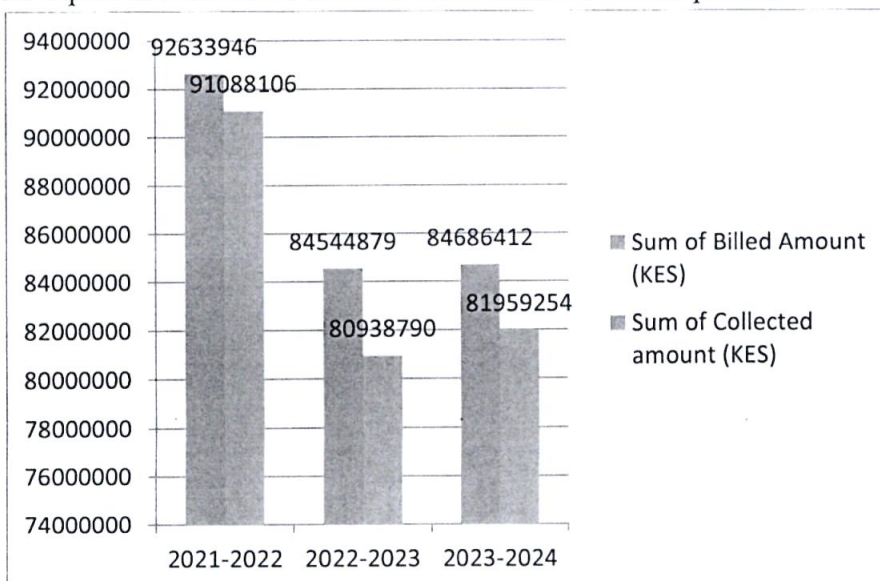
Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

9. Management Discussion and Analysis

The company depends on two main schemes, Makindu and Kibwezi and each has some 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 two hundred twenty nine thousand seven hundred fifteen cubic meters of water (2,229,715 M³) out of which the company managed to bill nine hundred thirty-seven two hundred forty-three cubic meters (939,765M³) which translated to 42.15% of the total water produced. On the other hand the company recorded a non-revenue water of one million two hundred sixty four thousand two hundred nineteen cubic meters (1,289,950 M³) which was 57.85%. 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 eighty four million six hundred eighty six thousand four hundred twelve (KES. **84,686,412**) from water sales and other miscellaneous incomes. Further, the company collected Kenya shillings eighty one million nine hundred fifty nine thousand two hundred fifty four only (KES. **81,959,254**) which represented 96.78%. 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, 2024

The company was able to connect five hundred ninety-three (593) new customers with water increasing the total number of customer connections from nine thousand one hundred twenty-two (9,122) to nine thousand seven hundred fifteen (9,715) at the end of the financial year. The number of dormant and or inactive connections increased from three thousand one hundred twenty-five (3,125) to three thousand six hundred twenty-three (3,623) 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. 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



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 2022/2023 and 2023/2024 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.

4. 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.

a) 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

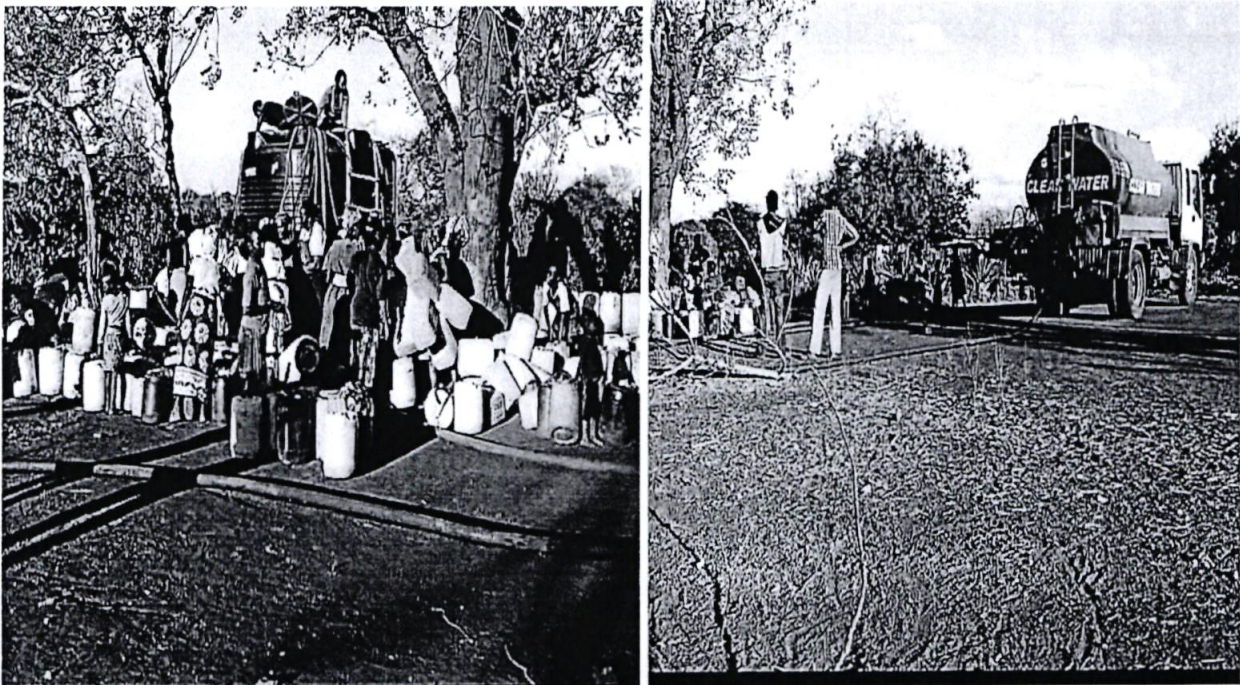
Efficient delivery of services to our customers is a key area of the company. The aim is to sustain a 24-hour service with very minimal interruptions. This goal is achieved in most areas of our water supply.

