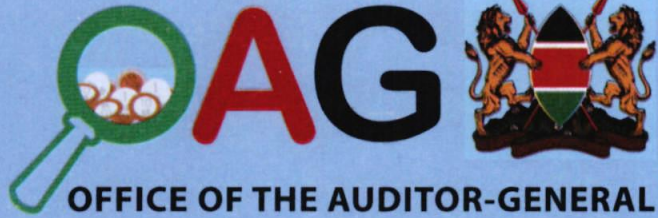


REPUBLIC OF KENYA



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REPORT

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ON

**KWALE WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2024**

OFFICE OF THE CHIEF EXECUTIVE
OFFICER
31 DEC 2024
PRESIDENTIAL OFFICE
NATIONAL OFFICE



**KWALE WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED
30 JUNE 2024**

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

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KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

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**KWALE WATER & SEWERAGE COMPANY LIMITED
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1. Acronyms and Glossary of Terms

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

<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>MD</i>	<i>Managing Director</i>
<i>PFM</i>	<i>Public Financial Management</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>WASREB</i>	<i>Water Services Regulatory Board</i>

**KWALE WATER & SEWERAGE COMPANY LIMITED
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2. Key Entity Information

Kwale Water and Sewerage Company Limited is registered under the Company Act 2015 and it is also regulated under the state corporations Act Cap 486. Under devolved function, the company is a County Government Corporation. The water companies were formed under the water Act of 2002 and now regulated in the Water Act of 2016.

Kwawasco's Managing Director is responsible for the day to day running of the organisation and is answerable to the Board of Directors who guide the governance of the Company. The Board of Directors are responsible for formulation of the strategic plan and policies of the company. A team of managers support the managing director. The Company is domiciled in Kwale and has satellite stations at Ukunda, Kombani, Samburu, Taru, Mariakani, Mazeras, Lungalunga, Msambweni, Mkanda Kinango and Macknon.

Core Business

The core business of Kwale Water and Sewerage Company (KAWASCO) is to supply and distribute safe and quality water and provide sewerage services to the resident of Kwale County.

Company Vision

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

Company Mission

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

KWALE WATER & SEWERAGE COMPANY LIMITED
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Directors

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

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

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Company Secretary

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

Corporate Headquarters

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

Corporate Contacts

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

Corporate Bankers

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

Independent Auditor



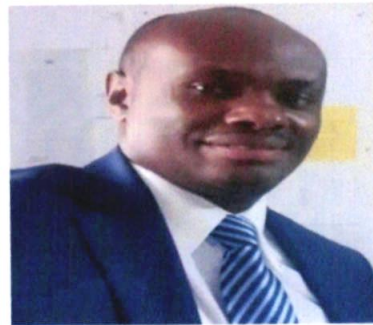
Auditor General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084GPO 00100
Nairobi, Kenya

Principal Legal Advisers




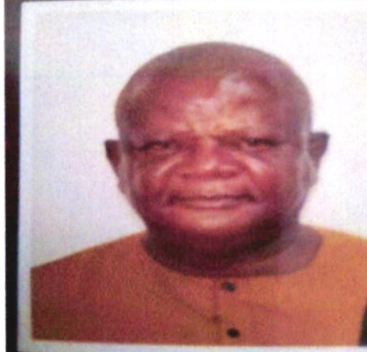
1. County Attorney
Kwale County Government
P.O. Box 4 - 80403
Kwale

**KWALE WATER & SEWERAGE COMPANY LIMITED
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3. The Board of Directors

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

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

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

**KWALE WATER & SEWERAGE COMPANY LIMITED
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4. Key Management Team

Ref	Name	Management	Details
1.	Eric Melubo Parmet		Managing Director KAWASCO P. O. Box 4 – 80403 Kwale Master in project planning management. BA in Development studies and Business Administration
2.	William Jefwa		Finance Manager. Master in Business Administration Bachelor of Business Administration - Accounting CPA (K), Member of ICPAK
3.	Bismark Isaiah Odede		Head of Technical Civil and Environment Engineering (Egerton University) Master in project planning and management(UoN) Computer application:auto cad &archcad,gis

**KWALE WATER & SEWERAGE COMPANY LIMITED
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4.	Susan Mlamba		Human Resource Manager. Bachelor of Arts & Sociology HR. post graduate Master in Business Administration
5.	Hussein Mwavadu		Commercial Manager Degree in Information and Technology. Diploma in IMIS Master Degree on going
6.	Steven Safari		Internal Auditor. Bachelor of Commerce (Accounting Option) CPA (K), Member of ICPAK Registered member of IIA
7.	Swaleh Kidzuga		Technical Manager. Diploma in water Engineering Higher Diploma in Building and Civil Works Member of Engineering Registration Board of Kenya
8.	Hamisi Nzimo		Procurement Officer Master Degree Project Planning & Management (UoN) Bachelor of Commerce Procurement & S.C (UoN) Registered member KISM

**KWALE WATER & SEWERAGE COMPANY LIMITED
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5. Chairman’s Statement

Technical Activities

Key Projects and Investment decisions Kwawasco is planning / Implementing

Kwale water and Sewerage Company in pursuing its mandate of supplying water that is safe and in sufficient quantities to the residents of Kwale County, has continuously worked closely with relevant development partners in the water and sanitation sector in pursuing resources for water and sanitation infrastructure development.

The Company’s water supply coverage jurisdiction currently stands at slightly above 50% of the County’s total population standing at 866,000 people based on the last census. Key among these development partners are the World Bank, County Government of Kwale, Water Sector Trust Fund and Coast Water Works Development Agency and by large the Ministry of Water and Sanitation.

The Company received (Loan and Grant) funding from World Bank for Water and Sanitation Development Programme (WSDP) targeting Ukunda and Kwale towns. The project which is currently under implementation at a cost of Ksh. 2.5Billion. This was expected to be completed by April 2024. However due to unavoidable circumstances the new project completion date is now 30th March 2025. The project will bring on board additional 5,000 new connections drawn from Ukunda, Diani, Tiwi and Kombani areas. This is expected to broaden the company’s revenue base considering the potential within Ukunda , Diani as a tourism Hub and the fast growing town of Kombani which is currently a preferred residential area due to available land and other social amenities.

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

Item	Target Activity	Status	Remarks
1	Procurement and delivery of Consumer water metres, all critical tools and fast moving fittings.	Purchase and delivered and in use.	To address NRW which was at 56% company wide.

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2	Procurement and delivery of 10 Motorcycles	Purchased and delivered to KWAWASCO and in use	Deployed to the field stations for use by meter readers and pipe fitters
3	Procurement of 2 water Boozers and 2 exhauster's of capacity 10,000 Litres each	Procured and delivered to KWAWASCO and in use	Used to ferry water to areas which are under served as well as public institutions in the hinterland. Exhaustion services rendered within the urban centres of Ukunda and Kwale
4	Laying of water reticulation system of various sizes within Ukunda Town and its environs of 62km total length.	52.8km of reticulation system laid	Remaining 9km pipeline mainly large diameter main transmission line from Mabokoni to Ukunda town
	Drilling and equipping of 11 boreholes including lying of collector lines and construction of a storage reservoir of capacity 4200 m ³ at Mabokoni TUM campus.	9No boreholes were drilled tested and have good yields. Reinforced concrete tank under construction at 46% completion	Laying of collector lines awaits approval from the Ministry.
5	Construction of 10 No public sanitation blocks 4 in Kwale and 6 in Ukunda	4No Ablution blocks in Kwale and 6No Ablution blocks in Ukunda constructed.	Ablution blocks have been allocated to operators and are in use

Overall, the highlighted works are to be completed by the end 30th March 2025 with a possibility of extension being granted by the Bank where need arises.

