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REPORT

OF

THE AUDITOR-GENERAL

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KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2025

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KILIFI – MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

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

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1. ACRONYMS AND GLOSSARY OF TERMS

ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
PFM	Public Financial Management
PSASB	Public Sector Accounting Standards Board
WASREB	Water Services Regulatory Board
WSTF	Water Sector Trust Fund
WSDP	Water Sanitation Development Programme

2. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

The Company was incorporated in November 2005 under the company's Act CAP 486 and it is also regulated under the state corporations Act CAP 446. Under devolved function, the company is a County Government Corporation. The water companies were formed under the water Act of 2002 and now the new Water Act of 2016.

The Managing Director is responsible for the day-to-day running of the organisation and is answerable to the board of directors who guides the Company. The Board of Directors are responsible for formulation of the strategic plan and policies of the Company. A team of managers supports the managing director.

Principal Activities

The principal activity of Kilifi Mariakani Water and Sewerage Company is to Supply Water to the Residents of Kilifi south, Ganze, Rabai, Kaloleni and parts of Kilifi North sub counties.

Directors

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

Name	Position	Date of appointment
Rashid Mukwana Muhhamad	Chairman	19th July 2019
Ravasco Pole Mwasambu	Member	19th July 2019
Margret Chizi Ngale	Member	19th July 2019
Rashid Mukwana Muhhamad	Member	19th July 2019
Nyasaida Famau Athman	Member	1st July 2021
Hezekiah Nguma Mwarua	Member	17th January 2023
Ms. Juliet Luvuno Jana	Member	17th January 2023
George Katama Mwangiri	Member	17th January 2023
Elvina R. Kahindi	Member	17th January 2023
Valentine Matsaki Mwamanga	Member	17th January 2023

Company Secretary

John Bwire and Advocates, Company Secretary

P. O. Box 98731 – 80100

Mombasa

Entity Head Office

Kilifi – Mariakani Water & Sewerage Company Ltd

P.O. Box 275-80108 - Kilifi

Along Mombasa – Malindi road

LR No. 5054/115, kilifi.

Tel. Nos. 041-522508

Fax 041-522507

Email: info@kilifi water.co.ke

Entity Bankers

Kenya Commercial Bank Limited

P.O. Box 528

Kilifi

Tel No: 041- 22093

Fax: 041-22233

Co-operative Bank

P.O Box 96 -80108

Kilifi

Tel. No.020-2314898/+254708223330

Fax 020-2314892

Post Bank

P.O.Box 1047 - 80108

Kilifi Brach

Tel. No. 0417522399

Collection Agencies

Safaricom Kenya Limited

M-PESA Holding

P.O. Box 66827 - 00800

Nairobi - Safaricom House Waiyaki Way

Tel.No. 0722-002222

Postal Corporations' of Kenya

P.O. Box 891333

Mombasa

Tel. No. 04122277705

Independent auditors

Auditor General

Office of the Auditor-General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi-Kenya

Principal legal advisors

The Attorney- General

State Law Office

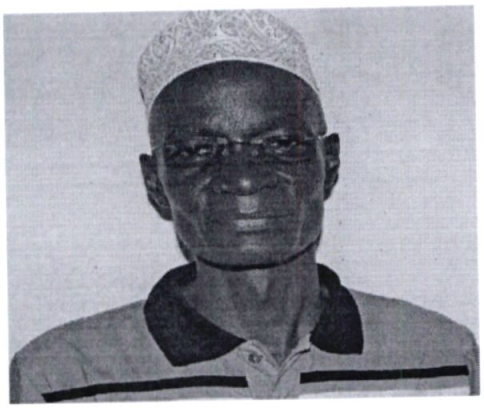
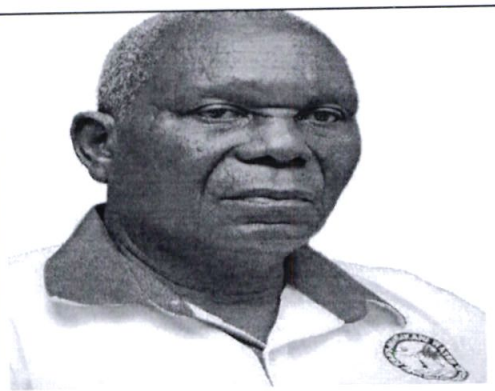
Harambee Avenue

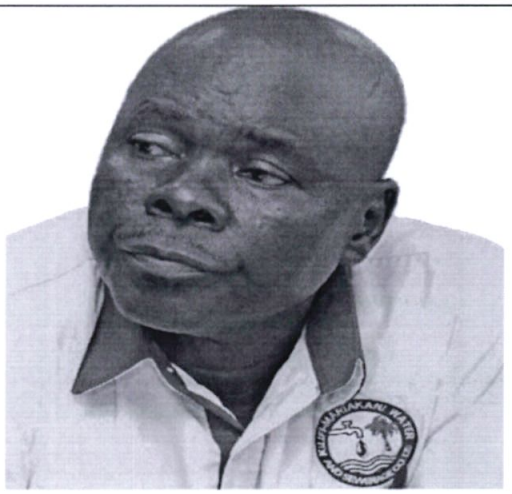
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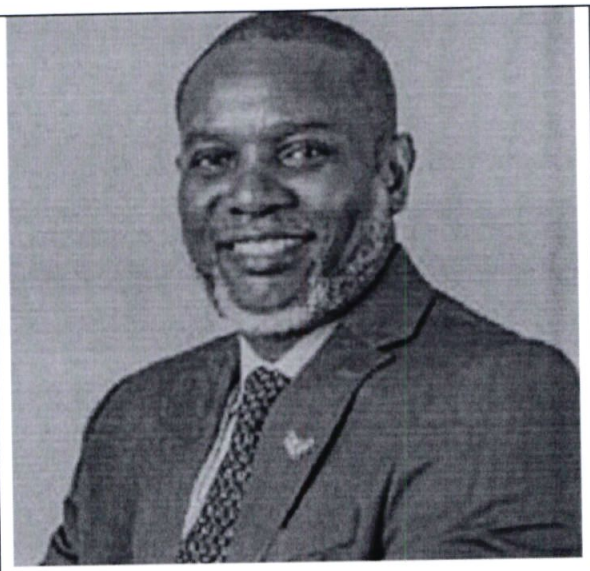
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Nairobi, Kenya

3. THE BOARD OF DIRECTORS

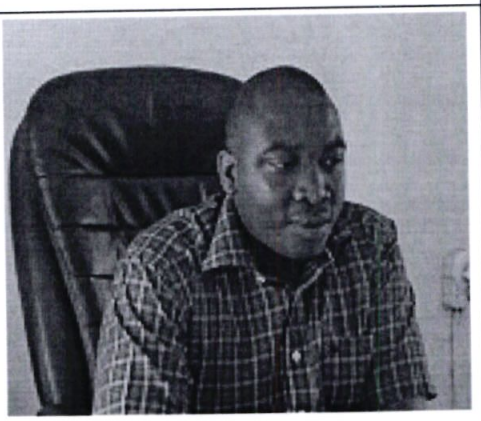
No.	Directors	Details
1	 Mr. Ustadh Rashid Mukwana Muhhamad	Director Rashid Mukwana is the chairman of the company's Board Directors. He was born in 16th April, 1975. He holds a Diploma in Teaching Arabic and Islamic Studies. He is currently the executive officer of Supreme Council of Kenya Muslims (SUPKEM) in Kilifi County and has a wealth of experience.
2	 Mr. Ravasco Pole Mwasambu	Director Pole Mwasambu was born in 1956. He holds a Diploma in Agricultural Education. He has 37 years of work experience and he is a retired administrator
3	 Ms. Margaret Chizi Ngale	Director Margaret Chizi was born on 10th July, 1975. She holds Masters of Degree in Education, Leadership and Management. She is a teacher by profession. She is currently the chairperson of the HR, Finance and Administration committee of the board. She possesses a wealth of experience in teaching profession

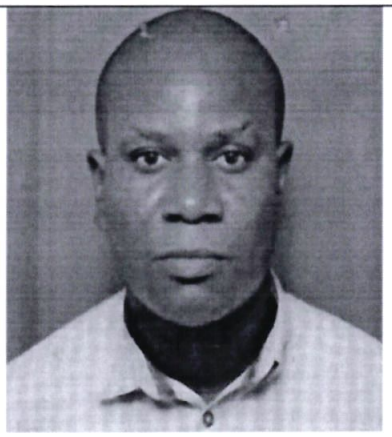
4	 Ms. Nyasaida Famau Athman	Director Nyasaida Famau was born on 21st December 1975. She holds Diploma in Project Management from Kenya Institute of Management and a Diploma in Hotel Management from Dynamic Institute of Management and Accountancy. She has a wealth of experience in entrepreneurship.
5	 Ms. Elvina Rehema Kahindi	Director Elvina R. Kahindi was born on 2nd February 1984. She is a re-known business woman. She a wealth of experience in entrepreneurship and women empowerment.
6	 Mr. Valentine M.Mwamanga	Director Valentine Matsaki Mwamanga was born on 23rd March 1961. He holds a Diploma in County Governance and Management and a Diploma in Sales and Marketing. He has wealth of experience in leadership

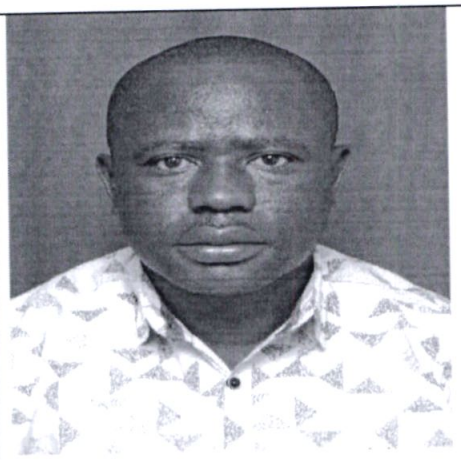
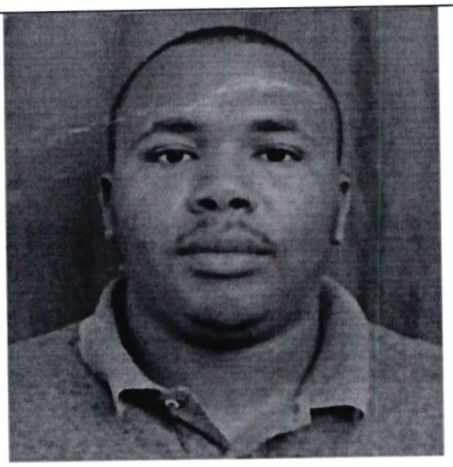
7	 Mr. George Katama Mwangiri	Director George Katama Mwangiri was born on 4th March 1975. He is the Chief Officer for Water services and Natural resources management in the County Government of Kilifi. He has over 25 years of working experience sparing operations and management in key areas in both the private and public sectors. He holds a Bachelor Degree in Business Administration from Technical University of Mombasa, Qualifying Degree in shipping and Maritime (ICS)UK, an MICS(UK). A seasoned policy maker trained at Strathmore University courtesy of USAID
8	 Ms. Juliet Luvuno Jana	Director Juliet Luvuno Java was born on 2nd January 1974. She is a re-known business woman in Kilifi County. She has a wealth of experience in entrepreneurship.
9		Director Hezekiah N. Mwarua was born on 16th January1983. He is the Chief Officer for Water and Sanitation services at County Government of Kilifi. He holds a bachelor of technology in chemical and process engineering from Moi University. He is currently pursuing Masters of Business Administration (Management Science option). He has over 10 years of experience in private and Public service.

	Eng. Hezekiah Nguma Mwarua	
10	 Eng. Pascal Dume Jira	**Managing Director** Mr. Pascal Dume Jira is the company Managing Director. He was born on 30th September 1984. Until his appointment as Managing Director, he was the company Technical and Operations Manager. Mr. Jira joined the company in 2012 as water superintendent. He holds Bachelor of Science Degree in Civil Engineering from Technical University of Mombasa. Besides that, he is a holder of a Higher Diploma in Water Engineering from Kenya water Institute.

4. MANAGEMENT TEAM

No.	Management	Details
1.	 Eng. Pascal Dume Jira	**Managing Director** Mr. Pascal Dume Jira is the company Managing Director. He was born on 30th September 1984. Until his appointment as Managing Director, he was the company Technical and Operations Manager. Mr. Jira joined the company in 2012 as water superintendent. He holds Bachelor of Science Degree in Civil Engineering from Technical University of Mombasa. Besides that, he is a holder of a Higher Diploma in Water Engineering from Kenya water Institute.
2.	 Alfred Dume Janji	**Internal Audit & Risk Manager** Mr. Alfred Janji is the Internal Audit Manager. Born on 8th January 1984, Mr. Janji joined the company as Revenue officer in 2009. He has risen through the ranks to his current position of Internal Audit Manager. He holds a Bachelor of business management Degree in Accounting from Moi University and Diploma in personnel management from The Technical University of Mombasa. He is a certified Public Secretary CPS (K).