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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.

i) 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.



11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 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, 2024 are set out on page 1 below is summary of the profit or loss made during the year.

iii) Dividends

In line with the company for the year ended June 30, 2024 are set out on page 1 below is summary of the profit or loss made during 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 Mwalolo**
For: **Company Secretary/Secretary to the Board**
Date: **23/09/2024**.....

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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, 2024. 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, 2024
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, 2024, 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 23/09/ 2024 and signed on its behalf by:



.....
Name GIDEON M. MWANGI
Chairperson of the Board



.....
Name JOSEPH MWOLOLO
Managing Director

REPUBLIC OF KENYA

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



Enhancing Accountability

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, 2024

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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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 aim to address the Auditor-General's statutory roles and responsibilities 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

Opinion

I have audited the accompanying financial statements of Kibwezi Makindu Water and Sanitation Company Limited set out on pages 1 to 50 which comprise of the statement of financial position as at 30 June, 2024 and the statement of profit or loss and other

Report of the Auditor-General on Kibwezi Makindu Water and Sanitation Company Limited for the year ended 30 June 2024

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, the financial statements present fairly, in all material respects, the financial position of Kibwezi Makindu Water and Sanitation Company Limited as at 30 June, 2024 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

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kibwezi- Makindu and Satation 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the period ended June 30th June 2024 reflects final revenue budget and actual on comparable basis of Kshs.98,152,933 and Kshs.86,480,292 respectively resulting to a shortfall of Kshs.11,672,641 or approximately 12% of the budget.

The underfunding may affect the planned activities and may impact 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. There were no key audit matters to report in the year under review.

Other Information

Management is responsible for the other information set out on pages iii to xxv 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. Lack of an Approved Bad Debts Policy

The statement of profit or loss and other comprehensive income reflects general and operations expenses totalling Kshs.39,525,582 as disclosed in Note 11 to the financial statements. Included in the amount is Kshs.2,258,131 relating to provision for doubtful debts. However, the Company does not have a Policy on management of bad and doubtful debts.

In the circumstances the adequacy of the provision for doubtful debts totalling Kshs.2,258,131 could not be confirmed.

2. Irregular Investment in Short Term Deposit

The statement of financial position and as disclosed in Note 21 to the financial statements reflect short-term deposits totalling Kshs.12,000,000. However, approval by the Board to invest in short term deposits was not provided for audit review.

In the circumstances, the investment in short term deposits was irregular.

3. Excessive Non- Revenue Water

Review of Company records indicated water production of 2,229,715 cubic meters (M³) out of which 939,765 M³ were billed to customers. The balance of 1,289,950 M³ or appropriately 58% of total production represents Non-Revenue Water (NRV) which is above the acceptable threshold of 25% set by the Water Service Regulatory Board (WASREB). Although, Management attributed the loss to water leakages and illegal connections, no measures have been put in place to address the issues.

In the circumstances, Management was in breach of law.

4. Use of Out-Dated Tariff Structure

Review of the tariff structure in force revealed that it was approved by the Water Services Regulatory Board (WASREB) for use in the financial years 2017/2018 to 2020/2021. However, the Company continued to apply the outdated tariff more than eleven (11) years after its expiry. This is contrary to Section 72 of the Water Act, 2016 which that Water Service Regulatory Board to evaluate and recommend water and sewerage tariffs to the County water service providers and approve the imposition of such tariffs in line with consumer protection standards. Although the tariffs were updated in the financial year 2024/2025 and approved by WASREB, the tariffs are yet to be effected.

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

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

REPORT ON 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, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 xxiii to xxv 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.