The Water Sector Trust Fund (WSTF) under the financial year 2022 approved plans for sanitation improvement within community households under the UBSUP program (Up scaling Basic Sanitation in Urban Poor) basically aimed at improving the sanitation standards within the environs of urban

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

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

CWWDA (Coast Water Works Development Agency) has greatly supported in project development that include borehole rehabilitation networks around Tiwi aimed at boosting supply to Tiwi, Kombani and Ukunda areas, the Kwale town water improvement works under the Kenya Water Security and Climate Resilience Project targeting Kwale town, Pemba and Makamini dam projects under CWWDA aimed at improving supply for Kinango Town and its environs.

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

These developments will ultimately result in a positive impact on Kwawasco as a company transforming it to a self-sustainable status in the near future.



.....

Rehema Chidzuga

CHAIRPERSON

**KWALE WATER & SEWERAGE COMPANY LIMITED
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6. Report of the Managing Director

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

The Company has 10 board members representing the County Government of Kwale, Water User Association, hotel industry, professional's representative and farming community gender, representation and all 5 Sub Counties represented. The population within KAWASCO's service area is about 866,000 people based on the last census by the Kenya National Bureau of Statistics while the company's estimated population served is about 50%. Kwale Water and Sewerage Company receive bulk water from Coast Water Works Development Agency (Bulk Unit) from its various sources namely Marere Springs, Mzima Springs and Tiwi Boreholes.

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

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

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

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



Eric Parmet

Managing Director

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7. Statement of performance against predetermined objectives for FY 2023/2024

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

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

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

KWAWASCO develops its annual work plans based on the above 13 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2023/2024 period for its 13 strategic pillars, as indicated in the diagram below:

Strategic Pillar/ Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	Increase Revenue by 50%	Automation of billing system and meter reading Water clinics	Improve revenue collection efficiency Improve billing accuracy. Increase connection by 25% of current.	Revenue increased by 5.2%
Pillar 2:	Increase Customer satisfaction to 30% by 2025	Customer care desk every station Recording of customer complain on daily basis	Evaluate customer satisfaction. Manage customer expectation. Restructure customer's complaint management system.	Customer Satisfaction increased to 25%
Pillar 3:	Establish a robust ICT infrastructure	Installation of internet to all station	Internet connectivity in all outer station to enhance	ICT infrastructure across the

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

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

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

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 cognisance of the interest of the other shareholders. The Board of Directors of KWAWASCO is responsible for the governance of the corporation and is accountable to the shareholders in ensuring that the corporation complies with the laws and the highest standards of business ethics and corporate governance.

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

Board of Directors

The role and functions of the Chairman and the Managing Director are distinct and their respective responsibilities are clearly defined within the Company. The Company's Board comprises of Nine (9) directors who are non-executive directors including the Chairman. To maintain the integrity of internal procedures of the company, the board of KWAWASCO has established an Audit committee (which is mandatory). The Finance and Administration Committee of the board, Technical Committee of the board were also established as outlined in WASREB Governance regulations to deal with issues on a continuous basis which cannot be adequately dealt with by the Board itself,

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

**KWALE WATER & SEWERAGE COMPANY LIMITED
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Board Meetings

The Board holds meetings on a quarterly basis while special meetings are called when it is deemed necessary. The Board held four (4) regular and no special meetings during the year under review. As the Entity is a State Corporation, the Inspector General of State Corporations is expected to attend meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

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

a) Audit and Risk Management Committee

Membership of the Audit Committee is comprised of:

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

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

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

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

b) Finance and Administrations Committee

The membership of the Finance and Administration Committee comprise of:

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

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The committee provide guidance on issues relating to budget and finances. The Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, information and technology, procurement, investment strategies, policies, projects and related activities.

c) Human Resource and Administration

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

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

d) Technical and Commercial committee

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

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

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

Shareholding

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

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

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



Eric Parmet
MANAGING DIRECTOR



Rehema Chidzuga
CHAIRPERSON

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9. Management Discussion and Analysis

a) Staffing

During the end of the financial year, the number of staff stood at 145 as shown in table 1

Table 1

NO. OF STAFF	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Permanent	57	57	57	57
Contract	79	84	84	84
Management Contract	4	4	4	4
TOTAL	140	145	145	145

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

During the year under review, the company produced 4,099,482m³ of water compared to the previous year's 4,773,813m³ of water. This represents 14.1 % decrease in bulk water production. The comparable yearly bulk water production translates to water/sales of Kshs 197,872,649 and Kshs 182,731,525 for the years 2023 and 2022 respectively. The company registered a decrease in volume of water billed to customers from 2,149,831 m³ in 2023 to 2,104,536 m³ in 2024; a decrease of approximately 2.11%.

Non-Revenue water decreased from 52% in 2023 to 49% in 2024. The reduction of NRW from 52% to 49% a decrease of 3% was due to rapid response in leaks and burst. (Management meeting once a week). Among notable causes of high NRW as noted by management was high estimated bills slapped to the water utility by Coast Water Works Development Agency. Old and dilapidated water supply infrastructure has resulted to frequent leaks and bursts.

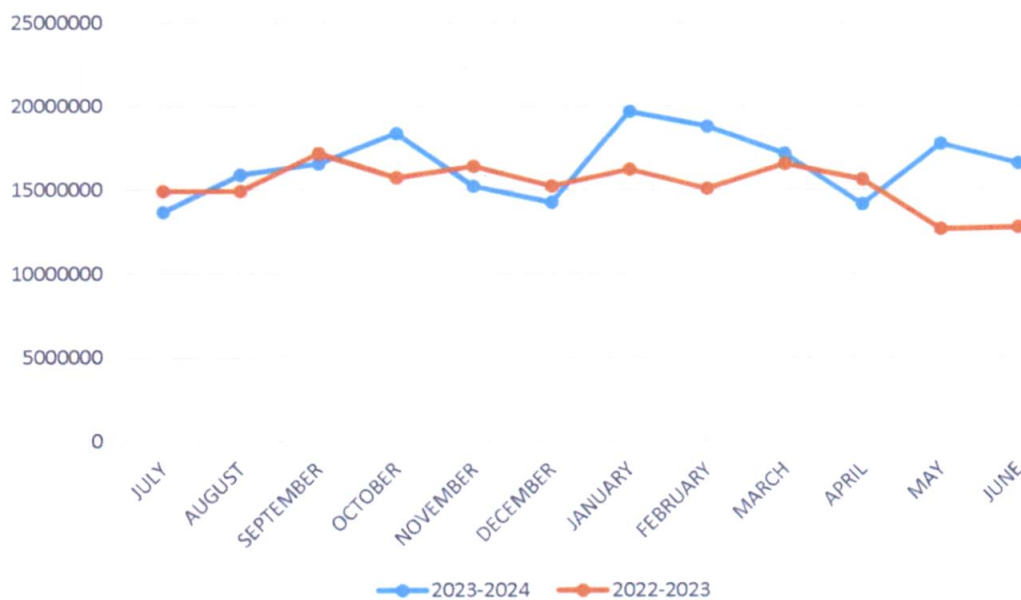
The company reconciled the bulk water purchase figures to harmonised production /payables with those held by Coast Water Works Development Agency. For more details, refer to Cashbooks, Ledger, Journal and Financial Statement.

