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REPORT

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**KWALE WATER AND SEWERAGE
COMPANY LIMITED**

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

2/19/11

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KWALE WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

Prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting
Standards

KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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A. Acronyms and Glossary of Terms

Acronyms

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board System</i>
<i>BOD</i>	<i>Board Of Director</i>
<i>DMAs</i>	<i>District Metering Areas</i>
<i>HDPE</i>	<i>High Density Poly-Ethylene</i>
<i>NRW</i>	<i>Non-Revenue Water</i>
<i>AC</i>	<i>Asbestos Cement</i>
<i>CBO</i>	<i>Community Based Organization</i>

B. Definition of Key Terms

Fiduciary management: - members of management directly entrusted with the entity's financial resources

Comparative Year: - Means the prior period

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1. Key Entity Information

The Kwale Water and Sewerage Company was established by the water Act of Parliament of 24th October 2002 and now regulated in the Water Act of 2016. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and has satellite stations at Ukunda, Kombani, Samburu, Taru, Mariakani, Mazeras, Lungalunga, Msambweni, Mkanda Kinango and Macknon.

Principal Activities

The principal activity of the Company is to supply and distribute safe and quality water and provide sewerage services to the resident of Kwale County.

Company Vision

To be a Company of choice in water and sanitation services.

Company Mission

To be committed to providing quality, reliable, safe, adequate, accessible water and efficient sanitation services to the satisfaction of the customer.

Directors

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

1.	Rehema Chidzuga	- Chairman	- Appointed on 11 th July 2022
2.	Eric Parmet	- Chief Executive	- Appointed on 3 rd Sept 2022
3.	Helen Njoroge	- Member	- Reappointed on 28 th Feb 2023
4.	Alex Onduko	- Chief Officer Finance	- Reappointed on 28 th Feb 2023
5.	Badru Shikeli	- Chief Officer Water	- Appointed on 28 th Feb 2023
6.	Elisha Mandara Mwachizi	- Member	- Appointed 28 th Feb 2023
7.	Mwanasha Mbaraka Kipanga	- Member	- Appointed 28 th Feb 2023
8.	Fatuma Mkambe Ali	- Member	- Appointed 28 th Feb 2023
9.	William Yawa Chimega	- Member	- Appointed 28 th Feb 2023
10.	Jackson Gitonga M'bundi	- Member	- Appointed 28 th Feb 2023
11.	Mildred Auma Omondi	- Member	- Appointed 28 th Feb 2023

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Company Secretary

Lewa and Associates
Off Sauti ya Kenya Road
Ganjoni (Near Jahazi Hotel)
P.O. Box 2937 - 80100
Mombasa

Corporate Headquarters

Sida Offices-Off-Kwale-Likoni Road
Kwale Area
P.O. Box 18 - 80403
Kwale

Corporate Contacts

Telephone: (254) 41 2014155
E-mail: info@kwalewater.co.ke
Website: www.kwalewater.co.ke

Corporate Bankers

1. Kenya Commercial Bank
Ukunda Branch
P.O. Box 150 - 80400
Ukunda
2. Equity Bank
Ukunda Branch
P.O. Box 1476 – 80400
Ukunda

Independent Auditor




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

Principal Legal Advisers





1. County Attorney
Kwale County Government
P.O. Box 4 - 80403
Kwale

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2. The Board of Directors

Ref	Name	Directors	Details
1.	Rehema Chidzuga		<p>Chairperson of Board of Directors</p> <p>P.O. Box 31 Matuga, Kwale</p> <p>Retired Lecturer GTI Matuga Holds Bachelors of Education Date of Birth 18th April 1957</p>
2.	Eric Melubo Parmet		<p>Managing Director</p> <p>KWAWASCO</p> <p>P. O. Box 4 – 80403 Kwale</p> <p>Master in project planning management.</p> <p>BA in Development studies and Business Administration</p>
3.	Alex Onduko		<p>Board Member</p> <p>P. O. Box 4 – 80403 Kwale</p> <p>Chief Officer Finance CPA (K) Holder</p> <p>Holds master of Business Administration (Finance).</p>

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4.	Helen Njoroge		<p>Chairperson Human Resource & Finance Committee P.O. Box 4 – 80403 Kwale Diploma in ECDE Retired Head Teacher Date of Birth 30/09/1956</p>
5.	Badru Shikeli		<p>Board member P. O. Box 4 – 80403 Kwale Chief Officer Water Bachelors of Science in Water Resource Management</p>
6.	Jackson Gitonga M'bundi		<p>Board member P.O. Box 115 LungaLunga O level Diploma in Bible and Theology Date of Birth 21/5/ 1972</p>
7.	William Yawa Chimega		<p>Chairman Technical Committee P.O. Box KWALE O level Certificate in Postal Management Course Date of Birth 21/03/1958</p>

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8.	Fatuma Mkambe Ali		<p>Board member P.O. Box Kwale O level Financial Management Course Date of Birth: 19/3/1968</p>
9.	Mwanasha Mbaraka Kipanga		<p>Board member P.O. Box Kwale O level Higher Diploma in Accounting (CPA) Date of Birth: 10/10/1990</p>
10.	Elisha Mandara Mwachizi		<p>Chairman Internal Audit and Risk Management P.O. Box Kwale Bachelor of Education Early Childhood Date of Birth: 18/5/1984</p>
11.	Mildred Auma Omondi		<p>Board member P.O. Box Kwale O level Diploma in Secretarial course Date of Birth 1973</p>

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3. Key Management Team

Ref	Name	Management	Details
1.	Eric Melubo Parmet		Managing Director Master in project planning management. BA in Development studies and Business Administration
2.	William Jefwa		Finance Manager. Master in Business Administration Bachelor of Business Administration - Accounting CPA (K), Member of ICPAK
3.	Bismark Isaiah Odede		Head of Technical Civil and Environment Engineering (Egerton University) Master in project planning and management(UoN) Computer application:auto cad &archcad,gis

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4.	Mercy Keah		<p>Human Resource Manager. Bachelor in Business Admin Msc Human Resource Management in Progress Diploma Business Administration P1 Certificate.</p>
5.	Hussein Mwavadu		<p>Commercial Manager Degree in Information and Technology. Diploma in IMIS Master Degree on going</p>
6.	Steven Safari		<p>Internal Auditor. Bachelor of Commerce (Accounting Option) CPA (K), Member of ICPAK Registered member of IIA</p>

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7.	Swaleh Kidzuga	 A portrait of Swaleh Kidzuga, a man with short dark hair and a goatee, wearing a dark pinstriped suit jacket, a white shirt, and a maroon tie.	<p>Technical Manager. Diploma in water Engineering Higher Diploma in Building and Civil Works Member of Engineering Registration Board of Kenya</p>
8.	Hamisi Nzimo	 A portrait of Hamisi Nzimo, a man with short dark hair, wearing a dark blue suit jacket, a light blue and white checkered shirt, and a yellow and blue striped tie.	<p>Procurement Officer Master Degree Project Planning & Management (UoN) Bachelor of Commerce Procurement & S.C (UoN) Registered member KISM</p>

4. Chairman's Statement

Technical Activities

Implementation of key projects and Investment decisions by Kwawasco

Kwale water and Sewerage Company as the only registered water service provider in the County of Kwale is mandated to supplying water that is safe and in sufficient quantities to the residents of Kwale County. Kwawasco has continuously worked closely with relevant development partners in the water and sanitation sector in towards resources mobilization for water and sanitation infrastructure development.

The Company's water supply coverage jurisdiction currently stands at slightly above 60% of the County's total population standing at 866,000 people based on the last census. This coverage figure centres around the main urban towns of Kwale, Ukunda/Diani , Kinango , Mariakani and Msambweni . However, the rural areas are also served through delegated authority by CBOs who operate independently but under the overall guidance by Kwawasco to ensure quality and efficient services are being offered as per WASREB regulations. Key among these development partners are the World Bank, County Government of Kwale, Water Sector Trust Fund and Coast Water Works Development Agency and by large the Ministry of Water and Sanitation.

The Company received (Loan and Grant) funding from World Bank for Water and Sanitation Development Programme (WSDP) targeting Ukunda and Kwale towns. The project which is currently under implementation at a cost of Ksh. 2.5Billion is expected to be completed by 30th October 2025. Upon completion, project will bring on board additional 9,000M³ of water to the system resulting in enrolment of more than 5,000 new connections drawn from Ukunda, Diani, Tiwi and Kombani areas. This is expected to broaden the company's revenue base considering the potential within Ukunda. Diani as a tourism Hub and the fast growing town of Kombani which is currently a preferred residential area due to available land and other social amenities. The project as it aims to also replace the existing 6'' Dia. AC line running from corner beach in Ukunda all the way to Check point with a HDPE line, will reduce drastically on NRW levels which are currently very high for that area about 80% to acceptable levels.