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

Responsibilities of Management and 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 for 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

31 December, 2024

Kibwezi – Makindu Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2024

14. Statement of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2024.

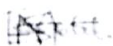
	Note	2023 -2024	2022 -2023
		Kshs	Kshs
Revenue			
Operating Revenue	6	84,686,412	84,311,603
Grants Income	7	1,793,880	1,719,000
Other Income	8	337,123	299,776
Finance income	9	-	857,029
Total Revenue		86,817,415	87,187,408
Expenses			
Staff Costs	10	58,797,319	54,686,334
General and Operations expenses	11	39,525,582	44,386,490
Board Expenses	12	2,086,495	1,199,270
Maintenance Expenses	13	4,790,267	9,149,868
Depreciation and Amortization expenses	14	827,930	898,897
Finance Costs	15	104,223	20,599
Total Expenses		106,131,815	110,341,458
Profit/(Loss) Before Taxation		(19,314,400)	(23,154,050)
Income Tax Expense/(Credit)	16	-	-
Profit/(Loss) After Taxation		(19,314,400)	(23,154,050)
Earnings Per Share – Basic and Diluted		-	-
Dividend per share		-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		-	-
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI (Fair Value Through Other Comprehensive Income)		-	-
Total Comprehensive Income for The Year		-	-

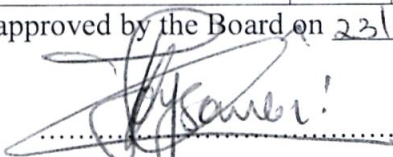
Kibwezi-Makindu Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2024


15. Statement of Financial Position as at 30 June 2024

		2024	2023
		KShs	KShs
Assets			
Non-current assets			
Property, plant and equipment	17	57,906,620	27,608,111
Intangible assets	18	310,448	543,284
Total non-current assets		58,217,068	28,151,395
Current assets			
Inventories	19	25,056	2,091,414
Trade and receivable	20	22,277,967	19,940,044
Short-term deposits	21	12,000,000	-
Bank and cash balances	22	26,196,851	35,635,153
Total non-current assets		60,499,874	57,666,611
Total Assets		118,716,842	85,818,005
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	23	40	40
Capital reserve		2,498,835	2,498,835
Capital Fund	25	67,716,258	35,849,476
Retained earnings	26	(67,831,208)	(48,515,755)
Capital and Reserves		2,383,925	(10,167,404)
Non-current liabilities			
Borrowings	27	-	465,784
Refundable deposits and Prepayments	28	16,719,300	15,233,800
Total non-current liabilities		16,719,300	15,699,584
Current liabilities			
Borrowings	27	451,267	459,729
Provisions	29	329,280	518,536
Trade and other payables	30	98,372,444	78,493,406
Project fund	31	460,726	685,599
Taxation	32	-	128,555
Total current Liabilities		99,613,718	80,285,825
Total Equity and Liabilities		118,716,842	85,818,005

The financial statements were approved by the Board on 23/9/2024 and signed on its behalf by:


Name: Joseph Mwololo
Managing Director


Name: Johnson W. Musembi
Senior Accountant.
ICPAK M/No: 32056


Name: Gideon M. Muange
Chairman of the Board

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

16. Statement of Changes in Equity for the Year Ended 30 June 2024

	Notes	Ordinary share capital	Capital reserve	Capital/ Development Fund	Retained earnings	Total
As at the beginning of the 2023 - 2024		40	2,498,835	35,849,476	(48,515,755)	(10,167,404)
Prior year adjustment					(1,053)	(1,053)
Profit/Loss for the period		-	-	-	(19,314,400)	(19,314,400)
Capital received during the year		-	-	31,866,782	-	31,866,782
As at the end of June, 2024		40	2,498,835	67,716,258	(67,831,208)	2,383,925
As at the beginning of the 2022 - 2023		40	2,498,835		(26,652,294)	(24,153,419)
Prior year adjustment		-	-	-	1,290,589	1,290,589
Profit/ Loss for the year		-	-	-	(23,154,050)	(23,154,050)
Capital received during the year		-	-	35,849,476		35,849,476
As at the end of June, 2023		40	2,498,835	35,849,476	(48,515,755)	(10,167,404)

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

17. Statement of Cash Flows for The Year Ended 30 June 2024

	Note	2023 - 2023	2022 - 2023
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		81,959,454	82,788,757
Other Income		-	299,776
Grants Income		-	1,719,000
Customer Deposits		1,485,500	809,000
Total Receipts		83,444,954	85,616,533
Payments			
Staff Costs		46,122,532	51,096,719
Board Expenses		2,023,495	1,189,270
General And Operation Expenses		29,748,319	35,038,870
Maintenance		3,217,162	5,204,397
Finance Costs		104,223	20,599
Tax paid		166,458	127,500
Total Payments		81,382,188	92,677,355
Net Cash From/ (Used In) Operating Activities	47	2,062,766	(7,060,822)
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(30,893,603)	(20,034,658)
Short term deposits		(12,000,000)	10,000,000
Purchase Of Intangible Assets		-	-
Purchase Of Investment Property		-	-
Purchase Of Quoted Investments		-	-
Proceeds From Disposal of Quoted Investments		-	857,029
Net Cash From/ (Used In) Investing Activities		(42,893,603)	(9,177,629)
Cash Flows from Financing Activities			
Proceeds From Issues of New Share Capital		-	-
Proceeds From Borrowings		-	1,000,000
Repayment Of Borrowings		(474,246)	(74,487)
Capital fund received		31,866,782	29,668,656
Net Cash From/(Used In) Financing Activities		31,392,536	30,594,169
Increase/(Decrease) In Cash and Cash Equivalents		(9,438,301)	14,355,718
Cash And Cash Equivalents At Beginning Of Year	47	35,635,153	21,279,435
Effects Of Foreign Exchanges Rate Fluctuations		-	-
Cash And Cash Equivalents At End of the Year	47	26,196,851	35,635,153

