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**KIBWEZI-MAKINDU WATER AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**



OFFICE OF THE AUDITOR GENERAL
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KIBWEZI-MAKINDU WATER AND SANITATION COMPANY LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

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1. Acronyms and Glossary of Terms

Provide Acronyms and glossary of terms that appear in this annual report and financial statements.

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>
<i>KIBMAWASCO</i>	<i>Kibwezi-Makindu Water and Sanitation Company Limited</i>

2. Key Entity Information

Background information

The company was established on 16th August 2011 under the Company's Act cap 486 of the laws of Kenya. The company is represented by the Cabinet Secretary for water, sanitation, environment and climate change of the Makueni County government, who is responsible for the general policy and strategic direction of the entity. The company is domiciled in Kenya.

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

An Excellent water and sanitation services provider.

Company's Mission

To efficiently provide quality, adequate, reliable and affordable water and sanitation services to our customers.

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 for KIBMAWASCO.
5. Mainstreaming cross-cutting issues of poverty, gender, environment and HIV /AIDS which impact on water and sanitation.

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Directors

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

SN	Name of Director	Position	Appointed on	Left on
1.	Alfred Kithome	Chairman	20th July 2018	
2.	Stephen Mutiso	Managing Director	20th July 2018	
3.	Canon Philip Muthoka	Director	20th July 2018-23 rd December 2022	
4.	Daniel Mutinda	Director	20th July 2018	
5.	Vitalis Ogur	Director	20th July 2018-23 rd December 2022	
6.	Priscah Keli	Director	20th July 2018-23 rd December 2022	
7.	Evalyne Mutua	Director	20th July 2018-23 rd December 2022	
8.	Thomas Makenzi	Director	20th July 2018-23 rd December 2022	
9.	Alice Soo	Director	20th July 2018-23 rd December 2022	
10.	Elizabeth N Muthoka	Director	15 th June 2023	
11.	Albert M Musyoka	Director	15 th June 2023	
12.	Gideon M Muange	Director	15 th June 2023	
13.	CECM Finance (Makueni)	Director	15 th June 2023	
14.	CECM Water (Makueni)	Director	15 th June 2023	

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_mtitorwaco@yahoo.com
Website: www.kibmawasco.go.ke

Corporate Bankers

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

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Independent Auditors

Auditor General

The Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084GPO 00100

Nairobi, Kenya

Principal Legal Advisers

The County Attorney






Government of Makueni County

P.O. Box 78-90300

Makueni, Kenya

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3. The Board of Directors

Directors	Details
 Mr. Alfred M Kithome <i>BOD Chairman</i>	Holds a certified public secretaries certificate, Senior Management Course, Diploma in Archives and Record Management and attended Financial Management course of Donor funded projects at Lilongwe, Malawi. Worked as a Civil Service Support Officer from the Republic of Kenya to the Republic of South Sudan for 4 years. Worked as Sida Senior Administrator at Kwale District for 9½ years.
 Stephen M Mutiso <i>Managing Director</i>	Born in 1959 Holds a certificate in management, Diploma in Water supply and Higher Diploma in building & Civil engineering He worked as Deputy District Water Officer, Makueni District for three years. Served as a Managing Director for Water Companies for 13 years.
 Mr. Vitalis Ogur – Director	Born on May 25, 1990 Holds a Bachelor of Arts (Political Science) degree and serves as an assistant county commissioner. Retired on 23rd December 2023
 Ms. Evalyne Mutua – Director	Born in 1978 Holds a bachelor's degree and a master's degree in education. She works as a sub-county administrator, Makueni county. Retired on 23rd December 2023
 Philip Muthoka- Director	Born in 1958 Holds a certificate in management and certificate in theology Served as assistant manager for 6 years, production manager for 7 years, Company director for 5 years and currently operates a private company since 2001 to date. Serves as a Priest. Retired on 23rd December 2023

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 <p>Daniel Mutinda - Director</p>	<p>Born in 1989 Holds a bachelor of economics and finance degree and master's in business administration. CPA Section 5 He serves as a lecturer, Kenyatta university.</p>
 <p>Ms. Priscah Keli- Director</p>	<p>Holds a bachelor of Commerce degree. Self-employed.</p> <p>Retired on 23rd December 2023</p>
 <p>Ms. Alice Soo – Director</p>	<p>Holds a diploma in Bakery operations Has over 20 years in business industry.</p> <p>Retired on 23rd December 2023</p>
 <p>Elizabeth Ngina Muthoka</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 20 years of work experience in different institutions
 <p>Albert Muange Musyoka</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. • 15 years' work experience in Internal Audit, Finance and Accounting in various institutions.

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	<ul style="list-style-type: none"> • Born in 1971 • Holds a Degree in Land Economics and a Master’s degree in Business Administration. • Over 25years work experience in various positions and Institutions.
	<ul style="list-style-type: none"> • Born in 1958 • Holds a Degree in Mechanical Engineering • Over 38years work experience in Water sector in various positions.
	<ul style="list-style-type: none"> • Born in 1968 • Certified Public Accountant (CPAK) – ICPAK • Holds a Degree in Business Administration and a Master’s degree in Business Administration (Finance and Accounting) • Over 28years work experience in Finance and Accounting at The University of Nairobi.

Gideon Muthama Muange

Eng. John Kasyoki Kieti - Water and Iriigation(CECM Government of Makueni County) - Director

CPA Damaris Mumo Kavoi Finance, Planning, Budget & Revenue (CECM Government of Makueni County) – Director

4. Management Team

Management	Details
 <p>Stephen M Mutiso - <i>Managing Director</i> Certificate in management, diploma in Water Supply and Higher National Diploma in building & Civil engineering.</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. ❖ Offer overall leadership to the corporate management team for effective performance.
 <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 loses.
 <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 A' Level Certificate 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.

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5. Chairman's Statement

To the Shareholders and Stakeholders of Kibwezi-Makindu Water and Sanitation Company Limited and on behalf of the board of directors, I am pleased to present to you the financial statements of KIBMAWASCO for the fiscal year ending 30th June 2023. 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.

The fiscal year 2022-2023 has been one of the significant achievements and strategic advancements for KIBMAWASCO. We have continued to focus on enhancing operational efficiency, investing in infrastructure development, and delivering high-quality water services to meet the evolving needs of our customers. Here are some key growth and success highlights;

1. Investments in Infrastructure: We have continued our commitment to infrastructure development, during the year, the company invested in new pipelines, treatment facilities, and distribution networks with Machinery Town having a record of the highest number of extensions and connections. These investments ensure the reliability and sustainability of our services for the long term.

2. Customer Service and Engagement: Our commitment to customer satisfaction remains unwavering. We have introduced various initiatives to enhance customer experience, including, online bill payment, and customer feedback channels. Through these efforts, we have improved our responsiveness to customer concerns and established a more transparent and collaborative relationship with our valued customers.

3. The Board continuously reviewed the existing policies and developed new policy documents for implementation by the management to address the various risks identified which may restrain achievement of the desired goals.

Challenges and Mitigation:

While we have achieved significant progress, we acknowledge that the water industry continues to face challenges such as climate change impacts, regulatory changes, and technological advancements. In response, we have taken the following steps;

i) Regulatory Compliance: KIBMAWASCO remains committed to complying with all relevant regulations and standards. We proactively engage with regulatory authorities to ensure that our operations align with the evolving industry landscape.

ii) Climate Resilience: We have implemented comprehensive strategies to address the impacts of climate change on our operations, ensuring the continued availability and quality of water services even under changing environmental conditions.

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iii) **Technological Innovation:** Embracing technological advancements, we are embarking on investing in state-of-the-art systems for water monitoring, data analysis, and customer engagement. These investments will improve our operational efficiency and enhance customer experience.

Future Outlook: Looking ahead, we are excited about the opportunities that lie before us. Our strategic focus will be on:

1. **Sustainability:** We will continue our efforts to ensure the sustainable use of water resources through conservation measures, improved water treatment processes, and engagement with customers on responsible water usage.
2. **Innovation:** By staying at the forefront of technological advancements, we aim to optimize our operations, enhance customer interactions, and develop innovative solutions to address industry challenges.
3. **Expansion and Partnerships:** We will explore opportunities for responsible expansion into new markets and form partnerships that align with our commitment to delivering reliable water services.

Appreciation and Conclusion:

I extend my sincere gratitude to our shareholders (The County Government of Makueni) for your unwavering support, our dedicated employees for their hard work, and our valued customers for their trust in our services. Our achievements during this financial year would not have been possible without your contributions.

In conclusion, the financial year 2022-2023 has been marked by remarkable progress, achievements, and a steadfast commitment to excellence. We remain dedicated to delivering superior water services while ensuring long-term sustainability.



