



KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2024**

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

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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I. ACRONYMS AND GLOSSARY OF TERMS

KIMWASCO	- Kiambere Mwingi Water & Sanitation Company
CGoK	- County Government of Kitui
TAWWDA	- Tanathi Water Works Development Agency
WASREB	- Water Services Regulatory Board
WARMA	- Water Resources Management Authority
WSTF	- Water Sector Trust Fund
OAG	- Office of the Auditor General
TARDA	- Tana & Athi Rivers Development Authority
WASPA	- Water Service Providers' Association
MOW & I	- Ministry of Water & Irrigation
NRW	- Non Revenue Water
O & M	- Operations and maintenance
M & E	- Monitoring and Evaluation
PFM	- Public Finance Management
IFRS	- International Financial Reporting Standards
IASB	- International Accounting Standards Board
PSASB	- Public Sector Accounting Standards Board
IPSAS	- International Public Sector Accounting Standards
Kshs.	- Kenya Shillings
WIP	- Work In Progress
B. P.	- Business Plan
S. P.	- Strategic Plan
KIWASH	- Kenya Integrated Water, Sanitation & Hygiene Project
D. T. F.	- Decentralized Treatment Facility

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II. KEY ENTITY INFORMATION

Background information

The Kiambere Mwingi Water & Sanitation Company Limited was established by the Companies Act CAP 486 laws of Kenya on May 2009. The company is represented by the Kitui County CECM responsible for Agriculture, Water & Irrigation who together with the board of Directors are responsible for the general policy and strategic direction of the Company.

The Kiambere Mwingi Water & Sanitation Company Limited is domiciled in Kenya, Kitui County, Mwingi Sub County and has satellite offices in Kyuso and Migwani markets. Its water production plant is situated at Kiambere Dam.

Principal Activities

The principal activities of the company are to supply and distribute potable water and provide basic sanitation within the Larger Mwingi region of Kitui County. Its Vision, Mission and Core values are as follows: -

VISION:

- A model water and sanitation services provider.

MISSION:

- To improve the wellbeing and quality of life of our stakeholders through effective provision of quality reliable and affordable water and sanitation services.

CORE VALUES:

- Professionalism
- Respect
- Integrity
- Dedication
- Excellence

Directors

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

	NAME	POSITION	APPOINTED ON
1	Ms. Irene M. Mati	Chairperson	13/09/2021
2	Brig (Rtd) David M. Kambuni	Member	13/09/2021
3	Ms. Angela R. Musyoka	Member	13/09/2021
4	Mr. Anthony Naunga	Member (Alternate to CECM Finance)	13/09/2021
5	Mr. Philip Nzula	Member (Alternate to CECM Water)	13/09/2021

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I. KEY ENTITY INFORMATION (Continued)

Corporate Secretary

The company has no Corporate Secretary. The MD performs the functions of Secretary during Board meetings.

Registered Office

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 656 - 90400
Mwingi, Kenya

Corporate Headquarters

Kenya News Agency Building
Mwingi – Garissa Road
P.O. Box 656 - 90400
Mwingi, Kenya

Corporate Contacts

Telephone: 0717 032 223 / 0782 541 997
E-mail: kimwasco@gmail.com
Website: www.kimwasco.co.ke

Corporate Bankers

1. Equity Bank
Mwingi Branch
2. Co-operative Bank
Mwingi Branch
3. Kenya commercial bank
Mwingi Branch
4. Safaricom M-pesa Paybill
Nairobi

Independent Auditors

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

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I. KEY ENTITY INFORMATION (Continued)

Principal Legal Advisers

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

2. Miller & Company Advocates, Commissioners for Oaths & Notaries public
13th Floor, Bruce House, Standard Street,
P. O. Box 45707 – 00100, Nairobi, Kenya.
Tel: 020 2248461 / 020 2248467
Email: info@milleradvocates.com

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III. THE BOARD OF DIRECTORS

	Name	Photo	Date of birth, key qualifications & experience
1.	Ms. Irene Martha Mati, ESK Chair lady		D.O.B – 11 December 1963, Masters in Economic Policy Management – Makerere University. Bachelors Economics and Business Studies (Honours) – Kenyatta University. PHD Development Studies – (On Going) – J.K.U.A.T. Experienced Financial Analyst, Strategic Planner and Economist in a wide field. work Experience includes; Managing Director – Africa Research and Development Consultancy. Lecturer – University of Nairobi, Catholic University of Eastern Africa and Kenya Technical Teachers College.
2.	Brig. (Rtd) David Kambuni Board Director		Born on 23/09/1955. Has a Diploma in International Studies and extensive training in the Military and Armed Forces from 1979. He has served in various Senior Military positions from 1979 to 2010.

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3.	Ms. Angela Rhoda Musyoka Board Director		Born on 14/4/1973. Has a Bachelor of Commerce (Finance), Diploma in Accountancy and Currently pursuing CPA advanced level. She is currently serving as the Executive Director for the Center for Human Rights and Civic Education (CHRCE). She also served as a Finance officer/Administrator for the CHRCE and other organizations from 1988.
4.	Mr. Anthony Naunga Alternate Board Director		Born on 7/12/1967. Has a Bachelor of Arts in Economics & Sociology. He has served in administration as a County Clerk, currently working as a Director – Administration in the County Government of Kitui., with experience of over 22 years.
5.	Mr. Philip Nzula Alternate Board Director		Born on 30/12/1974. Has Bachelor of Science Soil, Water and Environmental Engineering with over 14 years of experience in water and administration.
6.	Mr. Paul Kinuba Managing Director		Born on 06/11/1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Progressive work experience of over 20 years in various technical and managerial positions.

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IV. KEY MANAGEMENT TEAM

	Name	Photo	Date of birth, key qualifications & experience
1	Mr. Paul Kinuba		Managing Director Born on 6th November 1964. Has Higher Diploma in Mechanical Engineering and Msc Degree in Engineering Management. Progressive work experience of over 20 years in various technical & managerial responsibilities.
2.	Mr. Joseph Mwangangi		Finance & Administration Manager Born on 3rd October 1985. He holds MBA Finance and BA Economics both from the University of Nairobi and CPAK. He has 17 years of work experience having served at senior management positions at Simba Colt Motors, Ashok Leyland and Anchor Limited. He is a member of ICPAK and Institute of Internal Auditors.
3.	Mr. David Nzuki		Technical Manager Born on 23 August 1981 David M. Nzuki has a Bachelor of Science in Water and Environmental Engineering from Egerton University. He has over ten years post-graduation experience in water supply and has been involved in implementation of water projects in various parts of the country.

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KEY MANAGEMENT TEAM (Continued)

4	Ms. Agnes Munyoki		Chief Internal Auditor Born on 5th April 1990. Holds a Master of Science in Finance and Economics from KCA University, Bachelors of Economics and Finance from Kenyatta University and is a member of ICPAK. She has over 10 years' experience of in audit, Finance and management.
5	Ms. Penninah Mutio		Human Resources Officer Born on 5 th April 1976. Has a Secretarial Certificate stage 1 and 2, Diploma in Human Resource Management and a Degree in Project planning and management. Has work experience of 12 years as a Secretary and 7 years as Human Resource Officer.

V. CHAIRMAN'S STATEMENT

The current Board of KIMWASCO which I chair comprises of five members two of which represent the County government of Kitui as the Principal and three represent other stakeholder groups.

The company currently supplies water to about 30% of the population in Mwingi, which means 70% of the population rely on other unreliable sources of water. The reason for this is that KIMWASCO relies on the Kiambere-Mwingi Water Supply Project which produces only 2,700m³ of water per day against the current demand of 20,000m³ per day. The project is also too old and prone to frequent breakages which make the water supply unreliable.

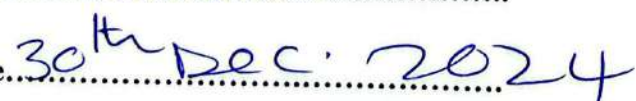
In addition, the cost of operation is too high due to high electricity bills incurred at Kiambere Treatment Plant because of water pumping. Therefore, the company relies on electricity subsidy from the County government of Kitui in order to sustain operations.