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Table 2: Water Production versus billings Summary

Months	Production in m3		Billed Vol. m3		NRW		Water Sale (Kshs)	
	2022-2023	2023-2024	2022-2023	2023-2024	2022-2023	2023-2024	2022-2023	2023-2024
July	415,218	361,346	174,950	152,199	240,268	209,147	14,923,330	13,675,390
August	409,112	368,360	172,864	180,355	236,248	188,005	14,921,400	15,894,356
September	402,573	362,387	189,268	183,103	213,305	179,284	17,151,565	16,525,716
October	385,652	358,833	186,557	189,937	199,095	168,896	15,730,715	18,343,706
November	404,591	335,103	186,590	153,985	218,001	181,118	16,412,355	15,201,072
December	408,543	303,754	178,709	152,455	229,834	151,299	15,203,145	14,245,487
January	416,460	367,758	180,217	200,384	236,243	167,374	16,215,370	19,661,556
February	344,493	375,256	180,600	197,421	163,893	177,835	15,084,975	18,753,424
March	436,325	330,286	206,272	179,231	230,053	151,055	16,533,030	17,158,365
April	379,336	301,964	196,746	151,249	182,590	150,715	15,594,165	14,121,844
May	387,017	327,428	147,158	190,522	239,859	136,906	12,631,820	17,726,011
June	384,493	307,007	149,900	173,695	234,593	133,312	12,329,655	16,565,622
	4,773,813	4,099,482	2,149,831	2,104,536	2,623,982	1,994,946	182,731,525	197,872,649
					52%	48%		

Revenue graph



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c) Number of Connections (Active Billed)

During the year under review, the company recorded an overall average growth of 3.5% in customer base compared to the financial year ended 2023. KWAWASCO had the following water connection movement as illustrated below.

Year	No. of Connections		Change in No. of connections	% Change
	2022-2023	2023-2024	Per Qtr.	
Average Qtr1	21,142	22,369	188	0.8%
Average Qtr2	21,339	22,703	334	1.4%
Average Qtr3	21,707	22,880	177	0.7%
Average Qtr4	22,181	22,970	90	0.3%

d) Risks

i) Sustainability

The risk facing the company is lack of sustainability. This challenge is a function of many factors, a few among them, being high cost of operations including increased pumping power & fuel cost, high Non-Revenue Water (Water loss) through leaks and bursts, illegal water use, wrong bills by the bulk unit. 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 has put 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.

ii) Going Concern of KWAWASCO

Kwawasco reported a deficit of Ksh. 12,877,718 in the comprehensive income increasing the accumulated deficit to Ksh. 238,775,581. This was after reinstating CWWDA amount agreed by the reconciliation team. The current liabilities balance is Ksh. 622,449,838 while total current assets balance is Ksh. 384,306,862 resulting into a negative working capital of Ksh. 238,142,976. With the completion of major projects, the company will highly erode the issue of going concern implying that soon the company will be able to meet its obligation as and when they fall due.

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile –

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

ii) Environmental Performance

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

iii) Employee welfare

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

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

1. Policy Goals:

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

2. Water Treatment:

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

3. Water Distribution:

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

4. Sanitation (Ablution Blocks & Septic Tanks):

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

5. Environmental Education:

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

6. Regulatory Compliance:

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

7. Monitoring and Emergency Preparedness:

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

8. Collaboration:

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

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

ii) Market place practices-

a) Responsible competition practice.

The organization is guided by the following core values:

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

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

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

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

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

b) Product stewardship

Safety of water is guaranteed in the following ways:

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

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iii) Corporate Social Responsibility / Community Engagements

Kwale Water and Sewerage Company is the only registered Water Service Provider in Kwale County. The Company operations cover all the sub counties with service lines in all major towns in the county including Mackinon, Taru, Samburu, Mazeras, Mariakani, Kinango, lutsangani /Tsunza, Kwale, Kombani, Ukunda/ Diani, Msambweni, Lungalunga and Vanga towns. The Company also operates other rural schemes mainly on Mzima line and Mkanda dam serving areas of Kasemeni, Mwavumbo ,Dzombo and Kikoneni areas respectively . The Company as at June 30, 2024 has a total of 22,980 connections mainly registered on domestic tariff and a few connections on commercial tariff.

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11. Report of the Directors

The directors submit their report together with the financial statements for the year ended 30th June 2024, which show the state of the company's affairs.

i) Principal activities

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

ii) Results

The results of the company for the year ended 30th June, 2024 as set out on page One (1) to Five- (6)

iii) Directors

The members of the Board of Directors who served during the year are shown on page In accordance with Regulation ... of the company's Articles of Association.

iv) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Company for the year/period ended June 30, 2024.

By Order of the Board

.....
Name

Company Secretary/Secretary to the Board

Date:



12. Statement of Directors' Responsibilities

Section 14 of the State Corporation Act, Cap 446 require the Directors to prepare financial statements in respect of KWAWASCO, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of KWAWASCO for that year/period. The Directors are also required to ensure that KWAWASCO keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of KWAWASCO.

The Directors are responsible for the preparation and presentation of KWAWASCO's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2024. This responsibility includes:

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

The Directors responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012, the State Corporations Act and the PSASB Reporting Template

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Statement of Directors' Responsibilities (Continued)

The Directors are of the opinion that KWAWASCO's financial statements give a true and fair view of the state of the Company's transactions during the financial year ended June 30, 2024, and of KWAWASCO's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of KWAWASCO'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 KWAWASCO will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

KWAWASCO's financial statements were approved by the Board on 31/12 2024 and signed on its behalf by:

Signature



Name: Rehema Chidzuga

Chairperson of the Board

Signature



Name: Eric Melubo Parmet

Managing Director

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KWALE WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kwale Water and Sewerage Company Limited set out on pages 1 to 55, which comprise the statement of financial

Report of the Auditor-General on Kwale Water and Sewerage Co. Ltd for the year ended 30 June, 2024

position as at 30 June, 2024, 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 Kwale Water and Sewerage Company Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, Companies Act, 2015 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Share Capital and Reserves

1.1 Ordinary Share Capital

The statement of financial position and Note 24 to the financial statements reflect issued and fully paid ordinary share capital of Kshs.2,000,000 of par value of Kshs.1,000 each. However, the share certificate was not provided for audit review.

1.2 Capital Reserve

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

In the circumstances, the accuracy and completeness of share capital and reserves of Kshs.2,000,000 and Kshs.39,019,864 respectively could not be confirmed.

2. Long Outstanding Accounts Receivables

Note 21(a) to the financial statements reflects gross trade receivables balance of Kshs.336,288,946. Included in this amount is receivables amounting to Kshs.275,867,905 which has been outstanding for over 120 days. Management did not however disclose measures put in place to recover the debts.

In the circumstances, the collectability and validity of the trade receivables balance of Kshs.275,867,905 is doubtful.