Gideon M Muange
For: Board of Directors Chairman.
Kibwezi-Makindu water and sanitation company LTD.

6. Report of the Managing Director

I am pleased to present this report detailing the comprehensive review and assessment of the technical, financial, and commercial aspects that are integral to the preparation of our financial statements. 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 slightly over 350,000 people and a water demand of approximately 13,000m³ per day. The company has two main water sources namely; Umani springs with a yield of 2061m³ per day and Kwa Venge Springs with a yield of 900m³ per day. The company is dedicated to providing high-quality water supply and wastewater treatment services to its customers. This report outlines the key areas that the managing director should review to ensure the integrity of the financial statements.

1. Technical Services

The technical review ensures that our infrastructure and operations are accurately represented in the financial statements, reflecting their impact on the company's financial position and performance. Key areas of focus include water treatment processes, distribution networks, and infrastructure maintenance. Our water treatment processes have been evaluated for efficiency, compliance with water quality standards, and any recent upgrades that may influence costs and productivity on a monthly basis. Consequently, during the period, the quality of water produced complied 100% to the both World Health Organization Requirements and Kenya Bureau of Standards (KEBS) requirements. The distribution network, a critical component of our operations, has been examined for maintenance requirements, leak detection strategies, and optimization measures to ensure reliability and minimize losses.

During the year, the company produced a total of 1,481,649 M³ of water reflecting a decrease of 1,158M³ from 1,482,807M³ of water produced in the financial year 2021-2022. The decrease in water volume produced has been attributed to a decrease in water levels at Kwa Venge Springs. During the year, the company extended and rehabilitated a total of 26.4km of water pipeline against a target of 20 km translating to 132% achievement.

Furthermore, preventive maintenance practices and asset management have been scrutinized to align with best practices, thus enhancing asset longevity and operational efficiency. The non-revenue water for the year under review was 36.6% against a target of 29%.

During the year under review KIBMAWASCO was allocated Kshs. 3.9 million by the Government of Makueni County for rehabilitation of Kivungoni-Kyumani water pipeline, initially the pipeline belonged to the Ministry of Agriculture and was been used for irrigation.

The water pipeline covers 20km that were laid using low quality PVC pipes class B. The water pipeline is a gravity system with frequent pipe bursts where the company incurred water losses that raised its Non –Revenue Water (NRW) from the previous 27% to 36.7% resulting to reduction in the whole company's performance.

2. Commercial Services

The commercial review is pivotal in understanding our market position, competitive landscape, and growth potential. By analysing our customer base, I have gained insights into demand trends, customer satisfaction levels, and potential areas for growth. The company continued to identify and implement suitable service delivery innovations as well as enhancing the existing ones. To

optimize the emerging technology and innovation, the company updated its customer's directory with a view of reaching out electronically via mobile phones and post customer bills, disconnection notices as well as bills settlement. Competitive analysis has been performed to ascertain market share, identify strategies for differentiation, and align our market positioning. Regulatory compliance has been confirmed to ensure that our operations adhere to industry standards and anticipate regulatory changes that may impact our financial reporting.

3. Financial services

The financial review entails a meticulous examination of our financial performance and stability to guarantee that our financial statements accurately portray our company's financial health. This includes revenue recognition practices to ensure compliance with accounting standards and precise invoicing. Our expense 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 accounting standards. In the fiscal year we recorded an overall revenue of KES 85,757,817 (90.64%) against an actual budget of KES 94,610,628.

The company budgeted revenue was not actualized in the fiscal year under review attributed to the decreasing volumes of water levels at Kwa Venge Springs that as a result has increased the number of dormant connections.

The increase in Water Resource Authority (WRA) abstraction fees and interests on the water abstraction fees from Kshs. 4,811,670 in 2021-2020 to Kshs. 14,546,567 in 2022-2023, after they effected the new water abstraction charges from 50cents per M³ of water to Kshs. 5 per M³ this translated to 1000% increase.


Conclusion and Recommendations

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

- Implementation of advanced 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

Closing Remarks

The review and analysis conducted emphasize our commitment to transparency, accountability, and operational excellence. The alignment of technical, financial, and commercial aspects ensures the accuracy and reliability of our financial statements, fostering confidence among stakeholders and facilitating informed decision-making. I express my gratitude to our dedicated teams for their collaboration in ensuring the accuracy and integrity of our financial reporting.



Carolyn N Vita

For: Managing Director

Kibwezi-Makindu water and sanitation company LTD.

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7.Statement Of Performance Against Predetermined Objectives for FY 2022/23

Kibwezi-Makindu Water and Sanitation Company has 4(*four*) strategic pillars and objectives within its Strategic Plan for the FY 2022/2023- 2026/2027. These strategic pillars are as follows:

- Pillar 1: Water and Sanitation Infrastructure Development
- Pillar 2: Operational Efficiency and Customer Satisfaction
- Pillar 3: Financial sustainability
- Pillar 4: Institutional Development and Strengthening.

Kibwezi-Makindu Water and Sanitation Company Ltd develops its annual work plans based on the above 4(*four*) pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Kibwezi-Makindu Water and Sanitation Co. achieved its performance targets set for the FY 2022/2023 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key performance Indicators	Activities	Achievements.
Water Infrastructure Development	Provide water services	Increase coverage	Procure contractor to construct water project at Machinery town.	Construction of 5.3KM pipeline and 150 M ³ Masonry Storage tank that serves more than 2,500 beneficiaries.
Operational Efficiency and Customer Satisfaction	Constant supply of safe portable water that meets the expectation of our customers.	Reduced customer complaints	Ensure power bills are paid on time.	Power bills settled on time and other operational costs.
Institutional Development and Strengthening	Develop company policies and work procedures	Policies and work procedures developed and approved by the Board of Directors	Hold management meetings with the consultant to share required information	Company policies and work procedures draft developed ready for Board’s approval

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8. Corporate Governance Statement

During the financial year 2022-2023 the board of directors held three normal full board meetings, one special board meeting and two committee meetings as tabulated below: -

Name of Director	5-Oct-22	28-Oct-22	21-Dec-22	13-Apr-23	19-May-23	15-Jun-23	Totals
	Full Board	Full Board	Full Board	Committee	Committee	Full Board	
Alice Soo	15,000	15,000	15,000				45,000
Priscicah Keli	15,000	15,000	15,000				45,000
Phillip Muthoka	15,000	15,000	15,000				45,000
Daniel Mutinda	15,000	15,000	15,000	15,000	15,000	15,000	90,000
Alfred Kithome	15,000	15,000	15,000	15,000	15,000	15,000	90,000
Evaline Mutua	-	15,000	15,000				30,000
Damaris Kavoi			15,000				15,000
Elizabeth Katenge			15,000				15,000
Caroline Vita			15,000				15,000
Maingi Musyoka						15,000	15,000
Elizabeth Muthoka						15,000	15,000
Gideon Muthama						15,000	15,000
Totals	75,000	90,000	135,000	30,000	30,000	75,000	435,000

The current board of directors was appointed by the ECM on interim basis on July 20th, 2018 and two thirds retired on December 21st 2022 and replaced on June 15th 2023. The new directors were appointed towards the end of the financial year and they have not been able to undergo corporate governance training but training will be undertaken in FY 2023-2024. The board of directors' main role is to formulate the Company policies and monitor their implementation by the management to ensure better service delivery to the citizens. The composition of the director's factors in gender balance and representation of various community interest groups that the utility gives service.

The board has also developed board charter and has conducted a board evaluation. None of the directors has a direct interest in the company.

The Board of Directors is appointed in accordance with the Water Services Regulatory Board (WASREB) corporate governance guidelines 2018 which recognizes stakeholder participation in the recruitment of directors and in an annual general meeting one third of the directors retire from office and subsequently another third of the longest serving directors since their last appointment.

Upon appointment of new directors before they take up their duties of office they sign code of ethics and undergo a corporate governance training approved by the appointing authority.

In ensuring adherence to corporate Governance guidelines and efficiency of the board, the following committees are in place

1. Technical committee – Guides board in making prudent investment decisions aimed at financing viable water and sanitation projects

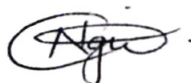
Kibwezi-Makindu Water and Sanitation Company Ltd
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2. Finance and Administration – Advises Board on all finance related issues, resource mobilisation and human resource management

3. Audit Committee- Advises Board on risk management and compliance

The Board is responsible for formulating the company’s policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholders value, are achieved. The Board also retains the overall responsibility for effective control of the company and implements corporate governance policies of the company. In carrying out the above responsibilities, the Board delegates its authority to the Managing Director to oversee the day to day business operations of the company.