3.	 Fatuma Mwidadi	**Human Resources and Administration Manager:** Ms. Fatuma Mwidadi is the company's Human Resources & Administration Manager. Born in 1988, Fatuma joined the company in 2012 as Human Resources & Administration Assistant and rose through ranks to the current position. Fatuma graduated from Kampala International University, Uganda. She is also a member of the institute of Human Resources of Kenya. She is currently pursuing a Master of Business Administration at the Pwani University. Prior to joining the company, Fatuma worked as administrative officer with Grout and Shot Crete Construction Company.
4.	 Catherine Harusi Baya	**Commercial and Business Development Manager:** Ms. Catherine Harusi Baya is the Commercial and Business Development Manager. She was born on 15th April 1982. She holds Bachelor's Degree of Commerce in finance from Pwani University. She joined the company in 2013 as a commercial officer and rose through the ranks to the current position. Until her appointment as the Ag Commercial Manager, she was a Senior Commercial and Business Development officer.
5.	 CPA Benedict Katana Ngumbao	**Finance Manager.** Mr. Benedict K. Ngumbao is the company Finance Manager. Born on 21st December 1981.He joined the company in 2018. He holds a Bachelor of Business Management in Finance and Banking from Moi University. He is a Certified Public Accountant of Kenya and a member of ICPAK. He worked with the County Government of Kilifi as the principal Accountant at the County Treasury. He is currently pursuing a master's degree in finance at Technical university of Mombasa

6.	 Gona Mwembe Kalume	**Technical & Operations Manager** Mr. Gona Mwembe Kalume is the Technical Manager. Born in 15th July 1984. He joined the company in 2013 as water inspector. He holds a Bachelor's Degree in Civil Engineering from Technical University of Mombasa. Additional, he a holder of Diploma in Water Engineering from The Kenya Water Institute.
7.	 Ismail Juma Sadikini	**Procurement Manager** Mr. Ismail Juma Sadikini is the Procurement Manager. Born in 21st July 1990. He joined the company in 2018. He holds a Bachelor of Commerce (procurement & supply Chain Management). He is currently pursuing a master's degree in strategic management at Kenyatta University. He is also a member of CIPS & KISM. He had worked at Kilifi County Assembly as a procurement officer prior to joining KIMAWASCO.

5. CHAIRMAN'S STATEMENT

Kilifi-Mariakani Water and Sewerage Company is one of the two Water and Sewerage Companies in Kilifi County that is a wholly owned subsidiary of the County Government of Kilifi under the new Constitutional dispensation. The core mandate of the Company is to efficiently and sustainably provide safe and adequate water and sanitation services to the residents of Ganze, Kaloleni, Rabai, Kilifi Sounth and Parts of Kilifi North sub-counties in order to enhance economic growth.

In the year 2024/2025, the company was in the process of developing a five-year strategic plan with the same thematic areas while reaping in the achievement of the previous strategic plan. The company made tremendous steps in various thematic areas of the strategic plan. Notable were infrastructural developments, which were geared towards improving water distribution to the residents of Kilifi County. It was also a year that reminded us of the importance of strong values and culture, which are vital to our customers, shareholders, stakeholders and the entire County of Kilifi and also the country at large. Our strategy remains robust and we continue to execute our mandate to provide water and sanitation services in line with the license conditions by the Water Service Regulatory Board (WASREB) as a delegated and devolved function of the County Government of Kilifi.

The water distribution enhancement and sanitation project under the World Bank Funded Water and Sanitation Development Program that the company is implementing within Kilifi and Mtwapa towns will go a long way in reducing perennial water shortage caused by persistent leaks and bursts due to old and dilapidated water infrastructure within the project development areas.

The company in partnership with developing partners such as World Bank and Water Sector Trust Fund, KIMAWASCO will continue to forge stable and long-term relationships with its willing development partners and both levels of government in order to enhance its level of services to not only meet but strive to exceed customers' expectation. The County Government of Kilifi has also ambitiously invested in several water projects within KIMAWASCO's area of operation, which has greatly improved on the Company's water coverage from 57% to 70% in the past 5 years. A lot more still needs to be done on development of water infrastructure.

The Company has engaged the County Government of Kilifi and other Development Agencies in rehabilitation of the old and dilapidated water supply infrastructure, which has been a major contributor to high levels of water loss through leaks and bursts that the company experiences; the Company's Non-Revenue Water level standing at 49% for the year ended 30 June 2025.

While faced with challenges, we equally believe opportunities are evident in the water service provision subsector and are continually improving on our commitment to innovation and new technology to enhance our service to our customers. Our target is to continue utilizing the best management approaches to reduce Non-Revenue Water levels, enhance customer service and project management including operations and maintenance.

As Chairman, I continue to stress the need for nurturing genuinely customer focused culture whose approach is based on the interest of the people we are called upon to serve and for the best interest of the shareholders- the county Government of Kilifi; in this respect, the Board stands firm in its commitment to execute on its responsibility to boldly tackle the conduct and governance issues in order to successfully address and deliver to our customers, shareholders and employees by observing merit and ensuring that we

have a range of skills and competence among the members of the Board and top management to support achieving of the strategy.

I wish to extend my sincere gratitude to all our esteemed customers, shareholders, development and business partners, my colleagues in the board, the Executive management team and our employees for their unwavering support and confidence in the Company.

Rashid Mukwana Muhhamad

CHAIRMAN

6. REPORT OF THE MANAGING DIRECTOR

KIMAWASCO operates in Ganze, Kaloleni, Rabai Kilifi South and parts of Kilifi North Sub-counties with a total operating area covering about 4,998 square kilometers. The water supply coverage is currently at 68%, which means a big area still has no access to clean and safe water supply services due to unavailability of pipe networks. The County Government of Kilifi and other donor agencies have and still assist the company in water supply network expansion to increase on the water supply coverage and reach to areas that have no water pipeline connectivity in line with SDG No. 6 and the Kenyan Vision 2030 on Universal Access to clean, safe and quality drinking water.

In the year ended 30 June 2025, the company received 9,114,009m3 of water from CWWDA at a cost of Kshs 310,662,726. The company then billed a total volume of 4,836,916 m3 to its customers translating to a billed amount of Kshs 598,820,170. This was however, below the Kshs 937,737,600 billing target for the year.

The Company is still grappling with the challenge of high level of non-revenue water, which stood at 47% for the year ended 30th June 2025.The high NRW level in KIMAWASCO is majorly attributed to old and dilapidated water supply network that has outlived its useful life and thus it is prone to leaks and bursts, Illegal water connections and old inaccurate & stalled customer meters that are not giving correct customer consumptions. Experienced incidences of Vandalism of water infrastructure in areas of our operations specifically Ganze Sub-County.

KIMAWASCO has approached several donor agencies and the County Government of Kilifi to fund-raise for the replacement of these dilapidated water supply infrastructure, which require heavy financing. Some pipeline networks have been built on thus exposing them to illegal water use; plans have also been put in place to re-route these pipelines to safe areas.

The Company has piloted on creation of District Metered Areas (DMAs) to enable it carry out water balance and hence effectively monitor its water supply to customers; this will make the company be able to point out at areas where it loses its water.

Through financing from the world bank under WSDP project, the company intends to enhance water distribution in Kilifi and Mtwapa towns by replacing all dilapidated water pipelines, augmenting inadequate pipelines, carryout pipeline extensions to reach out to the unserved and create District Meter Areas for managing Non-Revenue Water. The water distribution works in Kilifi and Mtwapa is at 80% and 65% respectively.

KIMAWASCO adopted modern technology of meter reading to reduce losses due to errors on meter reading and thus enhance its billing and revenue as well as reduce on the NRW. Within its small means, th Company has embarked on a strategy to service stalled meters and replace all non-functional unserviceable meters to reduce on water losses through estimated billing of customer accounts.

To combat illegal usage of water, the firm has partnered with the Kenya Police in carrying out door-to-door inspection of households to check on illegal water use and with local administration to sensitize the public on reporting of illegal water use through chiefs' barazas.

High electricity and fuel cost for pump stations pose a great challenge to the Company's operations; the Company operates 34 pumping units to lift water to reach to its customers in far and raised areas. The company intends to undertake an investment grade companywide energy audit to identify opportunities for energy cost reduction.

The company has also embarked on an ambitious plan to capacity build its staff by having a well-developed training and staff development plan in order to horn the skills of its personnel for better performance. Several staff but senior and those at lower level have undergone various trainings and also visited other water services providers on peer to peer learning within the year.

With no any other potential source of bulk water supply into the company, the firm has NRW reduction as the very major opportunity for its sustainability. The company will thus dedicate and invest much of its effort and resources to reducing Non-Revenue Water in the coming financial year.

Catherine Harusi Baya

Ag. MANAGING DIRECTOR

7. STATEMENT OF PERFOMANCE 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 national government entity's performance against predetermined objectives.

Kilifi-Mariakani Water and Sewerage Company limited has four strategic pillars/result areas and objectives within the current Strategic Plan for the FY 2019/20- FY 2023/2024. These strategic pillars/result areas are as follows:

1. Corporate Image

2. Infrastructure Development

3. Institutional Capacity

4. Financial Management

KIMAWASCO develops its annual work plans based on the above four pillars/result areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. KIMAWASCO achieved its performance targets set for the FY 2024/2025 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Corporate Image	To increase customer satisfaction levels by 10%	Improved Customer Satisfaction Levels	Conduct customer identification survey Conduct Stakeholders forums	Enhanced customer relationships
	Improve Corporate communication	Develop and implement a corporate communication policy	Developed corporate communication policy	Enhanced communication

		Develop and implement a pro poor policy	Developed a pro poor policy	Pro Poor Policy develop
Infrastructure Development	To develop Water Distribution systems in Mtwapa, Mariakani and Kilifi Town	Water Distribution master plan documents	Carry out assessment of Water distribution infrastructure in Kilifi and Mtwapa Town	Water distribution master plan developed Water Distribution Construction Works (Mtwapa)- at 65% progress Water Distribution Construction Works (Kilifi)- at 80% progress
	To develop Sanitation systems in Mtwapa, Mariakani and Kilifi Town	Progress Reports	Development of sanitation system in Kilifi and Mtwapa Town	Kaloleni PSF operationalized Chonyi PSF operationalized Sanitation project ongoing in Mtwapa and Kilifi Towns Mtwapa - 40% Kilifi - 10%
	Reduce non-revenue water by 15% to 34% from the current 49%.	Non-Revenue Water Policy implementation Progress Reports	Develop and implement non-revenue water management plan	Developed Non-revenue water management plan Current NRW level is 49%

Institutional Capacity	Strengthen governance framework	Board of Directors Training report	Training of board of directors on corporate governance	Enhanced corporate governance
	Leverage technology for performance improvement	Implementation of technology	Enhancement of billing systems Purchase and allocation of computers in stations	Enhancement of customer bills services Improved performance
	Rationalization of human resources for optimal productivity	Reviewed performance management system Reviewed Accounting & Finance Procedure manual	Undertake review of the performance management system Undertake review of the Accounting & Finance procedure manual	Reviewed performance management system Accounting and Finance Procedure manual reviewed
	Ensure that all employees are trained for performance improvement	Carry out a TNA and implement recommendations	Conducted and implemented a Training Needs Assessment	Improved staff performance
Financial Management	Improve revenue generation by 15% annually	New connections report Metering report Meter reading efficiency report	Increase customer base Ensure 100% metering Efficient meter reading	2,173 No. of new connection Metering Ratio 100% Meter reading

		Billing report Revenue collection efficiency report	Improved revenue Increase revenue collection efficiency	efficiency 90% Increase in billing of 10,225,884.00 Collection efficiency at 93%
	Review and implement credit management policy	Review credit management policy	Credit management policy reviewed	Reduced debt portfolio

8. 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 cognizance of the interest of other stakeholders. The Board of Directors of KIMAWASCO is responsible for the governance of the Corporation and is accountable to the shareholders and stakeholders 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 roles 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 Nine (9) directors who are non-executive directors including the Chairman. To maintain the integrity of internal procedures of the company, the board of KIMAWASCO has established an Audit committee (which is mandatory). Due to the volume of issues to be dealt with on a continuous basis and which cannot be adequately dealt with by the Board itself, The Finance and Administration Committee of the board, Technical Committee of the board were also established as outlined in WASREB Governance regulations.

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. The Company Secretary attends all meetings of the Board and advises the Board on all corporate governance matters, prevailing statutory requirements and changes in the legislation and new reforms in the water sector as appropriate.