3. Material Uncertainty Related to Going Concern

The statement of financial position reflects total current liabilities balance of Kshs.622,449,838 and total current assets balance of Kshs.384,306,862, resulting in negative working capital of Kshs.238,142,976 or a current ratio of about 0.6. This is an indication that the Company may not be able to settle its current obligations as and when

they fall due. The condition indicates the existence of a material uncertainty, which may cast doubt on the Company's ability to continue as a going concern and that the Company's existence is dependent on continued support from the County Government of Kwale, shareholders and creditors. Management did not disclose the measures being taken to mitigate this condition.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenues budget and actual on a comparable basis of Kshs.967,729,472 and Kshs.866,090,871 respectively, resulting to an under-performance of Kshs.101,638,601, or 11% of the budget.

The under-performance may have impacted negatively on implementation of planned activities and service delivery to the stakeholders

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 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

In the audit report of the previous financial year, several issues were raised under the Reports on, Financial Statements, Lawfulness and Effectiveness in Use of Public Resources and Effectiveness of Internal Controls, Risk Management and Governance which remained unresolved as 30 June, 2024. Management has indicated the issues as having been resolved but did not provide evidence to support that status.

Other Information

The Directors are responsible for the other information set out on page iii to xxxi, which comprise of Key Entity Information, The Board of Directors, Key Management Team,

Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Kwale 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 and I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Revenue Water

The statement of profit or loss and other comprehensive income reflect operating revenue of Kshs.191,080,148. The annual report and financial statements indicates that the Company's total quantity of bulk water received amounted to 4,099,482 cubic meters (m³), out of which 2,104,536 cubic meters (m³) or 51% were billed to customers at Kshs.197,872,649. The balance of 1,949,651 cubic meters, or 49% was Non-revenue Water (NRW). This is higher than the 25% allowable loss by the Water Service Regulatory Board (WASREB) guidelines.

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

2. Affirmative Action on Gender Balance, Ethnicity and Regional Distribution

The statement of profit or loss and other comprehensive income and Note 10 to the financial statements reflect staff costs of Kshs.73,625,373. Analysis of the payroll data revealed that the Company had one hundred and forty (140) employees out of which one hundred and fifteen (115) were from the dominant ethnic community in the region , contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which requires

that no public establishment to have more than one third of its staff from the same ethnic community.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Approved Information Technology Security Policy and Disaster Recovery Plan

Review of the ICT environment revealed that the Company had a draft ICT policy developed in 2021. The policy had not been approved for implementation to enable Management of business processes for the delivery of services in an effective and efficient manner. Lack of automated system and ICT Policy might lead to loss of data confidentiality and inaccuracies in data processed.

In the circumstances, effectiveness of internal controls on the ICT environment could not be confirmed.

2. Trade and Other Payables

The statement of financial position and Note 31 to the financial statements reflects trade and other payables balance of Kshs.618,610,442 which includes trade payables of Kshs.597,851, 083, out of which Kshs.568,140,488 has been outstanding for more than ninety (90) days. This indicates a significant portion of the trade payables that is overdue and may have implications on the entity's financial health and liquidity

In the circumstances, effectiveness of management of accounts payables could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective

processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Companies Act, 2015, I report based on my audit that I 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 matters described in the Basis for Qualified Opinion, I confirm that:

- i. The information given in the Directors' report on page xxix is consistent with the financial statements; and
- ii. The auditable part of the Directors' remuneration report 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 Board of Directors

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 overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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 for 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 IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

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14. Statement of profit or loss and other comprehensive income for the year ended 30 June 2024.

	Note	2023-2024	2022-2023
		Kshs	Kshs
Revenue			
Operating Revenue	6	198,758,483	199,237,646
Grants Income	7	153,685,348	117,259,030
Other Income	8	1,016,568	322,002
Finance Income	9	258,876	105,581
Total Operating Income		353,719,275	316,924,259
Expenses			
Staff Costs	10	73,625,373	69,217,431
General and Operations expenses	11	207,611,454	162,050,258
Board Expenses	12	3,258,800	2,180,000
Maintenance Expenses	13	29,924,328	27,047,744
Depreciation and Amortization expenses	14	52,177,038	48,570,852
Total Expenses		366,596,993	309,066,285
Profit/(Loss) Before Taxation		(12,877,718)	7,857,974
Income Tax Expense/(Credit)	15	(-)	(2,357,392)
Profit/(Loss) After Taxation		(12,877,718)	5,500,582
Earnings Per Share – Basic and Diluted	16	-	-
Dividend per share	17	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		-	-
Surplus Or Deficit on Revaluation Of PPE		-	-
Remeasurement Of Net Defined Benefit Liability		-	-
Total Comprehensive Income for The Year		(12,877,718)	5,500,582

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15. Statement Of Financial Position As at 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
Assets			
Non-current assets			
Property, plant and equipment	18	1,249,694,696	735,850,938
Intangible assets	19	85,724	274,560
Right- of -use assets		-	-
Total non-current assets		1,249,780,420	736,125,498
Current assets			
Inventories	20	4,344,121	3,404,497
Trade and receivable	21	274,635,205	275,581,471
Finance interest receivable	21 (b)	-	79,759
Short-term deposits (Prepayments)	22	-	40,262,366
Bank and cash balances	23	105,327,536	32,407,590
Total Current assets		384,306,862	351,735,683
Total Assets		1,634,087,282	1,087,861,181
Equity and liabilities			
Capital and Reserves			
Ordinary share capital	24	2,000,000	2,000,000
Revaluation reserve	25	2,300,000	2,300,000
Capital reserve	24(a)	36,719,864	36,719,864
Retained earnings	27	(238,775,581)	(41,093,821)
Capital and Reserves		(197,755,717)	(73,957)
Non-current liabilities			
Deferred Income (IDA Grant)	28(a)	-	25,671,580
Borrowings/ World Bank (WSDP) Loan	28	1,151,018,337	638,387,864
Customer Deposit	32	31,293,880	27,704,129
Retirement benefits (Gratuity Payable)	29	27,080,944	22,573,957
Total non-current liabilities		1,209,393,161	714,337,957
Current liabilities			
Trade and other payables	31	618,610,442	367,644,878

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	Note	2023-2024	2022-2023
		Kshs	Kshs
Deferred income	33	-	-
Tax Payable	34	3,839,396	5,952,730
Total current liabilities		622,449,838	373,597,608
Total equity and liabilities		1,634,087,282	1,087,861,181

The financial statements were approved by the Board on 31/12 2024 and signed on its behalf by:



.....
Name Eric Parmet
Managing Director



.....
Name William Jefwa
Finance Manager
ICPAK M/No: 12660



.....
Name Rehema Chidzuga
Chairperson of the Board

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16. Statement Of Changes in Equity for the Year Ended 30 June 2024

	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
As at July 1, 2022		2,000,000	2,300,000	36,719,864	(46,594,403)	-	-	(5,574,539)
New capital issued		-	-	-	-	-	-	-
Revaluation gain		-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation		-	(-)	-	-	-	-	-
Deferred tax on excess depreciation		-	-	-	-	-	-	-
Profit for the year		-	-	-	5,500,582	-	-	5,500,539
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
As at June 30, 2023		2,000,000	2,300,000	36,719,864	(41,093,821)	-	-	(73,957)
As at July 1, 2023		2,000,000	2,300,000	36,719,864	(41,093,821)	-	-	(73,957)
Issue of new share capital		-	-	-	-	-	-	-
Reinstatement of CWWDA (Creditor)		-	-	-	(184,804,042)	-	-	(184,804,042)
Deferred tax on excess depreciation		-	-	-	-	-	-	-