A timetable of calendar dates for Board meetings to be held in the following year is fixed in advance by the Board. The notice of Board meetings is given in advance in accordance with the company’s Articles of Association and is distributed together with the agenda and board papers to all the Directors beforehand. The Board meets regularly and at least four times annually, that is, once per quarter in accordance with the company’s practice. There is a register of all meetings held.

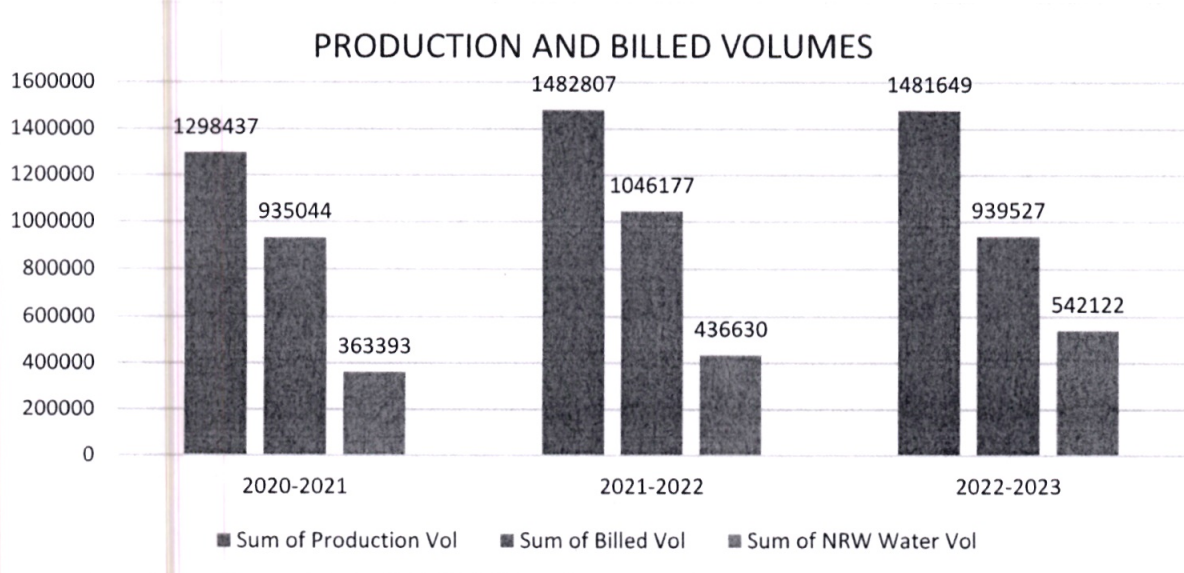


Carolyn N Vita
For: Managing Director / Secretary to the Board

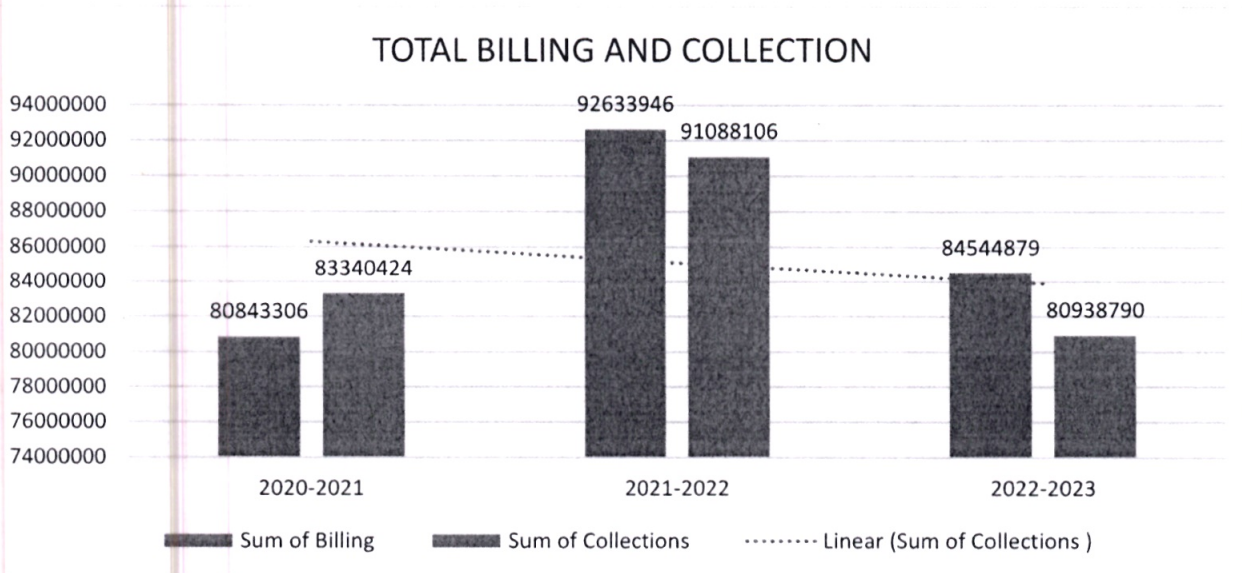
Date: 28/9/2023

9. Management Discussion and Analysis

During the year the utility has been able to produce a total of 1,481,649M³ and managed to bill 939,527³ resulting to a total Non-Revenue water of 542,122M³ equivalent to 36.6%. This is illustrated below: -



The total water and other billings in Kenya shillings was Kshs. **84,311,603** out of which Kshs. **80,938,790** was collected from the customers which translate to **96%** collection efficiency against the company’s target of 100%. This has been illustrated here below: -



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. It's what guides us to deliver on our strategy, which is founded on the following pillars;

- a) Putting the customer/Citizen first.
- b) Delivering the relevant services
- c) Improving operational excellence.

Below is a brief highlight of our achievements in each pillar

i) Sustainability strategy and profile

Members of the county assembly of Makueni and the executive have been very supportive to the company and worked the way to ensure water is increased within our service area. We have held several stakeholder meetings to create good working relations with the communities led by the members of the county assembly of the respective areas and executive officials. These engagements have created a good working environment to ensure effective service delivery and the communities have built confidence with company services.

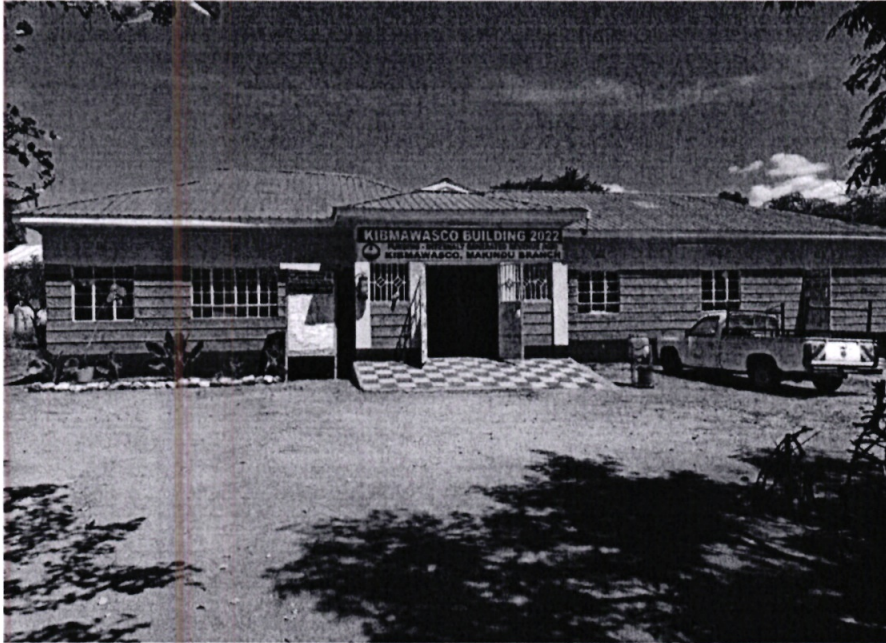
ii) Environmental performance

The water company has been collaborating with the government of Kenya through the Deputy County Commissioners, chiefs, and other non-governmental organisations to champion for tree planting every year at Makindu River to conserve the environment.

The company has continued to operate the decentralised treatment facility (DTF) of a capacity of 22 M³ per day. However, we have not been able to acquire our own exhauster but we use private vendors.

On work environment, the company staff had been working in a rented residential office where concentration on work was not possible due to noise pollution from the nearby bars and restaurant.