The Board seeks to address these problems in partnership with County government of Kitui as the principal, other development partners and stakeholders through the following initiatives:

1. Rehabilitate the phase 1 of the Kiambere - Mwingi water project and implement the phase 2 of the project.
2. Take stock of all the water resources within the company's area of jurisdiction with a view to developing them to provide alternative source of water and relieve pressure on the Kiambere - Mwingi water project.
3. Reduce cost of operation by installing solar power plants at main water treatment and pumping facilities.
4. Improve operational effectiveness and efficiency by adopting new technology in all KIMWASCO operations.

We believe that this will go a long way to improve water supply to the residents of Mwingi region.

Signature.....

Date.....

Irene Martha Mati, ESK
Board Chair

VI. REPORT OF THE MANAGING DIRECTOR

Kiambere-Mwingi Water & Sanitation Company Limited Ltd (KIMWASCO) is in the business of providing potable water and basic sanitation services within the Mwingi region of the Kitui County. Our strategic objectives are:

Water and Sanitation Infrastructure Development

Operational Efficiency and Customer Satisfaction

Financial Sustainability

Institutional Development and Strengthening

Effective Corporate Governance

Since its incorporation in May 2009, the company has gone through difficult transition occasioned by the Water Act 2002, the Constitution of Kenya 2010 and the new Water Act 2016. Despite myriad difficulties posed by the transition, the company has gradually grown both institutionally and financially. It has over the years developed its own operational systems that have enabled it to meet its mandate of providing water and sanitation services to its customers.

In concrete terms, the company has since the year 2019 increased water connections from 3,792 to 4,996, the people served have increased from 68,000 to about 110,000 and its net income from positive Kshs. 19.1 million to negative Kshs. 18.3 million respectively.

The main challenges that inhibit growth at the desired pace include lack of enough water to supply (production of 2,700m³/day against current demand of 20,000m³/day), faulty and aged water pumps and other machinery, high cost of electricity that constitutes 35% of O&M cost, Non-Revenue Water (NRW) of about 37% due to old and dilapidated distribution network and old inaccurate water meters.

There is also the challenge of lack of skilled manpower at middle management level.

The foregoing notwithstanding, the Board, Management and staff are united in their collective effort to improve effectiveness and efficiency. Thus, concerted effort has been made to reduce the NRW to optimal level by installing accurate meters and addressing other causes. The company is also actively engaged in seeking infrastructure investment support from the County government of Kitui and other development partners in order to increase water production and distribution.

We appreciate the support given by the County government of Kitui by paying electricity bills to the tune Kshs. 41.7 million in the financial year 2023/2024 and hope that this support will continue in

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REPORT OF THE MANAGING DIRECTOR, Continued....

order to sustain the services. Additionally, we hope our effort to seek infrastructure investment support will be successful.

Ultimately, the company aspires to attain self- financial sustainability after developing adequate water sources, expanding water supply & distribution infrastructure and adopting full cost recovery water tariffs.

Signature.......... Date.....31/12/2024.....

Mutunga Mwangangi
Ag. Managing Director

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VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

Kiambere – Mwingi Water and Sanitation Company Ltd has 5 strategic themes and objectives within the current Strategic Plan for the FY 2018/2019 - FY 2023/2024. These strategic themes are as follows:

Theme 1: Water and Sewerage infrastructure development

Theme 2: Operational efficiency and customer service

Theme 3: Financial sustainability

Theme 4: Institutional Capacity Strengthening

Theme 5: Corporate governance

Kiambere – Mwingi Water and Sanitation Company Ltd develops its annual work plans based on the above 5 Themes. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2023/2024 period for its 5 strategic pillars, as indicated in the diagram below:

NO.	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
1.	Water and Sewerage infrastructure development	Increased Water Supply Coverage	Kilometers of pipeline done	Replace Gi pipes with HDPE Pipes	Sections prone to bursts replaced with HDPE pipes
				Extend water distribution networks	Water distribution networks extended
2.	Operational efficiency and customer service	Reduce Non-Revenue Water	Non-Revenue water reduced	Install zonal meters	4 zonal meters installed
				Constitute Non – Revenue Water Team	Non-Revenue Management team in place
				Replace old meters and non-functional meters	13 old and non-functional meters replaced
		Undertake water quality surveillance	Water storage tanks cleaned	Clean water storage tanks every quarter	Water storage tanks cleaned

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 202/2022 (Continued)

	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
			Water quality tests conducted monthly	Conduct monthly water quality tests	Water quality test undertaken
3.	Financial sustainability	Adopt new technology	All financial systems integrated	Install integrated Financial systems	Billing, Payroll and Accounting software in place
		Strengthen internal systems	Reviewed Finance and policy manual in place	Review and approval of finance manuals	Finance manual in place
				Implementation of the manual	Finance manual being implemented
		Increase Current Revenue Base	Increased water connections	Installation of new connections	89 new connections installed
			Increased water Tankering services	Water trucking to customers	Water trucked to customers
			Activated dormant connections	Activating new connections	Dormant connections activated
		Improve metering	Automated water dispensing machines installed at water kiosks	Install automated water dispensing machines at kiosks points	Water testing machine installed at the market kiosk
4.	Institutional Capacity Strengthening	Provide adequate operating Assets	Appropriate tools and equipment in place	Procure additional tools & equipment	Additional assorted tools & equipment Procured

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022 (Continued)

	STRATEGIC THEME	OBJECTIVE	KEY PERFORMANCE INDICATOR	ACTIVITIES	ACHIEVEMENTS
		Improve employees' terms & Condition of service	Approve scheme of service in place	Develop a scheme of service	Schemes of Service Developed
		Improve KIMWASCO branding	Approved Company Logo & Active Website	Improve the Company Logo and have it approved	Approved Company Logo in place
		Review & Improve organization culture	Values clearly described & explained	Perform change management activities	Sensitization on positive values done
		Improve HR Structure & systems	Operationalized staff remuneration structure	Update & operationalize Organizational structure	Updated & operationalized Organizational structure in place
5.	Corporate governance	Effective cooperate governance	Amended Memorandum & Articles which is aligned with new legislations	Amend the Memorandum & Articles of Association	Memorandum & Articles of Association Amended
			Board & Management trained on corporate governance	Train Board and Management on corporate governance	Board & Management trained on corporate governance

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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022 (Continued)

			New Board of Directors recruited	Fill vacant positions of the Board of Directors	New Board recruited through competitive process in line with the Articles and Memorandum of association
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The performance targets have been tied with the performance contracts where each department had agreed strategic plan activities which were to be captured in the departments' performance contracts and implemented in the 2022 - 2023 Financial year.

VIII. CORPORATE GOVERNANCE STATEMENT

i. Board meetings

The Company's Board of Directors are required to hold four (4) full board meetings and four (4) committee meetings as per BOD meeting calendar. However, in the case of any special motions, the Board can call and hold a special meeting.

The Board of Directors held a total of 16 full board meetings during the Financial Year 2023/2024. This was due to recruitment of new staff exercise held during the financial year.

ii. Appointment of Directors

The Directors of the Company shall be appointed in line with corporate governance guidelines established by the Regulator from time to time. These will be the representatives of the stakeholder interest groups existing within the service area of the Company identified in consultation with the Principal (County Government of Kitui). According to the national standards prescribing the size of the companies, the maximum number of Directors of KIMWASCO shall be five (5) but this may be increased to a maximum of nine (9) when the company qualifies to join the large company category.

iii. Removal of Directors

A Director shall vacate office if;

- a) He is removed from the office pursuant to Section 185 of the Water Act 2016, or by special resolution by the company in General Meeting.
- b) He ceases to be a director by virtue of Section 184 and 186 of the Water Act 2016
- c) He becomes bankrupt or makes an arrangement of composition with his creditors
- d) He becomes prohibited from being a director by reason of any order under Section 189 of the Water Act 2016
- e) He becomes of unsound mind
- f) He fails without any reasonable cause and without consent of the board to attend three (3) consecutive meetings of the Board and the Board resolves that, he shall cease to be a director
- g) He resigns his office by notice in writing to the company
- h) He or any persons to who has personal ties transacts business with the company
- i) He breaches the Code of Ethics & Conduct
- j) He ceases to be a representative of the stake holder entity that has appointed him/her
- k) He is charged with an offence under the Anti-Corruption and Economic Crimes Act or Water Act 2016
- l) He becomes a director in any other water sector institution

iv. Roles and functions of the Board

- a) Appointing a Managing Director and senior management team through competitive advertising in the national media. Likewise, may revoke any such appointment in accordance with the terms and conditions of employment of the company.

