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KIBWEZI-MAKINDU WATER AND SANITATION CO. LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020

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

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1. KEY ENTITY INFORMATION

Background information

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

Principal Activities

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

Company's Vision

An Excellent water and sanitation services provider

Company's Mission

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

Company's core objectives

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

Directors

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

SN	Name of Director	Position	Appointed on
1.	Alfred Kithome	Chairman	20 th July 2018
2.	Stephen Mutiso	Managing Director	20 th July 2018
3.	Canon Philip Muthoka	Director	20 th July 2018
4.	Daniel Mutinda	Director	20 th July 2018
5.	Vitalis Ogur	Director	20 th July 2018
6.	Priscah Keli	Director	20 th July 2018
7.	Evalyne Mutua	Director	20 th July 2018
8.	Thomas Makenzi	Director	20 th July 2018
9.	Alice Soo	Director	20 th July 2018

KEY ENTITY INFORMATION (Continued)

Registered Office

Deputy County Commissioner's Compound

Off Nairobi – Mombasa Road

P.O. Box 104-90137

Kibwezi

Corporate Contacts

Telephone: (254) 020 2121713

E-mail: kibwezi_mtitowaco@yahoo.com

Corporate Bankers

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

Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

Principal Legal Advisers






The County legal officer

Government of Makueni County

P.O. Box 78

Makueni





2. THE BOARD OF DIRECTORS

 <p>Mr. Alfred M Kithome - <i>Chairman</i> <u>Certified public Secretary (CPS)</u></p>	<p>Holds a certified public secretaries (CPS) certificate, Senior Management Course, Diploma in Archives and Record Management and attended Financial Management course of Donor funded projects at Lilongwe, Malawi. Worked as a Civil Service Support Officer from the Republic of Kenya to the Republic of South Sudan for 4 years. Worked as Sida Senior Administrator at Kwale District for 9½ years.</p>
 <p>Stephen M Mutiso - <i>Managing Director</i></p>	<p>Born in 1959 Holds a certificate in management, Diploma in Water supply and Higher Diploma in building & Civil engineering He worked as Deputy District Water Officer, Makueni District for three years. Served as a Managing Director for Water Companies for 13 years.</p>
 <p>Mr. Vitalis Ogur – <i>Director</i></p>	<p>Born on May 25, 1990 Holds a Bachelor of Arts (Political Science) degree and serves as an assistant county commissioner.</p>
 <p>Mr. Thomas Mackenzi - <i>Director</i> Master in science</p>	<p>Born in 1961 Has bachelor of education (double mathematics), and a master of science degree. He has worked as a teacher and lead quality controller (LQC) and served as member of school board of management.</p>
 <p>Ms. Evalyne Mutua – <i>Director</i></p>	<p>Born in 1978 Holds a bachelor's degree and a master's degree in education. She works as a sub-county administrator, Makueni county.</p>





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 <i>Canon Philip Muthoka- Director</i>	<p>Born in 1958 Holds a certificate in management and certificate in theology Served as assistant manager for 6 years, production manager for 7 years, Company director for 5 years and currently operates a private company since 2001 to date. Serves as a Priest.</p>
 <i>Daniel Mutinda - Director</i>	<p>Holds a bachelor of economics and finance degree and master in business administration. He serves as a lecturer, Kenyatta university.</p>
 <i>Ms. Priscah Keli- Director</i>	<p>Holds a bachelor of Commerce degree. Self-employed.</p>
 <i>Mr. Alice Soo - Director</i>	<p>Holds a diploma in Bakery operations Has over 20 years in business industry.</p>

3. MANAGEMENT TEAM

 <p>Stephen M Mutiso - <i>Managing Director</i> Certificate in management, diploma in Water Supply and Higher National Diploma in building & Civil engineering.</p>	<p><u>Main responsibility:</u></p> <ul style="list-style-type: none">❖ Provide the board of directors with information on the company's performance for prudent decision making and strategic direction.❖ Ensure all the board of directors' resolutions are implemented.❖ Offer overall leadership to the corporate management team for effective performance.
 <p>Mr. Elijah Mzungu - <i>Technical Manager</i> Holds a certificate in water engineering technology</p>	<p><u>Main responsibility:</u></p> <ul style="list-style-type: none">❖ To oversee the company's Technical operations❖ Provide strategic and technical leadership in the Technical department to ensure provision of high quality services.❖ Prompt repairs of water systems and servicing of master meters to ensure continuous water flows and curb technical water losses.
 <p>Mr. John K Kavisi CPA II and B.com(Finance option) undergraduate</p>	<p><u>Main responsibility:</u></p> <ul style="list-style-type: none">❖ To ensure that all financial resources of the company are acquired, disbursed, prudently invested, fully accounted and reported for a financially sound company.❖ Ensure that efficient application of the available resources for maximum returns.
 <p>Mr. James Manthi – <i>Commercial Services Manager</i> Holds a certificate in water operator technology</p>	<p><u>Main Responsibilities</u></p> <ul style="list-style-type: none">❖ To oversee the company's Commercial operations.❖ Ensure timely and actual billing services.❖ Ensure efficient collection of revenue billed to customers.❖ Ensure customer water meters are well functional to curb commercial water losses.

4. CHAIRMAN'S STATEMENT

I and the entire Board of Kimawasco Ltd take this opportunity to thank our staff and customers. We worked as a team throughout the year, not forgetting the many challenges that we had to overcome both in the company and the entire water sector. Our commitment, devotion and dedication coupled with hard work managed to improve the company's performance to another level where we increased our performance by a big margin and removed the entity out of danger. Our governance and the corporate management team worked towards our strategic goal by developing coping mechanisms to our major challenges where success was realized.