The management and the Board of Directors decided to put up a new office at the chief's camp, Makindu after getting approval from the Deputy County Commissioner (DCC) Makindu. A modern office was constructed using internally generated revenue. See attached photo.



iii) Employee welfare

The company has developed a human resource management policy that would enable the company to manage employees effectively. During the year, the company has been able to undertake trainings for both senior and junior staff. At the beginning of every year staff training needs assessment is done and trainings conducted based on the availability of resources. Common trainings are conducted in-house to reduce the cost of training per staff something which has been effective. The organisation is planning to secure staff insurance cover against accidents that may occur in line of their duties and comply with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices-

a) Responsible competition practice.

The Company has been steady in the fight against corruption both within and without the work place. It has provided its customers with diverse bill payment options ranging from M-pesa, post bank and direct bank deposits/transfers to discourage cash payments. The company has fully operational customer service delivery chatter that ensures that the customer gets the service required at reasonable time and cost.

b) Responsible Supply chain and supplier relations

The organization has properly maintained its supply chain and ensures that all the suppliers are treated without partiality. Purchase orders are issued rotationally and payment settled within the stipulated time or else the company negotiates with the supplier to extend it.

d) Responsible marketing and advertisement.

The utility has exercised a responsive public marketing and advertisement of the company opportunities in the company website and newspaper. This gives an equal opportunity to everyone to apply. During the year the company advertised 3 vacant board of Directors position in the Kenya daily newspaper and in the company website. As per the guidance of the Water Service Regulatory Board were followed in the recruitment proposes.

d) Product stewardship

As envisaged in the Kenyan constitution every citizen has a right to clean safe water and therefore the company has continued to ensure people get water that is safe equitably by putting into place rationing programmes at the times of low production. The company has put in place the necessary infrastructure for water treatment and ensures compliance with the required standards and guidelines of water treatment. Where the company does not have distribution networks, it uses its water bowsers to supply water to those residents.

i) Corporate Social Responsibility / Community Engagements

The entity has contributed towards National Holiday celebrations both at a cost of Kshs. 47,400 during the year.

11. Report Of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 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, 2023 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's Articles and Memorandum of Association, the company does not pay dividends to its shareholders.

iv) Directors

The members of the Board of Directors who served during the year are shown on page vii and viii in accordance with Regulations 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: Carolyne N Vita

For: Company Secretary/Secretary to the Board

Date: 28/9/2023
.....

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, 2023. 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).

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, 2023, 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.

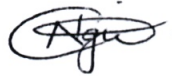
Approval of the financial statements

The company financial statements were approved by the Board on 28/9/ 2023 and signed on its behalf by:



.....

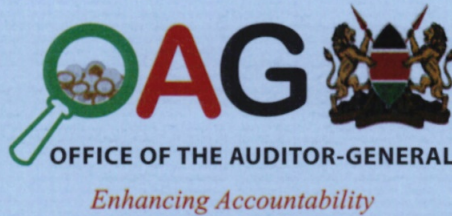
Name: Gideon M Muange
For: Chairperson of the Board



.....

Name: Carolyne N Vita
For: Managing Director

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON KIBWEZI-MAKINDU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kibwezi-Makindu Water and Sanitation Company Limited set out on pages 1 to 55, which comprise of the statement of financial position as at 30 June, 2023, and statement of profit or loss and other

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kibwezi-Makindu Water and Sewerage Company Limited as at 30 June, 2023, 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 Public Finance Management Act, 2012, the Water Act, 2016 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Unsupported Expenditure-Domestic Travelling and Subsistence

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 reflects general and operations expenses totalling Kshs.44,386,490. Included in the amount is Kshs.2,757,600 incurred on domestic travelling and subsistence. Review of sample payment vouchers revealed that imprests amounting to Kshs.916,450 were not adequately supported with authorization and work tickets.

In the circumstances, the accuracy, completeness and validity of domestic travelling and subsistence amount of Kshs.2,757,600 could not be confirmed.

2. Long Outstanding Receivables

The statement of financial position and as disclosed in Note 20 to the financial statements reflects trade and other receivables balance of Kshs.19,940,044. The balance is net of provisions for bad and doubtful receivables of Kshs.17,755,000 which include receivables of Kshs.22,154,999 that have been outstanding for a period exceeding 180 days. The Company has not demonstrated measures put in place to recover the long overdue debts. Further, Note 11 on general and operational expenses includes an amount of Kshs.1,570,551 relating to provision for doubtful debts that was incurred in the year under review. However, the basis for this provision has not been included in the accounting policies and thus it was not possible to determine whether the provisions made were reasonable and accurate.

In the circumstances, the accuracy, recoverability and fair statement of trade and other receivables balance of Kshs.19,940,044 as at 30 June, 2023 could not be confirmed.

3. Accuracy of Customer Deposits

The statement of financial position reflects customer deposits balance of Kshs.15,233,800 as disclosed in Note 30 to the financial statements. The balance is

refundable on demand to customers terminating their service contracts with the Company and have no outstanding bill. However, review of the corresponding customer deposit bank accounts held at the KCB and Equity banks reflected balances of Kshs.2,213,961 and Kshs.10,737,682 totalling Kshs.12,951,643 resulting in an unexplained and unreconciled variance of Kshs.2,282,157.

In the circumstances, the accuracy and completeness of customer deposits balance of Kshs.15,233,800 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved Prior Years Issues

In the audit report for the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Management has indicated that the process of resolving the issues is ongoing.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Use of Outdated Tariff

The statement of profit or loss and other comprehensive income reflects operating revenue amounting to Kshs.84,311,603. However, review of sales records revealed that

the tariffs currently being used had been approved by the Water Services Regulatory Board (WASREB) for use between 2017/2018 and 2020/2021 financial years. The Company has been using the same tariff after it had expired.

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

2. Unauthorized Expenditure

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflects general and operations expenses of Kshs.44,386,490. This includes an amount of Kshs.934,650 and Kshs.8,269,545 relating to telecommunication and fuel oil and lubricants respectively. However, review of the approved budget shows that the budgeted amount allocated was Kshs.540,000 and Kshs.7,200,000 resulting to over-expenditure of Kshs.394,650 and Kshs.1,069,545 respectively.

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

3. Irregularities in Procurement of Legal Services

Note 11 to the financial statements reflects general and operations expenses totalling Kshs.44,386,490. The amount includes Kshs.307,000 relating to legal fees. Review of expenditure records revealed that the Company sourced legal services from a legal firm. However, the contract between the Company and the law firm was not provided for audit review. Further, no approval to engage the legal firm was sought from the County Attorney.

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

4. Nugatory Expenditure on Water Resource Management Authority (WARMA) Penalties

The statement of profit or loss and other comprehensive income and as disclosed in Note 11 to the financial statements reflect general and operations expenditure of Kshs.44,386,490. Included in this amount is Kshs.4,645,612 relating to interest and penalties on water abstraction charges. These costs could have been avoided if fees to WARMA was settled in time.

In the circumstances, there was no value for money from these penalties and interests charged.

5. Late Filing of Income Tax Returns

Review of the Company's records revealed that it was incorporated in 2011. However, Management did not provide evidence of filed annual returns with the Registrar of Companies as provided for by the law. No explanation was provided by the Management for the failure to file returns on time.

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

6. Regularity on Acquisition of Land

The statement of financial position and as disclosed in Note 17 to the financial statements reflects a balance of Kshs.27,608,111 under property, plant and equipment. Included in this balance is Kshs.350,000 relating to acquisition of land in Makueni/Kinyambu Scheme. However, request for acquisition of land to the National Land Commission and supporting minutes of the Commission's inquiry based on intended purpose of the land were not provided. Further, surveyor's report on the specific land and due diligence which included determination of acreage, boundaries, ownership and value were not provided. In addition, notifications to the Makueni County Treasury regarding acquisition of the land and evidence of land title deed registered under the Company were also not provided for audit review.

In the circumstances, the regularity and ownership of the parcel of land could not be confirmed.

7. Excess Non-Revenue Water

The statement of profit or loss and other comprehensive income reflects operating revenue of Kshs.84,311,603 which includes water sales of Kshs.78,534,802. Review of water production records revealed that the Company produced 1,481,689M³ of water, out of which 939,527M³ or 63% was billed to customers. The balance of 542,122M³ or approximately 37% represents Non-Revenue Water (NRW) valued at Kshs.77,252,385 which is above the allowable loss of 25% by 12% contrary to the Water Services Regulatory Board guidelines. No satisfactory explanation was provided for the high level of NRW and the measures put in place by Management to reverse the trend.

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

8. Irregularly Awarded Contract

The Company awarded a tender for laying of pipe and construction of a 150M³ storage tank at a contract sum of Kshs.10.403,252. Review of procurement documents revealed that the project was not contained in the original procurement plan and was not submitted to the Board for approval. Further, all the five individual evaluators score sheets were incomplete as some firms were not scored on various technical criteria.