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CORPORATE GOVERNANCE STATEMENT (Continued)

- b) Responsible for implementation of the company's Memorandum and Articles of Association and guide and control the functions of the Company
- c) The Directors may within the PFM Act 2012 and Standards issued in the Water sector, exercise all the powers of the company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the company or any third party.
- d) Duly comply with the provisions of the Water Act 2016 or any statutory modification thereof for the time being in force
- e) The Directors may from time to time with the advice of the Managing Director and Company secretary appoint any company or firm to be Attorney of the Company to carry out any legal undertakings of the Company as it may be deemed fit.

v. Conflict of interest

A director, employee or their proxies shall not be eligible to trade and or in any way contract with the Company for the provision of goods and services

IX. MANAGEMENT DISCUSSION & ANALYSIS
SECTION A

The entity's operational and financial performance

1. The internally generated income was Kshs. 82.6 m less than budgeted, mainly due to aged and inefficient water pumps and consistent power outages at the Kiambere Treatment Plant and frequent pipe bursts along the main pipeline.

The Company has begun overhauling the weak sections of the pipeline and replacing the weak sections prone to bursts and is also engaging the County Government of Kitui to replace the aged water pumps and solarize Kiambere Treatment Plant.

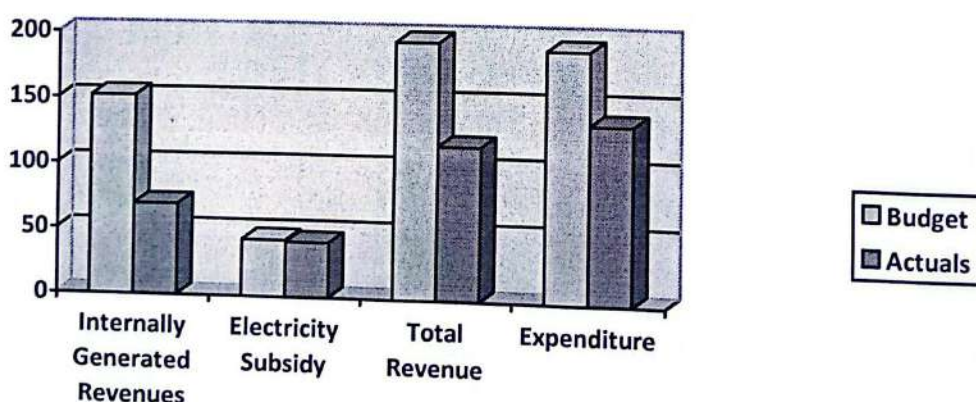
2. The overall expenses were less by Kshs. 55.3 m. The high under expenditure was due to huge underfunding resulting from inefficient water pumps and consistent power outages at the Kiambere Treatment Plant and frequent pipe bursts along the main pipeline.

The Company received electricity subsidy from the County Government of Kitui amounting to Kshs. 41.7 m and paid KPLC Kshs. 1.9 m for water production electricity. This resulted to some budgeted expenditures not to be incurred during the period.

3. The Company reported Expenses amounting to Kshs. 134.9 million and revenues amounting to Kshs. 116.6 million during the year under review.

4. Accumulated revenue reserves deficit in 2023/2024 declined from negative 16.7m to negative 35m. This was mainly due to operational challenges sited in 1 & 2 above.

The current ratio declined from 2.6 in 2022/2023 to 1.09 in 2023/2024.



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MANAGEMENT DISCUSSION & ANALYSIS (Continued)

SECTION B

Entity's compliance with statutory requirements

There were no known non-compliance cases that could result in contingent liabilities. There were no ongoing court cases and defaults that could lead to exposure.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The Company received Kshs. 23.4 million from the Water Sector Trust Fund for implementation of CIPRA public sanitation and water supply projects at Kyuso and Tseikuru town in conjunction with the County Government of Kitui. The projects will be implemented in FY 2022/2023 to FY 2024/2025.

SECTION D

Major risks facing the entity

There are several operational risks which include;

1. Silting of the raw water intake at Kiambere dam
2. Damage of some sections of the main Kiambere-Mwingi water pipeline as a result of massive soil erosion which results to high levels of NRW
3. Receding of water levels at the Kiambere dam to a point where water abstraction /pumping is not possible during prolonged dry seasons
4. Frequent power outages at the Kiambere Treatment Works
5. Lack of an alternative source of power at our main production site
6. Low levels of production in comparison to the current high demand.

SECTION E

Material arrears in statutory/financial obligations

There were no material arrears in statutory or financial obligations that could impact on the operations of the company.

SECTION F

The entity's financial probity and serious governance issues

There were no financial improbity or governance issues that could negatively impact on the company's operations.

X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kiambere - mwingi water & Sanitation Co Ltd exists to improve the wellbeing and quality of living of its stake holders through effective provision of quality reliable and affordable water and sanitation services. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

As a responsible corporate citizen, KIMWASCO embraces the policy of sustainable development. As such, it strives to conduct its business in a sustainable manner by conserving its water catchment areas, seeking NEMA consent before implementing major water and sanitation projects as well as engaging the local community in planning and implementation of projects.

The Company also educates its customers during public barazas on the importance of using water effectively to ensure that wastage is eliminated so that this limited resource can at least be shared equitably. They have also been educated on having enough storage facilities to store water for tomorrow's use when there is no flow within the pipe network.

Use of solar energy has been emphasised to reduce on high cost electricity bills especially at the borehole production sites hence making the projects sustainable.

ii) Environmental performance

The company seeks approvals from NEMA before implementing any major water and sanitation projects. Tree planting and gabion construction activities are conducted at least once per year as a way of reducing environmental impact on the organizations product. Waste management has also not been left behind as this is managed in collaboration with the County Government through the relevant offices mandated with the responsibility of ensuring effective waste management.

The fact that the demand for the commodity has been growing with increase in population, there has been a shortcoming on waste water management because there is no sanitation facility and especially in Mwingi Municipality. Waste has however been managed through the use of a Decentralised Treatment Facility(DTF) as well as working hand in hand with Mwingi Municipality Management.

iii) Employee welfare

The Company puts emphasis on improving skills and managing careers through conducting training. These trainings are paid for fully by the Company and at the same time staff are encouraged to attend courses which can help them progress in their careers. As such, duty of to attend class and do exams are usually given to staff.

The Company has a performance management system where every staff is under performance contracting. Annual performance contracts are signed at the beginning of every year and appraisals done the basis upon which rewards and sanctions are given.

The Company has an occupational Safety and Health policy in place and complies with the Occupational Safety and Health Act of 2007. The Company premises are periodically

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

inspected by a body registered to inspect work environments where the outcome and recommendations are implemented.

The company fills vacant positions competitively and gender issues are taken into consideration. Stake holder engagement has not been left behind as employee satisfaction surveys are done.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

The Company staff are not involved in politics. However, since politics is inevitable, any signs of political interferences are addressed through the Board of Directors. Fair competition and respect for everyone has not been a challenge so far. We are a water Company which is licenced by the Water Services and regulatory Board and our prices are regulated. We sell our commodity to water vendors at the regulated prices and to this end, we do not see them as competitors but as our counterparts in water service delivery.

b) Responsible Supply chain and supplier relations

The company prepares an annual budget and procurement plan the basis upon which all procurement is anchored. To avoid pending bills, contracts are only issued upon confirmation of budgetary allocation and in line with the procurement plan. We strive to pay our suppliers after every thirty days after supply of goods or services.

c) Responsible marketing and advertisement

Given that we deal with a very important and sensitive commodity, we ensure effective customer communication through public barazas. Alert messages are also sent through mass messages to our customer using our billing software which ensures timely information to our customers. Advertisement for prequalification of suppliers and contractors is done competitively as these are placed in the daily newspapers.

d) Product stewardship

Customer rights and interests are always safeguarded through public participation and consultation through the customer representatives who are elected by the consumers.

v) Corporate Social Responsibility / Community Engagements

As a provider of clean and safe drinking water and basic sanitation, we carry out our duties with due diligence to ensure quality and safety of our products and services. We strive to effectively play our role in nation building and take our corporate social responsibilities seriously.