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	Notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Fund	Total
Fair value adjustment on quoted investments		-	-	-	-	-	-	-
Profit for the year		-	-	-	(12,877,718)	-	-	(12,877,718)
Capital/Development grants received during the year		-	-	-	-	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings		-	-	-	-	-	(-)	-
At June 30, 2024		2,000,000	2,300,000	36,719,864	(238,775,581)	-	-	(197,755,717)

Note:

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

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17. Statement of Cash Flows for The Year Ended 30 June 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	35	85,779,308	43,151,696
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		-	-
CASH FLOWS FROM/Used in INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	(525,489,835)	(327,000,965)
Purchase of intangible assets		(-)	(105,560)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	18	(525,489,835)	(327,106,525)
CASH FLOWS FROM FINANCING ACTIVITIES			
WSDP Loan	28	512,630,473	262,937,269
Deferred Income			-
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	28	512,630,473	262,937,269
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		72,919,946	(21,017,560)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17	32,407,590	53,425,150
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23	105,327,536	32,407,590

Note: 1. KWAWASCO prepares its cash flow using indirect method as the entity reports under IFRS Accrual basis,

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18. Statement of Comparison of Budget & Actual Amounts for The Period Ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	a	b	C=a+b	d	e= c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	216,396,633	-	216,396,633	198,758,483	17,638,150	91.8%
Non-Operating Revenue	24,155,671	(21,000,00)	3,155,671	1,016,568	2,139,103	32.2%
Grants	76,297,150	6,208,438	82,505,588	6,208,438	76,297,150	7.5%
Finance Income	-	-	-	-	-	100%
Other gains	-	25,671,580	25,671,580	25,671,580	-	100%
Disbursement from WSDP	-	640,000,000	640,000,000	634,435,802	5,564,198	99.1%
Total Revenue	316,849,454	650,880,018	967,729,472	866,090,871	101,638,601	89.5%
Expenses						
Staff Costs	73,868,990	-	73,868,990	73,625,373	243,617	99.7%
Board Expenses	4,327,933	-	4,327,933	3,258,800	1,184,633	72.6%
General and operations Expenses	209,903,533	-	209,903,533	207,611,454	2,695,013	98.7%
Maintenance	27,013,998	5,386,002	32,400,000	29,924,328	1,341,049	95.8%
Depreciation and Amortization	-	49,150,000	49,150,000	52,177,038	87,888	99.8%
Total Recurrent Expenditure	315,114,454	-	369,650,456	366,596,993	5,552,200	98.5%
Profit or Loss	1,735,000		598,079,016	499,493,858	-	-
Capital Expenditure	-	596,344,016	596,344,016	512,371,596	96,086,401	81.85%
Total Surplus/Deficit	1,735,000	1,735,000	1,735,000	(12,877,718)	-	-

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Note: PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

However, for public sector entities, the PSASB (PUBLIC SECTOR ACCOUNTING STANDARDS BOARD) has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

Budget notes: Provide explanation of differences between actual and budgeted amounts (10% difference over/ under) Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

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19. Notes to the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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

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

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Notes to the financial statements (continued)

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

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2024.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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Notes to the Financial Statements (Continued)

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

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

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

iii. Early adoption of standards

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

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Notes to the financial statements (continued)

4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

e) Intangible assets

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

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

f) Amortization and impairment of intangible assets

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

g) Investment property

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

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Notes to the financial statements (continued)

n) Taxation

i) Current income tax

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

o) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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Notes to the financial statements (continued)

Summary of Accounting Policies

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

p) Borrowing costs

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

q) Cash and cash equivalents

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

r) Borrowings

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

s) Trade and other payables

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

t) Retirement benefit obligations

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

u) Provision for staff leave pay

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

v) Exchange rate differences

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

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Notes to the financial statements (continued)

Summary of Accounting Policies

w) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 28th May 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities on 28th September 2023. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of profit or loss, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 102 of these financial statements.

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

Summary of Accounting Policies

x) Service concession arrangements

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

y) Comparative figures

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

z) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

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

Summary of Accounting Policies

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

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

6. Operating Revenue

	2023/2024	2022/2023
	Kshs	Kshs
Water Sales	191,080,148	182,731,525
Sewerage Services Charge	1,265,300	1,192,503
Billing for other services*	6,413,035	15,313,618
Total	198,758,483	199,237,646

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

7. Grants Income

	2023/2024	2022/2023
	Kshs	Kshs
Operational grants from Government entities	-	
Recurrent/operational grants from World Bank (IDA)	121,805,330	62,479,740
Capital grants amortised	25,671,580	48,570,852
Donations from County Governments	-	-
WSTF Grant	6,208,438	6,208,438
Total	153,685,348	117,259,030

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

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

8. Other Income

	2023/2024	2022/2023
	Kshs	Kshs
Fine and penalties	355,000	-
Insurance compensation	-	-
Miscellaneous income (Sale of storage tank as scrape)	661,568	322,002
Total	1,016,568	322,002

9. Finance Income

	2023/2024	2022/2023
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	-	79,759
Interest earned from Equity Fixed deposit Account	258,876	25,822
Dividends	-	-
Total	258,876	105,581

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

10. Staff Costs

Description	2023/2024	2022/2023
	Kshs	Kshs
Gross Salary and Allowances	57,028,443	61,598,185
Casual workers' Wages	660,052	-
Medical insurance schemes	6,981,805	-
Employer's contributions to social security schemes	2,116,558	837,767
Employer's contributions to pension scheme	1,056,643	1,087,817
Provisions for Leave pay	-	-
Gratuity provisions	5,781,872	5,693,662
Total	73,625,373	69,217,431
The average number of employees during the year		

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

There was introduction of medical scheme and WIBA amounting to Kshs. 6,981,805

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

11. General and Operations Expenses

	2023/2024	2022/2023
Description	Kshs	Kshs
Chemicals	2,566,061	1,263,630
Electricity	55,681,666	48,292,760
Fuel, oil, lubricants, and gases	8,515,100	10,156,264
Bulk water Costs	66,050,606	39,970,400
Office supplies	2,137,024	2,467,372
Uniform and protective clothing	125,700	889,721
Telecommunication	1,582,484	1,192,830
Postage and courier	43,948	37,025
Office Water and Electricity	106,273	24,296
Insurance	557,030	194,488
Rent and Rates	268,000	219,000
Hire of Equipment and vehicles	388,775	142,492
Domestic Traveling and subsistence	15,916,630	18,321,445
Staff training and development	321,913	797,360
Bank Charges	738,882	632,219
Subscription	370,440	423,596
Agency commissions (Wasreb/Warma)	7,764,662	8,097,183
Publicity and advertising	2,188,354	2,136,480
Audit fees	232,000	232,000
Legal fees	1,418,741	1,664,700
Consultancy fees	195,000	480,000
Licensing and levies	16,950	142,509
Stakeholders' expenses	125,040	-
Donations/CSR	-	180,800
Hospitality expenses	4,020,826	3,084,340
Provision for doubtful debts	286,434	286,434
WSDP Recurrent expenditure	35,992,915	20,720,914
Total	207,611,454	162,050,258

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

12. Board Expenses

Description	2023/2024	2022/2023
	KShs	KShs
Chairman Honoraria	960,000	960,000
Sitting allowances	1,934,000	1,220,000
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	249,300	-
Other allowances	115,500	-
Total Board Expenses	3,258,800	2,180,000