CHALLENGES

Our major challenges were:-

1. Dilapidated infrastructure where aged GI pipeline that was installed in 1950s is still in use.
2. Low coverage of our service provision area. This company covers only 13% of our total area of coverage which is 108 km². The company also covers 36% of our entire population which is 105,000 out of the entire population which is slightly above 300,000 people. This Population is found in Kibwezi and Makindu sub counties. Our Non-revenue Water stood at 27% which is an improvement from the previous year 2018/2019.
3. Low water production due to low yield at the intake springs. This company relies on two major water sources namely:-
 - (a) Umani Springs
 - (b) Makindu SpringsThe combined production for the two sources is slightly above 3,000 m³/day
4. Frequent power outages from the KPLC power supply. The company has been mitigating the power shortage at the office level by having a standby generator for powering office equipment during power outages, but due to the high cost of a standby generator for water pumping, the company is yet to implement. Any development partners willing to assist are welcome.
5. Drop in revenue collection in the months of March, April, May and June 2020 due to Covid-19 which has affected our operations but the company introduced part payment which was to cover 50% of the water consumed per month. This enabled the company to perform fairly without many debts and defaulters.

ACHIEVEMENTS.

1. The company repaired its two water bowsers and managed to reach the uncovered areas of our network
2. We carried out capacity building for both staff and board members that resulted in revenue increase and performance as well.
3. We made sure water rationing is carried out strictly in order to reach the end of our network consumers, and this brought an improvement to our revenue.

In conclusion, I thank our development partners, key stakeholders who include the Government of Makeni County, KIWASH, our esteemed customers not forgetting our committed staff who made KIMAWASCO to be proud of its performance throughout the year.



Alfred M. Kithome

Chairman, Board of Directors

Date: 23/09/2020

5. REPORT OF THE MANAGING DIRECTOR

Kibwezi-Makindu Water and Sanitation Company is one of the three water service providers in Makueni County. It has a coverage of about 108 km² with an estimated served population of slightly above 105,000 people. The Company is mandated to provide water and sanitation services to Kibwezi and Makindu sub counties. The water demand stands at 12,000 m³/day against our current water production of approximately 3,000 m³ / day.

Our two major water sources have experienced reduction from 5,000 m³/day in fy 2017/2018 to 3,000m³/day in fy 2019/2020 due to reduced rainfall patterns and global warming effects.

To meet the water demand to our customers the Company is focusing on drilling 3 boreholes in Kibwezi to supply Kikumbulyu South and Masongaleni wards that are mostly affected by the current drought after the failure of the long rains in March , April and May 2020.

Two (2) more Boreholes will be drilled in Makindu to boost the diminishing water production at *Kwa Venge* springs. The Company is embarking on strict water rationing timetable and reduction of Non-revenue Water as a coping mechanism of survival. We are aiming to account for every cubic metre of water produced to deal with the above challenges which will be countered after the implementation of our strategic plan. The Company has been running sustainably without subsidies from our stake holders and development partners. The Company has approximately 7,621 water connections and only approximately 4,937 connections are active due to diminishing water production at our water sources.

OUR MAJOR CHALLENGES

1. Dilapidated infrastructure

The Company water pipelines need Augmentation due to old age, some were installed in 1950's which are now corroded at some sections that need complete replacement. At least 20km of the 6" diameter pipeline need complete overhaul. The Company requires resources to overcome such challenges by installing new pipeline.

2. Diminishing production at our sources.

The Company relies on 2 major water sources that produce approximately 3000m³ / day against a water demand of 12,000m³ per day leaving a short fall of 7000 m³/day. This makes KIMAWASCO water scarce Company that need to be supported by our development partners in order to realize our strategic goals.

3. Vandalism on Metal pipes by scrap mental dealers

This is a problem that we have been encountering over time. The management team, police service and community members are playing their role by attending and charging the culprits.

MAJOR OPERATIONS

1. Water treatment

Though we had those challenges, the Company supplied water of high quality throughout the year. The Company prioritized the on the acquisition of water treatment chemicals which eventually resulted to high water quality which is monitored on daily basis.

2. Personnel Expenditure / Operations & Maintenance

During the year all our staff were paid promptly and operations went on well. The Company reduced most of its expenditure and remained with the core expenditures making it able to pay electricity and staff salaries in time.

3. Revenue Collection.

The Company maintained over 99% revenue collection efficiency and that enabled the Company to raise its collection from Kshs. 58 M in FY 2018/2019 to Kshs. 63M during FY 2019/2020.

4. None Revenue Water

The Company managed to reduce Non-Revenue Water (NRW) from 28% in FY 2018/2019/ to 27% in FY 2019/2020. This was achieved through team work. The Company formed NRW teams at Makindu and Kibwezi with the MD as the patron and the TM as the Coordinator and this had a positive impact on our revenue improvement and water service delivery.

CONCLUSION

The increase in economic and population growth coupled with increased water demand is guaranteed by implementation of our strategic plan. We urge our development partners and stakeholders to prioritize on water infrastructure development for their funding and interventions.

ACKNOWLEDGEMENT

I sincerely thank the National and County governments, the Ministry of water and irrigation , County department of Water and Sanitation, water service Regulatory Board, Tanathi Water Works Agency, KIMAWASCO Board of Directors , our Customers , Suppliers, Staff and other stakeholders for their support in making Water service delivery for KIMAWASCO a reality.