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XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024 which show the state of the Kiambere - Mwingi Water and Sanitation Company Limited affairs.

Principal activities

The principal activities of the entity are to:

1. Supply and distribute potable water and provide basic sanitation.
2. Offer accompanying services such meter connection, meter calibration and servicing, repair or replace defective service lines.
3. Bill for services rendered and collect revenue from customers.
4. Carry out preventive and corrective maintenance of water T/Works facilities and water distribution networks.
5. Write proposals for water & sanitation project funding by prospective development agencies

Results

The results of the entity for the year ended June 30, 2024 are set out on pages 25 - 58

Dividends

The company does not declare dividends to the Directors since they only hold shares in trust for the County government of Kitui.

Directors

The members of the Board of Directors who served during the year are shown on page 3. In accordance with Regulation 59(a) of the company's Articles of Association, one third of the board members will retire each year and will be eligible for re-election.

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 for the year/period ended June 30, 2024.

By Order of the Board

Name: Mutunga Mwangangi

Signature:  Date: 31/12/2024

Ag. Managing Director

XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and Company's Act 2015 Cap 486 require the Directors to prepare financial statements in respect of the 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/period. 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's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company;
- (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 accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2024 and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES, Continued...

Approval of the financial statements

The company's financial statements were approved by the Board on 19th September 2024 and signed on its behalf by:



Irene Martha Mati, ESK

Board Chair



Mutunga Mwangangi

Ag. Managing Director

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2024****XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024**

	Note	2023-2024	2022-2023
		Kshs	Kshs
REVENUE			
Operating revenue	6	66,970,136	117,421,699
Grants income	7	47,381,770	29,083,391
Other income	8	1,133,287	2,214,862
Finance income	9	1,134,637	702,588
TOTAL REVENUE		116,619,830	149,422,540
EXPENSES			
Staff costs	10	41,476,792	43,449,585
General and Operations expenses	11	70,454,936	81,993,983
Board expenses	12	2,767,200	2,182,500
Maintenance expenses	13	13,558,969	17,229,978
Depreciation and amortization expenses	14	6,512,286	8,057,823
Finance costs	15	102,502	123,601
TOTAL EXPENSES		134,872,685	153,037,470
PROFIT/(LOSS) BEFORE TAXATION		(18,252,855)	(3,614,930)
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION		(18,252,855)	(3,614,930)
Revaluations	34	-	(10,194,236)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(18,252,855)	(13,809,166)

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2024

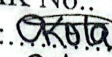
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	Note	2023-2024 Kshs	2022-2023 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	16 (a)	33,757,016	33,684,941
Intangible assets	17	2,075,119	2,075,119
Total Non-Current Assets		35,832,135	35,760,060
Current Assets			
Inventories	18	1,575,451	2,270,237
Trade and receivables	19 (a)	34,078,472	21,642,580
Trade prepayments	20	26,565	26,143
Bank and cash balances	21	27,250,426	32,484,538
Short term deposits	22	4,400,000	0
Total Current Assets		67,330,914	56,423,498
TOTAL ASSETS		103,163,049	92,183,558
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	23	100,000	100,000
Capital reserve	24	4,718,945	4,718,945
WSTF	25	41,162,833	31,335,169
Development grant	26	10,777,252	25,660,599
Retained earnings	27	(33,645,074)	(16,742,603)
Capital and Reserves		23,113,956	45,072,110
Non-Current Liabilities			
TWWDA	28 (b)	18,414,597	19,764,981
Total Non-Current Liabilities		18,414,597	19,764,981
Current Liabilities			
Trade and other payables	29	33,819,506	17,432,272
Water deposits	30	10,135,695	9,914,195
Deferred income	31	17,679,295	-
Total Current Liabilities		61,634,496	27,346,467
TOTAL EQUITY AND LIABILITIES		103,163,049	92,183,558

The financial statements were approved by the Board on 19th September 2024 and signed on its behalf by:

Ag. Managing Director
Name: Mutunga Mwangangi

Sign: 
Date: 31/12/2024

Finance & Admin. Manager
Name: CHARLES MUKOLA
ICPAK No.: 21239
Sign: 
Date: 31/12/24

Board Chair
Name: Irene Mati

Sign: 
Date: 30/12/2024

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements For the year ended June 30, 2024

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024

	Ordinary share capital	Capital reserve	Retained earnings	Capital/ Development Grants/Fund	WSTF	Total
At July 1, 2022	100,000	4,718,945	(2,933,437)	21,577,686	31,166,984	54,630,178
Total comprehensive income	-	-	(13,809,166)	-	-	(13,809,166)
WSTF (CLSG)	-	-	-	-	168,185	168,185
WSTF (CIPRA)	-	-	-	4,082,913	-	4,082,913
At June 30, 2023	100,000	4,718,945	(16,742,603)	25,660,599	31,335,169	45,072,110
At July 1, 2023	100,000	4,718,945	(16,742,603)	25,660,599	31,335,169	45,072,110
Total comprehensive income	-	-	(18,252,855)	-	-	(18,252,855)
WSTF (Kyuso/Tseikuru PSF)	-	-	-	-	9,827,664	9,827,664
CGoK fund adjustment	-	-	-	(14,883,347)	-	(14,883,347)
Prior year adjustment (TAWWDA lease fee)	-	-	1,350,384	-	-	1,350,384
At June 30, 2024	100,000	4,718,945	(33,645,074)	10,777,252	41,162,833	23,113,956

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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For the year ended June 30, 2024

XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating revenue		62,754,937	117,421,699
Other income		1,133,287	2,214,862
Finance income		1,134,637	702,588
Grants		47,381,770	29,083,391
Customer deposits		234,500	437,000
Total receipts		112,639,131	149,859,540
Payments			
Staff costs		36,850,690	43,449,585
General and operations expenses		67,056,175	81,993,983
Board expenses		2,767,200	2,182,500
Maintenance		11,671,514	17,229,978
Finance costs		102,502	123,601
Refund of customer deposits		13,000	65,000
Total payments		118,461,081	145,044,647
Net cash From/(Used in) Operating Activities	36	(5,821,950)	4,814,893
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)		(10,758,825)	(6,708,190)
Net Cash From/(Used In) Investing Activities		(10,758,825)	(6,708,190)
Cash Flows from Financing Activities			
WSTF - CIPRA		-	4,082,913
Deferred income		17,679,295	-
Electricity payments		(1,932,633)	(796,577)
Net Cash From/(Used In) Financing Activities		15,746,662	3,286,336
Increase/(Decrease) In Cash And Cash Equivalents		(834,112)	1,393,039
Cash And Cash Equivalents At Beginning Of Year	36	32,484,538	31,091,499
Cash And Cash Equivalents At End Of The Year	36	31,650,426	32,484,538

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2024

	Original budget	Adjustments	Final budget	Budget changes	Actuals	Performance difference	% of utilization	Variance remarks
	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Operating Revenue	148,200,000	-	148,200,000	-	66,970,136	(81,229,864)	45	Faulty high lift water pumps at Kiambere Treatment Plant
Grants	43,200,000	-	43,200,000	-	47,381,770	4,181,770	110	Kshs. 5.7m grant from WSTF for construction of a PSF
Other income	3,600,000	-	3,600,000	-	2,267,924	(1,332,076)	63	Faulty high lift water pumps at Kiambere Treatment Plant
Total Revenue	195,000,000	-	195,000,000	-	116,619,830	(78,380,170)	60	
Expenses								
Staff Costs	58,266,641	(700,000)	57,566,641	Reallocation	41,476,792	16,089,849	72	i. New staff not hired due to shortage of funds ii. Low commission paid due to low sales iii. Staff did not attend team building exercise.
Board Expenses	3,505,000	15,000	3,520,000	Supplementary budget	2,767,200	752,800	79	Board training was not carried out

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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General and operations Expenses	101,246,200	(1,315,000)	99,931,200	Reallocation	70,454,936	29,476,264	71	Scaled down operations due to lack of funds
Maintenance	19,550,000	9,500,000	29,050,000	Supplementary budget	13,558,969	15,491,031	47	Planned maintenance at treatment plant not carried out due to lack of funds
Depreciation and amortization	-	-	-	-	6,512,286	(6,512,286)	(100)	
Finance costs	120,000	-	120,000	-	102,502	17,498	85	Adoption of online banking systems
Total Recurrent Expenditure	182,687,841	7,500,000	190,187,841	Supplementary budget	134,872,685	55,315,156	71	
Profit or Loss	12,312,159	-	4,812,159		(18,252,855)	(23,065,014)	(379)	
Capital Expenditure	12,250,000	(7,500,000)	4,750,000	Reallocation	931,160	3,818,840	20	Less investments due to lack of funds
Total Expenditure	194,937,841	-	194,937,841		135,803,845	59,133,996	70	

Note: PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

XVIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kiambere Mwingi Water and Sanitation Company Limited is established by and derives its authority and accountability from CAP 486 of Companies Act that was repealed by the Companies Act 2015. The entity is wholly owned by the County government of Kitui and is domiciled in Kenya. The entity's principal activity is to supply and distribute potable water and provide basic sanitation within the Larger Mwingi region of Kitui County.

