

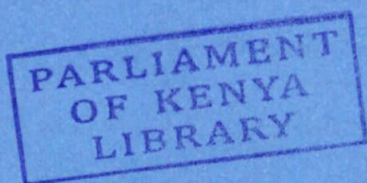
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



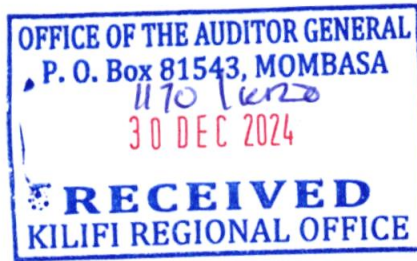
THE AUDITOR-GENERAL

ON

**KILIFI-MARIAKANI WATER AND
SEWERAGE COMPANY LIMITED**

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

	PAPERS LAID
DATE	25/2/2025
TABLED BY	Majority leader
COMMITTEE	
CLERK AT THE TABLE	Maalim



**KILIFI – MARIAKANI WATER AND
SEWERAGE COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2024**

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

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

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1. ACRONYMS AND GLOSSARY OF TERMS

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

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2. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

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

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

Principal Activities

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

Directors

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

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

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Company Secretary

John Bwire and Advocates, Company Secretary

P. O. Box 98731 – 80100

Mombasa

Entity Head Office

Kilifi – Mariakani Water & Sewerage Company Ltd

P.O. Box 275-80108 - Kilifi

Along Mombasa – Malindi road

LR No. 5054/115, kilifi.

Tel. Nos. 041-522508

Fax 041-522507

Email: info@kilifi water.co.ke

Entity Bankers

Kenya Commercial Bank Limited

P.O. Box 528

Kilifi

Tel No: 041- 22093

Fax: 041-22233

Co-operative Bank

P.O Box 96 -80108

Kilifi

Tel. No.020-2314898/+254708223330

Fax 020-2314892

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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Post Bank

P.O.Box 1047 - 80108

Kilifi Brach

Tel. No. 0417522399

Collection Agencies

Safaricom Kenya Limited

M-PESA Holding

P.O. Box 66827 - 00800

Nairobi - Safaricom House Waiyaki Way

Tel.No. 0722-002222

Postal Corporations' of Kenya

P.O. Box 891333

Mombasa

Tel. No. 04122277705

Independent auditors

Auditor General

Office of the Auditor-General

Anniversary Towers, University Way

P.O. Box 30084 GPO 00100

Nairobi-Kenya

Principal legal advisors

The Attorney- General

State Law Office

Harambee Avenue

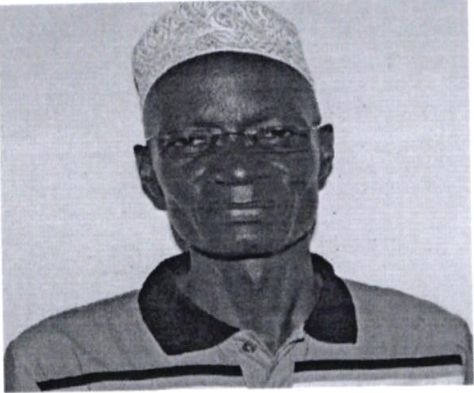
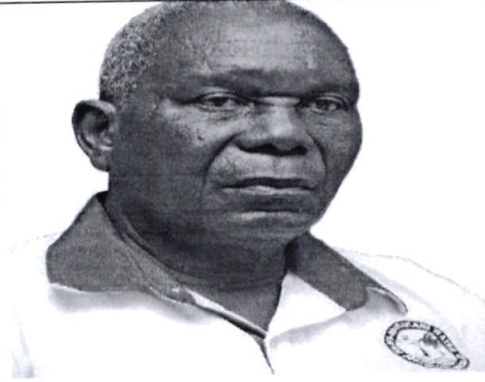