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The World Bank Support targets to deliver on the following as summarized here under-:

Item	Target Activity	Status	Remarks
1	Procurement and delivery of Consumer water meters, all critical tools and fast moving fittings.	Purchase and delivered and in use.	To address NRW which is now at 48% companywide to acceptable level of 25%
2	Procurement and delivery of 10 Motorcycles	Purchased and delivered to KAWASCO and in use	Deployed to the field stations for use by meter readers and pipe fitters
3	Procurement of 2 water Boozers and 2 exhauster's of capacity 10,000 Litre each	Procured and delivered to KAWASCO and in use	Used to ferry water to areas which are under served as well as public institutions in the hinterland. Exhaustion services rendered within the urban centers of Ukunda and Kwale
4	Laying of water reticulation system of various sizes within Ukunda Town and its environs of 62km total length.	52.8km of reticulation system laid	Remaining 2.6 km of 500mm dia pipeline mainly large diameter main transmission line from Mabokoni to Ukunda town
	Drilling and equipping of 11 boreholes including lying of collector lines and construction of a storage reservoir of capacity 4200 m ³ at Mabokoni TUM campus.	9No boreholes were drilled tested and have good yields. Reinforced concrete tank under construction at 90% completion	Laying of collector lines ongoing with only 4 km of 500mm dia remaining to Mabokoni tank reservoir

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5	Construction of 10 No public sanitation blocks 4 in Kwale and 6 in Ukunda	4No Ablution blocks in Kwale and 6No Ablution blocks in Ukunda constructed.	Ablution blocks have been allocated to operators and are in use
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Overall, the highlighted works are to be completed by the end 30th October 2025 with a possibility of extension being granted by the Bank where need arises.

The Water Sector Trust Fund (WSTF) under the financial year 2022 approved plans for sanitation improvement within community households under the UBSUP program (Up scaling Basic Sanitation in Urban Poor) basically aimed at improving the sanitation standards within the environs of urban centres. Ukunda urban town was selected for this intervention where 200 toilets doors were constructed at owner cost with the programme eventually offering a subsidy of Ksh 20,000 and Ksh 15,000 for each door constructed or rehabilitated respectively. Particular toilet model was being promoted then that would prevent possible ground water resource pollution as is the case with the normal non-aligned conventional pit Latrines. UBSUP programme also came up with a decentralised treatment facility (DTF) that was constructed within Mabokoni area on a Land dedicated to Kwawasco by County Government of Kwale next to Technical University of Mombasa campus. Construction of this facility was completed by end March 2022 thus complementing the other component of toilet construction and utilization of the sewerage exhauster trucks. Emptying and effective waste treatment is now being realised at the DTF, accommodating a capacity of 50,000 litres of waste per day.

The Company in its effort to reach its customers located within its urban centres and not covered under the existing supply network has invested using own internal resources to put up extension lines around Kwale town, Macknnon and Mavarata areas. Other minor activities but of great significance done by the Company were aimed at improving company efficiency in addressing NRW, energy efficiency measures and strengthening company organizational capacity.

CWWDA (Coast Water Works Development Agency) has greatly supported in project development that include borehole rehabilitation networks around Tiwi aimed at boosting supply to Tiwi, Kombani and Ukunda areas. the Kwale town water improvement works under the Kenya Water Security and

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Climate Resilience Project targeting Kwale town, Pemba and Makamini dam projects under CWWDA aimed at improving supply for Kinango Town and its environs.

Several projects have been and are being implemented by the County Government in the entire Kwale County resulting in more areas being covered with clean water particularly in the rural areas thus improved hygiene standards, clean and safe drinking water for productive citizens.

The Company has been listed among 33 other WSPs in the entire Country to benefit from a World bank funded project that commenced in the year 2024/2025 and is expected to run for 5 years. This project K-WASH (Kenya Water and Sanitation Hygiene) extends grants to WSPs targeting at general improvement in operational efficiencies of these companies such reduce on NRW, improvement of coverage, operational cost etc. Also the project has opened a window where the bank supports the Company's to leverage on commercial financing with any financial institutions

These investments priorities will ultimately result in improvement on key performance indicators elevating Kwawasco to being a self-sustainable Company.



.....
Rehema Chidzuga
CHAIRPERSON

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5. Report of the Managing Director

Kwale Water and Sewerage Company Limited (KAWASCO) was incorporated on the 26th September 2005. The company's mandate is to provide quality, reliable, safe adequate, accessible water and efficient sanitation services to the satisfaction of the customer accordance with licence issued by the WASREB, sector regulator.

The Company has 10 board members representing the County Government of Kwale, Water User Association, hotel industry, professional's representative and farming community gender, representation and all 5 Sub Counties represented. The population within KAWASCO's service area is about 866,000 people based on the last census by the Kenya National Bureau of Statistics while the company's estimated population served is about 60%. Kwale Water and Sewerage Company receive bulk water from Coast Water Works Development Agency (Bulk Unit) from its various sources namely Marere Springs, Mzima Springs and Tiwi Boreholes.

KAWASCO also operates water schemes in Msambweni, Lungalunga and Vanga all of which are served by boreholes from Msambweni, Mwalewa, Tsuini and Kikwezani respectively.

KAWASCO is headed by a Managing Director and has four (4) Administrative departments namely; Technical department, Commercial and Business Development, Finance and Administration and Human Resource. In efforts to take services closer to the people and improve on the company performance and service delivery, the company has the following area offices across the county which are headed by Zonal Managers. These are;

Station	Zones	Zonal Office
1	Tiwi/Ukunda	Ukunda
2	Msambweni/Mkanda	Msambweni
3	Kwale/Kinango	Kwale
4	Mzima	Mariakani

The company is currently operating with 3-year licence issued by WASREB. In conclusion, the company is running on a new tariff that took effect from July 2023.



Eric Parmet

Managing Director

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6. Statement of performance against predetermined objectives for FY 2024/2025

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity’s performance against predetermined objectives.

Kwale Water and Sewerage Company has 13 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022- FY 2025. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue **1:** to Pillar/theme/issue **13**

KWAWASCO develops its annual work plans based on the above 13 pillars/Themes/Issues. 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 2024/2025 period for its 13 strategic pillars, as indicated in the diagram below:

Strategic Pillar/ Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Increase Revenue by 50%	Automation of billing system and meter reading Water clinics	Improve revenue collection efficiency Improve billing accuracy. Increase connection by 25% of current.	Revenue increased by 25.2%
Pillar 2:	Increase Customer satisfaction to 30% by 2025	Customer care desk every station Recording of customer complain on daily basis	Evaluate customer satisfaction. Manage customer expectation. Restructure customer’s complaint management system.	Customer Satisfaction increased to 25%
Pillar 3:	Establish a robust ICT infrastructure	Installation of internet to all station	Internet connectivity in all outer station to enhance	ICT infrastructure across the

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		Issuance of Computer/Laptops to station in charge	communication with HQ for faster inquiries and response	company increased by 40%
Pillar 4:	Improve fiscal health by 50% by 2024	Proper book keeping	Keeping proper Assets register. Cleaning of the uncollectable debts.	Fiscal health increased by 30%
Pillar 5:	Establish an Integrated Financial and Information Management System for the company	Operational IMS. Training schedule	Acquiring an IMS. Staff capacity building.	Achieved 10%
Pillar 6:	Improve the supply chain management to effectively enhance service delivery.	Time Cost of production and Compliance	Staff and Supplier Attitude change. Embrace e-procurement.	Achieved 20%
Pillar 7:	Establish Inclusive, transparent and accountable water governance structures at all levels.	Composition of BOD	Develop and strengthen institutional mechanisms for effective stakeholder participation in the management of water resources. Identify and reduce barriers to participation. Create forums for discussions/suggestions Streamlining operations with devolved governance structures.	Achieved 80%

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Pillar 8:	Enhance staff productivity and service delivery	Staff trainings , Bench marking, Mentorship programmes	Develop and maintain open and effective horizontal vertical communication. Training and development. Motivate and retain employees.	Achieved 50%
Pillar 9:	Enhance employee satisfaction	Conduct employee survey	Team building Mentorship programmes Competitive remuneration Recognition and reward	Achieved 40%
Pillar 10:	Increase supply of quality piped water by 20% every year.	Water treatment and replacement of dilapidated pipelines	Install new metered connections to Households and institutional clients. Extend Network coverage. Develop new water sources. Improve quality and safety of piped water. Improve water storage management practices.	Achieved 15%
Pillar 11:	Increase supply coverage by 20% by 2025	Pipeline Extension	Revive cut offs due to Big debts by negotiations and agreements on payment plans. Connects new clients on projected projects.	Achieved 40%
Pillar 12:	Reduce non-revenue water by 50% by 2025.	Replacement of dilapidated pipelines	Establish DMAs Establish and equip rapid response team. Carry out meter reading Audits. Replace non- working meters.	Achieved 6% decrease

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			<p>Minimise water losses and unaccounted for water.</p> <p>Strengthen internal control systems and accounting.</p> <p>Staff and consumer attitude change.</p> <p>Operationalize Kwale County water Act.</p>	
Pillar 13:	Develop efficient sanitation services to 30% coverage in urban areas by 2023.	Construction of Decentralised Treatment Facility	<p>Initiate establishment of sewer system and waste water treatment.</p> <p>Establish Decentralize Treatment Facility in urban areas.</p> <p>Create awareness on sanitation needs within urban areas.</p> <p>Purchase sewer trucks for exhaustion.</p>	Achieved 20%

7. Corporate Governance Statement

Corporate governance is the process and structure by which companies are directed, controlled and held accountable in order to achieve long-term value to shareholders taking cognisance of the interest of the other shareholders. The Board of Directors of KWAWASCO is responsible for the governance of the corporation and is accountable to the shareholders in ensuring that the corporation complies with the laws and the highest standards of business ethics and corporate governance.