Stephen M. Mutiso
Managing Director.

Date. 23/9/2020

6. REVIEW OF KIBWEZI-MAKINDU WATER AND SANITATION CORPORATION'S PERORMANCE FOR FY 2019/2020

Kibwezi-Makindu Water and Sanitation Co. has 5 strategic pillars and objectives within its Strategic Plan for the FY 2016/2017- 2020/2021. These strategic pillars are as follows:

- Pillar 1: Water and Sanitation Infrastructure Development
- Pillar 2: Operational Efficiency and Customer Satisfaction
- Pillar 3: Financial sustainability
- Pillar 4: Institutional Development and Strengthening.
- Pillar 5: Effective Corporate Governance

Kibwezi-Makindu Water and Sanitation Co. develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Kibwezi-Makindu Water and Sanitation Co. achieved its performance targets set for the FY 2019/2020 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key performance Indicators	Activities	Achievements.
Water and Sanitation Infrastructure Development	Provide both water and sanitation services	Increase both water and sanitation coverage	Drill boreholes and complete the construction of DTF.	3 boreholes have been sunk and DTF completed and operationalised.
Operational Efficiency and Customer Satisfaction	Constant supply of safe portable water that meets the expectation of our customers.	Reduced customer complaints	Carry out customer satisfaction survey and ensure repairs and power bills are paid on time.	<ul style="list-style-type: none"> ✓ Customer satisfaction survey was done ✓ Power bills settled on time and other operational costs.
Effective Corporate Governance	Board of Directors adherence to the board meeting schedule and pass important resolutions in time.	Four Board meetings, once every quarter.	Board meetings held as per the schedule.	<ul style="list-style-type: none"> ✓ Four board meetings were held within the year and key resolutions passed.

7. CORPORATE GOVERNANCE STATEMENT

During the financial year 2019-2020 the board of directors held four full board meetings as tabulated below:-

Sitting allowance	Date	Alice J Soo	Everlyn Mutua	Philip Mutua	Priscah M. Keli	Thomas M Mackenzi	Alfred M Kithome	Vitalis Ogur	Daniel Mutinda	Total
Details		kshs	kshs	kshs	kshs	kshs	kshs	kshs	kshs	kshs
1st Board meeting	3-Jul-19	10,000	10,000	10,000	10,000	10,000	10,000	10,000		70,000
2nd board meeting	24-Oct-19	10,000	10,000	10,000	10,000	10,000	10,000	10,000		70,000
3rd Board meeting	5-Mar-20	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	80,000
4th Board meeting	30-Jun-20	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	80,000
TOTAL		40,000	40,000	40,000	40,000	40,000	40,000	40,000	20,000	300,000

The current board of directors was appointed by the ECM on interim basis on July 20th, 2018 to replace the earlier board that had overstayed caused by the transition process between the then Tanathi water services board and Makeni county government. The board of directors underwent a governance induction training at Machakos in 2018 that was conducted by KTWASH, a non-governmental organization that supports water service providers on governance improvement. The board of directors' main role is to formulate the Company policies and monitor their implementation by the management to ensure better service delivery to the citizens. The composition of the directors factors in gender balance and representation of various community interest groups that the utility gives service. Three directors out of the total eight are women whereas the other five are men.

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

The Board of Directors is appointed in accordance with the stakeholder participation procedure and in an annual general meeting one third of the directors retire from office and subsequently another third of the longest serving directors since their last appointment.