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held four (4) regular and four (4) special meetings during the year under review. As the Corporation is a County Government Entity, the Chief officer for finance and chief Water and Sanitation of

County Government of Kilifi are expected to attend meetings of the Board and Board Committees for oversight and advisory purposes.

Committees of the Board

The 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

The membership of the Audit Committee is comprised as follows:

1. Ravasco Pole Mwasambu - Chairperson
2. George Katama Mwangiri - Member
3. Juliet Luvuno Jana - Member
4. Nyasaida Famau Athman - 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.
- Review and make recommendations regarding the Company's budgets, financial plans and risk management.
- Liaise with the external auditors.

The Committee held two (2) regular meetings and no special meetings in the year under review.

b) Human Resource, Finance and Administrations Committee

The membership of the Finance and Administration Committee is comprised as follows:

1. Margaret Chizi Ngale - Chairperson
2. Hezekiah Nguma Mwarua - Member
3. Valentine Mwamanga Matsaki - Member
4. Elvina Rehema Kahindi - 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 assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, information and technology, procurement, investment strategies, policies, projects and related activities.

The Committee held four (4) regular meetings and no special meeting in the year under review.

c) Technical and Commercial committee

The membership of the Technical and Commercial Committee is comprised as follows

1. Nyasaida Famau Athman -Chairperson
2. George Katama Mwangiri -Member
3. Elvina Rehema Kahindi - Member

The Committee reviews and provides recommendations on issues relating to all technical and commercial matters including, water distribution, water quality, Non- Revenue Water, Water infrastructure development, Revenue mobilization and Customer management.

The Committee held eight (8) regular meetings and no special meeting in the year under review.

Risk Management and Internal Controls

The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These covers systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Corporation. The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Company. As an integral strategy in achieving its corporate goals, the Board ensures that an optimal mix between risk and return is maintained. To achieve this goal, a risk management and governance framework has been put in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Company to achieve its objectives both in the short and long term.

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 reflecting the new shareholding portfolio as stated hereunder;

County Government of Kilifi	4996 shares
County Secretary	2 shares
Executive Committee Member Finance and Economic Planning	1 share
Executive Committee Member for Water, Forestry and Natural Resources	1 share

Catherine Harusi Baya

Ag.MANAGING DIRECTOR

Rashid Mukwana Muhammad

CHAIRMAN

9. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Staffing

During the end of the financial year, the number of staff stood at 273 as shown in table 1

Table 1

NO. OF STAFF	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Permanent	249	248	247	249
Contract	16	19	19	19
Management Contract	7	7	7	7
TOTAL	**272**	**274**	**273**	**273**

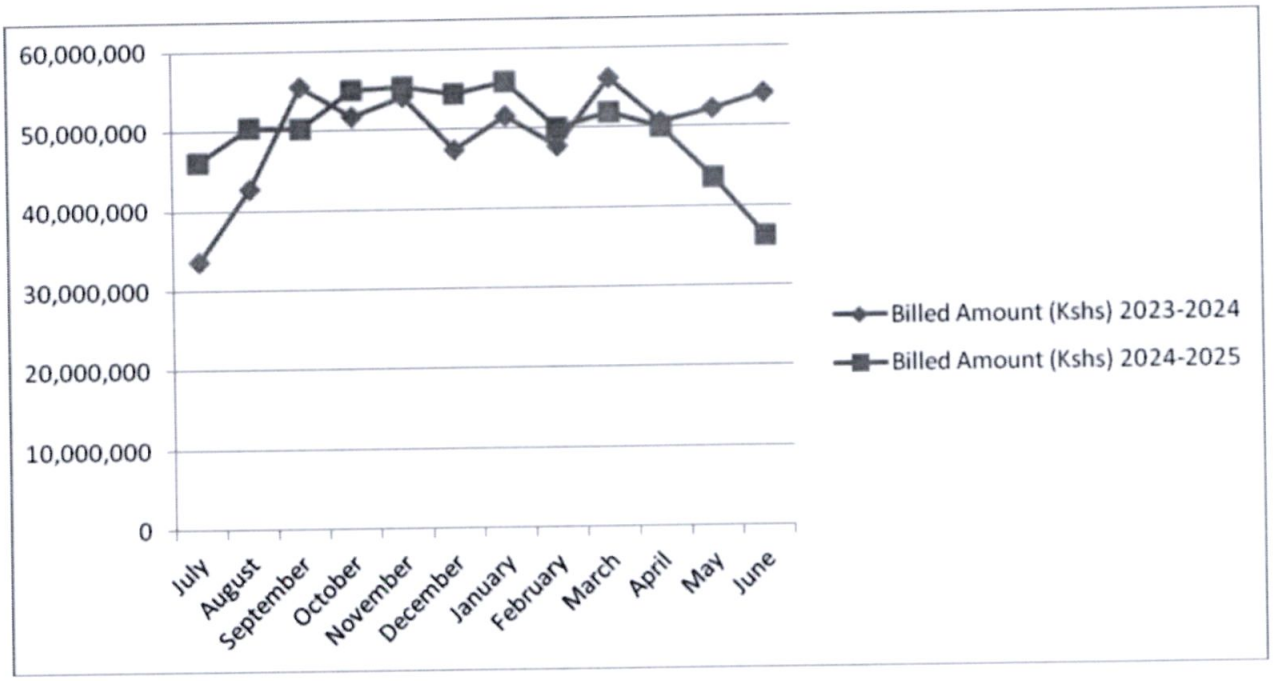
b) Production, billed volume, NRW, Billed amount CWWDA and Billed Revenue Amount.

During the year under review, the company received 9,114,009m^3 of water from CWWDA compared to the previous year's 9,719,951 m^3 of water. This represents 6% decrease in bulk water purchase. The comparable yearly bulk water purchase/production translates to cost of water/sales of Kshs 310,662,726 and Kshs 316,948,170 for the years 2025 and 2024 respectively. The company registered a decrease in volume of water it billed its customers from 4,951,015 m^3 in 2024 to 4,836,916 m^3 in 2025; a decrease of approximately 2%. Non-Revenue water decreased at 49% in 2024 to 47% in 2025 a decrease by 2%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Table 2

Months	Production in m3		Billed Vol. m3		NRW		Billed Amount CWWDA (Kshs)		Billed Amount (Kshs)	
	2023-2024	2024-2025	2023-2024	2024-2025	2023-2024	2024-2025	2023-2024	2024-2025	2023-2024	2024-2025
July	817,169	888,863	341,491	371,283	475,678	517,580	17,098,280	30,188,872	33,538,421	46,151,504
August	832,596	842,532	429,319	406,789	403,277	435,743	16,759,940	30,841,094	42,776,484	50,195,575
September	805,072	662,987	442,986	411,210	362,086	251,777	32,944,538	23,047,988	55,582,661	50,195,575
October	842,009	821,017	414,588	443,369	427,421	377,648	29,981,676	27,603,410	51,698,209	55,043,690
November	824,562	867,017	423,627	455,937	400,935	411,080	30,466,584	29,682,272	54,131,707	55,390,777
December	670,523	814,280	373,652	436,356	296,871	377,924	21,852,106	27,298,430	47,351,498	54,429,420
January	803,765	679,792	419,520	446,026	384,245	233,766	27,936,202	24,576,832	51,502,840	55,845,010
February	823,887	713,667	385,580	401,861	438,307	311,806	27,798,162	23,624,084	47,754,462	49,867,465
March	861,998	627,280	453,989	423,424	408,009	203,856	30,164,902	21,040,390	56,152,630	51,873,160
April	837,188	663,907	410,065	395,129	427,123	268,778	27,002,698	20,815,786	50,614,389	49,046,920
May	774,340	763,106	418,199	347,847	356,141	415,259	26,708,190	25,732,526	52,094,820	43,533,450
June	826,842	769,561	437,999	297,685	388,843	471,876	28,234,892	26,211,042	54,128,759	36,204,550
	9,719,951	**9,114,009**	**4,951,015**	**4,836,916**	**4,768,936**	**4,277,093**	**316,948,170**	**310,662,726**	**597,326,877**	**597,777,096**
					49%	47%				



MANAGEMENT DISCUSSION ANALYSIS (CONTINUED)

c) Number of Connections (Active Billed)

During the year under review, the company recorded an overall average increase in the number of connections of 4% in comparison to the year 2023-2024. The company ended the year 2024-2025 with a marked increase in the number of connections of 29,993 compared to 28,899 in 2023-2024.

	No. of Connections		Change in No. of connections	
Year	2023-2024	2024-2025	Per Qtr.	% Change
Average Qtr1	28,593	28,222	-371	-1%
Average Qtr2	28,795	29,225	430	2%
Average Qtr3	29,004	28,031	-973	-4%
Average Qtr4	28,899	29,993	1,094	4%

d) Risks

i) Sustainability

The major risk facing the company is lack of sustainability. This challenge is a function of many factors, a few among many, being high cost of operations including increased pumping power & fuel cost, high Non-Revenue Water (Water loss) through leaks and bursts, illegal water use, being billed for water consumed by other neighboring water utilities. The management has put in place cost cutting measures to reduce on cost to drive the company to sustainability. Among the measures and strategies management is putting in place to ensure sustainability of the firm include carrying out an investment grade energy audit to identify energy saving opportunities, carrying out a customer identification survey to clean up the customer data base, intensifying on NRW reduction activities, putting a caveat on staff employment, enhance budgetary controls among others.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KIMAWASCO has been taking part in some activities geared at giving back to the community under CSR initiative that is anchored in a Policy adopted by the Board.

The company in collaboration with the department of water and environment and natural resource participated in the world environmental day by providing seedlings in the financial year ended 30th June 2025.

The company takes this great opportunity to sincerely thank the diverse mix of our stakeholders in our region for the immense support they have given us in the course of our duty in serving them. We also take great admiration to the laudable efforts taken by the County Government in ensuing the company focuses in bridging the service coverage gap by the array of water projects initiated in our area of operation. By and large, our most valued customers who, at times endure long nights in long quest waiting for water at yard taps silently should never go unmentioned for their unwavering patience. Amidst all this, we are not swayed in our pursuit to offer efficient and effective services and we shall strive to continuously focus in addressing the inefficiencies that impede sustainable delivery of our services for the betterment of the Kilifi residents and all stakeholders.

Catherine Harusi Baya

Ag. MANAGING DIRECTOR

Rashid Mukwana Muhhamad

CHAIRMAN

11. 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 of the company

- Provide quality and economical water and sanitation services to consumers.
- Billing for water and sanitation services and ensure timely collection of dues.
- Routinely maintain water and sanitation 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 of operations

The results of the company for the year ended 30th June, 2025 as set out on page One (1) to Forty-Four (44)

(iii) Directors

The members of the Board of Directors who served during the year are shown on page v (v) to page vii (vii). In accordance with the entity's Memorandum and Articles of Association, the number is supposed to be nine. The company has nine Board members as stipulated in the Memorandum and Articles of Association.

Management Team

The management team that served in the organization during the period are set out on page ix to page xi

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

John Bwire and Associates Advocates, Company Secretary

Mombasa

Date.....

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012 and section 14 of the State Corporations A CAP446, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year. The Directors are also required to ensure that the entity keeps proper accounting records, which disclose with reasonable accuracy of the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity'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, water act 2016 and companies Act 2015. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2025, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

Approval of the financial statements.

The entity's financial statements were approved by the Board on ..... 10 . 11 .....

2025 and signed on its behalf by:

Catherine Harusi Baya

Ag. MANAGING DIRECTOR

Rashid Mukwana Muhammad

CHAIRMAN

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KILIFI MARIAKANI 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 Kilifi Mariakani Water and Sewerage Company Limited set out on pages 1 to 56, 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 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 Kilifi Mariakani 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 Companies Act 17 of 2015, Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Operating Revenue Amount

The statement of profit or loss and other comprehensive income reflects operating revenue totalling Kshs.597,777,096 as disclosed in Note 6 to the financial statements. Review of the data provided for audit revealed that, the company produced a total of 9,711,413 cubic meters of water out of which only 4,836,916 cubic meters of water was billed to customers leaving a balance of 4,874,497 cubic meters or 50% being Non-Revenue Water (NRW) resulting to a loss of revenue totalling Kshs.653,182,598.

In the circumstances, the accuracy and completeness of the operating revenue totalling Kshs.597,777,096 could not be confirmed.

2. Inaccurate Trade and Other Receivables Balance

The statement of financial position reflects trade and other receivables balance of Kshs.524,668,324 as disclosed in Note 24 to the financial statements. Included in this balance is Kshs.15,237,455 in respect of other receivables which have been carried forward from previous years and for which Management indicate is under investigation. However, the progress of the investigations and support schedules were not provided.