Accordingly, the Board attaches very high importance to the generally accepted corporate governance practices and has embraced the internationally developed principles and code of best practice of good corporate governance and is guided by the corporate governance guidelines as set by the sector regulator WASREB.

Board of Directors

The role and functions of the Chairman and the Managing Director are distinct and their respective responsibilities are clearly defined within the Company. The Company's Board comprises of Ten (10) directors who are non-executive directors including the Chairman. To maintain the integrity of internal procedures of the company, the board of KWAWASCO has established an Audit committee (which is mandatory). The Finance and Administration Committee of the board, Technical Committee of the board were also established as outlined in WASREB Governance regulations to deal with issues on a continuous basis which cannot be adequately dealt with by the Board itself,

The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Company.

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Board Meetings

The Board holds meetings on a quarterly basis while special meetings are called when it is deemed necessary. The Board held four (4) regular and no special meetings during the year under review. As the Entity is a Semi-Autonomous Government Agency.

Committees of the Board

Board has set up the following principal Committees that meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

a) Audit and Risk Management Committee

Membership of the Audit Committee is comprised of:

1. Elisha Mandara Mwachizi - Chairperson
2. Mwanasha Mbaraka Kipanga - Member
3. William Yawa Chimega - Member

The Committee assists the Board in fulfilling its corporate governance responsibilities and in particular to:

- Review financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.
- Strengthen the effectiveness of the internal audit function.
- Maintain oversight on internal control systems.
- • Liaise with the external auditors.

The Committee held three regular meeting and no special meetings in the year under review.

b) Finance and Administrations Committee

The membership of the Finance and Administration Committee comprise of:

1. Fatuma Mkambe Ali - Chairperson
2. Alex Onduko - Member
3. Jackson Gitonga M'bundi – Member

The committee provide guidance on issues relating to budget and finances. The Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, information and

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technology, procurement, investment strategies, policies, projects and related activities.

c) Human Resource and Administration

1. Hellen Njoroge - Chairperson
2. Badru Shikeli Ali – Member
3. Mildred Auma Omondi - Member

The Committee reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare. The Committee held four (4) regular meetings and no special meeting in the year under review.

d) Technical and Commercial committee

The membership of the Technical and Commercial Committee is comprised of:

1. William Yawa Chimega -Chairperson
2. Elisha Mandara Mwachizi -Member
3. Mwanasha Mbaraka Kipanga - Member

The Committee held four (3) regular meetings and no special meeting in the year under review.

Shareholding


The company recently reviewed its strategic plan and aligned to the realistic operational environment and whereby the mission and vision, core values were revised to take into this account.

The Memorandum &Articles of Association of the company was registered and deposited with the Registrar of Companies having shareholding portfolio as stated hereunder;

County Secretary Kwale	800 shares
County Executive Member Finance	600 shares
County Executive Member Water	600 shares
Total	2000 shares



Eric Parmet
MANAGING DIRECTOR



Rehema Chidzuga
CHAIRPERSON

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8. Management Discussion and Analysis

a) Staffing

During the end of the financial year, the number of staff stood at 157 as shown in table 1

Table 1

NO. OF STAFF	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Permanent	55	51	51	54
Contract	87	91	100	99
Management Contract	4	4	4	4
TOTAL	146	146	155	157

b) Production, billed volume, NRW, Billed Revenue Amount.

During the year under review, the company produced 4,113,920m³ of water compared to the previous year's 4,099,482m³ of water. This represents 0.3 % increase in bulk water production. The comparable yearly bulk water production translates to water/sales of Kshs 238,892,286 and Kshs 197,872,649 for the years 2025 and 2024 respectively. The company registered an increase in volume of water billed to customers from 2,104,536m³ in 2024 to 2,126,169m³ in 2025; an increase of approximately 1.1%.

Non-Revenue water decreased from 49% in 2024 to 48% in 2025. The reduction of NRW from 49% to 48% a decrease of 1% was due to rapid response in leaks and burst. (Management meeting once a week). Among notable causes of high NRW as noted by management was high estimated bills slapped to the water utility by Coast Water Works Development Agency. Old and dilapidated water supply infrastructure has resulted to frequent leaks and bursts.

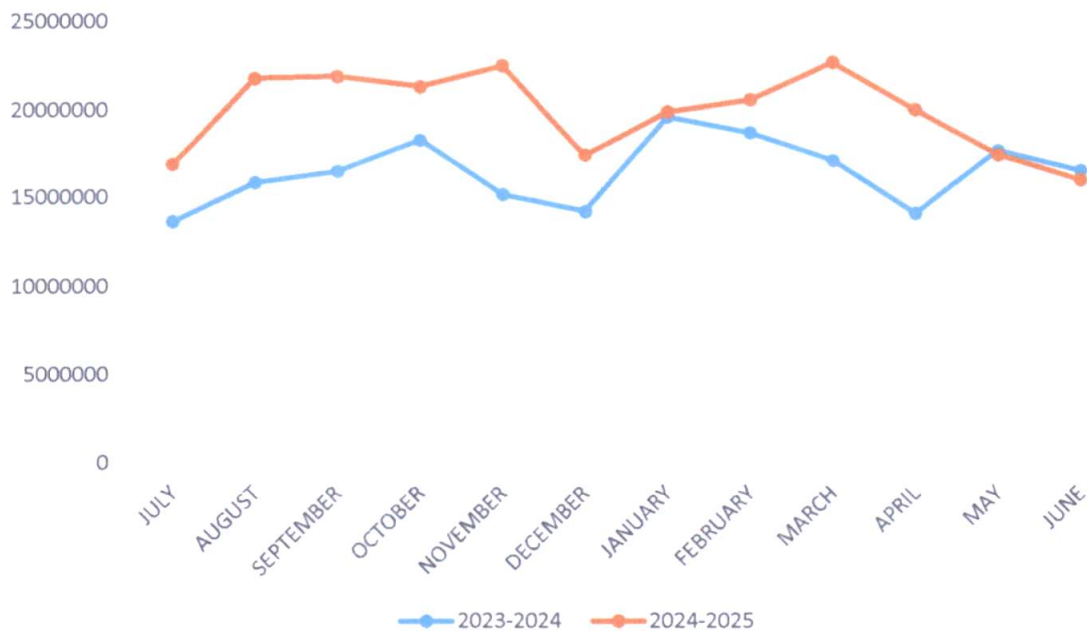
The company reconciled the bulk water purchase figures to harmonised production /payables with those held by Coast Water Works Development Agency.

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Table 2: Water Production versus billings Summary

Months	Production in m3		Billed Vol. m3		NRW		Water Sale (Kshs)	
	2023-2024	2024-2025	2023-2024	2024-2025	2023-2024	2024-2025	2023-2024	2024-2025
July	361,346	408,283	152,199	216,331	209,147	191,952	13,675,390	16,920,572
August	368,360	418,635	180,355	227,209	188,005	191,426	15,894,356	21,817,460
September	362,387	351,240	183,103	183,086	179,284	168,154	16,525,716	21,935,164
October	358,833	371,723	189,937	190,388	168,896	181,335	18,343,706	21,365,747
November	335,103	316,749	153,985	155,047	181,118	161,702	15,201,072	22,526,779
December	303,754	351,337	152,455	176,245	151,299	175,092	14,245,487	17,469,690
January	367,758	345,623	200,384	174,122	167,374	171,511	19,661,556	19,942,231
February	375,256	351,673	197,421	190,423	177,835	161,250	18,753,424	20,617,213
March	330,286	326,704	179,231	172,552	151,055	154,152	17,158,365	22,719,902
April	301,964	294,123	151,249	149,301	150,715	144,822	14,121,844	20,051,126
May	327,428	276,643	190,522	137,427	136,906	139,216	17,726,011	17,479,992
June	307,007	301,187	173,695	154,038	133,312	147,149	16,565,622	16,046,410
	4,099,482	4,113,920	2,104,536	2,126,169	1,994,946	1,987,761	197,782,649	238,892,286
					49%	48%		

Revenue graph



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c) Number of Connections (Active Billed)

During the year under review, the company recorded an overall average growth of 3.5% in customer base compared to the financial year ended 30 June, 2024. KWAWASCO had the following water connection movement as illustrated below.

Year	No. of Connections		Change in No. of connections	% Change
	2023-2024	2024-2025	Per Qtr.	
Average Qtr1	22,369	23,116	146	0.6%
Average Qtr2	22,703	23,344	228	0.9%
Average Qtr3	22,880	23,431	87	0.3%
Average Qtr4	22,970	23,874	443	1.9%

d) Risks

i) Sustainability

The risk facing the company is lack of sustainability. This challenge arises from several factors, including the high cost of operations such as increased pumping power and fuel expenses, High level of Non-Revenue Water (NRW) resulting from leaks, bursts and illegal connections, as well as inaccurate billing by bulk customers. To address these challenges, management has implemented a range of cost-cutting and efficiency measures aimed at enhancing the company's sustainability. These include conducting customer identification surveys to clean up the customer data base, performing investment-grade energy audits to identify and implement energy saving opportunities, intensifying NRW reduction incentives, enforcing strict budgetary control and introducing employment caveat for staff.

ii) Going Concern of KWAWASCO

Kwawasco reported a deficit of Ksh. 93,996,591 in the comprehensive income increasing the accumulated deficit to Ksh. 332,772,172. The current liabilities balance is Ksh. 695,295,797 while total current assets balance is Ksh. 278,897,590 resulting into a negative working capital of Ksh. 416,398,207. With the completion of major projects, the company will highly erode the issue of going concern implying that soon the company will be able to meet its obligation as and when they fall due.