P.O. Box 40112

City Square 00200



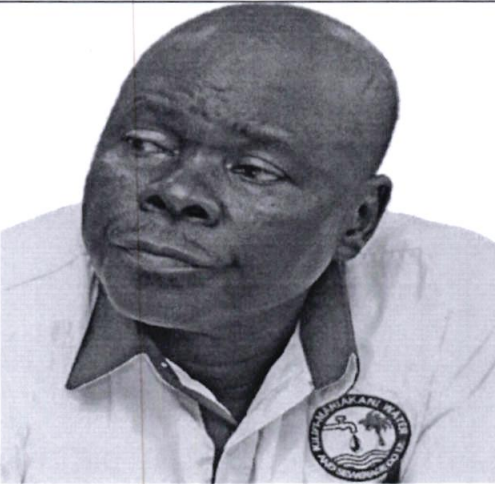
Nairobi, Kenya

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3. THE BOARD OF DIRECTORS

No.	Directors	Details
1	 <p data-bbox="150 887 691 925">Mr. Ustadh Rashid Mukwana Muhhamad</p>	<p data-bbox="719 443 1477 757">Director Rashid Mukwana is the chairman of the company's Board Directors. He was born in 16th April, 1975. He holds a Diploma in Teaching Arabic and Islamic Studies. He is currently the executive officer of Supreme Council of Kenya Muslims (SUPKEM) in Kilifi County and has a wealth of experience.</p>
2	 <p data-bbox="150 1391 560 1429">Mr. Ravasco Pole Mwasambu</p>	<p data-bbox="719 1115 1445 1261">Director Pole Mwasambu was born in 1956. He holds a Diploma in Agricultural Education. He has 37 years of work experience and he is a retired administrator</p>
3	 <p data-bbox="165 1966 507 2004">Ms. Margaret Chizi Ngale</p>	<p data-bbox="719 1574 1477 1888">Director Margaret Chizi was born on 10th July, 1975. She holds Masters of Degree in Education, Leadership and Management. She is a teacher by profession. She is currently the chairperson of the HR, Finance and Administration committee of the board. She possesses a wealth of experience in teaching profession</p>

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4	 <p>Ms. Nyasaida Famau Athman</p>	<p>Director Nyasaida Famau was born on 21st December 1975. She holds Diploma in Project Management from Kenya Institute of Management and a Diploma in Hotel Management from Dynamic Institute of Management and Accountancy. She has a wealth of experience in entrepreneurship.</p>
5	 <p>Ms. Elvina Rehema Kahindi</p>	<p>Director Elvina R. Kahindi 2.21984. She is a re-known business woman. She a wealth of experience in entrepreneurship and women empowerment.</p>
6	 <p>Mr. Valentine M. Mwamanga</p>	<p>Director Valentine Matsaki Mwamanga was born on 23rd March 1961. He holds a Diploma in County Governance and Management and a Diploma in Sales and Marketing. He has wealth of experience in leadership</p>

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<p>7</p>	 <p>Ms. Winnie Wakati Luwali</p>	<p>Director Winnie Wakati Luwali was born on 21st February 1990.</p> <p>She is the Chief Officer for Finance in the County Government of Kilifi. Winnie Luwali previously worked as a Board Member in the Kilifi County Public Service Board. She holds Bachelor of commerce Degree in Finance and Banking from the University of Eastern Africa Baraton and a Master's in Business Administration from University of Nairobi. She a member of - Kenya Institute of Bankers, Kenya institute of Management, and Institute of Human Resource Management</p>
<p>8</p>	 <p>Ms. Juliet Luvuno Jana</p>	<p>Director Juliet Luvuno Java was born on 2nd January 1974. She is a re-known business woman in Kilifi County. She has a wealth of experience in entrepreneurship.</p>
<p>9</p>	 <p>Eng. Hezekiah Nguma Mwarua</p>	<p>Director Hezekiah N. Mwarua was born on 16th January 1983. He is the Chief Officer for Water and Sanitation services at County Government of Kilifi. He holds a bachelor of technology in chemical and process engineering from Moi University. He is currently pursuing Masters of Business Administration (Management Science option). He has over 10 years of experience in private and Public service.</p>