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

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

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

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

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



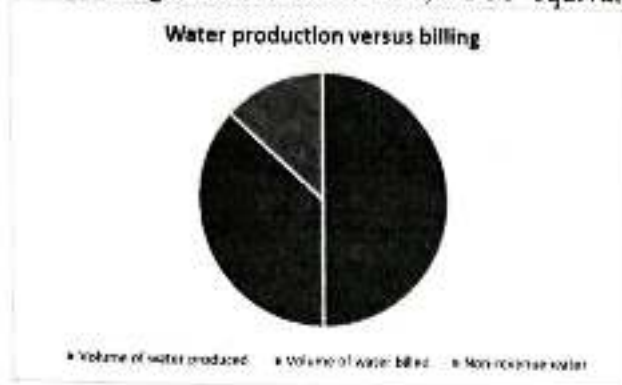
Stephen Mutiso

Managing Director / Secretary to the Board

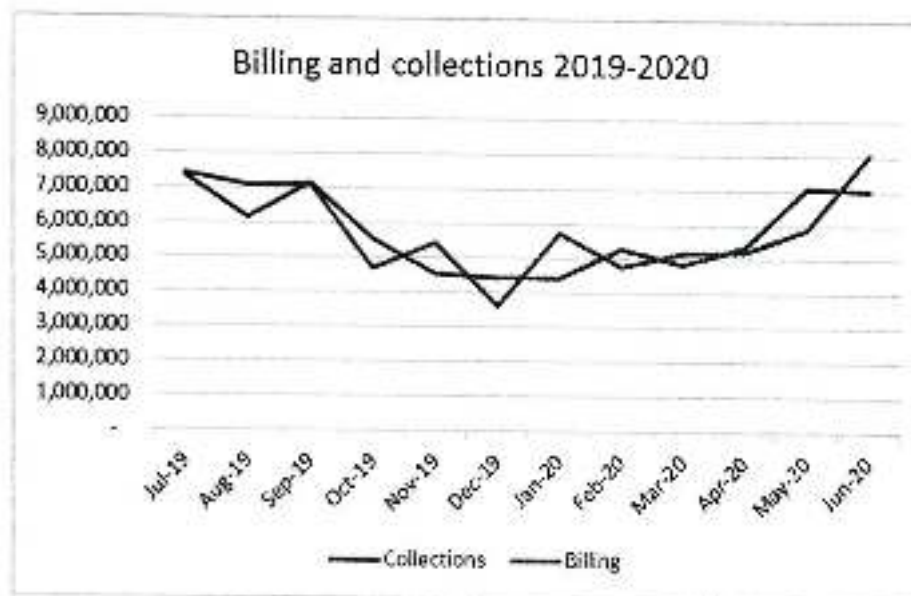
Date: 23/9/2020

8. MANAGEMENT DISCUSSION AND ANALYSIS

During the year the utility has been able to produce a total of 1,056,672 M³ and managed to bill 776,407 M³ resulting to a total loss of 280,265 M³ equivalent to 27%. This is illustrated bellow:-



The total water billing in Kenya shillings was 70,225,402 out of which 69,233,982 was collected from the customers which translate to 99% collection efficiency. The company's target was 120% but this was interrupted by the emergence of the Corona virus pandemic which made it difficult for the customers to pay their bills owing to general economic deterioration. This has been illustrated here below:-



The utility operated at a loss of Kshs. 4,251,475 resulting to an increase of revenue reserve to 36,275,197 that was contributed to increased provision for bad and doubtful debtors and other operational expenses. The company will put measures to reduce its costs so as to reverse the negative working capital in future and hence make it a going concern. The company has continually repaired and maintained the two projects that were acquired from different communities to ensure that the citizens get safe and sufficient water. Wildlife menace and scrap metal dealers have been one of the major risks that face the company while discharging its mandate to provide safe, portable and sufficient water in a consistent manner to the communities within its service area.

The emergence of the corona virus has contributed to low revenue collection efficiency than anticipated due to some customers facing economic difficulties. However the company has been negotiating with those customers who were unable to pay their bills on time to enter into an instalment payment

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

arrangement so that they could continue receiving water because water was a key agent in fighting the pandemic.

The utility fully complied with the payment of all statutory deductions and owed nothing to the statutory bodies.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Kibwezi-Makindu Water and Sanitation Co. Ltd exist to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on the following pillars: putting the customer/Citizen first, delivering the relevant services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile

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

2. Environmental performance

The water company has been collaborating with the government of Kenya through the local deputy county commissioners, chiefs, and other non-governmental organisations to champion for tree planting every year at Makindu river to conserve. So far more than 15,000 seedlings have been planted at Makindu intakes. The biggest challenge has been invasion by domestic animals grazing along the river and coming to take water. The utility has constructed two cattle water troughs to reduce movement of animals into the river.

The company has operationalized a decentralized faecal treatment facility of a capacity of 22 M³ per day. However we have not been able to acquire our own exhaustor but we use private vendors.

3. Employee welfare

The company is in the process of developing human resource policy that would enable the company to manage employees effectively. Currently when carrying out any recruitment for senior staff the board would advertise and conduct interviews to select the most competitive candidate amongst many. At the beginning of every year staff training needs assessment is done and trainings conducted based on the availability of resources. Common trainings are conducted in-house to reduce the cost of training per staff something which has been effective. The organisation is planning to secure staff insurance cover against accidents that may occur in line of their duties and comply with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices-

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Product stewardship

As envisaged in the Kenyan constitution every citizen has a right to clean safe water and therefore

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the company has continued to ensure people get water that is safe equitably by putting into place rationing programmes at the times of low production.

d) *Community Engagements.*

The company has been able to construct a cattle water trough in Makindu at a cost of Kshs. 279,700 and connected the same with water where farmers in Makindu take their livestock for water.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the period ended 30th June, 2020, which disclose the state of affairs of the company.

Incorporation.

The Company is incorporated in Kenya under the Companies Act Cap 486 laws of Kenya and is domiciled in Kenya. The address of the registered office is set out on page iv above.

Principal Activity.

The Principal activity of the company is the provision of water and sanitation services.

Results of Operations.

The results of the entity for the year ended June 30, 2020 are set out on page one (1) Below is summary of the profit or loss made during the year.

Dividends.

Subject to the approval of the shareholders, the Directors recommend that there will be no payment of dividends for the year


Directors.

The Directors who held office during the year and to the date of this report are listed on page iii above

Auditors

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

By Order of the Board


Stephen M Mutiso
Managing Director / Board Secretary

Date: 23/9/2020

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year/period and the operating results of the company for that year/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, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 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, 2020, 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.