13. Maintenance Expenses

Description	2023/2024	2022/2023
	Kshs	Kshs
Plant and Equipment	9,810,479	4,910,850
Buildings	32,400	4,727,835
Infrastructural networks	11,523,400	6,913,335
Motor vehicles	3,400,377	3,504,399
Software	48,100	-
ICT (Information Communication Technology)	134,400	33,272
Furniture	9,000	10,600
Water Meter maintenance costs	4,966,172	6,947,453
Total Maintenance Expenses	29,924,328	27,047,744

14. Depreciation and Amortization Expenses

Description	2023/2024	2022/2023
	KShs	KShs
Property, plant, and equipment	51,988,202	48,328,680
Intangible assets	188,836	242,172
Total Depreciation and Amortization	52,177,038	48,570,852

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

15. Income Tax Expense/(Credit)

Current taxation

	2023/2024	2022/2023
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	-	2,618,668
Current tax: prior year under/(over) provision	3,839,396	3,334,062
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	3,839,396	5,952,730

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

	2023/2024	2022/2023
	Kshs	Kshs
Profit before taxation	(10,378,981)	7,857,974
Tax at the applicable tax rate of 30%	-	(2,357,392)
Current tax	-	-
Prior year under-provision	-	-
Deferred tax prior year over-provision	-	-
Total	(10,378,981)	5,500,582

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

16. Earnings Per Share

The earnings per share of Ksh. nil is calculated by dividing the profit/ deficit after tax of Kshs. (12,877,718) by the average number of ordinary shares in issue during the year of 2,000. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

17. Dividend Per Share

No proposed dividend for the year ended 30 June 2024

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

18. Property, Plant and Equipment

FY 2023/2024	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Loose Tools	Capital work in progress	Total
Cost Or Valuation									
At July 1, 2023	812,680	13,875,860	130,093,153	107,602,088	10,540,180	6,176,828	5,692,181	608,272,084	883,065,054
Additions	2,895,560	160,125,744	11,252,655	-	6,533,250	13,562,260	-	371,462,491	565,831,960
Transfers	-	-	-	-	-	-	-	(-)	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2024	3,708,240	174,001,604	141,345,808	107,602,088	17,073,430	19,739,088	5,692,181	979,734,575	1,448,897,014
Depreciation									
At July 1, 2023	-	1,040,688	61,856,139	65,985,008	9,124,421	4,084,892	5,122,968	-	147,214,116
Charge For the Year	-	3,349,254	16,729,900	26,900,524	2,395,748	2,043,563	569,213	-	51,988,202
Impairment Loss	-	-	-	-	-	-	-	-	-
Disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2024	-	4,389,942	78,586,039	92,885,532	11,520,169	6,128,455	5,692,181	-	199,202,318
NBV At June 30, 2024	3,708,240	169,611,662	62,759,769	14,716,556	5,553,261	13,610,633	-	979,734,575	1,249,694,696

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

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

Property, Plant and Equipment (Continued)

FY 2022/2023	Freehold land	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Loose Tools	Capital work in progress	Total
Cost or valuation									
As at 1 July 2022	-	13,875,860	125,532,748	104,658,281	8,324,272	5,322,503	5,692,181	235,455,234	498,861,079
Additions	812,680	-	4,560,405	2,943,807	2,215,908	854,325	-	372,816,850	384,203,975
Transfers	-	-	-	-	-	-	-	(-)	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
As at 30th June 2023	812,680	13,875,860	130,093,153	107,602,088	10,540,180	6,176,828	5,692,181	608,272,084	883,065,054
Depreciation									
At July 1, 2022	-	693,792	45,720,308	39,452,460	6,275,851	3,327,713	3,415,312	-	98,885,436
Charge for the year		346,896	16,135,831	26,532,548	2,848,570	757,179	1,707,656	-	48,328,680
Impairment loss		-	-	-	-	-	-	-	-
disposal		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
As at 30th June 2023		1,040,688	61,856,139	65,985,008	9,124,421	4,084,892	5,122,968	-	147,214,116
Net book value									
At June 30, 2023	812,680	12,835,172	68,237,014	41,617,080	1,415,759	2,091,936	569,213	608,272,084	735,850,938

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

Valuation

18 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	3,708,240	-	3,708,240
Buildings	174,001,604	4,389,942	169,611,662
Plant and machinery	141,345,808	78,586,039	62,759,769
Motor vehicles, including motorcycles	107,602,088	92,885,532	14,716,556
Computers and related equipment	17,073,430	11,520,169	5,553,261
Office equipment, furniture, and fittings	19,739,088	6,128,455	13,610,633
Loose Tools	5,692,181	5,692,181	-
Work In Progress	979,734,575	-	979,734,575
Total	1,448,897,016	199,202,318	1,249,694,696

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

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

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

19. Intangible Assets

	2023/2024	2022/2023
	Kshs	Kshs
Cost		
At July 1,	807,240	701,680
Additions	-	105,560
Disposals	(-)	(-)
At June 30	807,240	807,240
Amortization		
At July 1,	532,680	290,508
Charge for the year	188,836	242,172
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	721,516	532,680
Net book value		
At June 30	85,724	274,560

It comprises of Billing software, Payroll software and QuickBooks software

20. Inventories

	2023/2024	2022/2023
	Kshs	Kshs
General stores	813,156	3,404,497
Chemicals & Laboratory items	545,838	-
Water fittings and Accessories	1,916,114	-
Water meters	-	-
Uniform and protective clothing	-	-
Fuel, oil and lubricants	-	-
Motor vehicle spare parts	-	-
Stationery and general stores	1,069,013	-
Less: Impairment of stocks	(-)	(-)
Total	4,344,121	3,404,497

The inventories for Water meters was capitalized.

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

21. Trade and Other Receivables

	2023/2024	2022/2023
	KShs	KShs
Trade receivables (note (25a))	274,921,639	275,867,905
Deposits and prepayments	-	-
VAT (Value Added Tax) recoverable	-	-
Staff receivables (note 29 (c))	-	-
Other receivables	-	-
Gross trade and other receivables	274,921,639	275,867,905
Provision for bad and doubtful receivable	(286,434)	(286,434)
Net trade and other receivables	274,635,205	275,581,471

21. (a) Trade Receivables

	2023/2024	2022/2023
	Kshs	Kshs
Gross trade receivables	336,288,946	336,948,778
Provision for doubtful receivables	(61,367,307)	(61,080,873)
Net trade receivables	274,921,639	275,867,905
As at June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	-	2,368,905
Between 30 and 60 days	-	2,930,219
Between 61 and 90 days	-	3,211,384
Between 91 and 120 days	(946,266)	3,615,184
Over 120 days	275,867,905	263,742,208
Total	274,921,639	275,867,905

Note: Provision for bad and doubtful debts is a percentage of the increase in trade receivables, the entity had to provide the same figure as for the previous year of Kshs. 286,434 as prudent concepts as there was no increase in trade receivable for the year under review.