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 entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kiambere Mwingi Water and Sanitation Company Limited .

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

Annual Reports and Financial Statements
For the year ended June 30, 2024

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
i) New and amended standards and interpretations in issue effective in the year ended 30 June 2024

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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For the year ended June 30, 2024

Title	Description	Effective Date
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

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Title	Description	Effective Date
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii) Early adoption of standards

The Company did not early – adopt any new or amended standards in the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Kiambere Mwingi Water and Sanitation Company Limited and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the Company delivers services to the customer, the customer has accepted the services and collectability of the related receivables is reasonably assured.
However, the amounts are subjected to adjustments when errors are realized, in relation to meter readings and subsequent billings. Non-Revenue water is not recognized as income since it's not billed.
- ii) **Service charge income** is recognized monthly after water meters are installed at the customers' premises and billed by the Company.
- iii) **Grants from County and National Governments** are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
The County Government of Kitui paid for electricity.
WSTF paid for Water and Sanitation projects.
- iv) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- v) **Miscellaneous income** like meter reconnection fee and penalties is recognized when the service has been provided and billed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) In-kind contributions

In-kind contributions are donations that are made to Kiambere Mwingi Water and Sanitation Company Limited in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment 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.

c) Property, plant and equipment

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

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 recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Water kiosks	10%
Storage tanks	2.5%
Decentralized Treatment Facility	2.5%
Public Sanitation Facilities	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	33.3%
Office equipment, furniture and fittings	12.5%
Kiambere treatment plant & equipment	2.5%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Intangible assets

Intangible assets comprise purchased computer software licenses, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

The annual rates used are as follows:

Computer software	33.3%
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f) Amortization and impairment of intangible assets

Amortization is calculated on the straight-line basis over the estimated useful life of computer software of three years.

ERP system recently installed has an infinite useful life, therefore has not been amortized.

g) Investment property

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**i) Fixed interest investments (bonds)**

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the weighted average method.

m) Trade and other receivables

Trade receivables are carried at the anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end.

Trade receivables are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the receivables, and that the loss event has an impact on the future cash flows on the receivables that can be estimated reliably.

Objective evidence that trade receivables are impaired could include default or delinquency by a customer, indications that a customer will enter bankruptcy as well as observable changes in national or local economic conditions that correlate with default on receivables.

An estimate is made of doubtful receivables based on a review of all outstanding amount at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

n) Taxation**i) Current income tax**

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

Current income tax assets and liabilities for the current period are measured at the amount

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current income tax workings

The Company had a deficit of Kshs. 18.3m during the year under review and hence did not incur income tax.

During the Financial year under review, the Company received Kshs. 23.4m from Water Sector Trust Fund. These funds were for Water and Sanitation projects for Kyuso and Tseikuru markets.

o) Deferred tax

There was no deferred tax as at the end of the reporting period.

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. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks and M-Pesa at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

The Company borrowed Kshs. 5.8 m internally from the Customers deposit account in June 2024, to be repaid in twelve months.

s) Trade and other payables

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

t) Retirement benefit obligations

The Company is a member of a defined pension contribution scheme administered by the Roberts Insurance Brokers Limited for all full-time employees where the Company contributes 15% of staff basic pay and the staff contribute 7.5% of their basic pay monthly.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,060 per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

w) Budget information

The original budget for FY 2023 - 2024 was approved by the Board of Directors on 22nd March 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Board of Directors. The additional appropriations are added to the original budget by the Company upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget.

A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

Capital expenditure budget disclosure

There was a budget of Kshs. 4.8m for capital expenditures. The Company spend Kshs. 0.9m under capital expenditure while assets acquired through Water Sector Trust Fund amounted to Kshs. 9.8m.

w) 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.

x) Comparative figures

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

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2024.

5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

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

i) Bad debts

All debts which are three years and above have been treated as bad debts. Bad debts are written off when all reasonable steps to recover them have failed.

ii) Prior events

There were no prior year events and/or adjustments during the period.

iii) Nature of Capital reserve

Capital reserves were inherited from Tana & Athi Rivers Development Authority when the Company took over operations. They represent inherited debtors, customer deposits and creditors.

iv) Liquidity risk management

KIMWASCO Board of Directors made a resolution on 7/3/2017 that it would pay Tanathi Water Services Board accumulated lease fee up to 30/5/2013 when the County Government of Kitui took over as the principal, water services having been devolved to county governments. The accumulated lease fee from 2008 when TAWSB was incorporated to 30/7/2013 was Kshs. 5,894,026. TAWSB was informed about the Boards resolution through a letter dated 30/3/2016 in which an undertaking was made to pay the debt in instalments of Kshs. 400,000 per month. The debt was cleared in June 2018 and TAWSB informed through a letter dated 10/7/2018. In view of these facts, the licensee remuneration of Kshs. 18,414,597 which is an accumulation from July 2013 to June 2017 ought to have been written off. It is treated as a non-current debt until it is written off.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

vi) Water deposits

Water deposits are charged to customers when applying for new water connection.

There is a water deposits account where these funds are retained until a customer requests to terminate his/her water account with the Company, in the event that the water deposit is refunded back after all bills have been cleared. This fund is treated as a liability to the Company.

Proceeds of water meters sold to customers used to be deposited at the Water deposits account at Equity bank until end of Financial Year 2016/2017. The total amount for water meter sales as at that period was Kshs. 1,670,500. The Company has been using these funds to buy meters for re-sale and since the amount is not refundable to customers, journals were passed to transfer the balance from the deposits account and retain it at the collection account where it will be used as a revolving fund for purposes of re-stocking water meters.

b) Useful lives and residual values

i) Property, plant and equipment and intangible assets

Critical estimates are made by the management in determining the useful lives of property, plant and equipment and intangible assets. This is the basis on which the depreciation and amortization rates applied on property, plant and equipment and intangible assets respectively are determined.

ii) Impairment

On the reporting date, the company reviews the carrying amounts of its assets to determine whether there is any objective evidence that those assets have suffered an impairment loss.

If any such evidence exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

c) Provision for doubtful debts

Provision for doubtful debts is calculated at 1% of the net debtors.

d) Balance sheet notes

Items under balance sheet with notes referred to as CIE refer to the statements of Changes In Equity as the reference point.

e) Restated figures in the Financial statements

Upon introduction of the new IFSR reporting template, the comparative figures in the Financial statements have been restated where applicable to conform to the new reporting template.