Approval of the financial statements

The company's financial statements were approved by the Board on 23/09 2020 and signed on its behalf by:



Alfred M Kithome
Chairperson of the Board



Stephen M Mutiso
Managing Director

**13. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019-2020	2018-2019
		Kshs	Kshs
REVENUES			
Water sale revenue	4	58,611,435	64,510,165
Cost of sales	5	(11,095,794)	(15,626,519)
Gross profit		<u>47,515,641</u>	<u>48,883,646</u>
Grants from the County Government	6	4,010,980	3,054,528
Other Income	7	11,613,967	10,657,502
Finance income		-	-
TOTAL REVENUES		<u>63,140,588</u>	<u>62,595,676</u>
OPERATING EXPENSES			
Administration Costs	8(a)	67,392,063	64,624,655
TOTAL OPERATING EXPENSES		<u>67,392,063</u>	<u>64,624,655</u>
OPERATING PROFIT/(LOSS)		(4,251,475)	(2,028,979)
PROFIT/(LOSS) BEFORE TAXATION		(4,251,475)	(2,028,979)
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION		(4,251,475)	(2,028,979)

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020	2019
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	2,389,619	2,791,747
Intangible assets	12	907,079	980,626
Total Non-Current Assets		3,296,698	3,772,372
Current Assets			
Inventories	13	925,705	753,970
Trade and other receivables	14 (a)	20,605,017	19,867,442
Bank and cash balances	15	11,310,108	7,773,760
Total Current Assets		32,840,830	28,395,172
Total assets		36,137,527	32,167,545
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital		40	40
Capital reserves		2,498,835	2,498,855
Revenue reserve		(36,275,197)	(32,023,722)
Capital and Reserves		(33,776,322)	(29,524,847)
Non-Current Liabilities			
Customer deposits	23	13,090,800	12,351,800
Total Non-Current Liabilities		13,090,800	12,351,800
Current Liabilities			
Trade and other payables	20(a)	56,761,420	49,005,747
Project funds	25	61,629	334,845
Total Current Liabilities		56,823,049	49,340,592
TOTAL EQUITY AND LIABILITIES		36,137,527	32,167,545


The financial statements were approved by the Board on 23/09 2020 and signed on its behalf by:

Managing Director

Head of Finance

Chairman of the Board

Name Stephen M. Mutisi Name John Kavisi Name ALBERT M. KITHOME

Signature 

Signature 

Signature 

15. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

Period ended 30 June 2018	Ordinary share capital	Capital Reserve	Revenue Reserve	Total
As at July 1, 2017	40	2,498,835	(29,994,743)	(27,495,868)
Prior year adjustments	-	-	-	-
Total comprehensive income	40	2,498,835	(29,994,743)	(27,495,868)
Total comprehensive profit/(loss) for the year	-	-	(2,028,979)	(2,028,979)
As at June 30, 2018	40	2,498,835	(32,023,722)	(29,524,847)
As at July 1, 2019	40	2,498,835	(32,023,722)	(29,524,847)
Prior year adjustments.	-	-	-	-
Total comprehensive income.	40	2,498,835	(32,023,722)	(29,524,847)
Total comprehensive profit/(loss) for the year.	-	-	(4,251,475)	(4,251,475)
As at June 30, 2020	40	2,498,835	(36,275,197)	(33,776,322)

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020 Kshs	2018-2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	24	3,868,864	(383,147)
Interest received		-	-
Interest paid		-	-
Dividends paid		-	-
Taxation paid		-	-
Net cash generated from/(used in) operating activities		3,868,864	(383,147)
CASH FLOWS FROM INVESTING ACTIVITIES			
Project expenditure	25	(273,216)	(9,123,404)
Purchase of property, plant and equipment	10	(59,300)	(121,600)
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets		-	(-)
Net cash generated from/(used in) investing activities		(332,516)	(9,245,004)
CASH FLOWS FROM FINANCING ACTIVITIES			
Project funds - WSTF	25	-	6,914,000
Proceeds from issues of new share capital		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		(-)	(-)
Net cash generated from/(used in) financing activities		-	6,914,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,536,348	(2,714,151)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14	7,773,760	10,487,912
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7(a)	11,310,108	7,773,760

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

Vote head	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Sales from water billings.	60,012,332	-	60,012,332	55,580,935	(4,431,397)
Water Trucking sales	7,071,150	-	7,071,150	3,024,500	(4,046,650)
Other Income	9,367,564	-	9,367,564	11,619,967	2,252,403
Total Revenue	76,451,046	-	76,451,046	70,225,402	(6,225,664)
Expenditure					
Administration expenses	87,866,403	-	87,866,403	78,458,882	(9,333,974)
	(11,415,356)	-	(11,415,357)	(4,296,047)	7,119,310

Notes

The WSP was unable to meet its expected Gross water Income / Revenue of Kshs. 87,866,403 due to the emergence of covid-19 pandemic leading to loss of sales owing to school closure which are our main clients of water trucking resulting to an under billing of Kshs. 6,225,664.

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

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

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

- i) **Revenue from the sale of water** is recognized in the year in which the company delivers water customer, the customer has accepted the product and collectability of the related receivables is reasonably assured.
- ii) **Grants from National or County Government** are recognized in the year in which the company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

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

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

b) In-kind contributions

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

The tools, furniture and computer accessories acquired by the company are stated at cost less depreciation.

All other property, plant and equipment are owned by the government of Makueni county and are not included in the figures shown in the financial statements.

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 costs of ongoing but incomplete works on buildings and other civil works and installations.