21.(b) Accrued interest from of Ksh. 79,759 a disclosure of financial year 2022/2023

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

22. Short Term Deposits/ prepayments

	2023/2024	2022/2023
	Kshs	Kshs
Commercial banks		
Equity Bank	-	-
Kenya Commercial Bank	-	40,262,366
	-	40,262,366

A disclosure for financial year 2022/2023

23. Bank and Cash Balances

	2023/2024	2022/2023
	Kshs	Kshs
Cash at bank	105,116,189	32,199,980
Cash in hand	191,680	167,015
Mobile money account	19,667	40,595
	105,327,536	32,407,590

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Notes to the financial statements (continued)

Detailed analysis of the cash and cash equivalents

		2023/2024	2022/2023
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial Bank	1108004733	1,829,914.06	578,925.85
Equity Bank	0440294134905	28,089.72	28,689.72
WSDP Project	1240284225	90,079,836.81	6,866,394.26
Sub- total		91,937,840.59	7,474,009.83
b) Collection Accounts			
Kenya Commercial Bank	1108004849	2,224,057.56	5,310,226.21
Equity Bank	0440194134911	395,898.80	336,443.80
Equity Bank Water Boozer	1580281271276	338,510.15	2,612,389.00
Equity Bank Sanitation	1580281271321	571,102.00	1,968,367.00
Sub- total		3,529,568.51	10,227,426.01
c) Fixed deposits account			
Equity Bank (Customer Deposit)	0440194134915	6,782,861.89	10,515,621.05
Deposit	1580383512756	-	2,347,469.00
K.C.B. (Performance guarantee)	13301130596	1,111,034.20	-
Sub- total		7,893,896.09	12,863,090.05
Sub- total		103,361,305.19	30,564,525.89
d) Others(specify)			
Project WSTF Accounts (e)		1,754,883.55	1,635,453.45
Cash in hand		191,680.00	167,015.22
Mobile money account		19,667.00	40,595.00
Sub- total		1,966,230.55	1,843,063.67
Grand total		105,327,536.74	32,407,590.00

Project WSTF Accounts			
WSTF Ukunda household San	1268421448	-	41,324.25
Mkwakwani Koni Musa	1295860538	1,698,500.00	1,434,987.30
Fujita Water project	1273250230	52,138.55	79,716.90
KRA project	1580267877573	25.00	79,425.00
Ablution Blocks Account	13301130596	4,220.00	-
Total		1,754,883.55	1,635,453.45

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

24. Ordinary Share Capital

	2023/2024	2022/2023
	Kshs	Kshs
Authorized:		
2,000 ordinary shares of Kshs.1,000 par value each	2,000,000	2,000,000
Issued and fully paid:		
2,000 ordinary shares of Kshs.1,000 par value each	2,000,000	2,000,000

24 a, Capital Reserve

	2023/2024	2022/2023
	Kshs	Kshs
Capital Reserve	36,719,864	36,719,864

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

25. Revaluation Reserve

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

A full depreciated motor vehicle was revalued in FY 2021/22 to a figure amounts to Kshs. 2,300,000

26. Fair Value Adjustment Reserve

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

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

27. Retained Earnings

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

As at July 1, 2022	(46,594,403)
Surplus/ deficit for the year	5,500,582
Adjusted on Debtors	-
Prior year adjustment	
Adjusted Tax	
As at June 30, 2023	(41,093,821)
As at July 1, 2023	(41,093,821)
Reinstatement of CWWDA (Creditor)	(184,804,042)
Surplus/ Deficit for the year	(12,877,718)
Adjusted Tax	
As at June 30,2024	(238,775,581)

28. Borrowings

Description	2023/2024	2022/2023
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	638,387,864	375,450,595
External borrowings during the year	512,630,473	262,937,269
Repayments of during the year	(-)	(-)
Balance at end of the year	1,151,018,337	638,387,864
b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments during the year	(-)	(-)
Balance at end of the year	-	-
C) Total Balance at end of the period c = a+b	1,151,018,337	638,387,864

28 (a) Deferred income

Description	2023/2024	2022/2023
	KShs	KShs
Deferred income	-	25,671,580
Total	-	25,671,580

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Notes to the financial statements (continued)

29. Provisions on Gratuity

Description	Leave Provision	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	22,573,957	-	22,573,957
Additional Provisions	-	-	5,781,872	-	5,781,872
Provision utilised	(-)	(-)	(1,274,885)	(-)	(1,274,885)
Change due to discount and time value for money	-	-	-	-	-
Balance at the end of the year	-	-	27,080,944	-	27,080,944

30. Retirement Benefit Obligations

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2023/2024	2022/2023
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation	-	-	-	-	244,808
Non-current benefit obligation	7,968,440	-	-	7,968,440	8,199,356
Total	7,968,440	-	-	7,968,440	8,444,164

Retirement benefit Asset/ Liability

The entity operates a defined benefit scheme for all full-time employees from July 1, 2023. The scheme is administered by Kwawasco while County Pension Fund are the custodians of the scheme. The scheme is based on 6 percentage of salary of an employee at the time of retirement.

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Notes to the financial statements (continued)

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

31. Trade and Other Payables

	2023/2024	2022/2023
	Kshs	Kshs
Trade payables	597,851,083	347,721,440
Accrued expenses	1,754,883	1,635,453
Employee payables	14,792,476	14,303,985
Office of Auditor General	4,212,000	3,984,000
Total	618,610,442	367,644,878

32. Refundable Deposits and Prepayments

	2023/2024	2022/2023
	Kshs	Kshs
Customer deposits	31,293,880	27,704,129
Prepayments by customers	-	-
Retention/Contract deposits	-	-
Others (Specify)	-	-
Total	31,293,880	27,704,129

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Notes to the financial statements (continued)

33. Deferred Income

The deferred income movement is as follows:

	County government	International funders	Public contributions and donations	Total
Balance brought forward	-	25,671,580	-	25,671,580
Additions	-	-	-	-
Transfers to Capital fund	(-)	(-)	(-)	(-)
Transfers to income statement	(-)	(25,671,580)	(-)	(25,671,580)
Other transfers	(-)	(-)	(-)	(-)
Balance carried forward	-	-	-	-

34. Taxation

	2023/2024	2022/2023
	Kshs	Kshs
At beginning of the year	5,952,730	3,334,062
Income tax charge for the year	(2,357,392)	2,357,392
Under/(over) provision in prior year/s	244,058	261,276
Income tax paid during the year	(-)	(-)
At end of the year	3,839,396	5,952,730

Provision of corporate tax for FY 2022/2023 was wrongly provided for as the company had been making losses in the previous financial years. This has now been adjusted in FY 2023/2024

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Notes to the financial statements (continued)

35. Notes to The Statement of Cash Flows

	Note	2023/2024	2022/2023
		Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/ (used in) operations			
Profit or loss before tax		(12,877,718)	7,857,974
Depreciation	18	51,988,202	48,328,680
Amortization	19	188,836	242,172
Provision for doubtful debts	21	286,434	286,434
Less: Amortization on deferred income	28(a)	(25,671,580)	(48,570,852)
(Gain)/loss on disposal of property, plant and equip		-	-
Operating profit/(loss) before working capital changes		13,914,174	8,144,408
Working capital changes:			
(Increase)/decrease in inventories	20	(939,624)	(3,404,497)
(Increase)/decrease in trade and other receivables	21(a)	659,832	(14,421,739)
Increase/(decrease) in Accrued interest	9	-	14,140
Increase/(decrease) in trade and other payables	31	250,965,564	43,077,733
Reinstatement of retained earnings	16	(184,804,042)	
Increase/(decrease) in retirement obligations (Gratuity)	29	4,506,987	3,771,555
Increase/(decrease) in Customer Deposit	32	3,589,751	3,251,428
Increase/(decrease) in tax payables	34	(2,113,334)	2,718,668
Cash generated from/ (used in) operation		85,779,308	43,151,696
(b) Analysis of changes in loans			
Balance at beginning of the year		6,866,394	10,208,127
Receipts during the year	28(a)	634,435,802	325,417,009
Repayments during the year	28(a)	(551,222,359)	(328,758,742)
Payments of previous year's accrued interest		(-)	(-)
Accrued interest		-	-
Balance at end of the year		90,079,837	6,866,394
(c) Analysis of cash and cash equivalents			
Short term deposits	23(c)	7,893,896	12,863,090
Cash at bank		97,241,960	19,377,485
Cash in hand	23(d)	191,680	167,015
Balance at end of the year	23	105,327,536	32,407,590