Hence, it was not possible to establish how the final harmonized score was arrived at. The minimum score criteria that was used during technical evaluation was not provided for audit review. Also, the professional opinion did not have practicing certificate number of the Head of Procurement.

In addition, review of payment records during the audit in February, 2024 revealed that the contractor had been paid a total of Kshs.10,553,942 which exceeded the contract sum of Kshs.10.403,252 by Kshs.150,600.

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

9. Human Resource Management

The statement of profit or loss other comprehensive income and as disclosed in Note 10 to the financial statements reflects an amount of Kshs.54,686,334 under staff costs. However, review of human resource records showed that two (2) members of staff had their short-term contracts converted into permanent and pensionable terms without undergoing suitability interview.

Further, it was not possible to establish whether the staff met the qualifications required for the positions they were appointed to or whether the vacancies existed since there was no approved staff establishment or a career progression guideline in place.

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

10. Irregularities in Board of Management

The statement of profit or loss and other comprehensive income and Note 12 to the financial statements reflect Kshs.1,199,270 as board expenses. However, one of the newly appointed board members is a Public Officer who is not entitled to a sitting allowance since he is on full-time employment in another public body. Further, the appointment of new board members was not done as required by the Memorandum and Articles of Association of the Company which had not been amended.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Failure to Maintain an Updated Imprest Register

The statement of profit or loss other comprehensive income and as disclosed in Note 11 to the financial statements reflect general and operations expenses of

Kshs.44,386,490. Included in the amount is Kshs.2,757,600 incurred on domestic travelling and subsistence. Review of sampled imprest vouchers amounting to Kshs.762,000 revealed that surrender dates were not recorded in the imprest register maintained making it difficult to establish whether imprests are surrendered before issuance of new ones.

In the circumstances, the controls in management of imprest are weak.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015, I report based on the 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's financial statements agree with the books of account.

Responsibilities of Management and the Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 March, 2024

Kibwezi-Makindu Water and Sanitation Company Ltd.**Annual Report and Financial Statements for the year ended June 30, 2023****14. Statement Of Profit or Loss & Other Comprehensive Income for the Year Ended 30 June 2023.**

	Note	2022 - 2023	2021 - 2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	84,311,603	92,498,946
Grants Income	7	1,719,000	26,888,582
Other Income	8	299,776	135,000
Finance income	9	857,029	659,774
Total Revenue		87,187,408	120,182,302
Expenses			
Staff Costs	10	54,686,334	49,688,981
General and Operations expenses	11	44,386,490	30,521,337
Board Expenses	12	1,199,270	1,611,305
Maintenance Expenses	13	9,149,868	23,391,724
Depreciation and Amortization expenses	14	898,897	494,314
Finance Costs	15	20,599	-
Total Expenses		110,341,458	105,707,661
Profit/(Loss) Before Taxation		(23,154,050)	14,474,641
Income Tax Expense/(Credit)	16	-	(1,434,548)
Profit/(Loss) After Taxation		(23,154,050)	13,040,093
Earnings Per Share – Basic and Diluted		-	-
Dividend per share		-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		-	-
Surplus Or Deficit on Revaluation Of PPE		-	-
Re-measurement 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, 2023

15. Statement Of Financial Position As at 30 June 2023

	Note	2022 - 2023	2021 - 2022
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	17	27,608,111	8,239,513
Intangible assets	18	543,284	776,120
Total non-current assets		28,151,395	9,015,633
Current assets			
Inventories	19	2,091,414	1,452,069
Trade and receivable	20	19,940,044	19,902,318
Short-term deposits	22	-	10,000,000
Bank and cash balances	23	35,635,153	21,279,435
Total non-current assets		57,666,611	52,633,822
Total Assets		85,818,005	61,649,455
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	24	40	40
Capital Fund		35,849,476	-
Capital reserve		2,498,835	2,498,835
Retained earnings	25	(48,515,755)	(26,652,295)
Capital and Reserves		(10,167,404)	(24,153,420)
Non-current liabilities			
Borrowings	26	465,784	-
Customer deposits	30	15,233,800	14,424,800
Total non-current liabilities		15,699,584	14,424,800
Current liabilities			
Tax payable	28	128,555	1,290,589
Borrowings	26	459,729	-
Provisions for staff leave	27	518,536	-
Trade and other payables	29	78,493,406	63,906,666
Project fund	31	685,599	6,180,820
Total current liabilities		80,285,825	71,378,075
Total equity and liabilities		85,818,005	61,649,455

The financial statements were approved by the Board on 28/9/ 2023 and signed on its behalf by:



.....
Name: Carolyn N Vita
For: Managing Director



.....
Name: David M Nzyimi
Head of Finance
ICPAK M/No: 22928



.....
Name: Gideon M Muange
For: Chairman of the Board

16. Statement Of Changes in Equity for the Year Ended 30 June 2023

	Notes	Ordinary share capital	Capital reserve	Capital Fund	Retained earnings	Total
As at July 1, 2022		40	2,498,835	-	(26,652,294)	(24,153,429)
Prior year adjustment					1,290,589	1,290,589
Profit/(loss)for the year		-	-	-	(23,154,050)	(23,154,050)
Addition for year				35,849,476	-	35,849,476
As at June 30, 2023		40	2,498,835	35,849,476	(48,515,755)	(10,167,404)
As at July 1, 2021		40	2,498,835	-	(39,737,379)	(37,238,504)
Prior year adjustment		-	-		44,992	44,992
Profit/(loss)for the year		-	-		13,040,093	13,040,093
At June 30, 2022		40	2,498,835		(26,652,295)	(24,153,420)

Kibwezi-Makindu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

17. Statement Of Cash Flows for The Year Ended 30 June 2023

	Note	2022 – 2023	2021 – 2022
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Operating Receipts		82,788,757	77,169,636
Grants Income		1,719,000	9,734,264
Other Income		299,776	26,888,582
Customer Deposits		809,000	577,500
Total Receipts		86,616,533	114,369,982
Payments			
Staff Costs		51,096,719	49,688,981
Board Expenses		1,189,270	1,611,305
General And Operation Expenses		35,038,870	30,521,337
Maintenance Expenses		5,204,397	23,391,724
Finance Costs		20,599	-
Tax paid		127,500	-
Total Payments		92,677,355	105,213,347
Net Cash From/ (Used In) Operating Activities	33	(7,060,822)	9,156,635
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(20,034,658)	-
Short term deposits		10,000,000	(10,000,000)
Finance Income		857,029	659,774
Net Cash From/ (Used In) Investing Activities		(9,177,629)	(9,340,226)
Cash Flows from Financing Activities			
Proceeds From Borrowings		1,000,000	-
Repayment Of Borrowings		(74,487)	-
Capital fund received		29,668,656	
Net Cash From/(Used In) Financing Activities		30,594,169	-
Increase/(Decrease) In Cash and Cash Equivalents		14,355,718	(183,591)
Cash And Cash Equivalents At Beginning Of Year		21,279,435	21,463,026
Cash And Cash Equivalents At End of the Year		35,635,153	21,279,435

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18. Statement Of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	% of utilization
	a	b	c=a+b	d	e=d/c
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Operating Revenue	92,786,128	-	92,786,128	83,907,603	90%
Grants	-	-	-	-	0%
Finance Income	824,500	-	824,500	850,214	103%
Other gains	1,000,000	-	1,000,000	1,000,000	100%
Total Revenue	94,610,628	-	94,610,628	85,757,817	91%
Expenses					
Staff Costs	53,272,553	-	53,272,553	54,686,334	103%
Board Expenses	1,291,000	-	1,291,000	1,199,270	93%
General and operations Expenses	16,823,885	-	16,823,885	19,589,810	116%
Maintenance	15,290,000	-	15,290,000	9,149,868	60%
Administrative Costs	17,671,200	-	17,671,200	17,854,782	101%
Depreciation and amortization	-	-	-	-	
Finance costs	-	-	-	-	
Total Recurrent Expenditure	104,348,638	-	104,348,638	102,480,064	
Profit or Loss	(9,738,010)	-	(9,738,010)	(16,722,247)	
Capital Expenditure	4,516,285	-	4,516,285	3,861,510	86%
Total Expenditure	108,864,923	-	108,864,923	106,341,574	98%

NOTE: The company primarily relies on natural springs as the main source of water. During the year, the water sources particularly in the Makindu scheme were severely affected by the dry season resulting in reduced production by close to half, which negatively impacted on the company's production target hence the revenue.

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 production and supply of domestic water.

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

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

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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 2023.*

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts.</i>	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. <i>(entity to state the effect of amendments on their financial statements for the year ended.)</i>	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies. <i>(Entity to state whether this has brought about changes to the accounting policies disclosed)</i>	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

Notes to the Financial Statements (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

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.