In the circumstances, the accuracy, completeness and recoverability of the trade and other receivables balance of Kshs.524,668,324 could not be confirmed.

3. Inaccurate and Unsupported Bank and Cash Balance

The statement of financial position reflects bank and cash overdraft balance of Kshs.5,263,514 as disclosed in Note 25 to the financial statements. In addition, a bank account maintained at a local commercial bank was overdrawn by Kshs.9,440,190 and the bank overdraft was netted off the debit bank balance of Kshs.4,175,817 instead of being disclosed separately. Further, the list of bank accounts operated by the Company included a bank account maintained at a local

commercial bank for Water Services Trust Fund CLSG Programme which was not disclosed in the financial statements.

In the circumstances, the accuracy, completeness and existence of the bank and cash overdraft balance of Kshs.5,263,514 could not be confirmed.

4. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.427,148,606 as disclosed in Note 20 of the financial statements. However, the Company did not have land ownership documents and the motor vehicles were registered in the name of the Regional Water Service Board.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.427,148,606 could not be confirmed.

5. Inaccuracies in Works in Progress (WIP)

The statement of financial position reflects works in progress balance of Kshs.829,012,178 as disclosed in Note 22 to the financial statements. The balance is in respect to works in progress for ablution blocks, Mtwapa and Kilifi pipeline and sludge treatment facilities. Review of the Water Sanitation Development Programmes (WSDP) documents provided for audit revealed unreconciled variance of Kshs.132,520,464.

In the circumstances, the accuracy, completeness and existence of the works in progress balance of Kshs.829,012,178 could not be confirmed.

6. Unaccounted for Long-Term Customer Deposits Balance

The statement of financial position reflects trade and other payables balance of Kshs.631,798,637 as disclosed in Note 33 of the financial statements. Included in this balance is an amount of Kshs.106,817,292 in respect to customers' deposits. However, the local commercial bank account which is supposed to hold the fixed deposit had a balance of Kshs.205,395 resulting to unexplained variance of Kshs.106,611,897.

In the circumstances, the accuracy, completeness and existence of the customers deposits balance of Kshs.106,817,292 could not be confirmed.

7. Inaccurate WSDP Loan Balance

The statement of financial position reflects a balance of Kshs.845,031,541 in respect of WSDP Loan as disclosed in Note 32 to the financial statements. Records maintained by Government Investment and Public Enterprises reflects a corresponding balance of Kshs.1,255,831,437 resulting to unexplained variance of Kshs.410,799,896

In the circumstances, the accuracy, completeness and existence of the WSDP loan balance of Kshs.845,031,541 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kilifi Mariakani 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.

Material Uncertainty on Going Concern

The statement of financial position reflects total current assets balance of Kshs.533,399,721 while the total current liabilities balance was Kshs.744,114,314 resulting to a negative working capital of Kshs.210,714,593. In addition, the statement of profit or loss and other comprehensive income indicates that the Company realized a loss of Kshs.12,972,547 which resulted to accumulated negative retained earnings of Kshs.716,823,611 contributed by the persistent loss over the years. This condition leads to material uncertainty of the Company's going concern. Even though the lack of sustainability is disclosed under risk by Management under management discussion analysis in the financial report, the measures Management has put in place do not appear to have been fruitful.

My opinion is not modified in respect of this matter.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.969,313,857 and Kshs.841,163,193 respectively resulting to an under-funding of Kshs.128,150,664 or 13% of the budget. Similarly, the Company made payments totalling to Kshs.897,414,832 against actual receipts of Kshs.841,163,193 resulting to an over-utilization of Kshs.56,251,639 or 6.7% of the actual receipts.

The underfunding 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 section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public

Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during the audit of the Company in 2024/2025 revealed that numerous matters remained unresolved as detailed in **Appendix 1**.

Other Information

The Management is responsible for the other information set out on page iii to xxxi which comprise of Key Entity Information and Management, the Board of Directors, Management team, Chairman's Statement, Report of Managing Director, statement of performance against predetermined objectives, Corporate Governance Statement, 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 Kilifi Mariakani Water and Sewerage Company Limited 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. Irregular Expenditure and Failure to Adhere to Statutes on Expenditure on Staff Costs

The statement of profit or loss and other comprehensive income reflects expenditure on staff costs totalling to Kshs.277,457,523 as disclosed in Note 11 to the financial statements. Review of records revealed that as at 30 June, 2025 the Company had two hundred and seventy-three (273) members of staff. The audit revealed the following:

i. Out of the staff members, one hundred and six (106) or 38.8 % are from the dominant ethnic community. In addition, all the seven (7) senior management staff are from the dominant community in the County as a result of which compliance

with the requirements of ethnic diversity was not adhered to. This was contrary to Section 65 (e) of the County Government Act, 2012 and Section 7(2) of National Cohesion and integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

ii. Forty-nine (49) staff members were female accounting for 17.9% while two hundred and twenty-five (224) were male accounting for 82.1% as a result of which the threshold for gender equality was breached. This was contrary to Section B. 22 (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 on non-discrimination in employment which provides that the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than two thirds of positions in its establishment are filled by either gender.

iii. Out of the total number of staff members one (1) member of staff was from the special interest groups, which represents 0.4 % of the total members of staff instead of the required 5%. Further the Company recruited six (6) employees during the year. However, no person living with disability was recruited as a result of which the threshold for recruitment of persons with disability was breached.

iv. Salaries of four (4) members of staff for several months was processed below one third of their basic pay failing to adhere to a third rule on basic pay. This was contrary to Section 19(3) of the Employment Act which states that the total amount of all deductions may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

v. During the year under review, six (6) employees were engaged. However, the Company did not maintain a Human Resource plan to support the employment.

vi. The Company had an authorized personnel staff establishment of three hundred and forty-nine (349) members of staff. However, only two hundred and seventy-four (273) members of staff were employed representing 78.2% of the staff establishment.

vii. The expenditure on staff costs includes expenditure on allowances paid to staff which were not were not approved by the Salaries and Remuneration Commission as indicated below:

Allowance	Amount (Kshs)
Staff incentives	2,840,000
Staff welfare	903,707
Other allowances	1,728,000
Lunch/standby allowance	827,000
Responsibility allowance	1,899,000
Reliever allowance	260,000
Field allowance	7,203,000
Extraneous allowance	520,000

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

2. Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.631,798,637 as disclosed in Note 33 to the financial statements. Review of the records on trade and other payables revealed the following:

2.1 Non- Remittance of Statutory Deductions

Included in this balance is an amount of Kshs.50,708,250 in respect to other liabilities out of which statutory deductions totaling to Kshs.15,291,380 has been long outstanding.

2.2 Failure to Pay Audit Fees

Included in the balance is an amount of Kshs.5,945,600 in respect of long outstanding audit fees balance. The management did not provide a satisfactory explanation of failure to settle the long overdue fees contrary to Section 41(c) of Public Audit Act, 2015 which requires that the funds of the Office of the Auditor-General shall consist of audit fees charged at the rates prescribed by the Auditor-General.

2.3 Failure to Settle Accrued Tax Liabilities

Included in the balance is an amount of Kshs.18,300,794 in respect to tax liability that has been outstanding since 2013. The tax liability includes avoidable tax penalties of Kshs.8,475,175. The management did not explain the outstanding tax liability and did not give a payment plan on settling the liability. This is contrary to the provisions of the Income Tax Act, Cap 470 Section 92 (a) which requires that all taxes due shall be paid on or before 30 September of the following year.

2.4 Unremitted WASREB Services Levy

Included in the balance is an amount of Kshs.117,410,046.79 in respect to long outstanding Water Service Regulatory Board (WASREB) service levy. No explanation was provided for failure to settle the long outstanding service levy.

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

3. Non- Remittance of Retirement Benefit Obligation

The statement of financial position reflects a balance of Kshs.103,762,134 in respect to retirement benefits obligations as disclosed Note 34 to the financial statements. Review of the documents provided for audit revealed that these balances were in respect to 12% basic salary employees' deductions and 15% of employer contribution which has not been remitted to Lap trust, a defined contribution scheme.

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

4. Non-Submission of Budget for Approval

The statement of comparison of budget and actual amounts reflects final budget of Kshs.969,313,857. However, no documents were provided to confirm whether the budget was submitted to the County Executive Committee Member responsible for the Kilifi Mariakani Water and Sewerage Company Limited Limited for approval.

In the circumstances, the 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, I confirm that nothing has come to my attention to cause me believe that Internal Controls, Risk Management and Governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

i. Information given in the directors' report on pages xv to xxxi is consistent with the financial statements; and

ii. The auditable part of the directors' remuneration report on page 26 has been properly prepared in accordance with the Companies Act, 2015.

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

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 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.

Those charged with governance are 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, OBS
AUDITOR-GENERAL

Nairobi

05 December, 2025

Appendix 1: Unresolved Prior Year Matters

No.	Financial Year	Audit issue
1	2023/2024	General and operational expenses
2	2023/2024	Unsupported property, plant and equipment
3	2023/2024	Inaccurate Coast Water Works Development Agency (CWWDA) liability
4	2023/2024	Unsupported Capital Reserves Fund
5	2023/2024	Unsupported and long outstanding trade and other receivables balance
6	2023/2024	Unaccounted for long-term customer deposits balance
7	2023/2024	Excessive non-revenue water
8	2023/2024	Trade and other payables balance
9	2023/2024	Staff costs
10	2023/2024	Irregular overdraft facility

14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2025

		2024-2025	**2023-2024**
	Notes	**Kshs**	**Kshs**
REVENUES			
Operating Revenue	6	597,777,096	597,326,877
Grants Income	7(a)	222,567,000	211,664,990
WSTF grant	7(b)	534,597	534,597
Other Income	8	20,284,500	16,787,775
Finance Income	9	-	-
Other gains/(losses)	10	-	-
Total Revenue		**841,163,193**	**826,314,239**
EXPENSES			
Staff Costs	11	277,457,523	260,823,826
General and Operations expenses	12	506,907,232	572,639,154
Board Expenses	13	9,282,357	10,455,797
Maintenance Expenses	14	17,470,600	31,385,939
Depreciation and amortization	15	43,018,028	44,842,043
Finance cost	16	-	263,915
Total Expenses		**854,135,740**	**920,410,674**
Profit/(loss) before taxation		**(12,972,547)**	**(94,096,435)**
Income Tax Expense/(credit)	17		
Profit/loss After Taxation		**(12,972,547)**	**(94,096,435)**
Earnings per share-Basic and Diluted	18	-	-
Dividend per Share	19	-	-

15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	427,148,606	426,451,889
Intangible assets	21	1,742,611	2,178,264
WIP-WSTF(PSF Chonyi& Kaloleni	22(a)	-	9,252,827
WIP-Ablution Blocks	22(b)	62,107,566	27,993,312
WIP-Mtwapa & Kilifi Pipeline	22 (c	690,835,664	680,392,979
WIP-Sludge treatment facilities	22 (e	76,068,948	
Total Non-Current Assets		**1,257,903,396**	**1,146,269,272**
Current Assets			
Inventories	23	13,994,912	25,941,880
Trade and other receivables	24	524,668,324	469,681,122
Bank and cash balances	25	(5,263,514)	111,295,967
Total Current Assets		**533,399,721**	**606,918,969**
TOTAL ASSETS		**1,791,303,117**	**1,753,188,241**
EQUITY AND LIABILITIES			
Capital and Reserves			
Owners Equity			-
Ordinary share capital	26	2,600,000	2,600,000
Retained earnings	27	(716,823,611)	(703,851,064)
CWWDA Liability	28	-	221,074,257
Capital Reserves fund	29	50,094,019	50,094,019
Capital and Reserves		**(664,129,592)**	**(430,082,788)**
Non-Current Liabilities			
Bulk water -cwwda	30	509,911,170	410,194,572
Licencee fees-cwwda	31	344,191,836	344,191,836
Loan -WSDP	32	845,031,541	845,031,541
NCBA LOAN	36	12,183,847	-
Total Non-Current Liabilities		**1,711,318,394**	**1,599,417,949**
Current Liabilities			
Trade and other payables	33	631,798,637	506,086,190
Deferred Income	7(c)	8,553,542	9,088,139
Retirement benefit obligations	34	103,762,134	68,678,750
Total Current Liabilities		**744,114,314**	**583,853,080**
TOTAL EQUITY AND LIABILITIES		**1,791,303,117**	**1,753,188,241**

The financial statements were approved by the Board of directors on.....10.11.....2025 and signed on its behalf by:

Principal Accountant	**Ag. Managing DIRECTOR**	**CHAIRMAN OF THE BOD**
Name: CPA Sebastian Kashero	Name: Catherine Harusi Baya	**Name**: Rashid Mukwana Muhhamad

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2025

	Share Capital	Retained Earnings	Capital Reserves	Total
				2023-2024
	Kshs	Kshs	Kshs	Kshs
As at 1st July 2023	100,000	(609,754,629)	50,094,019	(559,560,610)
Net Profit for the year		(94,096,435)		(94,096,435)
Issued and fully paid	2,500,000			2,500,000
As at 30th June 2024	2,600,000	(703,851,064)	50,094,019	(651,157,045)
				2024-2025
As at 1st July 2024	2,600,000	(703,851,064)	50,094,019	(651,157,045)
Net Profit for the year		(12,972,547)		(12,972,547)
As at 30th June 2025	2,600,000	(716,823,611)	50,094,019	(664,129,592)

A prior year adjustment on share capital of ksh.2,500,000 has been made to reflect the correct share capital balance.

17. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2024-2025	2023-2024
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from Operations	35	(174,221,699)	(130,888,744)
Dividends paid			
Net cash generated from operating activities		**(174,221,699)**	**(130,888,744)**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	20	(43,279,092)	(45,393,233)
Proceeds from disposal of Property, Plant and Equipment			
Purchase of Intangible Assets	21	-	-
WIP Sludge treatment facilities	22e	(76,068,948)	(9,252,827)
Work In Progress-Ablution Blocks	22b	(57,205,991)	-
Work In Progress-Kilifi & Mtwapa Pipeline	22c	-	(124,746,426)
Proceeds from Disposal of Quoted Investments			
Net Cash Used in Investing Activities		**(176,554,031)**	**(179,392,486)**
FINANCING ACTIVITIES			
WST-Grant	7(b)	(534,598)	(534,598)
GRANT INCOME (WSTF,WSDP/COUNTY GOVERNMENT)	7(a)	222,567,000	211,664,990
WSDP-LOAN	32	-	201,913,292
NCBA LOAN	36	12,183,847	
Net Cash used from Financing Activities		**234,216,249**	**413,043,684**
Increase/(Decrease) In Cash And Cash Equivalents		(116,559,481)	102,762,454
Cash And Cash Equivalents At Beginning Of Year		111,295,967	8,533,513
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**(5,263,514)**	**111,295,967**

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025

	Original budget	Final budget	Actual on comparable basis	Performance difference	%
	2024-2025	2024-2025	2024-2025	2024-2025	
Revenue		Kshs	Kshs	Kshs	
Operating Revenue	937,737,600	937,737,600	597,777,096	-339,960,504	-36%
Non Operating Revenue	31,576,257	31,576,257	20,284,500	-11,291,757	-38%
WSDP Grant	-		223,101,597	223,101,597	100%
Total income	**969,313,857**	**969,313,857**	**841,163,193**	-128,150,664	**-13%**
Expenses					
staff cost	282,343,324	282,343,324	277,457,523	4,885,801	2%
BOD expenses	12,000,000	12,000,000	9,282,357	2,717,643	23%
General and operations exepenses	537,894,750	537,894,750	506,907,232	30,987,518	6%
Depreciation and Amortization	-	-	43,018,028	-43,018,028	- 100%
Repairs & Maintanace	18,150,000	18,150,000	17,470,600	679,400	4%
Finance cost	22,110,783	22,110,783	-	22,110,783	100%
Total recurrent expenditure	**872,498,857**	**872,498,857**	**854,135,740**	18,363,117	98%
Surplus/ deficit for the period	**96,815,000**	**96,815,000**	**-12,972,547**	-146,513,781	
Capital Expenditure	**96,815,000**	**96,815,000**	**43,279,092**	**53,535,908**	**55%**
Total Expenditure	**969,313,857**	**969,313,857**	**897,414,832**	**71,899,025**	

Explanations to the Budget variances

a) The shortfall of 36% on operating Revenue (sale of water) was due to high non-revenue water and commercial losses. Aged network, stopped meters, water theft, bursts and leaks resulted to the company not achieving its revenue Targets.

b) The company reported a shortfall in non-operating revenue in the financial year, that is low connection and reconnection fees. During the period the company experienced decline in customer connectivity. The company also had to engage customer in paying for usage of water rather resorting to mass customer disconnection. It was found out that most disconnected customers take time to service their water usage bills and engages themselves in water theft. The company will continue to

engage the customers through sensitization, public Barraza's and broadcasting to encourage them to settle their water bills.

19. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kilifi Mariakani Water and Sewerage Company Limited is established by and derives its authority and accountability from the Water Act 2002. The Company is wholly owned by the County Government of Kilifi and is domiciled in Kenya. The Company's principal activity is supply of water to the residents of Kilifi South, Ganze, Kaloleni, Rabai and parts of Kilifi North Sub County.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Company's 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, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The financial statements are prepared in conformity with International Financial Reporting Standards (IFRS), which allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements management engage experts for advice.

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

The financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act 446, Water Act 2016 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

i) New and amended standards and interpretation in issues effective for 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 IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

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.

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2024/2025

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) **Revenue recognition**

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

i) **Revenue from the sale of goods and services** is recognized in the year in which the Company's delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognized in the year in which the Company actually receives such grants.

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

iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.

v) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.

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

b) **In-kind contributions**

In-kind contributions are donations that are made to the Company in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Company includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded but disclosed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

c) **Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

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

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

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

d) **Depreciation and impairment of property, plant and equipment**

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

Depreciation on property, plant and equipment is recognized in the income statement on a 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:

Buildings and civil works 2.5% or the unexpired lease period	
Plant and machinery	12.5 %
Motor vehicles, including motor cycles	25.0%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Computers and related equipment	30 %
Office equipment, furniture and fittings	12.5 %
Cold water meters	20 %
Water infrastructure pipeline	4 %
Software (Intangible Assets)	20 %

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

Depreciation and impairment of property, plant and equipment

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

e) **Intangible assets**

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

f) **Amortization and impairment of intangible assets**

Amortization is calculated on the Reducing Balance basis over the estimated useful life of computer software of five years.

All computer software is 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 so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Right to Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

j) Quoted investments

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in Security Exchange. These are measured at fair value through profit or loss (FVTPL)

l) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An 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 necessary approval to write off is granted.

n) Taxation

i. Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

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

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2014. The scheme is administered by County Pension Fund Managers 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.

u) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2024-2025 was approved by the Board of directors on 30 June 2025. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not have additional appropriations on the budget in FY2024-2025.

The entity's budget is prepared on a basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on accrual basis. The amounts in the financial statements were recast from the accrual 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 financial performance has been presented under section xvi of these financial statements.

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS 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. State all judgements, estimates and assumptions made: e.g. provisions and contingent liabilities

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 Entity 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 Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from 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 6 and 12.

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.

NOTES TO THE FINANCIAL STATEMENT (Continues)

6.0 SALES		
	2025	**2024**
	Kshs	Kshs
Operating Revenue	598,820,170	597,326,877
Debit Adjustments	(1,043,074)	
Total	**597,777,096**	**597,326,877**

7.(a)Grants Income	2025	2024
	Kshs	**Kshs**
County Government	-	50,000,000
CLTS	-	-
PSF	-	11,664,990
UBSUP	-	-
WSDP	222,567,000	150,000,000
Total	**222,567,000**	**211,664,990**

During the year under review the cost of bulk water purchase decreased to Kshs 316,948,170 from Kshs 310,662,726. A decrease in cost of bulk water by Kshs 6,285,444.

7.0 (b) GRANTS FROM WATER SERVICE TRUST FUND

	2024-2025	2023-2024
	Kshs	Kshs
Capital grants received	534,597	534,597
Total	**534,597**	**534,597**

Note: Kshs 534,597.00 is arising from the amortization of deferred income from the water services trust fund(WSTF).

NOTES TO THE FINANCIAL STATEMENT (Continues)

Included in the revenue stream of other income is an amount of Kshs 534,597 arising from amortization of deferred income from the Water Services Trust fund project (WTSF). The amount recognized as income is to offset the equivalent amount of the amortized component.

7. (c) DEFERRED INCOME

Name of the Entity sending the grant	Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year	2015-2016
	Kshs	Kshs	Kshs	Kshs
Water Service Trust Fund	9,566,305	-	9,566,305	9,566,305
Total	**9,566,305**	**-**	**9,566,305**	**9,566,305**
				2016-2017
	12,830,318	13,364,915	3,798,610	3,798,610
Total	12,830,318	13,364,915	3,798,610	3,798,610
	12,295,721	12,830,318		2017-2018
	11,761,124	12,295,721		2018-19
	11,226,527	11,761,124		2019-20
	10,691,930	11,226,527		2020-2021
	10,157,333	10,691,930		2021-2022
	9,622,736	10,157,333		2022-2023
	9,088,139	9,622,736		2023-2024
	8,553,542	9,088,139		2024-2025

NOTES TO THE FINANCIAL STATEMENT (Continues)

8.0 (a)OTHER INCOME

	2024- 2025	2023 - 2024
	Kshs	Kshs
Miscellaneous Revenue	12,218,365	4,914,664
New Connection Charges	4,217,100	7,336,541
Re-connection charges	3,554,035	4,151,570
Sanitation Income	295,000	385,000
Total	**20,284,500**	**16,787,775**

9.0 FINANCE INCOME

	2024- 2025	2023 - 2024
	Kshs	Kshs
Finance Income	-	-

10.0 OTHER GAINS/(LOSES)

	2024- 2025	2023 - 2024
	Kshs	Kshs
Finance Income	-	-

11.0 STAFF COSTS

	2024-2025	2023-2024
	Kshs	**Kshs**
Salaries & Allowances to Permanent Staff	223,099,619	208,670,658
Wages of Contract Employees	193,000	764,000
Company National Social Security Fund	8,676,216	4,583,347
Pension	23,518,546	22,377,617
Housing Levy	3,251,389	2,335,073
Staff Welfare	903,707	446,721
Staff Medical	8,195,300	10,895,328
Gratuity	5,512,147	4,769,164
Staff Incentives	2,840,000	2,730,000
wiba	-	192,000
Staff Licences renewal	-	-
Subsistance Allowances	1,133,200	1,207,200
Osha	-	1,762,318
WASCA	-	-
Subscriptions	134,400	90,400
Total	**277,457,523**	**260,823,826**

NOTES TO THE FINANCIAL STATEMENTS (Continues)

The average number of employees at the end of the year was:	2024-2025	2023- 2024
Contract employees – Management	7	7
Permanent employees	249	248
Temporary and contract employees	19	10
Total	**273**	**265**

12. GENERAL AND OPERATIONAL EXPENSES

	Notes	2024-2025 Kshs	2023-2024 Kshs
Chemicals		2,284,612	3,573,200
Electricity pumps and office		44,732,881	29,053,249
Fuel, oil, lubricants and gases		25,235,301	35,074,128
Bulk water costs		310,662,726	316,948,170
office supplies	12a	5,479,321	3,372,433
Uniform and protective clothing		-	-
Telecommunication	12b	4,592,008	4,915,313
Postage and courier		-	-
Insurance Costs		799,005	1,820,502
Rents and Rates		1,648,997	1,586,088
Hire of equipment and vehicles	12c	1,681,570	4,411,820
Domestic travelling and subsistence		5,794,300	16,239,393
Staff training and development		1,353,200	10,807,385
Bank charges		2,200,992	2,441,062
Security Services		14,995,248	16,336,047
Publicity and advertising		1,401,000	27,150,052
Audit fees provision		672,800	672,800
Legal Fees		1,576,299	-
Consultancy fees		-	47,653,493
Licence and levies	12d	24,018,596	24,043,075
Sports and recreation		974,500	6,992,300
Donation/CSR		-	-
Hospitality expenses		2,150,336	3,476,818
Provision for doubtful debts		1,122,449	521,276
Motor vehicle inspection		101,275	12,000
Pipeline Rehabilitation		16,114,057	13,345,300
NRW/GIS		648,550	295,000
Meter replacement		217,900	89,250
Meter servicing and consumables		9,800	57,000
Civil and constructions works		-	94,000
Disconnection expenses/fittings		1,579,000	1,658,000
World bank project operations expense		34,860,508	-
Total		**506,907,232**	**572,639,154**

NOTES TO THE FINANCIAL STATEMENTS (Continues)

12.(a) OFFICE SUPPLIES

	2024-2025	2023-2024
	Kshs	Kshs
Office expenses	1,578,800	1,478,000
Office Cleaning	369,737	284,413
Newspapers and periodicals	-	3,480
Computer stationery and accessories	85,275	239,700
Print stationery general	1,199,559	404,820
IT consumables &subscriptions	2,245,949	962,020
Total	**5,479,321**	**3,372,433**

12.(b) TELECOMMUNICATION

	2024-2025	2023-2024
	Kshs	Kshs
Telephone and Internet services	2,612,006	2,789,623
Bill postage	-	-
Tokens (sms)	1,980,002	2,125,690
Total	**4,592,008**	**4,915,313**