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Notes to the financial statements (continued)

Other Disclosures

36. Related Party Disclosures

County Government of Kwale

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

Other related parties include:

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

Transactions with related parties

	2023/2024	2022/2023
	Kshs	Kshs
a) Grants from the Government		
Grants from CLGS	-	59,099,550
Grants from County Government	-	20,000,000
Donations in kind	-	-
Total	-	79,099,550
b) Key management compensation		
Directors' emoluments	2,180,000	2,180,000
Compensation to key management	3,978,961	3,978,961
Total	6,158,961	6,158,961

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Notes to the financial statements (continued)

37. Financial Risk Management

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

(i) Credit risk

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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	Total amount Kshs	Fully performing Kshs	Past due but not Impaired Kshs	Past due and Impaired Kshs
At 30 June 2024				
Trade Receivables	336,288,946	274,635,205	61,367,307	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
Bank balances	105,163,581	105,163,814	-	-
Total	-	-	-	-
At 30 June 2023 (previous Year)				
Receivables	336,948,778	275,867,905	61,080,873	-
Other Receivables	-	-	-	-
Investments	-	-	-	-
	-	-	-	-
Bank balances	32,199,980	32,199,980	-	-
Total	-	-	-	-

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Notes to the financial statements (continued)

Credit Risk (Continued)

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

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

ii) Liquidity risk management

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

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

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

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

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

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

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a) Foreign currency risk

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

b) Interest rate risk

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

i) Management of interest rate risk

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

ii) Sensitivity analysis

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

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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

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

iv) Capital Risk Management

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

	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Share Capital	2,000,000	2,000,000
Revaluation reserve	2,300,000	2,300,000
Retained earnings	(238,775,581)	(41,093,821)
Capital reserve	36,719,864	36,719,864
Total funds	(197,756,298)	(73,957)
Total borrowings	-	-
Less: cash and bank balances	105,401,360	32,407,590
Net debt/ (excess cash and cash equivalents)	(92,354,938)	32,333,633
Gearing	%	%

38. Incorporation

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

39. Events After the Reporting Period

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

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Notes to the financial statements (continued)

40 Appendices

Appendix 1: progress on follow up of auditor recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracy of the income tax expense(credit)	The management has taken in your recommendation and has adjusted the current Financial statement of FY 2023/24 accordingly	Resolved	25/09/2024
2	Unreconciled variance on cost of bulk water	The management has provided a reconciliation schedule explaining the variance. Attached is a reconciliation schedule and filed complain with the Agency	In progress	25/09/2024
3	Unsupported capital reserve	The amount of Ksh. 36,719,864 reported in the Financial statement was first introduced in the Financial year 2007.It represented customer third party balances at takeover. Through the Board, the management has written to the National	In progress	25/09/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Treasury in bid for the amount mentioned to be written off as at takeover no list of customers was attached in regard to it.		
4	Unreconciled variance on trade and other payables	The management followed up with the Agency, agreed adapted in the books of accounts formally Attached are the signed minutes on the reconciliation.	Resolved	
Key Audit Matters				
Emphasis of matters				
1	Budgetary control and performance	The company was expecting to receive Kshs. 400M through the WSDP project but only received a disbursement of Kshs. 325,417,009 during the financial year under review. This was the major shortfall in revenue which attributed to the under expenditure of Kshs. 89,465,396	Resolved	25/9/2024
2	Material uncertainty	The management of KWAWASCO disclosed the material uncertainty relating	In progress	25/9/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	related in going concern	to the going concern of the company in its financial statement in page xxii. Under going concern The management has heavily invested and it is optimistic that after commissioning of the 11 new boreholes in the contract and the contract of Laying of Distribution lines from Mabokoni Reservoir to Ukunda town and its Environs. The company will increase revenue by more than 60%. This will lead to improved cash flows and the company will be able to service its obligations as and when they fall due.		
Other Matters				
Unresolved Prior Year Matters				
Basis For Conclusion				
1	Expired water tariffs structure	The management had made notice on the findings on Tariff expiration and commenced the process of obtaining a valid tariff duly approved by the regulator.	Resolved	25.9/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Kwawasco is now operating under a new tariff.		
2	Non registration for data protection	Kwawasco understand the new law which came into being in 2019, that requires all data processors to be registered with Data Commissioner. The entity has a valid data protection license	Resolved	25,9/2024
3	lack of gender balance, ethnicity and regional distribution	Most of the jobs are technical in nature which favors men, location also matters and security is vital for all workers. Some of the boreholes are in isolated areas and must be manned on a 24/7 basis, which is not conducive to female employees. However, the Company is keen to bring on Board more female workers through recruitments, promotion and training opportunities. Kwale county ethnic tribes are Digo and Duruma.	In progress	25/9/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>However, the Company's ethnic composition includes all of the nine (9) Mijikenda subtribes who form part of the manpower population. Majority of the tribes in Kenya are represented in the workforce including those outside Kwale County.</p>		
4	Non-revenue water	<p>Kwale Water and Sewerage Company has been operating under old and dilapidated water reticulation network which has been prone to burst and leakages. As such the management has not been able to reach the 25% WASREB acceptable level. The management is suggesting a number of strategies that will reduce non-revenue water to reach the WASREB acceptable level.</p> <p>1)Quick response to bursts and leaks</p>	In progress	25/9/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>2) Metering of all production units</p> <p>3) Liaising with road agencies to avert any pipeline damages during road upgrading</p> <p>4) Carrying out Meter reading Audits</p> <p>5) Establishing DMAs- currently we are isolating Ukunda with the support of UTF consultant</p> <p>6) The company is embracing use of HDPE pipes which is not prone to corrosion and vandalism, unlike GI material which is stolen for scrap metal</p> <p>7) Ensure 100% metering of customers/consumers</p> <p>8) Servicing and calibration of bulk and customer meters the company has acquired a meter tests and portable leak detectors.</p> <p>9) Replacement of non - working meters</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		10)Investigation of suspected illegal connections 11)Joint bulk meter reading exercise with Coast water works development agency 12)Major line patrolling. 13)Working through water police unit for enforcement laws that protect water infrastructure.		
Basis for conclusion				
	Lack of provisions in the articles of association	Kwale water and Sewerage Company has a revised articles of association that has necessary provisions as per the law.	Resolved	25/9/2024

Guidance Notes:


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

Name

Signature

Managing Director

Date.....


31/12/2024

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**Appendix II: Projects Implemented by the Company
Projects**

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period / duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Water & Sanitation Development Project	IDA 6030 - KE	World Bank				Yes
Mkwakwani Kona msa Water Extension	08W/KWALE/KWALE/101	WSTF			Yes	

Status of Projects completion

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	WSDP	2.5B	1,426,018,570	31/10/2025			IDA
2	Mkwakwani	19,401,370	13,674,054	31/12/2024			WSTF
3							