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

iii. Early adoption of standards

KIBMAWASCO did not early – adopt any new or amended standards in year under review.

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the 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	-	0%
Leasehold Land	-	0%
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%

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

f) Amortization and impairment of intangible assets

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

g) Investment property

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

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 FIFO 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.

Notes to the financial statements (continued)

Summary of Accounting Policies

n) Taxation

i) Current income tax

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

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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 Britam Insurance Pension Co. 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 maximum 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 2022-2023 was approved by the Board of Directors on June 2022. 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 17 of these financial statements.

Notes to the financial statements (continued)

Summary of Accounting Policies

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

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.

Notes to the financial statements (continued)

Summary of Accounting Policies

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.

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Notes to the financial statements (continues)

6. Operating Revenue

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Water sales	78,534,802	77,137,136
Sewerage Services	15,500	32,500
Billing for other services*	5,761,301	15,329,310
Total	84,311,603	92,498,946

Billing for other services refers to income generated from services such as reconnection fees, revenue of sludge treatment services, reconnection fees and connection fees.

7. Grants Income

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	-	25,246,622
Capital grants amortised	-	-
Donations from County Governments	-	-
In Kind contribution/donations from other agencies	1,719,000	1,641,960
Total	1,719,000	26,888,582

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

Notes to the financial statements (continued)

8. Other Income

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Sale of Tender	-	-
Fine and penalties	-	135,000
Rental income	-	-
Insurance compensation	-	-
Miscellaneous income (specify)	299,776	-
Total	299,776	135,000

9. Finance Income

	2022 - 2023	2021 - 2022
Description	Kshs	Kshs
Interest income from treasury bonds	-	-
Interest income from treasury bills	-	-
Interest from receivables	-	-
Interest from commercial banks and financial institutions	857,029	659,774
Interest on staff loans	-	-
Dividends	-	-
Total	857,029	659,774

This relates to interest earned from fixed deposit investment(at the rate of 8.5%) during the year that matured on 16/06/2023.

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Notes to the financial statements (continued)

10. Staff Costs

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Gross Salary and Allowances	37,097,600	26,060,780
Casual workers' Wages	7,058,889	13,573,321
County Government staff salaries paid directly by the CGM	1,719,000	1,641,960
Employer's contributions to social security schemes	435,632	238,104
Employer's contributions to pension scheme	3,068,154	2,832,338
Provisions for Leave pay	648,351	638,811
Gratuity provisions	919,933	196,602
Staff welfare	3,738,775	4,507,065
Total	54,686,334	49,688,981
The average number of employees during the year	86	77

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Notes to the financial statements (continued)

11. General and Operations Expenses

Description	2022 - 2023	2021 - 2022
	KShs	KShs
Chemicals	235,364	382,598
Electricity	7,035,712	7,965,804
Fuel, oil, lubricants, and gases	8,269,545	6,801,955
Water abstraction charges	9,900,955	2,105,814
Office supplies	479,703	850,982
Uniform and protective clothing	36,700	117,980
Telecommunication	934,650	280,000
Postage and courier	105,350	205,965
Insurance	314,661	183,795
Rent and Rates	30,000	360,000
Hire of Equipment and vehicles	228,000	125,000
Domestic Traveling and subsistence	2,757,600	3,231,630
NITA charges	76,300	75,050
Staff training and development	251,869	869,589
Bank Charges	586,098	627,809
Security services	20,000	240,000
Publicity and advertising	302,141	1,074,606
Audit fees	232,000	232,000
Legal fees	307,000	70,000
Consultancy fees	773,600	380,320
Licensing and levies	197,258	75,000
WASREB Regulatory fees	3,372,464	3,705,358
Stakeholders' expenses	375,800	-
Donations/CSR	47,400	-
ICT services	136,184	-
Billing software hosting charges	459,940	597,905
Subscription to professional bodies	116,200	116,200
Hospitality expenses	188,410	120,490
Research and Development	100,500	-
Provision for doubtful debts	1,570,551	(2,382,364)
Impairment loss	298,923	-
Interest and penalties on water abstraction charges	4,645,612	2,705,756
Total	44,386,490	31,119,242

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Notes to the financial statements (continued)

12. Board Expenses

Description	2022 - 2023	2021 - 2022
	KShs	KShs
Chairman Honoraria	480,000	400,000
Sitting allowances	435,000	325,000
Induction and Training	-	478,345
Travel and accommodation	153,500	227,050
Other allowances	130,770	180,910
Total Board Expenses	1,199,270	1,611,305

13. Maintenance Expenses

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Plant and Equipment	547,349	192,360
Buildings	282,830	114,785
Infrastructural networks	4,055,859	18,319,727
Grounds	-	-
Motor vehicles	4,071,810	4,081,447
Software	-	-
Furniture	192,020	85,500
Water Meter maintenance costs	-	-
Maintenance of access roads	-	-
Total Maintenance Expenses	9,149,868	23,391,724

Notes to the financial statements (continued)

14. Depreciation and Amortization Expenses

Description	2022 - 2023	2021 - 2022
	KShs	KShs
Property, plant, and equipment	666,061	431,385
Right of Use Assets	-	-
Intangible assets	232,836	62,929
Investment property carried at cost	-	-
Total Depreciation and Amortization	898,897	494,314

15. Finance costs

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Interest expense on loans	20,599	-
Interest expense on bank overdrafts	-	-
Interest on lease liabilities	-	-
Others (specify)	-	-
Total	20,599	-

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16. Income Tax Expense/(Credit)

Current taxation	2022 – 2023	2021 - 2022
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	1,434,548
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	1,434,548

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

	2022 – 2023	2021 - 2022
	Kshs	Kshs
Profit before taxation	(23,154,050)	14,474,641
Prior years losses adjusted	(11,051,682)	(8,197,940)
Taxable profit for the year	(34,205,732)	6,276,701
Tax at the applicable tax rate of 30%	30%	30%
Current tax	(10,261,720)	1,883,010
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	1,909,135	7,130,489
Tax effects of income not taxable	-	(7,573,987)
Tax effects of excess capital allowances over appreciation/amortization	45,267	(4,965)
Deferred tax prior year over-provision	-	-
Total	(8,307,318)	1,434,548

Notes to the financial statements (continued)

17. Property, Plant and Equipment

Current Period	Freehold land	Buildings & civil works	Water & Sewer Infrastructure	Plant and machinery	Motor vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Work in progress	Total
Cost Or Valuation									
At July 1, 2022 (at beginning of the year)	-	5,578,212	-	2,988,285	3,175,000	1,745,599	1,055,087		14,542,183
Additions during the period	350,000	780,341	1,021,383	18,000	-	42,675	129,500	17,692,760	20,034,658
Transfers during the period	-	-	-	-	-	-	-		-
Disposals during the period	-	-	-	-	-	-	-		-
At June, 2023 (close of period)	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 (at beginning of the year)	-	-	-	1,330,085	2,733,035	1,521,036	718,514		6,302,670
Charge For The period	-	254,342	40,855	134,096	110,491	88,990	37,286		666,061
Impairment Loss for the period	-	-	-	-	-	-	-		-
Eliminated On Disposal	-	-	-	-	-	-	-		-
At June 30, 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

Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

Prior year audited	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 1 July 2021	2,988,285	3,175,000	1,745,599	1,055,087	5,578,212	14,542,183
Additions for the year	-	-	-	-	-	-
Transfers for the year	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-
As at June 2022	2,988,285	3,175,000	1,745,599	1,055,087	5,578,212	14,542,183
Depreciation						
At July 1, 2021	1,185,894	2,585,713	1,410,431	689,246	-	5,871,284
Charge for the year	144,191	147,322	110,605	29,268	-	431,386
Impairment loss	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-
As at June 2022	1,330,085	2,733,035	1,521,036	718,514	-	6,302,670
Net book value						
At June, 2022	1,658,200	441,965	224,563	336,573	5,578,212	8,239,513

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Notes to the financial statements (continued)

18. Intangible Assets

	2022 - 2023	2021 - 2022
	KSh	KSh
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	581,380	518,452
Charge for the year	232,836	62,929
Disposals	-	-
Impairment loss	-	-
At June 30	814,216	581,380
Net book value At June 30	543,284	776,120

19. Inventories

	2022 - 2023	2021 - 2022
	KSh	KSh
General stores	-	-
Chemicals & Laboratory items	338,688	513,648
Water fittings and Accessories	-	-
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	120,521
Motor vehicle spare parts	-	-
Goods in transit	-	-
Stationery and general stores	1,739,660	817,900
Finished goods –Water Inventory	13,066	-
Work in progress	-	-
Less: Impairment of stocks	-	-
Total	2,091,414	1,452,069