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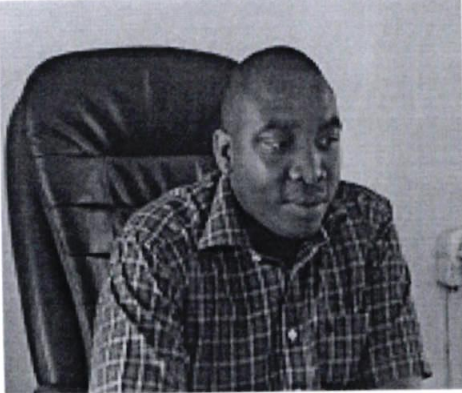

Eng. Pascal Dume Jira

Managing Director


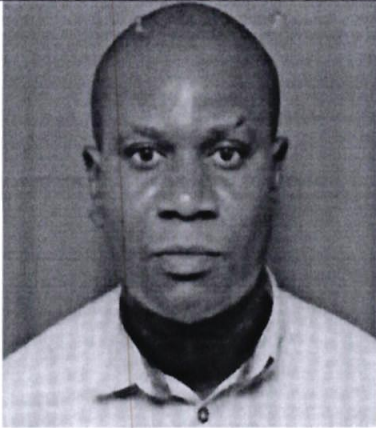
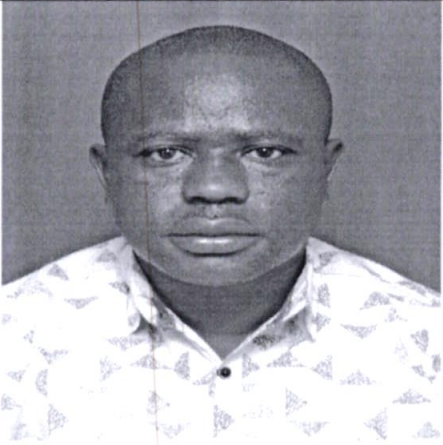
Mr. Pascal Dume Jira is the company Managing Director. He was born on 30th September 1984. Until his appointment as Managing Director, he was the company Technical and Operations Manager. Mr. Jira joined the company in 2012 as water superintendent. He holds Bachelor of Science Degree in Civil Engineering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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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4. MANAGEMENT TEAM

No.	Management	Details
1.	 <p data-bbox="159 873 454 918">Eng. Pascal Dume Jira</p>	<p data-bbox="646 392 917 425">Managing Director</p> <p data-bbox="646 448 1460 884">Mr. Pascal Dume Jira is the company Managing Director. He was born on 30th September 1984. Until his appointment as Managing Director, he was the company Technical and Operations Manager. Mr. Jira joined the company in 2012 as water superintendent. He holds Bachelor of Science Degree in Civil Engineering from Technical University of Mombasa. Besides that, he is a holder of a Higher Diploma in Water Engineering from Kenya water Institute.</p>
2.	 <p data-bbox="167 1400 414 1444">Alfred Dume Janji</p>	<p data-bbox="654 952 1093 985">Internal Audit & Risk Manager</p> <p data-bbox="654 1008 1500 1444">Mr. Alfred Janji is the Internal Audit Manager. Born on 8th January 1984, Mr. Janji joined the company as Revenue officer in 2009. He has risen through the ranks to his current position of Internal Audit Manager. He holds a Bachelor of business management Degree in Accounting from Moi University and Diploma in personnel management from The Technical University of Mombasa. He is a certified Public Secretary CPS (K).</p>
3.	 <p data-bbox="175 2016 399 2060">Fatuma Mwidadi</p>	<p data-bbox="662 1534 1340 1568">Human Resources and Administration Manager:</p> <p data-bbox="662 1601 1508 2016">Ms. Fatuma Mwidadi is the company's Human Resources & Administration Manager. Born in 1988, Fatuma joined the company in 2012 as Human Resources & Administration Assistant and rose through ranks to the current position. Fatuma graduated from Kampala International University, Uganda. She is also a member of the institute of Human Resources of Kenya. She is currently pursuing a Master of Business Administration at the Pwani University. Prior to joining the company, Fatuma worked as administrative officer with Grout and Shot Crete Construction Company.</p>

-KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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<p>4.</p>	 <p>Catherine Harusi Baya</p>	<p>Commercial and Business Development Manager:</p> <p>Ms. Catherine Harusi Baya is the Commercial and Business Development Manager. She was born on 15th April 1982. She holds Bachelor’s Degree of Commerce in finance from Pwani University. She joined the company in 2013 as a commercial officer and rose through the ranks to the current position. Until her appointment as the Ag Commercial Manager, she was a Senior Commercial and Business Development officer.</p>
<p>5.</p>	 <p>CPA Benedict Katana Ngumbao</p>	<p>Finance Manager.</p> <p>Mr. Benedict K. Ngumbao is the company Finance Manager. Born on 21st December 1981. He joined the company in 2018. He holds a Bachelor of Business Management in Finance and Banking from Moi University. He is a Certified Public Accountant of Kenya and a member of ICPAK. He worked with the County Government of Kilifi as the principal Accountant at the County Treasury. He is currently pursuing a master’s degree in finance at Technical university of Mombasa</p>
<p>6.</p>	 <p>Gona Mwembe Kalume</p>	<p>Technical & Operations Manager</p> <p>Mr. Gona Mwembe Kalume is the Technical Manager.</p> <p>Born in 15th July 1984. He joined the company in 2013 as water inspector. He holds a Bachelor’s Degree in Civil Engineering from Technical University of Mombasa. Additional, he a holder of Diploma in Water Engineering from The Kenya Water Institute.</p>

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Ismail Juma Sadikini

Procurement Manager

Mr. Ismail Juma Sadikini is the Procurement Manager. Born in 21st July 1990. He joined the company in 2018. He holds a Bachelor of Commerce (procurement & supply Chain Management). He is currently pursuing a master's degree in strategic management at Kenyatta University. He is also a member of CIPS & KISM. He had worked at Kilifi County Assembly as a procurement officer prior to joining KIMAWASCO.

7.

5. CHAIRMAN'S STATEMENT

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

In the year 2023/2024, we entered into the fifth year of our five-year strategic plan cycle. In this year, the company made tremendous steps in various thematic areas of the strategic plan. Notable were infrastructural developments which were geared towards improving water distribution to the residents of Kilifi County. It was also a year that reminded us of the importance of strong values and culture which are vital to our customers, shareholders, stakeholders and the entire County of Kilifi and also the country at large. Our strategy remains robust and we continue to execute our mandate to provide water and sanitation services in line with the license conditions by the Water Service Regulatory Board (WASREB) as a delegated and devolved function of the County Government of Kilifi.

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

This year, we oversee the completion and commissioning of the public sanitation projects in Kaloleni and Chonyi. The projects were implemented with funding from the Water Sector Trust Fund. Each project was intended to serve a population of 2,000 people

The company in partnership with Water Sector Trust Fund undertook KIMAWASCO will continue to forge stable and long term relationships with its willing development partners and both levels of government in order to enhance its level of services to not only meet but strive to exceed customers' expectation. The County Government of Kilifi has also ambitiously invested in several water projects within KIMAWASCO's area of operation, which has greatly improved on the Company's water coverage from 57% to 68% in the past 5 years. A lot more still needs to be done on development of water infrastructure.

The Company has engaged the County Government of Kilifi and other Development Agencies in rehabilitation of the old and dilapidated water supply infrastructure which has been a major contributor to high levels of water loss through leaks and bursts that the company experiences; the Company's Non-Revenue Water level standing at 49% for the year ended 30th June 2024.