12.(c) HIRE OF EQUIPMENT AND VEHICLES

	2024-2025	2023-2024
	Kshs	Kshs
Transport	1,289,570	448,620
Hire of Transport	392,000	3,887,000
Mileage	-	76,200
Total	**1,681,570**	**4,411,820**

12.(d) LICENCE AND LEVIES

	2024-2025	2023-2024
	Kshs	Kshs
Wasreb licence	-	-
Wasreb levy	24,018,596	23,893,075
Neema licence	-	150,000
Total	**24,018,596**	**24,043,075**

NOTES TO THE FINANCIAL STATEMENTS (Continues)

13. BOARD OF DIRECTORS EXPENSES

	2024-2025	2023-2024
	Kshs	Kshs
Workshop & Seminars	1,551,000	1,311,800
Travel & Accommodation	845,000	755,400
Committee Allowances	2,810,600	5,074,000
Annual General Meeting	857,900	-
Chairman Honorarium	720,000	720,000
BOD Events	897,000	46,000
Bod stakeholders forum	-	1,534,000
BOD Self evaluation	532,000	-
BOD Medical	748,057	834,597
Entertainment	33,000	-
BOD Other	287,000	180,000
Total	**9,282,357**	**10,455,797**

14. REPAIRS & MAINTENANCE

	2024-2025	2023 - 2024
	Kshs	Kshs
Buildings	127,050	557,085
Computers	64,000	143,900
Furniture & Equipment	-	-
Motor Cycles	1,649,965	760,247
Motor Vehicles	913,263	4,661,873
Generator	127,800	484,699
Pumps	1,307,232	1,261,701
Water infrastructure	13,274,489	19,361,427
Repairs and maintenance WSDP	-	4,113,207
Electricity repairs	6,800	41,800
Total	**17,470,600**	**31,385,939**

15. DEPRECIATION AND AMORTIZATION

	2024-2025	2023 - 2024
	Kshs	Kshs
Property, plant and equipment	43,960,049	44,297,477
Intangible Assets	435,653	544,566
Total	**43,018,028**	**44,842,043**

NOTES TO THE FINANCIAL STATEMENTS (Continues)

16.0 FINANCE COST

	2024- 2025	2023 - 2024
	Kshs	Kshs
Finance cost	-	263,915

17.0 INCOME TAX EXPENSE

a) TAXABLE PROFIT/ LOSS FOR THE YEAR ENDED 30 JUNE 2025

	2024-2025	2023-2024
	Kshs	Kshs.
Profit /Loss for the year	(12,972,547)	(94,096,435)
Add back depreciation/amortization	43,018,028	44,842,043
Add back provision for doubtful debts	882,350	521,276
Add back provision for Audit fees	672,800	672,800
Add back donations	-	-
	31,840,730	**(48,060,316)**
Less allowable expenses		
Wear and tear allowances	61,471,692	66,894,818
Loan Interest		
Total Allowable items	**61,471,692**	**66,894,818**
Amount chargeable to tax	**(12,972,547)**	**(94,096,435)**
Taxable Profit / Loss B/F	(707,612,572)	(613,516,137)
	(720,585,119)	**(707,612,572)**

b) TAXATION (PRIOR YEARS ASSESSMENT)

	2024-2025
Tax liability from previous year	**18,300,794**
Less payment	-
Outstanding Tax payable	**18,300,794**

During the Year 2024/25 the company had an outstanding tax payable of Kshs 18,300,794.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

18.0 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax, however the company has been making losses and more so the company being the County Corporation is awaiting the County Government of Kilifi to subscribe to the shares. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19.0 DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2025, no dividend in respect of the year, ended June 30, 2025 as the company reported losses.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

20.0 PROPERTY, PLANT AND EQUIPMENT

DETAILS	Land	Buildings	Motor Vehicles	Computers & Accessories	Furniture and Fitting	Plant and Equipment	Water Infrastructure meters	Water Infrastructure Pipeline	Total
NBV as at 1st July 2023	3,445,000	37,326,176	25,382,944	13,562,373	5,119,243	8,312,783	57,067,435	275,140,180	**425,356,133**
Additional Assets 2024	-	-	-	17,396,586	-	-	15,705,847	12,290,800	**45,393,233**
Fixed Assets as at 30th June 2024	3,445,000	37,326,176	25,382,944	30,958,959	5,119,243	8,312,783	72,773,281	287,430,980	**470,749,366**
Accumulated depreciation	-	933,154	6,345,736	9,287,688	639,905	1,039,098	14,554,656	11,497,239	**44,297,477**
Cost/Valuation as at 1st July 2024	3,445,000	36,393,021	19,037,208	21,671,272	4,479,337	7,273,685	58,218,625	275,933,740	**426,451,889**
Additional Assets 2025	-	11,590,808	12,183,847	8,053,255	-	610,682	-	10,840,500	**43,279,092**
Fixed Assets as at 30th June 2025	3,445,000	47,983,829	31,221,056	29,724,527	4,479,337	7,884,367	58,218,625	286,774,240	**469,730,981**
Depreciation Charged for the year		1,199,596	7,805,264	8,917,358	559,917	985,546	11,643,725	11,470,970	**42,582,375**
NBV as at 30th June 2025	3,445,000	46,784,233	23,415,792	20,807,169	3,919,420	6,898,821	46,574,900	275,303,271	**427,148,606**
WIP (Ablution blocks		62,107,566							62,107,566
WIP(mtwapa & kilifi pipeline)								690,835,664	690,835,664
WIP(Sludge treatment facilities		76,068,948							76,068,948
Total									**1,256,160,784**

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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

	Cost or valuation	Annual depreciation charge	NBV
	Kshs	**Kshs**	**Kshs**
Land	3,445,000	-	3,445,000
Buildings	47,983,829	1,199,596	46,784,233
Plant and machinery	7,884,367	985,546	6,898,821
Motor vehicles, including motor cycles	31,221,056	7,805,264	23,415,792
Computers and related equipment	29,724,527	8,917,358	20,807,169
Furniture &Fittings	4,479,337	559,917	3,919,420
Cold water meters	58,218,625	11,643,725	46,574,900
water infrastructure pipeline	286,774,240	11,470,970	275,303,271
	469,730,981	**42,582,375**	**427,148,606**

21.0 INTANGIBLE ASSETS COST

	2024-2025	**2023-2024**
	Kshs	**Kshs**
At1 July 2024	9,357,550	9,357,550
Additions	-	-
At June 30 2025	**9,357,550**	**9,357,550**
At 1 July 2024	7,179,286	6,634,720
Charge for the year	435,653	544,566
Impairment loss		
At June 30 2024	7,614,939	7,179,286
At June 30 2024	**1,742,611**	**2,178,264**

	Cost or valuation	Additions	Annual depreciation charge	NBV
	Kshs		**Kshs**	**Kshs**
software	2,178,264	-	435,653	1,742,611
	2,178,264	-	**435,653**	**1,742,611**

NOTES TO THE FINANCIAL STATEMENTS (Continues)

22.(a) WIP-PSF Chonyi & Kaloleni

	2024-2025	2023-2024
	Kshs	Kshs
WIP -PSF Chonyi & Kaloleni	-	9,252,827

22.(b) WIP-Ablution Blocks

	2024-2025	2023-2024
	Kshs	Kshs
WIP –Ablution Blocks	62,107,566	27,993,312

22.(c) WIP-Mtwapa &Kilifi Pipeline

	2024-2025	2023-2024
	Kshs	Kshs
WIP –Mtwapa & Kilifi Pipeline	690,835,664	680,392,979

22.(e) WIP-Sludge treatment facilities

	2024-2025	2023-2024
	Kshs	Kshs
WIP –Sludge treatment facilities	76,068,948	-

23.0 INVENTORIES

	2024-2025	2023-2024
Engineering stores	4,769,625	6,350,985
Motor vehicle spare parts	136,490	32,050
Chlorine	-	27,120
Building materials	-	-
Water meters	8,193,128	17,681,374
Computer accessories	732,827	1,611,847
Stationery and general stores	162,841	238,504
Total	**13,994,912**	**25,941,880**

NOTES TO THE FINANCIAL STATEMENT (Continues)

Stationery, water fittings, building materials, water meters, computer accessories, motor vehicles spare parts had not been utilized at the close of the financial year.

24.0 TRADE AND OTHER RECEIVABLES

	2024-2025	2023-2024
	Kshs	Kshs
Trade receivables	509,343,869	453,822,609
Deposits and prepayments	-	84,990
Insurance prepayments	-	-
VAT recoverable	-	-
Staff receivables	87,000	536,069
Other receivables	15,237,455	15,237,455
Net trade and other receivables	**524,668,324**	**469,681,122**

The amount of Kshs 15,237,455 for other receivables have been carried forward from the prior years and management is investigation the same to come up with a solution.

24.0 (a) TRADE RECEIVABLES

	2024-2025	2024-2025
	Kshs	Kshs
Gross trade receivables	510,466,318	454,343,885
Provision for doubtful receivables	(1,122,449)	(521,276)
Total	**509,343,869**	**453,822,609**

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

	2024-2025	2023-2024
	Kshs	Kshs
Less than 30 days	12,325,436	6,221,680
Between 30 and 60 days	5,460,058	7,978,279
Between 61 and 90 days	6,824,793	3,941,987
Between 91 and 120 days	76,425,840	12,990,387
Over 120 days	409,430,191	423,211,552
Total	**510,466,318**	**454,343,885**

The provision on debtors of Kshs 1,122,449 is a general provision at 2.0% based on the company financial and accounting manual

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24.0 (b) STAFF RECEIVABLES

	2024-2025	2023-2024
	Kshs	Kshs
Gross staff loans and advances	87,000	536,069
Provision for impairment loss		
Total	**87,000**	**536,069**

24.0 (c) Prepayments

	2024-2025	2023-2024
	Kshs	Kshs
Rent	-	84,990
Total	**-**	**84,990**

25.0 BANK AND CASH BALANCES

	2024-2025	2023-2024
	Kshs	Kshs
Cash at bank	(5,264,374)	111,295,967
Cash in hand	860	-
Total	**(5,263,514**	**111,295,967**

		2024-2025	2023-2024
Financial institution	**Account number**	**Kshs**	**Kshs**
a) **Current account**			
Kenya Commercial bank	1101877731	21,352	45,561
Kenya Commercial bank	1102227366	7,389	10,131
Kenya Commercial bank	1102227595	93,845	238,965
Kenya Commercial bank	1101877553	205,395	9,709
Kenya Commercial bank	1102225444	(9,440,190)	(7,967,574)
Co-operative Bank	1136465628000	71,051	75,851
Post Bank	744130000183	100,118	1,135,077
UBSUP WSTF	1266702717	-	(1,840)
WSDP	1239146469	7,039	112,754,847
KIMAWASCO WSDP	1284360954	121,864	124,900
WSTF PSF CHONYI	1313289094	-	1,995,512
WSTF PSF KALOLENI	1313289078	-	540,453

NCBA	8864160021	-	(146)
Sub- total			
Cash in Hand			-
M-PESA	522100	4,981	26,980
M-PESA	841961	-	-
M-PESA	825995	-	-
Postal Corporation		3,542,783	2,307,541
Sub- total		**3,547,764**	**2,334,521**
Grand total		**(5,263,514)**	**111,295,967**

26.0 ORDINARY SHARE CAPITAL

	2024-2025	2023-2024
Authorized:	**Kshs**	**Kshs**
5,000 ordinary shares of Kshs. 1,000 par value each	5,000,000	5,000,000
Total	**5,000,000**	**5,000,000**
Issued and fully paid:		
2,500 ordinary shares of Kshs. 1,000 par value each	2,500,000	2,500,000
100 ordinary shares of Kshs. 1,000 par value each	100,000	100,000
Total	**2,600,000**	**2,600,000**

27.0 RETAINED EARNINGS

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

	2024-2025	2023-2024
Retained Earnings	**Kshs**	**Kshs**
As at 1 July 2024	(703,851,064)	(609,754,629)
Net profit for the year	(12,972,547)	(94,096,435)
Total as at June 30 2025	**(716,823,611)**	**(703,851,064)**

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

NOTES TO THE FINANCIAL STATEMENT (Continues)

28.0 COAST WATER WORKS DEVELOPMENT AGENCY LIABILITY

This arises as a result of excess of total liabilities over assets; there are pending unreconciled issues relating to Bulk water over estimation of invoices provided to KIMAWASCO.