Annual Reports and Financial Statements

For the year ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 OPERATING REVENUE

Description	2023/2024	2022/2023
	Kshs	Kshs
Water sales - Billings	45,903,432	80,876,528
Water sales - Kiosks	8,706,669	16,806,406
Water sales - Boreholes	1,305,940	4,183,230
Water sales - Tankering	8,491,145	13,530,035
Billing for other services	2,562,950	2,025,500
Total	66,970,136	117,421,699

7 GRANTS FROM THE GOVERNMENT & OTHER DEVELOPMENT PARTNERS

Description	2023/2024	2022/2023
	Kshs	Kshs
County Government of Kitui (Electricity)	41,684,650	24,986,368
County Government of Kitui (Drought Mitigation)	-	14,110
Water Sector Trust Fund (CIPRA - Sanitation) – Kyuso	-	4,082,913
Water Sector Trust Fund (CIPRA - Sanitation) - Tseikuru	5,697,120	-
Total	47,381,770	29,083,391

Analysis of grants received

Name of the entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund	Total grant income during the year	2022/2023
CGoK(Electricity)	41,684,650	-	-	41,684,650	24,986,368
CGoK (Drought Mitigation)	-	-	-	-	14,110
Water Sector Trust Fund (CIPRA - Sanitation) - Kyuso	-	-	-	-	4,082,913
Water Sector Trust Fund (CIPRA - Sanitation) - Tseikuru	-	-	5,697,120	5,697,120	-
Total	41,684,650	-	5,697,120	47,381,770	29,083,391

8 OTHER INCOME

Description	2023/2024	2022/2023
	Kshs	Kshs
Public toilet lease	42,000	42,000
Fines and penalties	111,172	276,608
New connection charge	980,115	1,896,254
Total	1,133,287	2,214,862

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2024****NOTES TO THE FINANCIAL STATEMENTS (Continued)****9 FINANCE INCOME**

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest income from fixed deposit	1,134,637	702,588
Total	1,134,637	702,588

10 STAFF COSTS

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross salary and allowances	31,324,189	30,997,125
Casual workers' wages	835,287	1,157,994
Medical insurance schemes	2,260,548	2,688,759
Employers contribution to social security schemes	729,389	257,120
Employers contribution to pension schemes	2,904,696	3,000,694
Employers contribution to housing levy	341,770	-
Gratuity provisions	424,857	424,857
Top – up allowance	120,000	335,450
Commission – Kiosk and boreholes operators	1,676,840	3,649,891
Staff welfare	859,215	937,695
Total	41,476,792	43,449,585
The average number of employees during the year	42	41

11 GENERAL AND OPERATIONS EXPENSES

Description	2023/2024	2022/2023
	Kshs	Kshs
Chemicals	1,150,871	2,643,472
Electricity	45,308,230	53,046,652
Fuel, oil and lubricants	6,593,199	9,113,089
Office supplies / Stationery/ Photocopy	454,876	581,353
Telecommunication	677,831	553,488
Postage and courier	20,295	26,110
Water	33,720	31,350
Insurance	513,081	651,047
Rent	348,000	312,000
Hire of equipment and vehicles	77,500	87,500
Domestic traveling and subsistence	3,059,815	3,803,369
Staff training and development	2,283,527	2,980,944
Security services	2,810,000	2,415,000
Publicity and advertising	298,465	345,158
Audit fees	232,000	232,000
Consultancy fees	416,000	60,700
Licensing and levies	3,195,184	1,872,708
Donations/CSR	-	157,000
Hospitality expenses	252,250	161,580

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2024****11 GENERAL AND OPERATIONS EXPENSES, Continued...**

Description	2023/2024	2022/2023
	Kshs	Kshs
Subscription fees	134,450	188,600
Provision for doubtful debts	273,849	217,966
Tax – VAT and penalties	168,104	17,814
Permits	50,700	50,700
Uniforms	-	496,750
Water testing	6,500	49,120
Purchase of bulk water	562,900	358,400
Strategic plan implementation	444,850	921,450
News papers	19,490	19,500
Office general expenses	57,640	30,680
Others; -WSTF project expenses	1,011,609	568,483
Total	70,454,936	81,993,983

12 BOARD EXPENSES

Description	2023/2024	2022/2023
	Kshs	Kshs
Chairperson honoraria	420,000	420,000
Sitting allowances	2,347,200	1,726,500
Board medical cover	-	36,000
Total	2,767,200	2,182,500

13 MAINTENANCE EXPENSES

Description	2023/2024	2022/2023
	Kshs	Kshs
Plant and equipment	6,281,752	4,282,958
Infrastructural networks	2,056,380	5,570,960
Motor vehicles	4,767,883	6,975,850
Office equipment maintenance	348,794	321,210
Station and building maintenance	104,160	79,000
Total	13,558,969	17,229,978

14 DEPRECIATION AND ARMORTIZATION EXPENSES

Description	2023/2024	2022/2023
	Kshs	Kshs
Property, Plant and equipment	6,512,286	8,057,823
Total	6,512,286	8,057,823

15 FINANCE COST

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank charges	102,502	123,601
Total	102,502	123,601

Annual Reports and Financial Statements
For the year ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)
16(a) PROPERTY, PLANT AND EQUIPMENT

Assets with estimated value of Ksh. 630,482,219 as at 2005 were handed over to TAWSB by TARDA in 2009. Kiambere - Mwingi Water & Sanitation Company Ltd has been operating these assets since May 2009 although they have not been handed over to the company officially. These assets have not been included in the financial statements.

2024	Water kiosks	Elevated steel water tank	Masonry water tank	Decentralised treatment facility	PSF's	Motor vehicles	Motor cycles	Office equipment, furniture & fittings	Computer s & related equipment	Water meters	Lab equipment	Treatment plant & equipment	WIP	Total
Depreciation rate	10%	2.50%	2.50%	2.50%	2.50%	25%	25%	12.5%	33.3%	2.50%	12.50%	2.5%	-	
COST/VALUATION														
At July 1, 2023	3,560,700	5,389,171	2,225,983	9,095,689	-	27,862,357	3,374,152	3,537,623	6,154,572	1,594,823	465,752	4,645,633	4,174,463	72,080,918
Additions	401,960	-	-	-	9,827,664	417,600	-	25,800	85,800	-	-	-	-	10,758,824
Capitalised (PSF)	-	-	-	-	-	-	-	-	-	-	-	-	(4,174,463)	(4,174,463)
At June 30, 2024	3,962,660	5,389,171	2,225,983	9,095,689	9,827,664	28,279,957	3,374,152	3,563,423	6,240,372	1,594,823	465,752	4,645,633	-	78,665,279
DEPRECIATION														
At July 1, 2023	2,334,160	1,077,833	333,899	1,096,353	-	23,007,408	2,755,521	2,140,673	4,458,399	439,343	318,846	433,542	-	38,395,977
Charge for the year	396,266	134,729	55,650	227,392	245,692	2,966,511	351,175	399,040	1,525,806	39,871	58,219	111,936	-	6,512,286
At June 30, 2024	2,730,426	1,212,562	389,549	1,323,746	2,456,92	25,973,919	3,106,696	2,539,713	5,984,204	479,214	377,065	545,478	-	44,908,263
NET BOOK VALUE At June 30, 2024	1,232,234	4,176,609	1,836,434	7,771,943	9,581,972	2,306,038	267,456	1,023,710	256,168	1,115,609	88,687	4,100,155	-	33,757,016

Property, plant and equipment include the following items that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
N/A	-	-
Total	-	-

Annual Reports and Financial Statements
For the year ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16(b) PROPERTY, PLANT AND EQUIPMENT (Continued)

	Water kiosks 10%	Elevated steel water tank 2.50%	Masonry water tank 2.50%	Decentralised treatment facility 2.50%	Motor vehicles 25%	Motor cycles 25%	Office equipment, furniture & fittings 12.5%	Computers & related equipment 33.3%	Water meters 2.50%	Lab equipment 12.50%	Treatment plant & equipment 2.5%	WIP	Total
Depreciation rate													
COST / VALUATION													
At July 1, 2022	3,300,200	5,389,171	2,225,983	9,095,689	21,140,357	2,753,652	2,749,723	3,276,830	1,594,823	405,752	4,477,448	-	56,409,628
Additions	260,500	-	-	-	72,000	-	243,300	1,789,742	-	-	168,185	4,174,463	6,708,190
Revaluations	-	-	-	-	6,650,000	620,500	544,600	1,088,000	-	60,000	-	-	8,963,100
At June 30, 2023	3,560,700	5,389,171	2,225,983	9,095,689	27,862,357	3,374,152	3,537,623	6,154,572	1,594,823	465,752	4,645,633	4,174,463	72,080,918
DEPRECIATION													
At July 1, 2022	2,004,140	943,103	278,250	868,961	18,169,107	2,404,346	1,752,053	2,916,175	399,473	280,940	321,606	-	30,338,154
Charge for the year	330,020	134,729	55,650	227,392	4,838,301	351,175	388,620	1,542,224	39,871	37,906	111,936	-	8,057,823
At June 30, 2023	2,334,160	1,077,833	333,899	1,096,353	23,007,408	2,755,521	2,140,673	4,458,399	439,343	318,846	433,542	-	38,395,977
NET BOOK VALUE At June 30, 2023	1,226,540	4,311,338	1,892,084	7,999,336	4,854,949	618,631	1,396,950	1,696,173	1,155,480	146,906	4,212,091	4,174,463	33,684,941

Property, plant and equipment include the following items that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
N/A	-	-
Total	-	-

Annual Reports and Financial Statements
For the year ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INTANGIBLE ASSETS

Description	2023/2024	2022/2023
	Kshs	Kshs
COST		
At July 1	2,269,619	2,269,619
Additions	-	-
Disposals	-	-
At June 30	2,269,619	2,269,619
AMORTISATION		
At July 1	194,500	194,500
Charge for the year	-	-
Disposals		
Impairment loss		
At June 30	194,500	194,500
NET BOOK VALUE At June 30	2,075,119	2,075,119

Intangible assets include QuickBooks software, Website domain and an accounting/billing software costing Kshs. 110,000, Kshs. 84,500 and Kshs. 2,075,119 respectively.