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

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 %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Operating Revenue	120,948,120	(25,413,742)	95,534,378	84,686,412	10,847,966	89%
Grants	1,719,000	-	1,719,000	1,793,880	(74,880)	104%
Finance Income	899,556	-	899,556	-	899,556	0%
Other gains	-	-	-	-	-	
Total Revenue	123,566,676	(25,413,742)	98,152,933	86,480,292	11,672,641	88%
Expenses						
Staff Costs	57,044,788	(171,161)	56,873,627	58,797,319	(1,923,692)	103%
Board Expenses	2,542,000	(265,990)	2,276,010	2,086,495	189,515	92%
General and operations Expenses	34,423,926	(12,601,234)	21,822,692	28,565,855	(6,743,163)	131%
Maintenance	6,870,000	(2,491,666)	4,378,334	4,790,267	(411,932)	109%
Administrative Costs	16,222,253	(5,285,679)	10,936,575	10,959,727	(23,153)	100%
Depreciation and amortization	-	-	-	827,930	(827,930)	
Finance costs	104,223	-	104,223	104,223	-	100%
Total Recurrent Expenditure	117,207,190	(20,815,729)	96,391,461	106,131,815	(9,740,355)	110%
Profit or Loss	6,359,486		1,761,472	(19,651,523)	21,412,996	
			-			
Capital Expenditure	4,480,000		-	-		
			-			
Total Expenditure	121,687,190	-	121,687,190	106,230,333		87%

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, are disclosed in *Note xx*.

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, 2024

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 2024.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024.*

Titre	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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, 2024

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:

Item	Years	Rates
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, 2024

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.

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). *(Whichever is applicable).*

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, 2024

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, 2024

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 and is currently at Kshs. 1,080 per employee per month.

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 15th June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section xxx of 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, 2024

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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future 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, 2024

Notes to the financial statements (continues)

6. Operating Revenue

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Water sales	82,399,912	78,534,802
Sewerage Services	7,000	15,500
Billing for other services*	2,279,500	5,761,301
Total	84,686,412	84,311,603

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

7. Grants Income

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Donations from County Governments	1,793,880	1,719,000
Total	1,793,880	1,719,000

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

8. Other Income

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Impairment income on liability	337,123	-
Miscellaneous income (specify)	-	299,776
Total	337,123	299,776

9. Finance Income

	2023 - 2024	2022 - 2023
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	-	857,029
Total	-	857,029

Financial income related to interest earned from fixed deposits with the commercial bank. During the year the fixed deposit had not matured as at the end of the year and therefore it will be disclosed in the subsequent year upon actual receipt.

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

10. Staff Costs

Description	2023 - 2024	2022 - 2023
	Kshs	Kshs
Gross Salary and Allowances	39,734,353	37,097,600
Casual workers' Wages	7,840,276	7,058,889
County Government staff salaries paid up directly	1,793,880	1,719,000
Employer's contributions to social security schemes(NSSF)	1,142,009	435,632
Employer's contributions to pension scheme	2,893,095	3,068,154
Provisions for Leave pay	769,701	648,351
Gratuity provisions	4,323,405	919,933
Staff self-help welfare Employer contribution	300,600	-
Total	58,797,319	50,947,559
The average number of employees during the year	83	86

There was a 14% increase in the staff cost attributed to, the implementation of the CBA; affecting gross salary and allowances, casual wages and leave, increase in NSSF cost and 370% staff gratuity increase due retirees during the year.

11. General and Operations Expenses

Description	2023 - 2024	2022 - 2023
	Kshs	Kshs
Chemicals	399,422	235,364
Electricity	10,059,543	7,035,712
Fuel, oil, lubricants, and gases	6,456,020	8,269,545
Water abstraction charges	6,145,652	9,900,955
Subscription on professional bodies	70,800	116,200
Office supplies	376,556	479,703
Uniform and protective clothing	24,700	36,700
Telecommunication	887,142	934,650
Postage and courier	48,510	105,350
Office utilities (Electricity and water)	161,565	-
Motor vehicle Insurance	215,640	314,661
Rent and Rates	-	30,000
Hire of Equipment and vehicles	198,200	228,000
Billing hosting charges	459,940	459,940
Domestic Traveling and subsistence	2,240,220	2,757,600
Computer and Printer consumables	125,745	-
Staff welfare	3,553,465	3,738,775
Staff training and development	151,463	251,869