	2024-2025 Kshs	2023-2024 Kshs
Total current & non-current liabilities		2,183,271,028
Less total Assets		1,753,188,241
Less Capital and Reserve		651,157,045
CWWDA Liability		**(221,074,257)**

29.0 CAPITAL RESERVES FUND

	2024-2025	2023-2024
	Kshs	Kshs
Land	2,745,000	2,745,000
Buildings	29,821,900	29,821,900
Motor vehicles	1,690,000	1,690,000
Subtotal	**34,256,900**	**34,256,900**
Management salary at formation	521,875	521,875
Payroll deduction on Ex- Nwc	411,423	411,423
Ex-New payroll on formation	418,332	418,332
Management salary at 2006 July	521,875	521,875
Statutory deduction 2006 August	411,423	411,423
Transfer on reconciliation	220,184	220,184
Sub Total	**2,505,112**	**2,505,112**
Adjustment for cost of bills	13,332,007	13,332,007
Total	**50,094,019**	**50,094,019**

30.0 BULK WATER (DEBT)

The Bulk water debt relates to Coast Water Works Development Agency invoices for supply of water which has been rescheduled for payment in future. The outstanding amount as at 30th June 2025 is Kshs. 509,911,170 being classified as non-current and Kshs. 99,018,873 classified as current.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

31.0 LICENCEE FEES

Licencee fees is levied by Coast Water Works Development Agency for the use as the agent of the regulator offering administrative services of Kshs 1,630,725.75 monthly. It is chargeable after deducting 4% Water Regulatory Levy. The accumulated amount is Kshs 344,191,836 classified as non-current.

The Water Regulatory Levy is payable to Water Regulator Board (WASREB) at a rate of 4% of water sale as from November 2018.

32.0 WSDP LOAN

	2024-2025	2023-2024
	Kshs	Kshs
Balance at beginning of the year	845,031,541	643,118,249
Borrowings during the year	-	201,913,292
Repayments of borrowings during the year	-	-
Balance at end of the year	**845,031,541**	**845,031,541**
Less: Amounts due within one year (current portion)		
Amounts due after one year (non-current portion)		

33.0 TRADE AND OTHER PAYABLES

	2024-2025	2023-2024
	Kshs	Kshs
Trade Creditors	233,597,782	148,644,303
Other Liabilities	50,708,250	36,560,652
Long Term Customer Deposit	106,817,292	100,826,792
Water Service Regulatory Services Levy	117,410,047	96,091,451
Tax Liability (Prior years Assessment)	18,300,794	18,300,794
Audit Fees	5,945,600	5,945,600
Lease fees(licensee fees)	-	-
Bulk water liabilities	99,018,873	99,716,598
Total	**631,798,637**	**506,086,190**

34.0 RETIREMENT BENEFIT OBLIGATIONS

The entity operates a defined Contribution scheme for all full-time employees from July 1, 2015. The scheme is based on 12 percentage of basic salary plus House allowances of an employee and the employer contributes 15 % of the same. The company also has a few employees who are not contributing to the defined benefit scheme, but the fund managers normally determines liabilities and advises the employer to pay from time to time. Currently we have not been advised on any liability. The below balances relates to defined contribution scheme balances.

	2024-2025	2023-2024
	Kshs	Kshs
Laptrust	103,762,134	68,678,750
Total	**103,762,134**	**68,678,750**

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 6% of the gross salary.

35.0 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit /(Loss) to cash generated from/ (used in) operations

	2024-2025	2023-2024
	Kshs	Kshs
Operating profit/(loss)	(12,972,547)	(94,096,435)
Depreciation/amortization	43,018,028	44,842,043
Provision for bad debts	882,350	521,276
Provision (CWWDA liability)		
Provision for audit fees	672,800	672,800
WSTF GRANT		
Operating profit/(loss) before working capital changes	**31,600,631**	**(48,060,316)**
Stock of consumables	11,946,967	(6,603,639)
(Increase)/decrease in trade and other receivables	(43,222,352)	(26,432,534)
Increase/(decrease) in trade and other payables	125,712,447	129,559,871
Increase/(decrease)in CWWDA liability	(478,843,853)	(435,686,626)
Increase/(decrease) in retirement benefit obligations	35,083,384	33,568,214
Increase/(decrease)in Borrowings	12,183,847	201,913,292
Increase/(decrease) in Bulk liability	99,716,598	68,913,310
Increase/(decrease) in licensee remuneration	-	-
	(174,221,699)	**(130,888,744)**

Operating Activities		
Donations		-
Cash generated from/(used in) operations	**(174,221,699)**	**(130,888,744)**

36.0 NCBA LOAN

	2024-2025	2023-2024
	Kshs	Kshs
NCBA LOAN	12,183,847	-
Total	12,183,847	-

37.0 DEFFERED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year-end is attributable to the following items:

	2024-2025	2023-2024
	Kshs	Kshs
Accelerated capital allowances	16,859,750	16,859,750
Unrealised exchange gains/(losses)		-
Revaluation surplus		-
Tax losses carried forward	(299,849,958)	(299,849,958)
Provisions for liabilities and charges		-
Net deferred tax liability	**(282,990,208)**	**(282,990,208)**

The movement on the deferred tax account is as follows:

Balance at beginning of the year	(175,576,803)	(175,576,803)
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	**(175,576,803)**	**(175,576,803)**

NOTES TO THE FINANCIAL STATEMENTS (Continues)

38.0 PROVISION FOR LEAVE PAY

Provision for annual leave pay is a liability the company has tried to avoid by exercising annual leave planning where every head of department and section heads prepares a leave roaster to avoid leave liability. This is based on services rendered by full-time employees up to the end of the year.

39.0 DIVIDENDS PAYABLE

The balance of dividends payable relates to unclaimed dividends, payable to different ordinary shareholders. The balances are analyzed in annual amount below.

40.0 RELATED PARTY DISCLOSURES

(a)Government of Kenya

The County Government of Kilifi is the principal shareholder of the KIMAWASCO, holding 100% of the entity's equity interest. However, the Government of Kenya provides full guarantees to all long-term lenders of the KIMAWASCO, both domestic and external.

Other related parties include:

i) The Parent Ministry; Ministry of water , sanitation and irrigation
ii) County Government of Kilifi
iii) Water Services Trust Fund
iv) Coast Water Works Development Agency
v) Key management;
vi) Board of directors

b) Grants

	2024-2025	2023-2024
	Kshs	Kshs
Water Services Trust Fund	-	11,664,990
WSDP	222,567,000	150,000,000
County Government	-	50,000,000
Total	**222,567,000**	**211,664,990**

NOTES TO THE FINANCIAL STATEMENTS (Continues)

c) Key management compensation

	2024-2025	2023-2024
	Kshs	Kshs
Directors' emoluments	8,214,300	10,275,797
Compensation to the CEO	-	-
Compensation to key management	25,259,857	21,322,400
Total	**33,474,157**	**31,598,197**

41.0 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks including credit and liquidity risks. 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 entity 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 customers under the fully performing category are paying their debts as they continue consumption of water. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

(ii) Liquidity risk management

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

1. Related Party Balances

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. There were no inter related party transaction during the year.

2. Segment information

The Company does not have segments operating either geographically of departmentally that requires segmental reporting on performance and allocation of resources

3. Contingent assets and contingent liabilities

The Company does not have known contingent assets. The company has a civil case suit No.E250 but has not incurred any contingent liability during the year under review.

4. Capital Commitments

There were no Capital commitments made in the next financial year for reporting in the current financial year

5. Events after the reporting period

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

6. Ultimate and Holding Entity

The Company is a Semi- Autonomous Government Agency under the Ministry of Water and Irrigation. Its ultimate parent is the Government of Kenya.

7. Currency

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

20. APPENDICES

Appendix 1: progress on follow up of the auditor recommendations.

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

Audit Reference Number.	Auditors Observation.	Management Comments	Status	Timeline
1. Unconfirmed Bulk water Costs.	Audit review indicated a total of Ksh 316,948, 170.00 with respect to Bulk water costs. Sample review of 22 Bulk water meters out of 198 reveal estimate billing instead of actual meter readings which is attributed to nonfunctional bulk water meters.	The number of estimated accounts from coast water works Development agency was 55 in July 2024 and fifty-four 54 as at February 2025 implying that one meter was replaced by CWWDA depicting slow action on the matter.	Ongoing.	June 2025
2. Unsupported and irregular expenditure on hire of equipment's and vehicles.	Audit of the general and operational expenses is an amount of Ksh 2,170,000 spent on hire of motorcycles whose appropriate authority and documentation including requisitions advertisements, evaluation and contract award were not provided.	The company engaged the service providers for the hire of motorcycles at a rate of Ksh 1,500.00 per day as provided in clause 3.1 of the service level agreement for the provision of Taxi and Motorcycles Hire dated 1st Day of July 2023. The list of motorcycles hired and the approved workplan for the hired motorcycles is provided.	Closed	
3. Unsupported property plant and equipment balance.	Reported in the statement of financial position is property plant and equipment of Ksh 426,451,889.00. Fixed assets register was not provided for audit review. The company did not have land ownership documents and motor vehicles listed had their logbooks recorded in the name of coast water	The company is in the process of developing a fixed asset register in the current financial year. Currently the company has a fixed assets movement schedule which was provided to the auditor general for audit review.	Ongoing	June 2025

	service board.			
4. Inaccurate coast water works development agency (CWWDA) liability.	Reflected in the financial statements of Kimawasco the CWWDA liability is Ksh 221,074,257.00 while CWWDA statement of financial position is Ksh 854,103,006.00 resulting to unreconciled variance of Ksh 633,028,749.00.	The figures on liability and receivables between the two (2) financial statements for the Company and Coast Water Works Development Agency have had disparities over the years. The Company is in the process of reconciling its liability with the Coast Water Works Development Agency.	Ongoing	June 2025
5. Unsupported Capital Reserves Fund.	Reported in the statement of financial position is capital reserves fund balance of Kshs.50, 094, 019 includes land, buildings, motor vehicles, various expenditures and adjustment for cost of bills recognized at the inception of the Company. However, these balances were not supported with any documentation.	The balance of the sum of Kshs. 50, 094, 019/= as a capital reserve is historical in nature since the incorporation of the Company. The Company shall initiate investigations on this historical issue on capital reserves and shall hopefully resolve this long outstanding issue by the end of the current financial year.	Ongoing	June 2025
6. Unsupported and Long Outstanding Trade and Other Receivables Balance.	The statement of financial position and Note 24 to the financial statements reflects trade and other receivables balance of Kshs. 469, 681, 122 out of which a balance of Kshs. 45, 822, 609 lrelates to trade receivabes whose details were not provided for review while trade receivables balance of Kshs.436, 201, 939 have remained uncollected for over ninety-one (91) days.	The Company provided to the Auditor General for audit review the Debtors Schedule of Kshs.454,343, 885/= that is Gross Trade Receivable. The sum of Kshs. 453, 822, 609/= as reported by the Auditor General was a net of Gross Trade Receivable in the sum of Kshs. 454, 343, 885/= less 2% provisions for bad and doubtful debts in the sum of Kshs. 521, 276/= leaving a net balance of trade receivables in the	Closed	

		sum of Kshs. 453, 822, 609/= as per Note 24 of the Financial Statement. The 2% provision for bad and doubtful debts is provided for under Section 10.6 of the Company's Financial Policy and Procedure Manual dated February, 2022.		
	In addition, the trade and other receivables balance include other receivables balance of Kshs. 15, 237, 455 relating to previous years which is under investigations. However, the progress of these investigations has not been provided.	The sum of Kshs. 15, 237, 455/= relating to other trade receivables balance relating to previous years is historical in nature. The Company as can be seen in the letter dated the 27th day of January, 2025 by the Managing Director of the Company, the Company has since appointed an Investigation Committee to resolve this issue which does not have supporting documents to account for the reported sum of Kshs. 15, 237, 455/=.	Ongoing	June 2025
7. Unaccounted for Long-Term Customer Deposits Balance	The statement of financial position and Note 33 to the financial statements reflects trade and other payables balance of Kshs. 506, 086, 190 which includes a balance of Kshs. 100, 826, 792 in respect of long-term customer deposits. However, a local	The variance in the customer deposits balance was occasioned by various borrowings over the years since the incorporation of the Company as approved by the Company's Board of Directors for the payment of critical expenditure towards the operation of	Ongoing.	June 2025