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20. Trade and Other Receivables

	2022 - 2023	2021 - 2022
	KShs 19,903,004	KShs
Trade receivables (note (20a))	19,903,004	19,531,155
Deposits and prepayments	-	40,000
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 20 (c))	26,000	314,923
Other receivables	11,040	16,240
Net trade and other receivables	19,940,044	19,902,318

20 (a) Trade Receivables

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Gross trade receivables	35,035,304	33,625,904
Water trucking receivables	2,622,700	2,089,700
Provision for doubtful receivables	(17,755,000)	(16,184,449)
Net trade receivables	19,903,004	19,531,155
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	5,283,522	5,721,330
Between 30 and 60 days	1,653,882	1,622,036
Between 61 and 90 days	2,434,156	1,836,765
Between 91 and 120 days	1,746,395	1,198,002
Between 120 and 180 days	1,762,350	1,557,876
Over 180 days	22,154,999	21,689,895
Total	35,035,304	33,625,904

20 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2022 - 2023	2021 - 2022
	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	-	-

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20. (c) Staff Receivables

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Gross staff loans and advances	324,923	314,923
Provision for impairment loss	(298,923)	-
Amounts due after one year	26,000	314,923

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

Description	2022 - 2023	2021 - 2022
	KShs	KShs
At the beginning of the year	-	-
Additional provisions during the year	298,923	-
Recovered during the year	-	-
Written off during the year	-	923
At the end of the year	298,923	-

21. Tax Recoverable

	2022 - 2023	2021 - 2022
	Kshs	Kshs
At beginning of the year	-	-
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
Income tax paid during the year	-	-
At end of the year	-	-

22. Short Term Deposits

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Commercial banks		
Equity Bank of Kenya	-	10,000,000
Kenya Commercial Bank	-	-
Barclays Bank of Kenya	-	-
Others (specify)	-	-
	-	10,000,000

The average effective interest rate on the short-term deposits as at June 30, 2023 was 8.5% (2022: 8.5 %).

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Notes to the financial statements (continued)

23. Bank and Cash Balances

	<i>2022 - 2023</i>	<i>2021 - 2022</i>
	<i>Kshs</i>	<i>Kshs</i>
Cash at bank	33,432,493	13,137,583
Cash in hand (Petty cash)	320	430
Mobile money account	2,198,340	8,141,422
Cash: Project	4,000	-
Total Bank and Cash balances	35,635,153	21,279,435

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2022 - 2023	2021 - 2022
		KShs	KShs
a) Current account			
Kenya Commercial Bank (Expenditure)	1133896480	27,558	2,605,791
Kenya Commercial Bank (Revenue)	1133705480	199,261	570,686
Kenya Commercial Bank (Customer deposits)	1133705561	2,213,961	825,972
Equity Bank (Customer deposit)	1730280030258	10,737,682	15,761
Equity Bank (Kikumbulyu South)	1730279884522	13,140	3,945,684
Equity Bank (Kikumbulyu North)	1730279884551	1,002,868	2,201,076
Equity Bank (Conditional Liquidity Grant)	1730280474256	1,313	1,998,318
Equity Bank (Machinery Town Project)	1730282599670	1,150,906	875,440
Kenya Commercial Bank (Drought mitigation)	1206098465	38,592	34,060
Equity Bank(Kibwezi East Flagship Project)	1730282385789	22,835	-
Equity Bank(KIBMAWASCO-County Conditional Revenue acc.)	1730280474230	7,999,428	-
Post Bank	0744130007798	29,185	64,795
Equity Bank (Masongaleni Water Project)	1730283914271	9,995,764	-
Sub- total		33,432,493	13,137,583
b) Others			
Mpesa	Pay bill: 913110	2,198,340	8,141,422
Sub- total		2,198,340	8,141,422
Grand total		35,630,833	21,279,005

24. Ordinary Share Capital

	2022 - 2023	2021 - 2022
	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

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Notes to the financial statements (continued)

25. Retained Earnings

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

26. Borrowings

Description	2022 - 2023 KShs	2021 - 2022 KShs
Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	1,000,000	-
Repayments during the year	(74,487)	-
Balance at end of the year	925,513	-

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

Description	2022 - 2023 KShs	2021 - 2022 KShs
Domestic Borrowings		
Kenya Shilling loan from KCB	925,513	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Total balance at end of the year	925,513	-

Description	2022 - 2023 KShs	2021 - 2022 KShs
Short term borrowings (current portion)	459,729	-
Long term borrowings	465,784	-
Total	925,513	-

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Notes to the financial statements (continued)

27. Leave provisions

Description	2022 - 2023	2021 - 2022
	KShs	KShs
Balance at the beginning of the year	418,316	329,856
Additional Provisions	648,351	638,811
Provision utilised	(548,131)	(550,351)
Change due to discount and time value for money	-	-
Balance at the end of the year	518,536	418,316

Provisions details

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Current Portion of Provisions	518,536	418,316
Long-term portion of Provisions	-	-
Total	518,536	418,316

28. Tax Payable

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
At beginning of the year	1,290,589	(44,992)
Income tax charge for the year	257,109	1,434,548
Under/(over) provision in prior year/s	(1,290,589)	-
Income tax paid during the year	(128,554)	(98,967)
At end of the year	128,555	1,290,589

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Notes to the financial statements (continued)

29. Trade and Other Payables

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Trade payables	29,403,454	16,533,995
Accrued expenses	47,158,952	44,624,519
Revenue received in advance	-	-
Retention/ contract monies	-	-
Employee payables	-	-
Other payables	1,831,000	2,748,152
Total	78,493,406	63,906,666

30. Customer Deposits

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Opening Balance	14,424,800	13,847,300
Add: deposits received during the period	809,000	577,500
Less: Refunded deposits during the period	-	-
Closing balance (at the end of the period/year)	15,233,800	14,424,800

31. Project Funds

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Water Sector Trust Fund	685,599	-
County Government of Makueni	-	6,146,760
Tanathi Water Development Agency	-	34,060
Closing balance (at the end of the period/year)	685,599	6,180,820

32. Deferred Income

Description	2022 - 2023	2021 - 2022
	KShs	KShs
National/County government	-	-
International funders	-	-
Public contributions and donations	-	-
Total deferred income	-	-

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Notes to the financial statements (continued)

33. Notes to The Statement of Cash Flows

	2022 - 2023	2021 - 2022
	KShs	KShs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(23,154,050)	14,474,640
Depreciation	666,061	431,386
Amortization	232,836	62,929
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(22,255,153)	14,968,955
Working capital changes:		
(Increase)/decrease in inventories	(639,345)	(849,055)
(Increase)/decrease in trade and other receivables	(37,726)	(2,569,395)
Increase/(decrease) in trade and other payables	14,586,740	3,951,352
Increase/(decrease) in retirement benefit obligations	375,442	-
Increase/(decrease) in provision for staff leave pay	100,220	89,101
Increase/(decrease) in Customer deposits	809,000	577,500
Cash generated from/ (used in) operation	(7,060,822)	16,168,458
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	1,000,000	-
Repayments during the year	(74,487)	-
Repayments of previous year's accrued interest	-	-
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	925,513	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	10,000,000
Cash at bank	35,630,833	21,279,005
Cash in hand	4,320	430
Balance at end of the year	35,635,153	31,279,435
(d) Analysis of interest paid		
Interest on loans	20,599	-

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	<i>2022 - 2023</i>	<i>2021 - 2022</i>
	Kshs	Kshs
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalized	-	-
Balance at beginning of the year	-	-
Balance at end of the year	-	-
Interest paid	20,599	-

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Notes to the financial statements (continued)

Other Disclosures

A) 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 of Government of Makueni has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- Tanathi Water Works Development Agencies
- Water Services Regulatory Board (WASREB)
- Water Sector Trust Fund (WSTF)
- Water Regulatory Authority (WRA)
- Key management
- Board of directors

Transactions with related parties

	2022 - 2023	2021 - 2022
	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 government service providers	-	-
Rent expenses paid to government agencies	-	-
Training and conference fees paid to government agencies	-	-
Bank charges paid to Government Commercial banks	-	-
Interest expense to investments by other govt. entities	-	-
Others (specify)	-	-
Total	-	-

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	2022 - 2023	2021 - 2022
	Kshs	Kshs
b) Grants from the Government		
Grants from National Government Agencies	10,660,454	-
Grants from County Government	18,995,063	6,146,760
Donations in kind	1,719,000	1,641,960
Total	31,374,516	7,788,720
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	1,719,000	1,641,960
Payments for goods and services	9,974,853	-
Total	9,974,853	1,641,960
d) Key management compensation		
Directors' emoluments	915,000	725,000
Compensation to key management	7,120,320	6,772,920
Total	8,035,320	7,497,920

B) Capital Commitments

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

	2022-2023	2021-2022
	Kshs	Kshs
Amounts authorised and contracted for	-	-
Amounts authorized but not contracted for	-	-
Less: Amounts included in Work in progress	-	-
	-	-

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Notes to the financial statements (continued)

C) Contingent Assets and Liabilities

Contingent Liabilities

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Contingent liabilities		
Performance bond for issuance of licence by WASREB	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	-

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

D) 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:

(i) Credit risk

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

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

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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 2023				
Trade Receivables	19,377,868	19,377,868	-	-
Other Receivables	37,040	37,040		298,923
Investments	-	-	-	-
Bank balances	35,596,561	35,596,561	-	-
Total	55,011,469	55,011,469	-	298,923
At 30 June 2022				
Receivables	19,531,155	19,531,155	-	-
Other Receivables	371,163	371,163	-	-
Investments	-	-	-	-
Bank balances	21,279,435	21,279,435	-	-
Total	41,181,753	41,181,753	-	-

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

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Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from Kshs. 298,923.