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Bank & revenue Charges	360,857	586,098
Security services	-	20,000
Library expenses	17,340	-
Advertising, printing, stationery and photocopying	528,971	302,141
Audit fees Provision	232,000	232,000
Legal fees	-	307,000
Consultancy fees	116,080	773,600
Licensing and levies	-	197,258
Nita Levy	127,250	76,300
Stakeholders' expenses	11,000	375,800
Donations/CSR	50,000	47,400
Hospitality expenses	60,470	188,410
Housing Levy(Employer)	620,122	-
Provision for doubtful debts	2,258,131	1,570,551
Regulatory fees	3,408,555	3,372,464
Impairment loss	-	298,923
Interest and penalties on water abstraction charges	-	4,645,612
Interest and penalties	36,850	-
ICT services	123,374	136,184
Research and Development	-	100,500
Total	39,525,582	48,125,265

There was 17% decrease in general expenses attributed to; decrease in reported water abstraction fees since WRA failed to issue bills to the company during the year due to pending court petition of the Water Resource Regulations 2021 which provided an increment of water charges from 50cts to Kshs. 5 per cubic meter of water. Consequently, there was 100% decrease in reported Interest and penalties on water abstraction charges.

12. Board Expenses

Description	2023 - 2024	2022 - 2023
	KShs	KShs
Chairman Honoraria	360,000	480,000
Sitting allowances	855,000	435,000
Induction and Training	-	-
Travel and accommodation	646,750	153,500
Other allowances	224,745	130,770
Total Board Expenses	2,086,495	1,199,270

There was 74% increase in board expense; seven full board meetings, six board committee meetings and four days' induction and governance training during the year.

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

Notes to the financial statements (continued)

13. Maintenance Expenses

Description	2023 - 2024	2022 - 2023
	Kshs	Kshs
Plant and Equipment	268,183	547,349
Buildings	54,810	282,830
Infrastructural networks	2,064,036	4,055,859
Motor vehicles	2,327,868	4,071,810
Furniture	75,370	192,020
Total Maintenance Expenses	4,790,267	9,149,868

There was a decrease of 48% in maintenance of motor vehicles since there were no major repairs done during the year.

14. Depreciation and Amortization Expenses

Description	2023 - 2024	2022 - 2023
	KShs	KShs
Property, plant, and equipment	595,094	666,061
Intangible assets	232,836	232,836
Total Depreciation and Amortization	827,930	898,897

15. Finance costs

Description	2023 - 2024	2022 - 2023
	Kshs	Kshs
Interest expense on loans	104,223	20,599
Total	104,223	20,599

16. Income Tax Expense/(Credit)

Current taxation

Description	2023 - 2024	2022 - 2023
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2024

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

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Profit before taxation	(19,314,400)	(23,154,050)
Prior year losses adjusted	(27,691,059)	(11,051,682)
Total	(47,005,459)	(34,205,732)
Tax at the applicable tax rate of 30%	30%	30%
Current tax	(14,101,638)	(10,261,720)
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	688,494	1,909,135
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	123,068	45,267
Deferred tax prior year over-provision	-	-
Total	(13,290,076)	(8,307,318)

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30, 2024

Notes to the financial statements (continued)

17. Property, Plant and Equipment

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 works in progress	Total
Cost Or Valuation									
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	34,576,841
Additions	-	-	-	-	-	-	-	30,893,603	30,893,603
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
As at June 30, 2024	350,000	6,358,553	1,021,383	3,006,285	3,175,000	1,788,274	1,184,587	48,586,363	65,470,444
Depreciation									
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	-	-	-	-	-	-	-	-	-
At June 30, 2024	-	508,684	81,711	1,587,549	2,926,395	1,669,383	790,103	-	7,563,824
									-
Net Book Value At June 30, 2024	350,000	5,849,869	939,672	1,418,736	248,605	118,891	394,484	48,586,363	57,906,620

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

2023 - 2023	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
Cost or valuation									
As at July 1, 2022	-	5,578,212	-	2,988,285	3,175,000	1,745,599	1,055,087		14,542,183
Additions	350,000	780,341	1,021,383	18,000	-	42,675	129,500	17,692,760	20,034,658
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-
As at 30th June 2023	350,000	6,358,553	1,021,383	3,006,285	3,175,000	1,788,274	1,184,587	17,692,760	34,576,841
Depreciation									
At July 1, 2022	-	-	-	1,330,085	2,733,035	1,521,036	718,514	-	6,302,670
Charge for the year	-	254,342	40,855	134,096	110,491	88,990	37,286	-	666,061
Impairment loss	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
As at 30th June 2023	-	254,342	40,855	1,464,181	2,843,526	1,610,026	755,800	-	6,968,731
Net book value at June 30, 2023	350,000	6,104,211	980,527	1,542,104	331,474	178,248	428,787	17,692,760	27,608,111

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

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:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	350,000	-	350,000
Buildings	6,358,553	508,684	5,849,869
Water & Sewer Infrastructure	1,021,383	81,711	939,672
Plant and machinery	3,006,285	1,587,549	1,418,736
Motor vehicles, including motorcycles	3,175,000	2,926,395	248,605
Computers and related equipment	1,788,274	1,669,383	118,891
Office equipment, furniture, and fittings	1,184,587	790,103	394,484
Capital work in progress	48,586,363	-	48,586,363
	65,470,444	7,563,824	57,906,620