9. Environmental and Sustainability Reporting

i) Sustainability strategy and profile –

The company has diversified the number of water sources including the 9 boreholes that has been drilled under the Water Sanitation Development Program under the World Bank Project. This has directly increased the water supply to counter the ever increasing demand especially in the tourism hotel sector. Close partnership with the County Government and the National Government has made it possible to access resources from World Bank for more investments. There has been devoted effort of increasing the area specific staff to monitor and report the unaccounted water (physical and financial losses) for the prompt response and reconnections. This is also supported by the above project in replacing the old pipeline with the new pipelines as well as increasing the customer care and the adoption of water treatment for the borehole/underground water. There has been increase in the customer base. Some of the key challenges have been the leakages especially within the pristine areas (forest) where access is challenging thus response to address leakages is longer than expected thus leading to losses.

ii) Environmental Performance

The Company has utilized the technical services of the hired Safeguards Specialist to prepare an Environmental Policy. The Company does abide by Good International Industry Specific Best Practices in management of biodiversity, waste and efforts to reduce environmental impact related to organizations' day to day activities. The organization undertakes due diligence including the undertaking of Environmental and Social Impact Assessment for new projects case in point is the Ukunda Urban Water Supply project and the completed Office Building. Project specific Contractors Environment and Social Management Plans, Waste Management Plans, Biodiversity Management Plans are prepared by the contractors before site hand over and start of the project.

iii) Employee welfare

In line with Work Injury Benefits Act, 2007, the organization has taken appropriate WIBA cover for all staff members. Other additional measures in line with Occupational Health and Safety Act, 2007 include the acquisition of the personal protective equipment for the staff including but not limited to: Gumboots, safety boots, motor cycle riders' reflector jackets, among others and the provision of masks and sanitizers as on need basis.

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The **Environmental Policy** for KWAWASCO focuses on sustainable water treatment, distribution, and sanitation and ablution blocks and septic tanks in Kwale County. The policy emphasizes environmental protection, resource efficiency, and compliance with regulatory standards. Key points include:

1. Policy Goals:

- Ensure sustainable water use and treatment.
- Minimize environmental pollution from septic tanks and water treatment facilities.
- Promote water conservation and efficient distribution.

2. Water Treatment:

- Implement eco-friendly water treatment processes.
- Safely manage chemicals and waste products.
- Reduce energy consumption through efficient technologies.

3. Water Distribution:

- Minimize water losses via maintenance and leak detection.
- Engage communities in responsible water use and infrastructure maintenance.

4. Sanitation (Ablution Blocks & Septic Tanks):

- Ensure septic tanks are properly managed to prevent water and soil contamination.
- Maintain hygiene and health standards in sanitation facilities.
- Explore waste recycling options and eco-friendly treatment solutions (e.g., bio-digesters).

5. Environmental Education:

- Conduct public education on water conservation, sanitation, and sustainability.
- Build capacity for staff and community stakeholders.

6. Regulatory Compliance:

- Follow all national and county environmental laws.
- Conduct regular Environmental Impact Assessments (EIA) and audits.

7. Monitoring and Emergency Preparedness:

- Regularly monitor Environmental and Social impacts.
- Prepare for environmental hazards like chemical spills or leaks.

8. Collaboration:

Partner with local communities, government bodies, and NGOs for environmental management.

This policy ensures KWAWASCO's operations are aligned with environmental sustainability while delivering essential water and sanitation services.

ii) Market place practices-

a) Responsible competition practice.

The organization is guided by the following core values:

- Customer Focus
- Quality
- Results Oriented
- Professionalism & Ethical Conduct
- Innovation
- Transparency & Accountability

All new staff members are properly oriented to appreciate the intent of this core values for the organization to guarantee responsible competition practices in issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

Various stakeholders are involved at different levels of implementation. The key stakeholders include: our Customers, Government Ministries, Departments, Agencies, Civil Society, Development Partners and the Media, to ensure transparency and ownership. The engagements are in form of open dialogues with the various key players and entails building synergies, improving effectiveness of the institutional activities.

The organization has taken effort to prequalify service providers, nationwide circulation of the advertisement for open tendering, with special categories including the women, youth and people with disabilities getting opportunities for Business with KWAWASCO.

The organization is open in market practices with the private water service providers local CBOs through support training in operation and maintenance of their borehole and treatment plants, provision of chemical to other water service providers when there is scarcity at the County Government to ensure compliance on quality.

b) Product stewardship

Safety of water is guaranteed in the following ways:

Monthly sampling and testing of the physiochemical properties including but not limited to the turbidity, E-coli, among others

iii) Corporate Social Responsibility / Community Engagements

Kwale Water and Sewerage Company is the only registered Water Service Provider in Kwale County. The Company operations cover all the sub counties with service lines in all major towns in the county including Mackinon, Taru, Samburu, Mazeras, Mariakani, Kinango, lutsangani /Tsunza, Kwale, Kombani, Ukunda/ Diani, Msambweni, Lungalunga and Vanga towns. The Company also operates other rural schemes mainly on Mzima line and Mkanda dam serving areas of Kasemeni, Mwavumbo ,Dzombo and Kikoneni areas respectively . The Company as at June 30, 2025 has a total of 23,874 connections mainly registered on domestic tariff and a few connections on commercial tariff.

**KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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10. Report of the Directors

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

i) Principal activities

- Provide quality and economical water services to consumers.
- Billing for water and ensure timely collection of dues.
- Routinely maintain water services and infrastructure.
- Ensure that standards and licensing requirements are complied with as stipulated in the license by the Water Service Regulatory Board (WASREB).

ii) Results

The results of the company for the year ended 30th June, 2025 as set out on page One (1)

Financial results

Deficit for the year **Kshs. (93,996,591)**

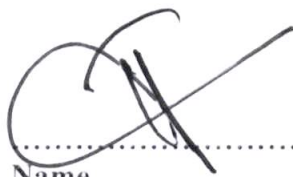
iii) Directors

The members of the Board of Directors who served during the year are shown on page vi to viii.

iv) Auditors

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

By Order of the Board



Name

Company Secretary/Secretary to the Board

Date: 9/10/2025



11. Statement of Directors' Responsibilities

Public Finance Management Act, 2012 and Companies Act, 2015 require the Directors to prepare financial statements in respect of KWAWASCO, 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 KWAWASCO for that year/period. The Directors are also required to ensure that KWAWASCO 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 KWAWASCO.

The Directors are responsible for the preparation and presentation of KWAWASCO'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 ended on June 30, 2025. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv). Safeguarding the assets of the Company;
- (v) Selecting and applying appropriate accounting policies;
- (vi). Making accounting estimates that are reasonable in the circumstances.

The Directors 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 2012.

**KWALE WATER & SEWERAGE COMPANY LIMITED
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Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that KAWASCO's financial statements give a true and fair view of the state of the Company's transactions during the financial year ended June 30, 2025, and of KAWASCO'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 KAWASCO'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 KAWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

KAWASCO's financial statements were approved by the Board on 9/10/ 2025 and signed on its behalf by:



Signature

Name: Rehema Chidzuga

Chairperson of the Board



Signature

Name: Eric Melubo Parmet

Managing Director

REPUBLIC OF KENYA

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



HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KWALE WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kwale Water and Sewerage Company Limited set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kwale Water and Sewerage Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Material Uncertainty Related to Going Concern

The statement of financial position reflects total current assets balance of Kshs.278,897,590 and current liabilities of Kshs.695,295,800 resulting into negative working capital of Kshs.416,398,210 or a current ratio of 0.40. The negative working capital and current ratio of less than one (1) is an indication that the Company may not meet its obligations as and when they fall due. This condition indicates the existence of a material uncertainty, which may cast doubt on the Company's ability to continue as a going concern and that the Company's existence is dependent on continued support from the County Government of Kwale and creditors. Management did not disclose the measures taken to mitigate this condition.

In the circumstances, the Company's ability to continue as a going concern could not be confirmed.

2. Unsupported Balances

2.1 Unsupported Ordinary Share Capital

The statement of financial position and Note 23 to the financial statements reflect issued and fully paid ordinary share capital of Kshs.2,000,000 of par value of Kshs.1,000 each but whose share certificate was not provided for audit review. Management indicated that the Company shareholding was previously under the Town Council of Kwale before devolution and that the Company is in the process of regularizing the Memorandum and Articles of Association to reflect the current ownership by Kwale County Government. The issuance of share certificate will be effected upon completion of this registration process.

In the circumstances, the accuracy and completeness of share capital of Kshs.2,000,000 could not be confirmed.

2.2 Unsupported Capital Reserve

The statement of financial position and Note 24(a) to the financial statements reflects capital reserve balance of Kshs.36,719,864. However, schedule in support of capital reserve was not provided for audit review.

In the circumstances, the accuracy and completeness of capital reserve of Kshs.36,719,864 could not be confirmed.