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

ii) Liquidity risk management

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

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

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 3 months Kshs	Total Kshs
At 30 June current year				
Trade payables	-	10,192,082	-	10,192,082
Current portion of borrowings	37,653.95	73,444.45	354,686	465,784
Provisions	16,000	-	232,000	248,000
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	10,905,866
At 30 June previous year	-	-	-	-
Trade payables	-	4,965,948	-	4,965,948
Current portion of borrowings	-	74,487	-	74,487
Provisions	-	-	232,000	232,000
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	5,272,435

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

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

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

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

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

a) Foreign currency risk

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

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Notes to the financial statements (continued)

(iii) Market risk (Continued)

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

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

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

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

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Notes to the financial statements (continued)

b) Foreign currency sensitivity analysis

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

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

c) Interest rate risk

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

i) Management of interest rate risk

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

Notes to the financial statements (continued)

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 100,000 (2021-2022: KShs 83,172). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs 500,000 (2021-2022 – KShs 413,370)

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair values hierarchy

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

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

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Notes to the financial statements (continued)

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

At 30 June 2023	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	6,454,211	6,454,211
	-	-	6,454,211	6,454,211
At 30 June 2022				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-	-	-	-

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

Financial instruments not measured at fair value

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

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Notes to the financial statements (continued)

iv) Capital Risk Management

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

	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	(49,619,971)	(26,652,295)
Capital reserve	2,498,835	2,498,835
Capital funds	35,849,476	-
Total funds	(10,053,244)	(22,718,911)
Total borrowings	1,000,000	-
Less: cash and bank balances	(35,635,153)	(21,279,435)
Net debt/ (excess cash and cash equivalents)	36,596,561	(21,279,435)
Gearing		

E) Incorporation

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

F) Events After the Reporting Period

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

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Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis for Qualified Opinion				
1.	Inaccuracies in Other Operating Expenses	The variance was as a result of WRA abstraction charges invoice for Jan 2021-Aug 2022 apportioned for the month 2 month i.e July& Aug 2022 hence the journal of Kshs 399,805 passed to that effect.	Resolved	
2.	Inaccuracies in the Cost of Sales	The variance was as a result of WRA abstraction interest invoice for Jan 2021-Aug 2022 apportioned for the month 2 month i.e July& Aug 2022 hence the journal of Kshs 344,490 passed to that effect.	Resolved	
3.	Long Outstanding Trade Receivables	The provision for bad and doubtful debts of Kshs.16,184,449 is deemed adequate through experience and due to the fact that most of the accounts are inactive	Resolved	
4.	Unaccounted for Water Inventory	The management will work out the quantity of water in our pipeline and how fairly to value it for	Unresolved	30th Sept 2023

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		disclosure in the subsequent financial statement.		
Report on Lawfulness and Effectiveness in use of Public Resources.				
1.	Customer deposits not backed up by Bank deposits.	The company has a monthly standing order of Kshs. 50,000 towards repayment of the utilized customer deposit. In addition customer deposit has been fixed and the resultant interest will be used to repay the same.	Unresolved	
2.	Unauthorized expenditure	The management will ensure that budget controls are strictly adhered to and any reviews carried out to accommodate any changes.	Resolved	2022-2023 Financial statements
3.	Non-Revenue water	The company will source for funds to repair the dilapidated galvanized iron pipes running 25km inherited from Kenya railways, which is prone to bursts resulting to high water loss	Unresolved	
4.	Non-Renewal of Water Tariff	The Company is in the process of applying for another tariff and expects to submit to the regulator by the end of July 2023	Unresolved	31 st December 2023
5.	Lack of Audit Committee	The new appointed BOD shall form the Audit committee in their first full board sitting	Unresolved	30 th Sept 2023
6.	Irregular Payment	The company is a member of Water Services Providers Association (WASPA) which is an	Resolved	30 th June 2023

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		association for all the water service providers (Water Companies) and it's a requirement through the Association's constitution Article 4(b) to pay an annual subscription fee.		
7.	Lack of Training Needs Assessment Plan	The management has formulated Human Resource policy, Procedures and work instruction for the Company which is in the process of review before presentation to the Board of Directors for approval. The training needs assessment plan and report is part of the procedures and work instructions.	Unresolved	30 th Sept 2023
8.	Delays in Remittance of WASREB Levy	The company have continued to pay through a monthly standing order of Kshs. 100,000. Translating to Kshs 1,200,000 in the year and lumpsum payment of Kshs. 1,500,00 from grant obtained from WSTF. The company is committed to continue paying the levies.	Unresolved	
Report on Effectiveness of Internal Controls, Risk Management and Governance.				
	Lack of ICT Policy and Weak ICT Controls	The management has formulated an ICT Policy for the Company that will guide the company on management of IT data confidentiality, accuracy, integrity, reliability and		

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		<p>availability from being compromised, which is in the process of review before presentation to the Board of Directors for approval.</p> <p>The Company shall engage its' ICT system providers i.e. the Open Tembo billing system and Wingubox Payroll system to enter into a service provision agreement to mitigate the business continuity risk posed by their closure of operations.</p>	
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Guidance Notes:

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

Name Carolyne N Vita



Signature.....

For Managing Director

Date 28/9/2023.....

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Appendix II: Projects Implemented by the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kibwezi East Flagship Project		County Government Of Makueni	6 Months	3,945,684	No.	Yes.
Masongaleni Water Project		County Government Of Makueni	6 Months	9,995,764	No.	Yes.
Kikumbulyu South		County Government Of Makueni	6 Months	991,631	No.	Yes.
Machinery Town Water Project		Water Sector Trust Fund (WSTF)	1 Year	13,994,994	Yes.	Yes.

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Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kibwezi East Flagship Project	3,945,684	3,945,684	99%	3,945,684	3,945,684	County Government Of Makueni
2	Masongaleni Water Project	9,995,764	9,995,764	0%	9,995,764	9,995,764	County Government Of Makueni
3	Kikumbulyu Nouth	999,631	999,631	69%	999,631	999,631	County Government Of Makueni
	Machinery Town Water Project	16,660,707	10,660,452	94%	16,660,707	11,571,831	Water Sector Trust Fund (WSTF)

Appendix III- Inter-Entity Confirmation Letter

[Insert your Letterhead]

Kibwezi-Makindu Water and Sanitation Company Limited
P.O Box 103 - 90137
Kibwezi,

Kibwezi – Makindu Water and Sanitation Company Limited wishes to confirm the amounts disbursed from you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Kibwezi-Makindu Water and Sanitation Company Limited as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30 th June 20xx				Amount Received by [beneficiary entity] (KShs) as at 30 th June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
Total							

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

Head of Accountants department of beneficiary entity:

Name **Sign** **Date**



Appendix VI: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature Recurrent/ Development/Others	Total Amount - KES	Statement of Comprehensive income	Where Recorded/recognized				Total Trans during Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Trust Fund (WSTF)	02-12-2022	Development	5,330,226.25	-	5,330,226.25	-	-	-	5,330,2
Water Sector Trust Fund (WSTF)	15-05-2023	Development	5,330,226.25	-	4,644,626.89	-	-	-	5,330,2
Ministry/County department of Water	02-06-2023	Development	7,999,638	-	7,999,638	-	-	-	7,99
Ministry/County Department of water.	12-05-2023	Development	10,995,425	-	10,995,425	-	-	-	10,99
Total			29,655,516	-	29,655,516	-	-	-	29,655,516

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