18. Intangible Assets

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Cost		
At July 1	1,357,500	1,357,500
Additions	-	-
Disposals	-	-
At June 30	1,357,500	1,357,500
Amortization		
At July 1	814,216	581,380
Charge for the year	232,836	232,836
Disposals	-	-
Impairment loss	-	-
At June 30	1,047,052	814,216
Net book value at June 30	310,448	543,284

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

19. Inventories

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Chemicals & Laboratory items	25,056	338,688
Stationery and general stores	-	1,739,660
Finished goods	-	13,066
Total	25,056	2,091,414

Water inventory as at 30 June 2024 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 cost includes direct expenses; chemicals, electricity and water abstraction charges.

20. Trade and Other Receivables

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Trade receivables (note (29a))	22,164,449	19,903,004
Deposits and prepayments	98,518	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	15,000	26,000
Other receivables		11,040
Gross trade and other receivables	22,277,967	19,940,044
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	22,277,967	19,940,044

20. (a) Trade Receivables

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Gross trade receivables	41,908,580	35,035,304
Water trucking receivables	269,000	2,622,700
Provision for doubtful receivables	(20,013,131)	(17,755,000)
Net trade receivables	22,164,449	19,903,004
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	6,484,079	5,283,522
Between 30 and 60 days	2,908,274	1,653,882
Between 61 and 90 days	1,081,980	2,434,156
Between 91 and 120 days	1,619,935	1,746,395
Between 121 and 180 days	1,745,040	1,762,350
Over 180 days	28,069,273	22,154,999
Total	41,908,580	35,035,304

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

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

Description	2023 - 2024	2022 - 2023
	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

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Gross staff loans and advances	15,000	324,923
Provision for impairment loss	-	(298,923)
Net staff loans	15,000	26,000

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

Description	2023 - 2024	2022 - 2023
	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

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Commercial banks		
Equity Bank of Kenya	12,000,000	-
	12,000,000	-

The average effective interest rate on the short-term deposits as at June 30, 2023 was 9.2% (2023: 8.5%). However, the fixed deposit would expire in August 2024.

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

22. Bank and Cash Balances

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Cash at bank	25,259,533	33,432,493
Cash in hand	335	320
Mobile money account	936,983	2,198,340
Cash: Project	-	4,000
	26,196,851	35,635,153

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2023 - 2024	2022 - 2023
		Kshs	Kshs
a) Current account			
Kenya Commercial Bank (Expenditure)	1133896480	508,341	27,558
Kenya Commercial Bank (Revenue)	1133705480	210,481	199,261
Kenya Commercial Bank (Customer deposits)	1133705561	2,297,528	2,213,961
Kenya Commercial Bank (Drought mitigation)	1206098465	38,696	38,592
Equity Bank (Customer deposit)	1730280030258	14,607	10,737,682
Equity Bank (Kikumbulyu South)	1730279884522	8,054,312	13,140
Equity Bank (Kikumbulyu North)	1730279884551	2,134,655	1,002,868
Equity Bank (Conditional Liquidity Grant)	1730280474256	96	1,313
Equity Bank (Machinery Town Project)	1730282599670	1,447,860	1,150,906
Equity Bank(Kibwezi East Flagship Project)	1730282385789	22,835	22,835
Equity Bank(KIBMAWASCO-County Conditional Revenue acc)	1730280474230	876	7,999,428
Equity Bank (Masongaleni Water Project)	1730283914271	2,562,859	9,995,764
Equity Bank (Ngumo Ward Project)	1730284973206	5,057,703	.
Equity Bank (Mtito Ward Project)	1730284973226	2,893,990	.
Post Bank	0744130007798	14,695	29,185
Sub- total		25,259,533	33,432,493
b) Others			
Mpesa	Pay bill:913110	936,983	2,198,340
Sub- total			
Grand total		26,196,516	35,630,833

Notes to the financial statements (continued)

23. Ordinary Share Capital

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Authorized:		
5,000 ordinary shares of Kshs. 20 par value each	100,000	100,000
Issued and fully paid:		
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 2024

Notes to the financial statements (continued)

27. Borrowings

Description	2023 - 2024	2022 - 2023
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	-	-
External borrowings during the year	-	-
Repayments of during the year	-	-
Balance at end of the year	-	-
b) Domestic Borrowings		
Balance at beginning of the year	925,513	-
Domestic borrowings during the year	-	1,000,000
Repayments during the year	474,246	(74,487)
Balance at end of the year	451,267	925,513
C) Total Balance at end of the period c = a+b	451,267	925,513

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

Description	2023 - 2024	2022 - 2023
	KShs	KShs
External Borrowings		
Dollar denominated loan	-	-
Sterling Pound denominated loan	-	-
Euro denominated loan	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	451,267	925,513
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	451,267	925,513

Description	2023 - 2024	2022 - 2023
	KShs	KShs
Short term borrowings (current portion)	451,267	465,784
Long term borrowings	-	459,729
Total	451,267	925,513