The accounting/billing system (ERP) is expected to be used for indefinite period of time and therefore has not been amortized.

18 INVENTORIES

Description	2023/2024	2022/2023
General stores	72,550	60,160
Chemicals & Laboratory items	359,629	924,174
Water fittings and Accessories	597,476	98,267
Water meters	-	506,600
Stationery and general stores	133,700	57,925
Finished goods	412,096	623,111
Total	1,575,451	2,270,237

Finished goods refer to treated water which was in the pipelines and storage tanks as at 30th June 2024.

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2024****NOTES TO THE FINANCIAL STATEMENTS (Continued)****19(a) TRADE AND OTHER RECEIVABLES**

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade receivables (Note 19 (b))	34,047,419	21,578,854
Staff receivables (Note 19 (c))	31,053	63,970
Total	34,078,472	21,642,580

19 (b) Trade receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Active debtors	15,695,168	9,044,245
Inactive debtors	23,949,382	22,515,949
Less: Suspense account receipts	-	(6,778,131)
Less: Bad debts	(5,323,282)	(2,985,487)
Provision for bad debts	(273,849)	(217,966)
Net trade receivables	34,047,419	21,578,610
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	5,286,001	2,637,045
Between 30 and 60 days	256,038	1,509,836
Between 61 and 90 days	792,205	1,433,361
Between 91 and 120 days	2,058,340	2,236,519
Over 120 days	25,654,835	13,761,849
Total	34,047,419	21,578,610

19 (c) Staff receivables

Description	2023/2024	2022/2023
	Kshs	Kshs
Staff receivables	31,053	63,970
Total	31,053	63,970

20 PREPAYMENTS

Description	2023/2024	2022/2023
	Kshs	Kshs
Fuel – Vivo Energy	26,565	26,143
Total	26,565	26,143

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

Annual Reports and Financial Statements

For the year ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 BANK AND CASH BALANCES

Description	2023/2024	2022/2023
	Kshs	Kshs
Cash at bank	26,754,599	17,730,972
M-pesa Paybill	349,242	1,414,908
M-pesa Till	99,547	34,874
Fixed deposits	-	13,300,000
Cash in hand	47,038	3,784
Total	27,259,426	32,484,538

The bulk of the cash at bank was held at Equity Bank limited, the entity's main bankers.

The make – up of bank balances and short term deposits is as follows:

Financial institution		2023/2024	2022/2023
a) Current account	Account number	Kshs	Kshs
KCB (Collection)	1112294120	215,792	140,059
Equity Bank (Collection)	0590295549051	157,437	1,040,646
Equity Bank (Deposits)	0590295548998	412,691	205,239
Equity Bank (CLSG)	0590280467681	-	20,521
Equity Bank (Drought mitigation)	0590271483467	14,249	14,249
Equity Bank (CIPRA - Sanitation)	0590280514091	-	996,644
Equity Bank (CIPRA - Water supply)	0590280541089	25,735,166	14,857,012
Equity Bank (Paying)	0590295549120	202,320	175,610
Co-operative Bank	01100398327900	16,944	280,992
Sub- total		26,754,599	17,730,972
b) Others(specify)			
Cash in hand	N/A	47,038	3,784
M-pesa Paybill	803650	349,242	1,414,908
M-pesa Till	7205226	79,871	34,874
M-pesa Till	7205228	19,676	-
Equity Bank (Fixed deposits)	0590384139746	-	9,600,000
Equity Bank (Fixed deposits)	0590384139648	-	3,700,000
Sub- total		495,827	14,753,566
Grand total		27,250,426	32,484,538

22 SHORT TERM DEPOSITS

Description	Account number	2023/2024	2022/2023
		Kshs	Kshs
Equity Bank (Fixed deposits)	0590385462856	4,400,000	-
Total		4,400,000	-

The average effective interest rate on the short-term deposits as at June 30, 2024 was 6.8% (2023: 6.5%).

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2024****NOTES TO THE FINANCIAL STATEMENTS (Continued)****23 ORDINARY SHARE CAPITAL**

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

The Company's amended Memorandum & Articles of Association has been registered by the Registrar of Companies. It provides the County Government of Kitui to own and pay for all the shares.

24 CAPITAL RESERVES

Description	2023/2024	2022/2023
	Kshs	Kshs
Debtors	6,477,891	6,477,891
Customer deposits	(1,061,600)	(1,061,600)
Creditors	(697,346)	(697,346)
Total	4,718,945	4,718,945

25 WATER SECTOR TRUST FUND

Description	2023/2024	2022/2023
	Kshs	Kshs
Balance b/f 2022/2023	31,335,169	31,166,984
Add: Receipts 2023/2024	9,827,664	168,185
Total	41,162,833	31,335,169

26 CAPITAL / DEVELOPMENT GRANT

Description	2023/2024	2022/2023
	Kshs	Kshs
Balance b/f	25,660,599	21,577,686
Receipts	-	4,082,913
CGoK fund adjustment	(14,883,347)	-
Total	10,777,252	25,660,599

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2024****NOTES TO THE FINANCIAL STATEMENTS (Continued)****27 RETAINED EARNINGS**

Description	2023/2024	2022/2023
	Kshs	Kshs
Opening balance	(16,742,603)	(2,933,437)
Total comprehensive income	(18,252,855)	(13,809,166)
Total	(34,995,458)	(16,742,603)

Retained earnings are utilised to finance the Company's business activities.

28 (a) LONG TERM TRADE LIABILITIES

The long term trade liabilities relate to accumulated lease fee from 2008 when Tanathi Water Works Development Agency (TAWWDA) was incorporated to 30/7/2013.

28 (b) TAWWDA

Description	2023/2024	2022/2023
	Kshs	Kshs
TAWWDA	18,414,597	19,764,981
Total	18,414,597	19,764,981

29 TRADE AND OTHER PAYABLES

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade payables	19,298,780	6,505,220
Kenya Power & Lighting Company	-	7,087,508
Payroll deductions	4,519,837	2,112,499
Office of the Auditor General	-	678,000
Staff creditors	2,218,764	424,857
Prepayments - debtors	845,774	624,188
Unallocated receipts	6,936,350	-
Total	33,819,505	17,432,272

Aging Analysis for Trade and other Payables

	2023/2024	% of the total	2022/2023	% of the total
Under one year	27,041,374	79.95%	17,432,272	100%
1-2 years	2,696,431	7.98%	-	%
2-3 years	8,000	0.02%	-	%
Over 3 years	4,073,700	12.05%	-	%
Total	33,819,505	100%	17,432,272	100%

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2024****NOTES TO THE FINANCIAL STATEMENTS (Continued)****30 WATER DEPOSITS**

Description	2023/2024	2022/2023
	Kshs	Kshs
Balance b/f	9,914,195	9,542,195
Water deposits	234,500	437,000
Water deposits refund	(13,000)	(65,000)
Total	10,135,695	9,914,195

As at June 30, the ageing analysis of the customer water deposits was as follows:		
Less than 30 days	16,000	16,000
Between 30 and 60 days	29,500	49,000
Between 61 and 90 days	29,000	19,000
Between 91 and 120 days	5,000	15,000
Over 120 days	10,056,195	
Total	10,135,695	9,815,195

The Company was incorporated in May 2009 and since then, the customer deposits account has accumulated bank charges amounting to Kshs. 96,353 (May 2009 – June 2024). The bank balance of the Customer deposits reported under Note 28 is net of the accumulated bank charges.