3 Doubtful Recovery of Accounts Receivables

Note 21(a) to the financial statements reflects gross trade receivables balance of Kshs.336,932,327. Included in this balance is receivables amounting to Kshs.258,354,692 which has been outstanding for over 120 days. Further, analysis of debtors' ledgers maintained in the billing system revealed that accounts receivables balance of Kshs.160,799,138 related to accounts which were disconnected as at 30 June, 2025. Management has not provided detailed current debt recovery strategies.

In the circumstances, the recoverability of the long outstanding accounts receivables and debts could not be confirmed.

4 Unconfirmed Property, Plant and Equipment Balance

The statement of financial position and Note 18 to the financial statements reflects property, plant and equipment balance of Kshs.1,537,351,915. However, the fixed asset register provided for audit did not contain depreciation workings like useful lives, depreciation rates, and accumulated depreciation. Further, the land balance of Kshs.4,187,240 was not supported by an updated land register.

In the circumstances, the accuracy, completeness and valuation of property, plant and equipment balance of Kshs.1,537,351,915 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.585,077,522 and Kshs.576,400,646 respectively, resulting in revenue shortfall of Kshs.8,676,876, or 1.5% of the budget.

Similarly, the Company expended Kshs.561,896,014 against an approved budget of Kshs.580,257,196, resulting in an under absorption of Kshs.18,361,182 or 3% of the budgeted amount.

The revenue shortfall and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Reports on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Company in 2024/2025 revealed that the following seven (7) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Unsupported share capital and reserves
2	2023/2024	Long outstanding accounts receivables
3	2023/2024	Material uncertainty related to going concern
4	2023/2024	Non-revenue water
5	2023/2024	Affirmative action on gender, ethnicity and regional distribution
6	2023/2024	Lack of approved information technology security policy and disaster recovery plan
7	2023/2024	Trade and other payables

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflect operating revenue of Kshs.241,979,786. During the year under review, the Company produced 4,113,920 cubic meters of water, out of which only 2,126,169 cubic meters or 52% was billed to customers at Kshs.238,892,286. The balance of 1,987,751 cubic meters or 48% of the total volume produced was not billed and represents Non-Revenue Water. This is higher than the 25% allowable loss by Water Service Regulatory Board (WASREB) guidelines.

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

2. Compliance with Law on Affirmative Action

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects staff costs of Kshs.75,006,193. However, the following anomalies were observed;

2.1. Lack of Ethnic Diversity in Staff Establishment

The Company had one hundred and fifty-seven (157) officers out of whom seventy-six (76) or 48% and sixty-one (61) or 39% were from two ethnic communities contrary to

Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that no public establishment to have more than one third of its staff from the same ethnic community.

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

2.2. Lack of Affirmative Action for Persons Living with Disabilities

Review of human resource records revealed that the Company engaged one hundred and four (104) employees on contract during the year under review. However, only two (2) or 2% of the employees on contract were persons with disabilities, contrary to Section 13 of the Persons with Disabilities Act, 2003 which requires that employers reserve at least 5% of their employment positions for people with disabilities.

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

2.3. Non-Compliance with Gender Rule in Staff Establishment

During the year under review, the Company had one hundred and fifty-seven (157) officers out of whom one hundred and twenty-four (124) or 79% were male contrary to Article 27(8) of Constitution of Kenya, 2010 which provides the state to take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies be of the same gender.

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

3. Non-Compliance with the Order on Public Procurement Regulatory Authority (PPRA) Capacity Building Levy

Review of quarterly procurement reports revealed that the Company awarded seventy-five (75) contracts valued at Kshs.13,951,239 between 01 September, 2024 and 30 June, 2025. However, Management did not deduct and remit PPRA capacity building levy amounting to Kshs.4,185 on the payments on the contracts contrary to Public Procurement Capacity Building Levy Order, 2023.

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

4. Lack of Salaries and Remuneration Commission (SRC) Concurrence on the Salary Structure

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflects staff costs of Kshs.75,006,193. The staff costs were incurred in compliance with a salary structure approved by the Board of Directors on 19 July, 2015. However, no evidence was provided to confirm that Management sought the concurrence or advice of the Salaries and Remuneration Commission before implementing the salary structure.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Ineffective Internal Audit Function

Review of internal control indicated that the internal audit department comprises of only one (1) staff member. This is a significant concern given the size, complexity, and risk profile of the water utility operations. This is contrary to Section 7.2 of the Mwongozo code of Governance of state Corporations which requires internal audit function to be independent and adequately resourced to effectively discharge its responsibilities

In the circumstances, the effectiveness of the internal audit function could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. The information given in the Directors' report on page xxx is consistent with the financial statements.

Basis for Conclusion

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

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 December, 2025

KWALE WATER & SEWERAGE COMPANY LIMITED
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FOR THE YEAR ENDED JUNE 30, 2025

13. Statement of profit or loss and other comprehensive income for the year ended 30 June 2025.

	Note	2024-2025	2023-2024
		Kshs	Kshs
Revenue			
Operating Revenue	6	241,979,786	198,758,483
Grants Income	7	75,572,030	153,685,348
Other Income	8	1,861,710	1,016,568
Finance Income	9	-	258,876
Total Operating Income		319,413,526	353,719,275
Expenses			
Staff Costs	10	75,006,193	73,625,373
General and Operations expenses	11	243,267,143	207,611,454
Board Expenses	12	4,374,060	3,258,800
Maintenance Expenses	13	41,719,572	29,924,328
Depreciation and Amortization expenses	14	49,043,149	52,177,038
Total Expenses		413,410,117	366,596,993
Profit/(Loss) Before Taxation		(93,996,591)	(12,877,718)
Income Tax Expense/(Credit)	15	(-)	(-)
Profit/(Loss) After Taxation		(93,996,591)	(12,877,718)
Total Comprehensive Income for The Year		(93,996,591)	(12,877,718)

KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

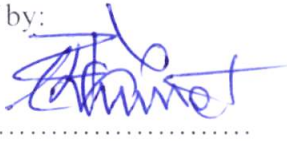
14. Statement Of Financial Position As at 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	18	1,537,351,915	1,249,694,696
Intangible assets	19	1,975,076	85,724
Total non-current assets		1,539,326,991	1,249,780,420
Current assets			
Inventories	20	6,038,266	4,344,121
Trade and Other Receivable	21	258,354,692	274,635,205
Bank and cash balances	22	14,504,632	105,327,536
Total Current assets		278,897,590	384,306,862
Total Assets		1,818,224,581	1,634,087,282
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	23	2,000,000	2,000,000
Revaluation reserve	24	28,900,000	2,300,000
Capital reserve	24(a)	36,719,864	36,719,864
Retained earnings	25	(332,772,172)	(238,775,581)
Capital and Reserves		(265,152,308)	(197,755,717)
Non-current liabilities			
Borrowings/ World Bank (WSDP) Loan	26	1,323,603,127	1,151,018,337
Customer Deposit	30	34,049,630	31,293,880
Retirement benefits (Gratuity Payable)	27	30,428,332	27,080,944
Total non-current liabilities		1,388,081,089	1,209,393,161
Current liabilities			
Trade and other payables	29	693,966,357	618,610,442
Tax Payable	31	1,329,443	3,839,396

**KWALE WATER & SEWERAGE COMPANY LIMITED
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FOR THE YEAR ENDED JUNE 30, 2025**

	Note	2024-2025	2023-2024
		Kshs	Kshs
Total current liabilities		695,295,800	622,449,838
Total equity and liabilities		1,818,224,581	1,634,087,282

The financial statements were approved by the Board on 9/10/ 2025 and signed on its behalf by:



Name Eric Parmet
Managing Director



Name William Jefwa
Finance Manager
ICPAK M/No:12660



Name Rehema Chidzuga
Chairperson of the Board

**KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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15. Statement Of Changes in Equity for the Year Ended 30 June 2025

	Notes	Ordinary share capital	Revaluation reserve	Capital Reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2023		2,000,000	2,300,000	36,719,864	(41,093,821)	-	-	(73,957)
New capital issued		-	-	-	-	-	-	-
Reinstatement of CW/DA (Creditor)		-	-	-	(184,804,042)	-	-	(184,804,042)
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Profit for the year		-	-	-	(12,877,718)	-	-	(12,877,718)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
As at June 30, 2024		2,000,000	2,300,000	36,719,864	(238,775,581)	-	-	(197,755,717)
As at July 1, 2024		2,000,000	2,300,000	36,719,864	(238,775,581)	-	-	(197,755,717)
Issue of new share capital		-	-	-	-	-	-	-
Revaluation		-	26,600,000	-	-	-	-	26,600,000
Deferred tax on excess depreciation		-	-	-	-	-	-	-

**KWALE WATER & SEWERAGE COMPANY LIMITED
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	Notes	Ordinary share capital	Revaluation reserve	Capital Reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Profit for the year		-	-	-	(93,996,591)	-	-	(93,996,591)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
At June 30, 2025		2,000,000	28,900,000	36,719,864	(332,772,172)	-	-	(265,152,308)

Note:

Adjusting for CWWDA amount which was adopted after the two reconciliation teams agreed on the figures to be adopted by both entities.