It is also in this financial year where the company has continued to gain from the Utility Turn Around Framework consultancy under the WSDP program. The consultancy aimed at enhancing the operational efficiency in the organization in order to bring sustainability. We have seen tremendous improvement on service delivery and staff performance specifically on the seven key result areas identified under the consultancy; Governance & Strategy, Human Resources management, Technical Operations, Commercial Operations, Financial Sustainability, NRW and Monitoring & Evaluation.

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

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

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



Rashid Mukwana Muhhamad

CHAIRMAN

6. REPORT OF THE MANAGING DIRECTOR

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

In the year ended 30 June 2024, the company received 9,719,951m³ of water from CWWDA at a cost of Kshs 316,948,170. The company then billed a total volume of 4,951,015 m³ to its customers translating to a billed amount of Kshs 597,326,877. This was however, below the Kshs 720,648,192 billing target for the year.

The Company is still grappling with the challenge of high level of non-revenue water, which stood at 49% for the year ended 30th June 2024. The high NRW level in KIMAWASCO is majorly attributed to old and dilapidated water supply network that has outlived its useful life and thus it is prone to leaks and bursts, Illegal water connections and old inaccurate & stalled customer meters that are not giving correct customer consumptions. Experienced incidences of Vandalism of water infrastructure in areas of our operations specifically Ganze Sub-County.

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

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

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

Through the same World Bank Funded Program, the Company is getting support through a Consultancy dubbed Utility Turnaround Framework, intended to help to bring efficiency in operations within the

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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company thus making it sustainable. This consultancy through an assessment of the current status of the company identified seven key result areas that needed to be worked on; Governance & Strategy, Human Resources Management, Technical Operations, Commercial Operations, Financial Sustainability, NRW Reduction and Monitoring & Evaluation.

KIMAWASCO adopted modern technology of meter reading to reduce losses due to errors on meter reading and thus enhance its billing and revenue as well as reduce on the NRW. Within its small means, the Company has embarked on a strategy to service stalled meters and replace all non-functional unserviceable meters to reduce on water losses through estimated billing of customer accounts. The company has also formed a NRW/Inspection team that carries out inspections of customer collections that have stayed on disconnection for a long time to deter water theft.

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

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

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

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



Pascal Dume Jira

MANAGING DIRECTOR

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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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 national government entity’s performance against predetermined objectives.

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

1. Corporate Image
2. Infrastructure Development
3. Institutional Capacity
4. Financial Management

KIMAWASCO develops its annual work plans based on the above four pillars/result areas. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. KIMAWASCO achieved its performance targets set for the FY 2023/20234 period for its five strategic pillars, as indicated in the diagram below:

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

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		Develop and implement a pro poor policy	Developed a pro poor policy	Pro Poor Policy - develop
Infrastructure Development	To develop Water Distribution systems in Mtwapa, Mariakani and Kilifi Town	Water Distribution master plan documents	Carry out assessment of Water distribution infrastructure in Kilifi and Mtwapa Town	Water distribution master plan developed Water Distribution Construction Works ongoing at 70% progress
	To develop Sanitation systems in Mtwapa, Mariakani and Kilifi Town	Progress Reports	Development of sanitation system in Kilifi and Mtwapa Town	Bamba PSF operationalized Sanitation project ongoing in Mtwapa and Kilifi Towns
	Reduce non-revenue water by 15% to 34% from the current 49%.	Non-Revenue Water Policy implementation Progress Reports	Develop and implement non-revenue water management plan	Developed Non-revenue water management plan Current NRW level is 49%
Institutional Capacity	Strengthen governance framework	Board of Directors Training report	Training of board of directors on corporate governance	Enhanced corporate governance