31 DEFERRED INCOME

Description	2023/2024	2022/2023
	Kshs	Kshs
Water Sector Trust Fund	17,679,295	-
Total	17,679,295	-

The deferred income movement is as follows:

	2023/2024	2022/2023
Balance brought forward	-	-
Additions	17,679,295	-
Balance carried forward	17,679,295	-

32 CUSTOMER DEPOSIT REFUND

Description	2023/2024	2022/2023
	Kshs	Kshs
Water deposits refund	13,000	65,000
Total	13,000	65,000

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2024****NOTES TO THE FINANCIAL STATEMENTS (Continued)****33 ELECTRICITY PAYMENTS**

Description	2023/2024	2022/2023
	Kshs	Kshs
Payment of production electricity bills	1,932,633	796,577
Total	1,932,633	796,577

The Company operates on a subsidized tariff where the County Government of Kitui pays 75% of Kiambere Treatment Plant electricity bills and the Company pays 25% of the bills.

The Company paid electricity bills amounting to Kshs. 1.9m during the period under review.

34 REVALUATION LOSS

Description	2023/2024	2022/2023
	Kshs	Kshs
Cost	-	19,157,336
Revalued cost	-	8,963,100
Total	-	10,194,236

35 DROUGHT MITIGATION

Description	2023/2024	2022/2023
	Kshs	Kshs
Tanathi Water Works Development Agency	-	-
County Government of Kitui	-	14,110
Total	-	14,110

36 NOTES TO THE STATEMENT OF CASH FLOWS

	2023/2024	2022/2023
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		Restated
Profit or loss before tax	(18,252,855)	(13,809,166)
Depreciation/Amortization	6,512,286	8,057,823
Operating profit/(loss) before working capital changes	(11,740,569)	(5,751,343)
(Increase)/decrease in inventories	694,786	1,710,328
(Increase)/decrease in trade and other receivables	(12,435,892)	(3,047,665)
Increase/(decrease) in trade and other payables	17,438,225	11,531,573
Increase/(decrease) in water deposits	221,500	372,000
Cash generated from/(used in) operations	(5,821,950)	4,814,893
(b) Analysis of cash and cash equivalents		
Cash at bank	26,754,599	17,730,972
Cash at M-pesa paybill	349,242	1,414,908
Cash at M-pesa till	99,547	34,874
Cash at Fixed deposits	4,400,000	13,300,000
Cash in hand	47,038	3,784
Balance at end of the year	31,650,426	32,484,538

37 RELATED PARTY DISCLOSURES

(a) Government of Kenya

Related parties include:

- i) The Parent Ministry
- ii) County Government of Kitui
- iii) Tanathi Water Works Development Agency
- iv) Water Sector Trust Fund
- v) Kenya Integrated Water, Sanitation & Hygiene Project
- vi) Shareholders
- vii) Key management
- viii) Board of directors

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED**Annual Reports and Financial Statements****For the year ended June 30, 2024****NOTES TO THE FINANCIAL STATEMENTS (Continued)****Transactions with related parties**

	2023/2024	2022/2023
	Kshs	Kshs
a) Grants from the Government & related parties		
Grants from County Government of Kitui	41,684,650	25,000,478
Grants from Tanathi Water Works Development Agency	-	-
Grants from Water Sector Trust Fund	23,376,415	4,082,913
Total	65,061,065	29,083,391
b) Expenses incurred on behalf of related party		
Payments of electricity	41,684,650	24,986,368
Payments of drought mitigation expenses	-	-
Payments of WSTF expenses	9,827,664	568,483
Total	51,512,314	25,554,851

38 FINANCIAL RISK MANAGEMENT

The entity'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.

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:

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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For the year ended June 30, 2024

NOTES TO THE FINANCIAL STATEMENTS (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 are considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from 2009.

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

iii) Capital Risk Management

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

	2023/2024	2022/2023
	Kshs	Kshs
Retained earnings	(34,995,458)	(13,809,166)
Capital reserve	4,718,945	4,718,945
Total funds	(30,276,513)	(9,090,221)
Total borrowings	-	-
Less: Cash and bank balances	31,650,426	32,484,538
Net debt/(excess cash and cash equivalents)	19,053,208	23,394,317
Gearing ratio (Equity)	105%	357.0%

39 INCORPORATION

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

40 EVENTS AFTER THE REPORTING PERIOD

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

41 CURRENCY

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

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For the year ended June 30, 2024

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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Unconfirmed ownership of assets	The Company is engaging NTSA to facilitate acquisition of 2 motorcycle logbooks.	Accountant	Not Resolved	Sep. 2024
		The Company is engaging both TAWWDA and the County Government of Kitui to facilitate the transfer of Kshs. 630,482,219 assets to KIMWASCO.	Managing Director	Not Resolved	Dec. 2024
2.	Trade and other receivables	In pursuit of the long outstanding receivables the company has taken the following measures; - 1. Demand letters to customers. 2. Disconnection from the tee for the dormant connections. 3. Phone calls to active customers. 4. Allowing commitment by customers to pay in instalments.	Revenue Accountant	Not resolved	Dec 2024
3	Over statement of Non-current liabilities – TWWDA licensee remuneration	The Company is engaging TAWWDA to write off lease fee of Kshs. 19,764,981 which accrued after devolvment and transfer of WSPs to the County Governments	Managing Director	Not Resolved	Dec 2024
4	Budgetary control and performance	The under-funding during the year resulted from inefficient water pumps and frequent water pump breakdowns at the Kiambere Treatment Plant and main	Managing Director	Not Resolved	Dec 2024

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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For the year ended June 30, 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		pipeline bursts experienced during the period.			
5	Unresolved Prior Year Audit Matters	The Company is working towards resolving all prior year audit matters as indicated in the Management comments section of each unresolved audit matter	Managing Director	Not Resolved	June 2025
6	Non-Revenue Water	Major causes of water loss • Frequent pipe bursts • Commercial losses due old/faulty meters • Water theft Mitigation measures • Sustained leak repairs • Replacement of Faulty and old meters, • Continuous crackdown on irregularities like meter tampering, by-passes, water theft and vandalism.	Technical Manager	Not Resolved	June 2025
7	Non-Compliance with National Cohesion and Integration Act	Most of the current staff were inherited from TARDA. Effort is being made to conform gradually as new staff get employed.	HR	Not Resolved	Continuous
8	Failure to file annual returns with the Registrar of Companies	The Company is engaging WASREB and the Registrar of Companies to sort out the Company's registration matters which to allow for filing of the returns	Managing Director	Not Resolved	Dec 2024
9	Use of Out-dated Tariffs	The revised water tariffs were approved by WASREB and they are awaiting implementation after Gazettement.	Managing Director	Resolved	Dec 2024
10	Excessive electricity costs	The high electricity cost is a result of the Company using pumped system to supply water relying entirely on the national grid. The Company with the support of the CGoK is seeking to install solar power plant to reduce	Managing Director	Not Resolved	June 2027

KIAMBERE MWINGI WATER AND SANITATION COMPANY LIMITED

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For the year ended June 30, 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
10	Excessive electricity costs	The high electricity cost is a result of the Company using pumped system to supply water relying entirely on the national grid. The Company with the support of the CGoK is seeking to install solar power plant to reduce reliance on power supply from KPLC which is costly.	Managing Director	Not Resolved	June 2027
11	Lack of IT environment	The Company requested for ICT support services through the CGoK where an ICT Officer was attached to assist in ICT support as we make the necessary arrangements to recruit our own staff.	Managing Director	Not Resolved	June 2025
12	Lack of Disaster Recovery Plan	The Company developed an ERM policy and a Risk Register which is updated continuously. From the ERM, the Company is in the process of developing a disaster recovery plan which will be presented to the Board for approval.	Managing Director	Not Resolved	Dec 2024

Guidance Notes:

- Use the same reference numbers as contained in the external audit report;
- Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to the Office of the Auditor General.

Managing Director

Board Chair

Signature:  Date: 31/12/2024

Signature:  Date: 30/12/2024