KWALE WATER & SEWERAGE COMPANY LIMITED
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FOR THE YEAR ENDED JUNE 30, 2025

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

	Note	2024-2025	2023-2024	2023-2024
			Restated	Audited
		Kshs.	Kshs.	
Cash Flows from Operating Activities				
Receipts				
Operating Receipts		241,656,082	199,734,716	199,734,716
Grants Income		52,214,778	128,013,768	128,013,768
Other Income		1,861,710	1,016,568	1,016,568
Customer Deposits		2,755,750	3,589,751	-
Total Receipts		298,488,320	332,354,803	328,765,052
Payments				
Staff Costs		61,879,869	61,976,057	61,976,057
General And Operation Expenses		159,687,430	161,306,937	157,697,186
Board Expenses		4,259,060	3,258,800	3,258,800
Maintenance Expenses		24,079,935	20,033,701	20,033,701
Total Payments		249,906,294	246,575,495	242,965,744
Net Cash From/ (Used In) Operating Activities	32	48,582,026	85,779,308	85,779,308
Cash Flows from Investing Activities				
Purchase Of Property, Plant And Equipment (PPE)	18	(309,556,620)	(525,489,835)	(525,489,835)
Proceeds From Disposal Of PPE		-	-	-
Purchase Of Intangible Assets	19	(2,433,100)	-	-
Net Cash From/ (Used In) Investing Activities		(311,989,720)	(525,489,835)	(525,489,835)
Cash Flows from Financing Activities				
Proceeds From Borrowings		172,584,790	512,630,473	512,630,473
Repayment Of Borrowings		(-)	(-)	-
Net Cash From/(Used In) Financing Activities		172,584,790	512,630,473	512,630,473
Increase/(Decrease) In Cash and Cash Equivalents		(90,822,904)	72,919,946	72,919,946
Cash And Cash Equivalents At Beginning of Year		105,327,536	32,407,590	32,407,590
Cash And Cash Equivalents At End of the Year		14,504,632	105,327,536	105,327,536

Note: The cash flow was restated as previously was prepared on accrual basis but now presented on cash basis .

KWALE WATER & SEWERAGE COMPANY LIMITED
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FOR THE YEAR ENDED JUNE 30, 2025

17. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	340,661,866	(97,354,624)	243,307,242	241,656,082	1,651,160	99.5%
Non-Operating Revenue	7,472,600	(5,472,600)	2,000,000	1,861,710	138,290	93.0%
Grants	15,000,000	38,887,954	53,887,954	52,214,778	1,673,176	95.2%
Opening Cash Balance	105,327,536	-	105,327,536	105,327,536	-	100.0%
Customer Deposit	2,800,000	-	2,800,000	2,755,750	44,250	98.4%
Disbursement from WSDP	954,037,795	(776,283,005)	177,754,790	172,584,790	5,170,000	97.6%
Total Revenue	1,425,299,797	(840,222,275)	585,077,522	576,400,646	8,676,876	98.3%
Expenses						
Staff Costs	72,633,828	2,735,162	75,368,990	61,879,869	13,489,121	82.1%
Board Expenses	5,280,000	(690,000)	4,450,000	4,259,060	190,940	95.7%
General and operations Expenses	214,042,986	42,353,764	256,396,750	159,687,430	96,709,320	62.2%
Maintenance	11,537,000	30,476,908	42,013,908	24,079,935	29,349	57.3%
Total Recurrent Expenditure	303,493,814	74,875,834	378,229,648	249,906,294	110,683,730	66.1%
Profit or Loss	1,121,805,983		206,847,874	326,494,352	-	-
Capital Expenditure	1,116,985,657		202,027,548	311,989,720	-	-
Surplus	4,820,326		4,820,326	14,504,632	-	-

**KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	14,504,632
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	14,504,632

**KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

18. Notes to the Financial Statements

1. General Information

Kwale Water and Sewerage Company Ltd is established by and derives its authority and accountability from Companies Act 2015. The entity is wholly owned by the County Government of Kwale and is domiciled in Kenya. The Company principal activity is to provide quality and sufficient water and sewerage services in a reliable and sustainable manner to the residents of Kwale, Kinango, Lungalunga and Msambweni Subcounties.

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

2. Statement of Compliance and Basis of Preparation

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

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

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

KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

Notes to the financial statements (continued)

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

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

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

**KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Notes to the Financial Statements (Continued)

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

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

iii. Early adoption of standards

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

Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

Summary of Accounting Policies

b) 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.

KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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Notes to the financial statements (continued)

Summary of Accounting Policies

c) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Loose Tools	3	30%
Buildings and civil works	40	2.5%
Infrastructure works	8	12.5%
Plant and machinery	8	12.5%
Motor vehicles, including motorcycles	4	25%
Computers and related equipment	3	30%
Office equipment, furniture and fittings	8	12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and none in the year of asset disposal. Items of property, plant and equipment are reviewed annually for impairment and accounted for in line with the provisions in the standard.

d) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

**KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Notes to the financial statements (continued)

Summary of Accounting Policies

e) Amortization and impairment of intangible assets

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

f) Investment property

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

Summary of Accounting Policies

g) Inventories

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

KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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Notes to the financial statements (continued)

h) Trade and other receivables

Trade and other receivables are recognized at amortized cost less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted. A report on losses and write offs is disclosed on this report.

i) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the profit or loss statement. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the financial statements (continued)

Summary of Accounting Policies

j) Borrowing costs

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

k) Cash and cash equivalents

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

**KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Notes to the financial statements (continued)

Summary of Accounting Policies

l) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

m) Trade and other payables

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

n) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2023. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,160 per employee per month.

Notes to the financial statements (continued)

Summary of Accounting Policies

o) Provision for staff leave pay

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

p) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 28th May 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities on 28th September 2023. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under on page 7 of the report.

**KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

Notes to the financial statements (continued)

Summary of Accounting Policies

q) Comparative figures

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

r) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 4 (d)

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

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Notes to the financial statements (continues)

6. Operating Revenue

	2024/2025	2023/2024
	Kshs	Kshs
Water Sales	239,392,286	191,080,148
Sewerage Services Charge	700,000	1,265,300
Billing for other services*	1,887,500	6,413,035
Total	241,979,786	198,758,483

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples.

7. Grants Income

	2024/2025	2023/2024
	Kshs	Kshs
Operational grants from Government entities	6,903,889	-
Recurrent/operational grants from World Bank (IDA)	42,245,209	121,805,330
Capital grants amortised	-	25,671,580
Grant In-kind from Water Security and Resilience	23,357,255	-
WSTF Grant	3,065,680	6,208,438
Total	75,572,033	153,685,348

8. Other Income

	2024/2025	2023/2024
	Kshs	Kshs
Fine and penalties	1,219,000	355,000
Insurance compensation	-	-
Miscellaneous income	642,710	661,568
Total	1,861,710	1,016,568

KWALE WATER & SEWERAGE COMPANY LIMITED
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Notes to the financial statements (continued)

9. Finance Income

	2024/2025	2023/2024
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	-	-
Interest earned from Equity Fixed deposit Account	-	258,876
Dividends	-	-
Total	-	258,876

Interest earned from fixed deposit on licence guarantee, no accrued interest as the account was closed

10. Staff Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Gross Salary and Allowances	61,204,730	57,028,443
Casual workers' Wages	2,235,900	660,052
Medical insurance schemes	2,125,000	6,981,805
Employer's contributions to social security schemes	2,936,947	2,116,558
Employer's contributions to pension scheme	997,815	1,056,643
Provisions for Leave pay	-	-
Gratuity provisions	5,505,801	5,781,872
Total	75,006,193	73,625,373

The contribution to social security schemes and pension schemes is for employer contribution.

The medical scheme for this financial year was Kshs. 2,125,000

KWALE WATER & SEWERAGE COMPANY LIMITED
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Notes to the financial statements (continued)
11. General and Operations Expenses

	2024/2025	2023/2024
Description	Kshs	Kshs
Chemicals	2,233,374	2,566,061
Electricity	48,665,683	55,681,666
Fuel, oil, lubricants, and gases	8,611,743	8,515,100
Bulk water Costs	67,970,783	66,050,606
Office supplies	1,482,129	2,137,024
Uniform and protective clothing	29,350	125,700
Telecommunication	1,701,170	1,582,484
Postage and courier	34,682	43,948
Office Water and Electricity	494,053	106,273
Insurance	1,492,107	557,030
Rent and Rates	264,000	268,000
Hire of Equipment and vehicles	103,212	388,775
Domestic Traveling and subsistence	26,399,817	15,916,630
Staff training and development	231,590	321,913
Bank Charges	1,001,402	738,882
Subscription	318,200	370,440
Agency commissions (Wasreb/Warma)	9,495,413	7,764,662
Publicity and advertising	1,619,856	2,188,354
Audit fees	232,000	232,000
Legal fees	1,961,085	1,418,741
Consultancy fees	150,000	195,000
Licensing and levies	291,629	16,950
Stakeholders' expenses	-	125,040
Donations/CSR	-	-
Hospitality expenses	11,336,827	4,020,826
Provision for doubtful debts	17,210,328	286,434
WSDP Recurrent expenditure	39,936,710	35,992,915
Total	243,267,143	207,611,454

**KWALE WATER & SEWERAGE COMPANY LIMITED
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Notes to the financial statements (continued)