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

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

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

e) Intangible assets

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

f) 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 moving average price method.

g) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An amount based on the aging report of the total inactive water sales debtors is provided for as bad and doubtful receivables. All the inactive customers debtors aged more than 181 days form the provision for bad and doubtful debtors. Bad debts are written off after all efforts at recovery have been exhausted.

h) 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 the Central Bank of Kenya and at various Commercial Banks 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.

i) 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.

j) Retirement benefit obligations

The entity is a member a defined contribution scheme for all full-time employees from July 1, 2016. The scheme is administered by Britam life insurance company and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF) for those staff on contract terms. 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.200 per employee per month.

k) Provision for staff leave pay

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

l) Comparative figures

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

m) 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, 2020.

n) Financial risk management objectives and policies

The company's overall activities expose to a variety of financial risks including credit and liquidity risks. The company's overall risk management programme focuses on an unpredictability of changes in the business environment by setting acceptable level of risks.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 REVENUE

Description	2019/2020	2018/2019
	Kshs	Kshs
Gross sales of water (Billing)	55,580,935	56,805,465
Water trucking	3,024,500	7,704,700
Sludge treatment Charges	6,000	-
Less: Value added tax on gross sales	-	-
Total	58,611,435	64,510,165

5 COST OF SALES

Description	2019/2020	2018/2019
	Kshs	Kshs
Electricity operations	8,382,608	9,817,933
Water abstraction fees	2,470,738	5,350,666
Water chemicals and quality assurance	242,448	132,920
Purchase of water for re-sale	-	325,000
Total	11,095,794	15,626,519

6 GRANTS FROM COUNTY GOVERNMENT

Description	2019/2020	2018/2019
	Kshs	Kshs
Recurrent grants received	-	-
Capital grants realized (see note below)	-	-
In Kind contributions/ donations (Seconded staff salaries)	4,010,980	3,054,528
Total	4,010,980	3,054,528

7 OTHER INCOME

Description	2019/2020	2018/2019
	Kshs	Kshs
New connection fees	642,500	512,500
By-pass surcharge	310,000	160,000
Cut-off owner's request	27,600	31,200
Surcharge for water misuse	5,000	15,000
Change of name	8,000	10,000
Reconnection fees	1,258,000	1,418,000
Other income (water Trucking Draw point)	9,362,867	8,505,801
Miscellaneous income	-	5,000
Total	11,613,967	10,657,501

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 (a) ADMINISTRATION COSTS

Description	2020	2019
	Kshs	Kshs
Staff costs (note 8b)	39,664,197	31,847,980
Directors' emoluments	802,475	1,429,335
Electricity and water	35,290	103,925
Communication services and supplies	410,958	348,315
Transportation, travelling and subsistence	1,956,615	2,439,000
Advertising, printing, stationery and photocopying	420,200	252,754
Rent expenses	325,000	300,000
Staff training expenses	284,000	114,190
Maintenance of plant & equipment	197,100	411,139
Maintenance of buildings	160,720	131,210
Maintenance of office furniture and equipment	77,700	103,500
Hospitality supplies and services	84,675	32,685
Insurance costs	365,137	365,417
Bank charges and commissions	53,011	44,572
Office and general supplies and services	501,720	275,888
Auditors' remuneration	174,000	174,000
Legal fees	235,605	101,870
Consultancy Fees	90,000	-
Hire of transport and equipment	15,000	133,100
Computer and printer supplies	166,870	149,890
Repair and maintenance of water infrastructure (Note 8c)	5,011,104	4,849,771
Revenue collection fees	490,616	403,616
Motor vehicle fuel and maintenance (Note 8c)	7,595,150	8,563,686
ICT support services	531,993	466,192
Contracted security services	360,000	360,000
Construction of cattle trough	259,700	-
Provision for bad and doubtful debts	2,398,140	1,956,560
Licensee remuneration fees to TAWSB	-	5,237,311
Regulatory levy to WASRB	2,809,076	2,279,456
Other operating expenses (Note 9)	1,916,011	1,748,774
Total	67,392,063	64,624,655

8 (b) STAFF COSTS

Salaries and allowances of permanent employees	22,581,981	19,223,603
County staff salaries paid directly by the CGM	4,010,980	3,054,528
Wages of temporary employees	8,158,927	5,345,412
Staff welfare	2,059,160	1,297,740
Other pension contributions	1,808,732	1,622,217
Staff leave provisions	455,579	354,380

Staff gratuity provisions	457,650	948,300
Staff Uniforms	95,188	-
Compulsory National Social Security Schemes	36,000	1,800
Total	39,664,197	31,847,980
The average number of employees at the end of the year was:		
Permanent employees – Management	4	4
Permanent employees – Unionisable	45	-
Temporary and contracted employees	12	41
Total	61	45

8 (C) REPAIRS AND MAINTENANCE OF WATER INFRASTRUCTURE

Description	2019-2020	2018-2019
	Kshs	Kshs
Opening balance	753,970	1,296,604
Add: Total purchases for repair and maintenance materials	4,842,164	4,307,137
Less: Closing stock(un-utilized)	(585,030)	(753,970)
Total expenditure	5,011,104	4,849,771

8 (d) WATER CHEMICALS AND QUALITY TESTING

Description	2019-2020	2018-2019
	Kshs	Kshs
Opening balance	-	-
Add: Total purchases for repair and maintenance materials	367,728	132,920
Less: Closing stock(un-utilized)	(125,280)	-
Total expenditure	242,448	132,920

8 (e) MOTORVEHICLE FUEL AND MAINTENANCE

Description	2019-2020	2018-2019
	Kshs	Kshs
Opening balance	-	-
Add: Total purchases for repair and maintenance materials	7,810,545	8,563,686
Less: Closing stock(un-utilized)	(215,395)	-
Total expenditure	7,595,150	8,563,686