	Commercial Bank deposit bank account, which should hold the customer deposits, reflects a balance of Kshs. 9, 709 resulting to unexplained variance of Kshs. 100, 817, 083.	the Company in times of cash challenges. However, the Company has put in place a plan to refund monies borrowed from the customer deposit account to ensure the same is fully recovered		
8. Material Uncertainty Related to Going Concern	The statement of profit or loss and other comprehensive income reflects a loss of Kshs. 94, 096, 435 for the company during the year. Similar trends were observed in previous years, with the company recording a loss of Kshs. 98, 642, 706 in the 2022-2023 financial year, Kshs. 85, 853, 456 in 2021-2022, and Kshs. 73, 329, 407 in 2020-2021. In the 2019-2020 financial year, the Company reported a loss of Kshs. 2, 250, 424.	This sorry position that the Company finds itself in has largely been contributed by the Company's liability due to the Coast Water Works Development Agency. The Company is putting in more effort in reducing its current liabilities and enhancing its revenues through reduction in Non-Revenue Water.	Ongoing	June 2025.
9. Budgetary Controls and Performance	The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs. 1, 000, 749, 034 and Kshs. 826, 314, 239 respectively resulting to an under-collection of Kshs. 174, 434, 795 or 17% of the budget. Similarly, the Company spent an amount of Kshs. 920, 410, 674 against actual receipts of Kshs.826, 314, 239 resulting to an over-expenditure of Kshs. 94, 096, 435 or 11% of the actual receipts.	The Company could not meet its budgeted revenue due to high Non-Revenue Water reported during the year under review. The Non-Revenue Water was at 49%. There is a need for effective Non-Revenue Water management, with the goal of achieving national targets, such as reducing Non-Revenue Water levels to below 20%, in line with the National Water Services Strategy and Vision 2030.	Ongoing	June 2025
10. Failure to	According to the	The Company has not	Ongoing	June 2025

Offer Sewerage Services	Memorandum of Association and as prescribed in the Water Act, 2016, the Company is mandated to offer sewerage services within the towns of Kilifi, Kaloleni, Rabai and its environs. Review of the Company's financial records revealed that the Company has not offered these services in the past and did not do so in the year under review. There was however, no explanation why the Company has failed to offer this service as mandated.	been able to offer sewerage services because the utility has not yet developed the conventional infrastructure to operationalize the service considering the heavy capital investment required. As can be seen in the Final Wastewater Master Plan Report for Kilifi Town which was carried out by the Coast Water Works Development Agency the Company shall require an investment of about the sum of Kshs. 3, 377, 471, 052 to have a wastewater management system in Kilifi town.		
11. Excessive non-revenue water.	The statement of profit or loss and other comprehensive income and Note 6 to the financial statement reflects operating revenue totaling Kshs. 597, 326, 877. However, review of the data provided for audit revealed water production of 9, 719, 951 cubic meters of water (M3) at a cost of Kshs. 316, 948, 170. Out of this production, only 4, 951, 015 cubic meters were billed to customers at an amount of Kshs. 597, 326, 877. The balance of 4, 768, 936 cubic meters of water (M3) which accounts for 49% of the water produced represented Unaccounted for Water (UFW) which is over and above the loss of 25% allowable by the	The Company is putting more effort in enhancing its revenues through reduction in Non-Revenue Water. The Company has received financing from the World Bank under the Water and Sanitation Development Program to be implemented within a period of three (3) years for interventions that are aimed at not only enhancing water distribution but also reducing Non-Revenue Water within Kilifi and Mtwapa towns which are at a record high within the organization.	Ongoing	June 2025

	Water Service Regulatory Board guidelines.			
12. Accrued Tax Liability	Included in this balance is Kshs. 18, 300, 794 in respect of tax liability which recorded no movement from the previous year. Management did not explain what the outstanding tax liability relates to and did not give a payment plan on settling the liability.	The Company acknowledges not settling the tax liability balance in the sum of Kshs. 18,300,794 on time due to financial challenges. The Company will therefore engage the Kenya Revenue Authority in the current financial year on a part payment plan to settle the outstanding tax liability.	Ongoing	June 2025
Audit Reference Number.	Auditors Observation.	Management Comments	Status	Timeline
13. Unbilled Revenue-Unbilled customers .	Audit review indicated a total number of connections of 26,631, thereby leading to a variance (unbilled customers) totaling to four hundred and forty-seven (467). The variance has not been explained nor reconciled.	The variance in the number of active accounts and accounts billed at that time was as a result of discrepancies in the two systems. An account status being active in the billing system but actually on cut off on the ground. The management procured a robust billing system and this matter is resolved.	Closed.	
14. Unsupported Board of directors' expenses.	Audit of the records provided indicated that expenditure of Kshs. 2,620,581 in respect of travel and accommodation, workshops and seminars was not supported by evidence of travel to and	The Board expenditure of kshs.2,620,581 support documents were provided for committee review.	Closed	

	attendance of the workshops/seminars by the beneficiaries.			
15. Overpayment of security services.	The contract provided for a sum of Kshs. 11,070,000 for provision of forty-five (45) guards and Kshs. 87,000 for alarm services totaling to Kshs. 11,157,600 per annum. However, the Company paid a total of Kshs. 11,756,114 leading to overpayment of Kshs. 598,514 which has not been explained.	In the year under review, there were additional security guards which were deployed to various parts of company's jurisdiction. This led to an increment in the cost of hiring of guards. The letters requesting for additional guards have been provided for committee review.	Closed	
16. Unidentified debtors.	Note 24 to the financial statements reflects other receivables balance of Kshs. 15,237,445. The balance was not supported by an analysis of what it comprised of and details of who owed the Company this amount. The Management indicated that this is a carried forward balance from prior years and have not been able to identify the actual debtors owing the Company.		Ongoing	June 2024
17. Unrecovered prepayments.	Previously reported, included in this balance is an amount of Kshs. 126,000 in respect of outstanding prepaid honoraria made in the year 2013. However, no explanation was provided	The management has further interrogated the financial management system and discovered that the chairman was not paid honoraria for three subsequent months to recover the advanced	Closed	

	for failure to recover the prepayment.	honoraria but the same was not expensed.		
18. Lack of contracts for terminated water connections.	Note 24(a) to the financial statements reflects trade receivables net balance of Kshs. 439,515,822 which includes an amount of Kshs. 108,333 owed by customers whose water supply had been disconnected by the Company. Review of records provided for audit revealed that the Company did not have existing contracts with the customers prior to their disconnection.	The company procured an improved system that does not allow termination of customer accounts with balances hence no account can be terminated with an outstanding balance.	Closed	
19. Unconfirmed Coast Water Works Development Agency Liability	Coast Water Works Development Agency liability of Kshs. 248,543,712. The balance was arrived at after deducting assets totaling Kshs. 1,048,086,371 from total current and non-current liabilities of Kshs. 1,262,660,560 less capital and reserves of Kshs. 463,117,904. This is an indication that the amount was a balancing item		Ongoing.	June 2024
20. Outstanding coast water liability.	However, Management did not provide for audit any agreement between the Company and Coast Water Works Development Agency for confirmation of Kshs.322,900,423		Ongoing	June 2024.

	payment/settlement postponement beyond one year to be classified as a non-current liability.			
21. Presentation of financial statements.	▪ Statements of changes in equity omitted equity for the previous financial year which is contrary to the provisions of paragraph 38 of IAS No 1. Presentation of financial statements to comply with the accounting standards.	The management acknowledges it was an error and has been corrected.	Closed.	
22. Property plant & Equipment	▪ Ownership documents for the company assets. ▪ Valuation reports for the company assets. ▪ Status report on the reported work in progress in the last financial year of Ksh 4,495,730.00		Ongoing.	June 2024
23. Shared water meters.	▪ 554 No of customers with the shared meters shared with serial No. The management to address the customers water accounts with shared meter serial numbers.	Management has however planned to ensure all the customer accounts details/ data are accurate.	Closed.	
24. Unmetered connections.	▪ Explain how the consumption of unmetered customers was determined Establish and implement controls to ensure all disconnections are deactivated in the sulis management system.	The 790 customers stated above do exist but with water meters with invisible meter numbers or Serial numbers that are indicated in the system as Nil.	Closed.	
25. Unsupported	▪ All unsupported expenditure of	Documents have been	Closed.	

Administrative costs	3,311.939/- to properly be supported by payment vouchers and receipts	provided for your review.		
26. Asset Register	▪ Non-compliance with the financial manual. ▪ Loss of assets		Ongoing.	June 2024
27. Leased Assets from Coast water works development agency,	▪ Ownership and valuation documents of leased assets amounting g to 34,256,900/- from coast water works development agency to be provided		Ongoing	June 2024.
28. Motor vehicles.	▪ Change of Registration of 5 motorcycle in worth 9,882,045/- to a private company to Kimawasco.	The Re-registration has been done.	Closed.	
29. Cost of sales.	▪ The company should amend the cost of sales to reflect the correct amounts	This was erroneous printing of Kilifi-water bills under Mombasa and Kwale Water names since probably because CWSB produces bills for all the water companies it supplies with water on bulk within the Coast region in the same time thus this error.	Closed	
30. Provision of bad and doubtful debts	▪ The management should comply with the company's finance and accounting manual in the calculation of provision for bad and		Ongoing	June 2024.

	doubtful debts			
31. Cash and Bank	▪ The management should provide confirmation that the cheques were presented and cleared by the bank.	The management has provided the schedule showing the date when the unpresented cheques cleared.	Closed.	
32. Gender Composition	▪ The management should undertake steps during any future recruitment to ensure compliance with the constitution.		ongoing	June 2024.
33. Debtors Aging analysis and credit policy.	▪ The company should develop and implement strategies to recover the outstanding amounts. ▪ Provide an age analysis for audit review		Ongoing.	June 2024.
34. Capital reserves.	▪ The management should give details of the capital reserve fund and provide explanations of what they constitute and the reasons for their capitalization.		Ongoing	June 2024.

35. Long-term customer deposits	Account for the undisclosed customer deposits amounting to Kshs 45,253,336.50.		Ongoing	June 2024.
36. Unexplained Use of Water Service Trust Fund Grant	The management to provide documents showing how the grant was utilized	The management has provided the documents showing how the grant was utilized.	Closed	
37. Non-Current Liabilities	▪ The company and coast water works development agency to reconcile the 86,373.372/- balance.		Ongoing	June 2024.
38. Unconfirmed Trade and other Receivables balance	▪ Provide age analysis and debtors conformation balances to support the outstanding balance. ▪ Provide debtors confirmation to support the outstanding balances		Ongoing	June 2024.
39. Retirement above age 60 years	The company should follow the law and retire its employees as and when they reach the mandatory retirement age.	Majority of staff's national identity cards do not indicate the date and month of birth which poses a difficulty in determining the date and month of retirement.	Closed	
40. Un-explained variance on new connection charges	▪ The management to explain the variance between the amount billed and the amount disclosed in the	The management acknowledges that this was an error. A journal entry has been passed and financial statements	Closed	

	financial statement.	amended.		
41. Excess employer contribution	▪ he amount of pension to be deducted should be based on the basic salary alone	The Management has been deducting pension from its employees in accordance with the company's Human resource policy manual chapter 17.4.	Closed.	
42. Receipts not recorded in cashbook	▪ Reconcile the unrecorded amount of Kshs. 167,412,015. ▪ All receipts should be recorded in the cashbook	The management has attached cashbooks for your review and more clarification.	Closed	
43. Unachieved Revenue targets.	▪ The entity should develop and implement strategies to increase revenue		Ongoing	June 2024.
44. Misstatement of sale of water.	▪ Reconcile the variance of Kshs. 426,223 between the amount disclosed financial statement balance and the billed amount.	The management has reconciled the variance and a journal entry has been passed to correct the overstatement and financial statement amended.	Closed	
45. Unaccounted for water.	▪ Strategies to be developed to reduce the high Unaccounted-for water 4,980,687cubic meters that represents 50.8% of water received and		Ongoing	June 2024.

	lost.			
46. Budget Controls and Performance	▪ The management should establish realistic mechanisms for coming up with realistic budgets. Explain the circumstances and reasons why the planned targets were not met		Ongoing	June 2024.
47. Loss Due to Underestimation	▪ Provide evidence to confirm the basis of water bills estimates issued to customers. The company should adhere to the policy on estimation of water bills to prevent the risk of underestimation leading to loss of revenue.	Management adheres to the policy on billing on estimate where needed arises. The estimated billing is actually based on three previous months' actual meter readings running averages.	Closed	
48. Work in progress.	▪ Wrong treatment of assets which may be in use but disclosed as WIP.	The management will ensure that the building is completed to ensure its capitalized	Closed.	
49. Administrative services procurement.	▪ All purchases above Kshs. 10,000 should not be done in cash.	These items were procured on cash basis as piece mill low value items which were very important and frequently	Closed	

		used in the company's core water supply operations and other key support activities.		
50. Corporate Governance	▪ The company to hold AGM since no such meeting has been held since 2012. ▪ Directors who have held office since 2013 to retire as per the company memorandum and articles of association guideline. ▪ Appointment of the company chairman.	AGM was held in 2019 The directors retired and new ones are now holding office. The company board chairman was appointed amongst the new directors.	Closed Closed Closed	

Guidance

(i) References used or numbers are 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) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Managing Director

Date: 10.11.2025