12. Board Expenses

Description	2024/2025	2023/2024
	KShs	KShs
Chairman Honoraria	960,000	960,000
Sitting allowances	2,980,000	1,934,000
Medical Insurance	-	-
Induction and Training	87,000	-
Travel and accommodation	315,560	249,300
Other allowances	31,500	115,500
Total Board Expenses	4,374,060	3,258,800

13. Maintenance Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Plant and Equipment	12,479,678	9,810,479
Buildings	448,335	32,400
Infrastructural networks	20,805,956	11,523,400
Motor vehicles & Motor Cycles	3,105,644	3,400,377
Software	-	48,100
ICT (Information Communication Technology)	110,280	134,400
Furniture	98,056	9,000
Water Meter maintenance costs	4,671,623	4,966,172
Total Maintenance Expenses	41,719,572	29,924,328

14. Depreciation and Amortization Expenses

Description	2024/2025	2023/2024
	KShs	KShs
Property, plant, and equipment	48,499,401	51,988,202
Intangible assets	543,748	188,836
Total Depreciation and Amortization	49,043,149	52,177,038

**KWALE WATER & SEWERAGE COMPANY LIMITED
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Notes to the financial statements (continued)

15. Income Tax Expense/(Credit)

Current taxation

	2024/2025	2023/2024
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	3,839,396
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	3,839,396

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

	2024/2025	2023/2024
	Kshs	Kshs
Profit before taxation	(93,996,591)	(10,378,981)
Tax at the applicable tax rate of 30%	-	-
Current tax	-	-
Prior year under-provision	-	-
Deferred tax prior year over-provision	-	-
Total	(93,996,591)	(10,378,981)

The entity reported a deficit hence no provision of corporate tax.

16. Earnings Per Share

The earnings per share of Ksh. nill is calculated by dividing the profit/ deficit after tax of Kshs. (93,996,591) by the average number of ordinary shares in issue during the year of 2,000. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

17. Dividend Per Share

No proposed dividend for the year ended 30 June 2025

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Notes to the financial statements (continued)

18. Property, Plant and Equipment

FY 2024/2025	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Capital work in progress	Total
Cost Or Valuation								
At July 1, 2024	3,708,240	174,001,604	141,345,808	107,602,088	17,073,430	19,739,088	979,734,575	1,443,204,833
Additions	479,000	1,971,500	21,723,342	4,959,358	15,442,475	-	264,980,945	309,556,620
Revaluation				26,600,000				26,600,000
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2025	4,187,240	175,973,104	163,069,150	139,161,446	32,515,905	19,739,088	1,244,715,520	1,779,361,453
Depreciation								
At July 1, 2024	-	4,389,942	78,586,039	92,885,532	11,520,169	6,128,455	-	193,510,137
Charge For the Year	-	4,399,328	17,940,224	14,056,397	9,636,068	2,467,384	-	48,499,401
Impairment Loss	-	-	-	-	-	-	-	-
Disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2025	-	8,789,270	96,526,263	106,941,929	21,156,237	8,595,839	-	242,009,538
NBV At June 30, 2025	4,187,240	167,183,834	66,542,887	32,219,517	11,359,668	11,143,249	1,244,715,520	1,537,351,915

This is a project funded by the World Bank (IDA 6030) under Water Sanitation Development Project which is still on going

The class of loose tool was full depreciated in the FY 2023-2024 hence was removed from the current PPE schedule

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Notes to the financial statements (continued)

Property, Plant and Equipment (Continued)

FY 2023/2024	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Loose Tools	Capital work in progress	Total
Cost or valuation									
As at 1 July 2023	812,680	13,875,860	130,093,153	105,302,088	10,540,180	6,176,828	5,692,181	608,272,084	880,765,054
Additions	2,895,560	160,125,744	11,252,655	-	6,533,250	13,562,260	-	371,462,491	565,831,960
Revaluation				2,300,000					2,300,000
Transfers	-	-	-	-	-	-	-	(-)	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
As at 30th June 2024	3,708,240	174,001,604	141,345,808	107,602,088	17,073,430	19,739,088	5,692,181	979,734,575	1,448,897,014
Depreciation									
At July 1, 2023	-	1,040,688	61,237,014	65,985,008	9,124,421	4,084,892	5,122,968	-	147,214,116
Charge for the year		3,349,254	16,729,900	26,900,524	2,395,748	2,043,563	569,213	-	51,988,202
Impairment loss		-	-	-	-	-	-	-	-
As at 30th June 2024		4,389,942	78,586,039	92,885,532	11,520,169	6,128,455	5,692,181	-	199,202,318
Net Book Value At June 30, 2024	3,708,240	169,611,662	62,759,769	14,716,556	5,553,261	13,610,633	-	979,734,575	1,249,694,696

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Notes to the financial statements (continued)

Valuation

18 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	4,187,240	-	4,187,240
Buildings	175,973,104	8,789,270	167,183,834
Plant and machinery	163,069,150	96,526,263	66,542,887
Motor vehicles, including motorcycles	139,161,446	106,941,929	32,219,517
Computers and related equipment	32,515,905	21,156,237	11,359,669
Office equipment, furniture, and fittings	19,739,088	8,595,839	11,143,249
Work In Progress	1,244,715,520	-	1,244,715,520
Total	1,779,361,453	242,009,538	1,537,351,916

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	1,732,602	216,575
Motor vehicles, including motorcycles	4,950,000	1,237,500
Computers and related equipment	2,696,633	808,990
Office equipment, furniture and fittings	2,648,350	331,044
Total	12,027,585	2,594,109

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Notes to the financial statements (continued)

19. Intangible Assets

	2024/2025	2023/2024
	Kshs	Kshs
Cost		
At July 1,	807,240	807,240
Additions	2,433,100	-
Disposals	(-)	(-)
At June 30	3,240,340	807,240
Amortization		
At July 1,	721,516	532,680
Charge for the year	543,748	188,836
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	1,265,264	721,516
Net book value		
At June 30	1,975,076	85,724

It comprises of Billing software, Payroll software and QuickBooks software

20. Inventories

	2024/2025	2023/2024
	Kshs	Kshs
General stores	2,376,507	813,156
Chemicals & Laboratory items	521,020	545,838
Water fittings and Accessories	1,026,241	1,916,144
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Stationery and general stores	2,114,498	1,069,013
Less: Impairment of stocks	(-)	(-)
Total	6,038,266	4,344,121

The inventories for Water meters was capitalized.

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Notes to the financial statements (continued)

21. Trade and Other Receivables

	2024/2025	2023/2024
	KShs	KShs
Trade receivables (note (21a))	275,565,020	274,921,639
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	-	-
Other receivables	-	-
Gross trade and other receivables	275,565,020	274,921,639
Provision for bad and doubtful receivable	(17,210,328)	(286,434)
Net trade and other receivables	258,354,692	274,635,205

21. (a) Trade Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Gross trade receivables	336,932,327	336,288,946
Provision for doubtful receivables	(61,367,307)	(61,367,307)
Net trade receivables	275,565,020	274,921,639

As at June 30, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	-	-
Between 30 and 60 days	-	-
Between 61 and 90 days	-	-
Between 91 and 120 days	-	(946,266)
Over 120 days	258,354,692	275,867,905
Total	258,354,692	274,921,639

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Notes to the financial statements (continued)

22. Bank and Cash Balances

	2024/2025	2023/2024
	Kshs	Kshs
Cash at bank	14,251,594	105,116,189
Cash in hand	115,116	191,680
Mobile money account	137,922	19,667
	14,504,632	105,327,536

Detailed analysis of the cash and cash equivalents

		2024/2025	2023/2024
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial Bank	1108004733	427,866.66	1,829,914.06
Equity Bank	0440294134905	28,089.72	28,089.72
WSDP Project	1240284225	16,704.65	90,079,836.81
Sub- total		472,661.03	91,937,840.59
b) Collection Accounts			
Kenya Commercial Bank	1108004849	3,554,306.16	2,224,057.56
Equity Bank	0440194134911	393,480.80	395,898.80
Equity Bank Water Boozer	1580281271276	285,606.15	338,510.15
Equity Bank Sanitation	1580281271321	209,377.00	571,102.00
Sub- total		4,442,770.11	3,529,568.51
c) Fixed deposits account			
Equity Bank (Customer Deposit)	0440194134915	5,683,743.09	6,782,861.89
Deposit	1580383512756	-	-
K.C.B. (Performance guarantee)	1330130596	3,458,505.00	1,111,034.20
Sub- total		9,142,248.09	7,893,896.09
Sub- total		14,057,679.23	103,361,305.19
d) Others(specify)			
Project WSTF Accounts (e)		193,914.45	1,754,883.55
Cash in hand		115,116.10	191,680.00
Mobile money account		137,922.00	19,667.00
Sub- total		446,952.55	1,966,230.55
Grand total		14,504,631.78	105,327,536.74

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Project WSTF Accounts			
Mkwakwani Koni Musa	1295860538	185,110.45	1,698,500.00
Fujita Water project	1273250230	-	52,138.55
KRA project	1580267877573	-	25.00
Ablution Blocks Account	1330131010	8,804.00	4,220.00
Total		193,914.45	1,754,883.55

23. Ordinary Share Capital

	2024/2025	2023/2024
	Kshs	Kshs
Authorized:		
2,000 ordinary shares of Kshs.1,000 par value each	2,000,000	2,000,000
Issued and fully paid:		
2,000 ordinary shares of Kshs.1,000 par value each	2,000,000	2,000,000

24 a. Capital Reserve

	2024/2025	2023/2024
	Kshs	Kshs
Capital Reserve	36,719,864	36,719,864
	36,719,864	36,719,864

This was an amount adapted during the inception of the company at take over

24. Revaluation Reserve

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

A full depreciated motor vehicles were revalued in FY 2024/25 to a figure amounts to Kshs. 28,900,000

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25. Retained Earnings

The retained earnings represent amounts available for distribution to Kwawasco shareholders. Undistributed retained earnings are utilised to finance Kwawasco business activities.