9. OTHER OPERATING EXPENSES

Description	2019-2020	2018-2019
	Kshs	Kshs
Office Tea	105,490	167,970
Library expenses	75,130	81,790
Billing Expenses (SMSs)	160,000	200,000
Public Consultation Meeting	-	12,800
Survey & Design	128,500	82,500
Interest on water abstraction charges	911,915	549,396
Depreciation of non-current assets	461,428	574,807
Amortization of Intangible assets	73,547	79,510
Total	1,916,011	1,748,774

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10. PROPERTY, PLANT AND EQUIPMENT

2020	Office Equipment	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION						
At July 1, 2019	13,500	2,211,489	3,175,000	1,381,999	890,787	7,680,775
Additions	-	-	-	-	59,300	59,300
Transfers	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2020	13,500	2,211,489	3,175,000	1,381,999	958,087	7,740,075
DEPRECIATION						
At July 1, 2019	12,008	849,421	2,127,379	1,298,605	601,615	4,889,028
Charge for the year	149	136,207	261,905	27,520	35,647	461,428
Impairment loss	-	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-	-
At June 30, 2020	12,157	985,628	2,389,284	1,326,125	637,262	5,350,456
NET BOOK VALUE At June 30, 2020	1,343	1,225,861	785,716	55,874	320,825	2,389,619

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

2018	Office Equipment	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
COST OR VALUATION						
At July 1, 2017	13,500	2,098,389	3,175,000	1,381,999	890,287	7,559,175
Additions	-	113,100	-	-	8,500	121,600
Transfers	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2018	13,500	2,211,489	3,175,000	1,381,999	898,787	7,680,775
DEPRECIATION						
At July 1, 2017	11,842	698,080	1,778,172	1,257,530	568,596	4,314,220
Charge for the year	166	151,341	349,207	41,075	33,019	574,808
Impairment loss	-	-	-	-	-	-
Eliminated on disposal	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2018	12,008	849,421	2,127,379	1,298,605	601,615	4,889,028
NET BOOK VALUE At June 30, 2018	1,492	1,362,068	1,047,621	83,394	297,172	2,791,747

NOTES TO THE FINANCIAL STATEMENTS (Continued)
12. INTANGIBLE ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
COST		
At July 1 2019	1,357,500	1,357,500
Additions	-	-
Disposals	(-)	(-)
At June 30	1,357,500	1,357,500
AMORTISATION		
At July 1, 2019	376,874	297,364
Charge for the year	73,547	79,510
Disposals		(-)
Impairment loss		(-)
At June 30 2020	450,421	376,874
NET BOOK VALUE		
At June 30, 2020	907,079	980,626

13. INVENTORIES

	2019-2020	2018-2019
	Kshs	Kshs
Fuel, oil and lubricants	215,395	-
Water treatment chemicals	125,280	-
Water system repair materials	585,030	753,970
	925,705	753,970

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. (a) TRADE AND OTHER RECEIVABLES

Particulars	2019-2020	2018-2019
	Kshs	Kshs
Trade receivables (note 13(b))	20,390,024	19,626,479
Deposits and prepayments	40,000	35,000
VAT recoverable	-	-
Staff receivables (note 13(c))	174,953	205,923
Other receivables	40	40
Gross trade and other receivables	20,605,017	19,867,442

14. (b) TRADE RECEIVABLES

Particulars	2019-2020	2018-2019
	Kshs	Kshs
Gross trade receivables	34,254,135	30,307,370
Water trucking receivables	2,446,300	3,231,900
Provision for doubtful receivables	(16,310,411)	(13,912,271)
	20,390,024	19,626,479
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	5,711,907	4,523,712
Between 30 and 60 days	2,122,307	2,316,172
Between 61 and 90 days	1,402,903	1,160,677
Between 91 and 120 days	808,813	1,234,324
Between 121 to 180 days	1,671,367	1,810,683
Over 181 days	22,536,838	19,261,801
	34,254,135	30,307,370

14. (c) STAFF RECEIVABLES

Particulars	2019-2020	2018-2019
	Kshs	Kshs
Gross staff loans and advances	174,953	205,923
Provision for impairment loss	-	(-)
	174,953	205,923
Less: Amounts due within one year	-	(-)
Amounts due after one year	174,953	205,923

15. BANK AND CASH BALANCES

Description	2019-2020	2018-2019
	Kshs	Kshs
Cash at bank	11,267,681	7,773,760
Cash in hand	42,427	-
Total bank and cash balances	11,310,108	7,773,760

The bulk of the cash at bank was held at Safaricom, M-pesa utility account, Kenya Commercial Bank, the entity's main bankers.

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

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
a) Commercial bank			
Kenya Commercial bank	1133896480	319,838	318,530
Kenya Commercial bank	1133705480	769,363	129,684
Kenya Commercial bank	1133705561	7,235,402	6,06,3040
Kenya Commercial bank	1171594712	74	261,901
Kenya Commercial bank	1227348991	61,555	72,944
Sub- total		8,386,232	6,846,099
b) Others			
Post bank	0744130007798	60,161	81,518
M-pesa	Pay bill 913110	2,821,288	846,144
Sub- total		2,881,449	927,662
Grand total		11,267,681	7,773,760

16. ORDINARY SHARE CAPITAL

Particulars	2019-2020	2018-2019
	Kshs	Kshs
Authorised:		
5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
Issued but not fully paid:		
2 ordinary shares of Kshs.20 par value each	40	40