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

28. Refundable Deposits and Prepayments

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Customer deposits	15,233,800	14,424,800
Add: deposits received during the period	1,485,500	809,000
Less: Refunded deposits during the period	-	-
Closing balance (at the end of the period/year)	16,719,300	15,233,800

29. Provisions

Description	2023 - 2024	2022 - 2023
	KShs	KShs
Balance at the beginning of the year	518,536	418,316
Adjustment for prior year leave provision	(337,123)	-
Additional Provisions	769,702	648,351
Provision utilised	(621,834)	(548,131)
Change due to discount and time value for money	-	-
Balance at the end of the year	329,281	518,536

Provisions details

Description	2023 - 2024	2022 - 2023
	Kshs	Kshs
Current Portion of Provisions	329,281	518,536
Long-term portion of Provisions	-	-
Total	329,281	518,536

30. Trade and Other Payables

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Trade payables	45,880,929	29,403,454
Accrued expenses	49,460,808	47,258,952
Revenue received in advance	967,708	-
Retention/ contract monies	-	-
Advance Receipts	-	-
Other payables	2,063,000	1,831,000
Total	98,372,444	78,493,406

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

31. Project funds

Description	2023-2024 KSh	2022-2023 KSh
Water Sector Trust Fund	460,726	685,599
County Government of Makueni	-	-
Tanathi Water Development Agency	-	-
Total deferred income	460,726	685,599

32. Taxation

	2023-2024 KSh	2022-2023 KSh
At beginning of the year	128,555	1,290,589
Income tax charge for the year	-	257,109
Under/(over) provision in prior year/s	1,053	(1,290,589)
Income tax paid during the year	(129,608)	(128,554)
At end of the year	-	128,555

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Notes to the financial statements (continued)

33. Notes to The Statement of Cash Flows

	2023 - 2024	2022 - 2023
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(19,314,400)	(23,154,050)
Depreciation	595,094	666,061
Amortization	232,836	232,836
Tax Paid	(129,608)	
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(18,616,079)	(22,255,153)
Working capital changes:		
(Increase)/decrease in inventories	2,066,358	(639,345)
(Increase)/decrease in trade and other receivables	(2,337,923)	(3,726)
Increase/(decrease) in trade and other payables	19,654,165	14,962,182
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	(189,256)	100,220
Increase/(decrease) in Customer deposits	1,485,500	809,000
Cash generated from/ (used in) operation	2,062,766	(7,060,822)
(b) Analysis of changes in loans		
Balance at beginning of the year	925,513	-
Receipts during the year	-	1,000,000
Repayments during the year	(474,246)	(74,487)
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	451,267	925,513
(c) Analysis of cash and cash equivalents		
Short term deposits	12,000,000	-
Cash at bank	26,196,516	35,630,833
Cash in hand	335	4,320
Balance at end of the year	38,196,851	35,635,153

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

	2023 - 2024	2022 - 2023
	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans	104,223	20,599
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	104,223	20,599
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
20xx dividends paid	-	-
20xx dividends paid	-	-
20xx interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

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

	2023 - 2024	2022 - 2023
	KShs	KShs
a) Sales to related parties		
Rent Income from govt. agencies	-	-
Water sales to Govt. agencies	-	-
Interest income from Govt Commercial Banks	-	-
Interest income from T-bills and Bonds	-	-
Others (Specify)	-	-
Total	-	-
b) Purchases from related parties		
Purchase of water from govt service providers	-	-
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. agencies	-	-

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Bank charges paid to Govt Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt Agencies	-	10,660,454
Grants from County Government	31,645,909	18,995,063
Donations in kind	1,793,880	1,719,000
Total	33,439,789	31,374,517
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for seconded employees	1,793,880	1,719,000
Payments for goods and services for county water projects & WSTF	30,854,499	9,974,853
Total	32,648,379	11,693,853
d) Key management compensation		
Directors' emoluments	1,215,000	915,000
Compensation to key management	6,362,136	7,120,320
Total	7,577,136	8,035,320

35. Capital Commitments

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

	2023 - 2024	2022 - 2023
	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

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Contingent assets		
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 2024

Receivables from other government entities	-	-
Others (Specify)	-	-
Total	-	-

Contingent Liabilities

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Contingent liabilities		
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)	-	-
Total	1,616,866	1,616,866

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:

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

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount Kshs	Fully performing Kshs	Past due but not impaired Kshs	Past due and impaired Kshs
At 30 June 20xx				
Trade Receivables	25,076,015	25,076,015	-	-
Other Receivables	15,000	15,000	-	-
Investments	-	-	-	-
Bank balances	26,210,351	26,210,351	-	-
Total	51,301,366	51,301,366	-	-
At 30 June 20xx (previous Year)				
Receivables	19,903,004	19,903,004	-	-
Other Receivables	37,040	37,040	-	298,923
Investments	-	-	-	-
Bank balances	35,635,153	35,635,153	-	-
Total	55,575,197	55,575,197	-	298,923