As at July 1, 2023	(41,093,821)
Surplus/ deficit for the year	(12,877,718)
Reinstatement of CWWDA (Creditor)	(184,804,042)
Prior year adjustment	
Adjusted Tax	
As at June 30, 2024	(238,775,581)
As at July 1, 2024	(238,775,581)
Reinstatement of CWWDA (Creditor)	(-)
Surplus/ Deficit for the year	(93,996,591)
Adjusted Tax	
As at June 30,2025	(332,772,172)

26. Borrowings / World Bank (WSDP) Loan

Description	2024/2025	2023/2024
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	1,151,018,337	638,387,864
External borrowings during the year	172,584,790	512,630,473
Repayments of during the year	(-)	(-)
Balance at end of the year	1,323,603,127	1,151,018,337
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	(-)	(-)
Balance at end of the year	-	-
C) Total Balance at end of the period c = a+b	1,323,603,127	1,151,018,337

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27. Provisions on Gratuity

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	27,080,944	-	27,080,944
Additional Provisions	-	-	5,505,801	-	5,505,801
Provision utilised	(-)	(-)	(2,158,414)	(-)	(2,158,414)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	30,428,331	-	30,428,331

28. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2024/2025	2023/2024
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	-
Non-current benefit obligation	8,111,567	-	-	8,111,567	8,111,567
Total	8,111,567	-	-	8,111,567	8,111,567

Retirement benefit Asset/ Liability

The entity operates a defined contribution scheme for all full-time employees from July 1, 2024. The scheme is administered by Kwawasco while County Pension Fund are the custodians of the scheme. The scheme is based on 6 percentage of salary of an employee at the time of retirement.

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The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 2,160 per employee per month for employee earning Ksh. 18,000 and above and those earning below they contribute 6% of their basic. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund. Employees contribute 5% while employers contribute 7% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

29. Trade and Other Payables

	2024/2025	2023/2024
	Kshs	Kshs
Trade payables	673,074,718	597,851,083
Accrued expenses	193,914	1,754,883
Employee payables	16,253,725	14,792,476
Office of Auditor General	4,444,000	4,212,000
Total	693,966,357	618,610,442

Aging Analysis for Trade and other Payables

	2024-2025	% of the total	2023-2024	% of the total
Under one year	68,505,157	9.87%	55,355,917	8.95%
1-2 years	107,558,420	15.50%	119,120,195	19.25%
2-3 years	171,199,073	24.67%	136,714,217	22.10%
Over 3 years	346,703,707	49.96%	307,420,113	49.70%
Total	693,966,357		618,610,442	

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30. Refundable Deposits and Prepayments

	2024/2025	2023/2024
	<i>Kshs</i>	<i>Kshs</i>
Customer deposits	34,049,630	31,293,880
Prepayments by customers	-	-
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	34,049,630	31,293,880

31. Taxation

	2024/2025	2023/2024
	Kshs	Kshs
At beginning of the year	3,839,396	5,952,730
Tax charge for the year	21,399,994	(2,357,392)
Under/(over) provision in prior year/s	(-)	244,058
Income tax paid during the year	(23,909,947)	(-)
At end of the year	1,329,443	3,839,396

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Notes to the financial statements (continued)

32. Notes to The Statement of Cash Flows

	Note No:	Current FY2024/2025	Comparative FY2023/2024
		Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations			
Profit or loss before tax		(93,996,591)	(12,877,718)
Depreciation	14	48,499,401	51,988,202
Amortization	14	543,748	188,836
Provision for bad and doubtful debt	21	17,210,328	286,434
(Gain)/loss on disposal of property, plant and equipment		-	-
Amortization on Deffered income		-	(25,671,580)
Operating profit/(loss) before working capital changes		(27,743,114)	13,914,174
Working capital changes:			
(Increase)/decrease in inventories	20	(1,694,145)	(939,624)
(Increase)/decrease in trade and other receivables	21(a)	643,381	659,832
Increase/(decrease) in trade and other payables	29	75,355,915	250,965,564
Increase/(decrease) in Gratuity	27	3,347,387	4,506,987
Reinstatement of Retained earnings		(1,327,398)	(184,804,042)
Cash generated from/ (used in) operation		48,582,026	84,302,891
(b) Analysis of changes in loans			
Balance at beginning of the year		90,079,837	6,866,394
Receipts during the year		214,830,000	634,435,802
Payments during the year		(304,893,133)	(551,222,359)
Balance at end of the year		16,704	90,079,837
(c) Analysis of cash and cash equivalents			
Short term deposits		9,142,248	7,893,896
Cash at bank		5,247,268	97,241,960
Cash in hand		115,116	191,680
Balance at end of the year		14,504,632	105,327,536

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Notes to the financial statements (continued)

Other Disclosures

33. Related Party Disclosures

County Government of Kwale

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

Other related parties include:

- The County Department in charge of Water
- County Government of Kwale
- Coast Water Works Development Agencies
- WASREB (Water Services Regulatory Board)
- WARMA
- Water Sector Trust Fund
- Key management
- Board of directors
- Others (specify)

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Notes to the financial statements (continued)

34. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

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:

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	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2025				
Trade Receivables	336,932,327	258,354,692	78,577,635	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	14,504,629	14,504,632	-	-
Total	-	-	-	-
At 30 June 2024 (previous Year)				
Receivables	336,288,946	274,635,205	61,367,307	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
	-	-	-	-
Bank balances	105,163,581	105,163,581	-	-
Total	-	-	-	-

Notes to the financial statements (continued)

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

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

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

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

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

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a) Foreign currency risk

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

b) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

This level includes listed equity securities and debt instruments on exchanges.

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

iv) Capital Risk Management

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

	2024/2025	2023/2024
	FY	Comparative
	Kshs	Kshs
Share Capital	2,000,000	2,000,000
Revaluation reserve	28,900,000	2,300,000
Retained earnings	(332,772,172)	(238,775,581)
Capital reserve	36,719,864	36,719,864
Total funds	(265,152,308)	(197,756,298)
Total borrowings	-	-
Less: cash and bank balances	14,504,632	105,401,360
Net debt/ (excess cash and cash equivalents)	(250,647,676)	(92,354,938)
Gearing	%	%

35. Incorporation

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

36. Events After the Reporting Period

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

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Notes to the financial statements (continued)

40 Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Ordinary share capital, share capital not provided	The MEMOARTS have already been submitted to the registrar of companies for processing through the e-citizen portal on 31 st October 2024. See Annex 1(a) submission document to e-citizen platform. 1(b) new Memoarts 1(c) the old Memarts	Resolved	25/04/2025
1.2	Capital reserves schedule showing details of capital reserves was not provided for audit.	Through the Board of Directors KWAWASCO wrote to the National Pipeline Corporation on 4 th March 2024 to get the listing of these debtors or if cannot be provided, to advise on writing off of the debtors.	In progress	31/03/2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		See Annex 2. (a) A copy of the letter sent to National Pipeline Corporation for your perusal 2 (b) extract of balance sheet of FY 2006/7		
2	Long outstanding accounts receivables	The total accumulated trade receivables are debts from 2006 to 2024 out of the total kshs. 275,867,905, a total of kshs. 200,047,682 runs beyond six years (2006-2018) However, the company made an effort since July 2024 that has resulted to old debt	In progress	31/03/2025
3	Material uncertainty related to going concern	The going concern of the company can be assured if the liabilities of Ksh 302,793,011 incurred to CWWDA before devolution can be waived. The management through the C.E.C water department is on the process of addressing the same	In progress	31/03/2025
Key Audit Matters				
Emphasis of matters				

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Budgetary control and performance under performance of 11%	The entity was expecting to receive extra income from WSDP project after completion and commissioning of the project but that did not materialise	In progress	31/3/2025
2	Key audit matter	No other key audit matters as stated by the OAG	In progress	25/9/2024
3	Other matter			
4	Other information			

Other Matters

Report on lawfulness and effectiveness in the use of public resources

Basis For Conclusion


1	Non –revenue water	The management had made notice on the findings on Tariff expiration and commenced the process of obtaining a valid tariff duly approved by the regulator. Kwawasco is now operating under a new tariff.	Resolved	25.9/2024
2	Affirmative action on gender balance ,ethnicity and regional distribution	Kwawasco understand the new law which came into being in 2019, that requires all data processors to be	Resolved	25.9/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		registered with Data Commissioner. The entity has a valid data protection license		
Report on effectiveness of internal controls, risk management and governance				
1	Lack of approved information technology security policy and disaster recovery plan	Kwale water and Sewerage Company has a revised articles of association that has necessary provisions as per the law.	Resolved	25/9/2024
2	Trade and other payables			

Guidance Notes:

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

Name _____
 Signature 
 Managing Director
 Date 9/10/2025