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. REVALUATION RESERVE

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

18. FAIR VALUE ADJUSTMENT RESERVE

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

19. RETAINED EARNINGS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. (a) TRADE AND OTHER PAYABLES

Particulars	2019-2020	2018-2019
	Kshs	Kshs
Trade payables (Note 20(b))	10,133,295	7,320,422
Accrued expenses(Note 20 (c))	44,813,010	40,279,530
Other payables(Note 20 (d))	1,815,115	1,447,294
Total trade and other payables	56,761,420	49,047,246

20 (b) TRADE PAYABLES

Water Resource Authority (WRA)	6,831,592	5,239,324
Amua Systems	901,290	378,560
Nairobi Iron Mongers Ltd	92,336	92,336
Kel chemicals	187,920	-
Mascot filling station	44,450	-
Nolturesh Water Company Ltd	91,200	91,200
Kinetic Engineering	630,000	630,000
Mandison General Insurance Co.	157,790	-
Chenga Auto hardware	43,990	43,990
Riverside filling station	689,110	395,520
Real Autospare	70,400	70,400
Basala hardware	128,485	67,700
Shilo Hardware stores	221,580	113,240
First Machinery	43,152	43,152
Sama Enterprises	-	155,000
	10,133,295	7,320,422

20 (c) ACCRUED EXPENSES

Accrued Staff Leave	208,180	257,524
Licensee Remuneration Fees Payable	32,143,975	32,143,975
Accrued Staff Net Salaries	1,570,168	-
NHIF Deductions	57,000	-
WASPA	125,000	125,000
Withholding VAT	6,895	5,172
Bravo two zero security services	210,000	208,400
Kenya Revenue Authority	213,137	299,259
Water Services Regulatory Board	3,780,733	2,171,657
Chairman's honoraria	22,500	-
NSSF	6,000	-
Kenya Power & Lighting Company	1,467,079	631,266

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Standard Bank Securities	86,850	60,120
Britam Insurance Co. Ltd	1,032,126	758,682
Pioneer Insurance	13,500	-
Sanlam insurance	47,187	-
Ukulima Co-operative Society	446,739	-
Casual Wages	465,100	628,700
Staff gratuity payable	2,903,041	2,986,975
Madison Insurance Co.	5,000	-
HELB	2,800	2,800
	44,813,010	40,279,530

20(d) OTHER PAYABLES		
Water sales payable	357,315	224,694
Provision for audit & supervision fees	1,380,000	1,206,000
Kimawasco SHG	77,800	16,600
	1,815,115	1,447,294

21. RETIREMENT BENEFIT OBLIGATIONS

The entity is a member of a defined benefit scheme for all full-time employees from July 1, 2016 and is administered by Britam life insurance co. Ltd
 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.200 per employee per month.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. PROVISION FOR LEAVE PAY

Particulars	2019-2020	2018-2019
	Kshs	Kshs
Balance at beginning of the year	257,524	228,362
Additional provision at end of year	406,235	354,380
Leave paid out or utilized during the year	(455,579)	(325,218)
Balance at end of the year	208,180	257,524

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

23. CUSTOMER DEPOSIT

Particulars	2019-2020	2018-2019
	Kshs	Kshs
Balance brought Forward	12,351,800	11,409,300
Receipts during the year	780,000	965,500
Less: Refunds for the year	(41,000)	(23,000)
Balance at end of the year	13,090,800	12,351,800

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. NOTES TO THE STATEMENT OF CASH FLOWS

Particulars	2019-2020	2018-2019
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(4,251,475)	(2,028,979)
Depreciation	461,428	574,808
Amortization	73,547	79,510
(Gain)/loss on disposal of property, plant and equipment	-	-
Operating profit/(loss) before working capital changes	(3,716,500)	(1,374,661)
(Increase)/decrease in inventories	(171,735)	542,634
(Increase)/decrease in trade and other receivables	(811,122)	(6,302,459)
Increase/(decrease) in trade and other payables	7,755,673	5,808,839
Increase/(decrease) in retirement benefit obligations	-	-
Increase/(decrease) in provision for staff leave pay	-	-
Increase/(decrease) in customer deposits	739,000	942,500
Net cash outflow before capital charges	7,585,363	991,514
Cash generated from/(used in) operations	3,868,864	(383,147)
(b) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	11,267,681	7,773,760
Cash in hand	42,427	-
Balance at end of the year	11,310,108	7,773,760

25. PROJECT FUNDS

Details	UBSUP project 1	UBSUP Project 2	Total
Opening balances	261,901	72,944	334,845
Add: Receipts for the year	-	-	-
Less: Payments during the year	(261,827)	(11,389)	(273,216)
Balance carried forward	74	61,555	61,629

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Makueni County is the principal shareholder of the *entity*, holding 100% of the company's equity interest. The Government of Makueni County has provided full guarantees to all long-term lenders of the *entity*, both domestic and external.

(b) Water Sector Trust Fund

The company signed a financing agreement with the Water Sector Trust fund to finance a sanitation project. The total amount disbursed was Kenya shillings six million nine hundred fourteen thousand only.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. INCORPORATION

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

28. EVENTS AFTER THE REPORTING PERIOD

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

29. CURRENCY

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

APPENDIX I: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by Kibwezi-Makindu Water and Sanitation Co. funded by development partner(s)

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kibwezi household Sanitation Project	02	Water Sector Trust Fund	6 months		Yes	Yes

Status of Projects completion

(The project was in progress by the end of the previous reporting period and the amounts shown below are the balances brought forward and spent during the year)

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kibwezi household Sanitation Project	334,848	273,216	100%	334,848	273,216	Water Sector Trust Fund