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

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 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June current year				
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	-	-	-	-
Total	42,792	4,715,510	93,386,553	98,144,854
At 30 June previous year				
Trade payables	-	10,192,082	68,301,324	78,493,406
Current portion of borrowings	37,654	73,444	814,415	925,513
Provisions	-	-	647,091	647,091
Project funds	-	-	685,599	685,599
Employee benefit obligation	-	-	-	-
Total	37,654	10,265,526	70,448,429	80,751,609

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

(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 0 (2022/2023: KShs 100,000). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 0 (2022/2023 – KShs 500,000)

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.**

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

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

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

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

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

Financial instruments not measured at fair value

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

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

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:

	2023 - 2024	2022 - 2023
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(63,371,919)	(48,515,755)
Capital reserve	2,498,835	2,498,835
Capital funds	67,716,258	35,849,476
Total funds	6,843,174	(10,167,444)
Total borrowings	451,267	925,513
Less: cash and bank balances	(26,210,351)	(35,635,153)
Net debt/ (excess cash and cash equivalents)	(25,759,084)	(34,709,640)
Gearing		

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 2024

20. Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the External audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe (If a date when you expect the issue to be resolved)
Basis of Qualified Opinion				
1.	Unsupported Expenditure- Domestic Travelling and Subsistence	The management will ensure proper accounting of all staff imprest with regard to travel and subsistence and supported with back to office reports	Resolved	
2.	Long Outstanding Receivable	Most of the long outstanding receivables are attributed to dormant and inactive accounts that have not been receiving water due to the low yield of the water sources. However, the management has been engaging the debtors with huge sum of bills to make Part payment.	Resolved	
3.	Accuracy of Customer Deposits	The variance between the customer deposits bank balance and Financial statements was brought about by borrowing from the customer deposit to finance	Resolved	

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

Reference No. in 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)
		some operational activities. However, through the BOD resolutions the management has been making monthly standing Order transfers of 50000 to ensure all deposits are refunded		
Report on Lawfulness and Effectiveness in Use of Public Resources				
1.	Use of Expired Tariff	The management has compiled all the data necessary to apply a new tariff, which was submitted to the regulator for processing and approval.	Work in progress	
2.	Unauthorised Expenditure	The upgrading of office internet caused the budget over expenditure on telecommunications. The management submitted a supplementary budget to the BOD for approval	Resolved	
3.	Irregularities in Procurement of Legal services	The management will ensure endeavours to adhere to provision of the law.	Resolved	
4.	Nugatory Expenditure on Water Resource Management	The company had been operating on a non-recovery tariff for a long time hence making it difficult to foot to	Unresolved	30 October 2024

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

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)
	Authority(WAR MA) Penalties	100% foot water abstraction bills. Moreover, the company inherited water abstraction debt of 3,843,117 from two community water projects that had been handed over to the company by the county government. The management will continue to engage WRA in the effort to draft a strategy on how to meet WRA Conditions to avoid incurring the Penalties.		
5.	Late Filling of Income Tax Returns	The management has taken note and will ensure income tax returns are done at the right time	Resolved	
6.	Regularity on Acquisition of Land	The Land was Purchased to aid progression of Water sector Trust Fund project by providing a site for a water tank construction site. The company has taken note and will ensure the due procedure of land acquisition are adhered to in future.	Resolved	
7.	Excess Non-Revenue Water	The high Non-Revenue water was because of	Unresolved	30 April 2025

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

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)
		Dilapidated water pipes, Vandalism of water infrastructure and large number of illegal connection in the recently acquired community water projects by the company. The company has created awareness on the importance of water infrastructures and working in partnership with administration Police Units.		
8.	Irregularly Awarded Contract	The due procedure was followed when awarding the tender to the contractor	Resolved	
9.	Human Resource Management	The management provided the minutes for approval for the conversion of staff from contract to Permanent and Pensionable.	Resolved	
10.	Irregularity in the Board of Management	The management provided a letter of appointment for board of directors' .The company has initiated the amendment of memorandum and article of association.	Unresolved	31 December 2024
Report on Effectiveness of Internal Control, Risk Management and Governance				
1.	Failure to	The company will ensure it	Resolved	

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Reports and Financial Statements
For the year ended June 30 2024

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)
	Maintain an Updated Imprest Register	operates a complete imprest register and update it promptly in strict adherence of the law		

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report.

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

Date 23/09/2024

Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
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 2024

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.

Project Title	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Masongaleni ward Water Project	9,457,975	7,321,771	77%	9,457,975	9,457,975	County Government
Kikumbulyu South Ward Water Project	8,829,172	3,004,189	34%	8,829,172	8,829,172	County Government
Kikumbulyu North Ward Water Project	4,299,944	3,103,455	72%	4,299,944	4,299,944	County Government
Mtito-Andei Ward Water Project	4,000,000	1,757,078	44%	4,000,000	4,000,000	County Government
Nguumo Ward water Project	5,058,818	1,365,237	27%	5,058,818	5,058,818	County Government