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	Leverage technology for performance improvement	Implementation of technology	Enhancement of billing systems Purchase and allocation of computers in stations	Enhancement of customer bills services Improved performance
	Rationalization of human resources for optimal productivity	Reviewed performance management system Reviewed Accounting & Finance Procedure manual	Undertake review of the performance management system Undertake review of the Accounting & Finance procedure manual	Reviewed performance management system Accounting and Finance Procedure manual reviewed
	Ensure that all employees are trained for performance improvement	Carry out a TNA and implement recommendations	Conducted and implemented a Training Needs Assessment	Improved staff performance
	Mobilize resources to support training	Develop training proposals for funding	Training proposals Developed and implemented (56 staff trained under the Utility turn around program funded by the world bank under WSDP)	
Financial Management	Improve revenue generation by 15% annually	New connections report	Increase customer base	2,485 No. of new connection

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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		Metering report	Ensure 100% metering	Metering Ratio 100%
		Meter reading efficiency report	Efficient meter reading	Meter reading efficiency 90%
		Billing report	Improved revenue	Increase in billing of 12,406118.00
		Revenue collection efficiency report	Increase revenue collection efficiency	Collection efficiency at 98%
	Review and implement credit management policy	Review credit management policy	Credit management policy reviewed	Reduced debt portfolio

8. CORPORATE GOVERNANCE STATEMENT

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

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

Board of Directors

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

The Board defines the Company's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Managing Director. The Board nonetheless is responsible for the stewardship of the Corporation and assumes responsibilities for the effective control over the Company. The Company Secretary attends all meetings of the Board and advises the Board on all corporate governance matters, prevailing statutory requirements and changes in the legislation and new reforms in the water sector as appropriate.

Board Meetings

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

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

Committees of the Board

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

a) Audit and Risk Management Committee

The membership of the Audit Committee is comprised as follows:

1. Ravasco Pole Mwasambu - Chairperson
2. Hezekiah Nguma Mwarua - Member
3. Juliet Luvuno Jana - Member
4. Nyasaida Famau Athman - Member

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

- Review financial statements before submission to the Board focusing on changes in accounting policies, compliance with International Financial Reporting Standards and legal requirements.
- Strengthen the effectiveness of the internal audit function.
- Maintain oversight on internal control systems.
- Review and make recommendations regarding the Company's budgets, financial plans and risk management.
- Liaise with the external auditors.

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

b) Human Resource, Finance and Administrations Committee

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

1. Margaret Chizi Ngale - Chairperson
2. Winnie Wakati Luwali - Member
3. Valentine Mwamanga Matsaki - Member
4. Elvina Rehema Kahindi - Member

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The Committee reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare. The Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, information and technology, procurement, investment strategies, policies, projects and related activities.

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

c) Technical and Commercial committee

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

1. Nyasaida Famau Athman -Chairperson
2. Hezekiah Nguma Mwarua -Member
3. Elvina Rehema Kahindi - Member

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

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

Risk Management and Internal Controls

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

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Shareholding

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

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

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



Pascal Dume Jira

MANAGING DIRECTOR



Rashid Mukwana Muhhamad

CHAIRMAN

9. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Staffing

During the end of the financial year, the number of staff stood at 265 as shown in table 1

Table 1

NO. OF STAFF	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Permanent	252	250	248	248
Contract	14	12	10	10
Management Contract	5	7	7	7
TOTAL	271	269	265	265

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

During the year under review, the company received 9,719,951m³ of water from CWWDA compared to the previous year's 10,334,725 m³ of water. This represents 6% decrease in bulk water purchase. The comparable yearly bulk water purchase/production translates to cost of water/sales of Kshs 316,948,170 and Kshs 208,093,920 for the years 2024 and 2023 respectively. The company registered a decrease in volume of water it billed its customers from 5,674,186 m³ in 2023 to 4,951,015 m³ in 2024; a decrease of approximately 13%. Non-Revenue water increased at 45% in 2023 to 49% in 2024 an increase by 4%. The company has requested for a reconciliation of the bulk water purchase figures so that the figures in the company's books are in harmony with those held by Coast Water Works Development Agency. For more details, refer to table 2.

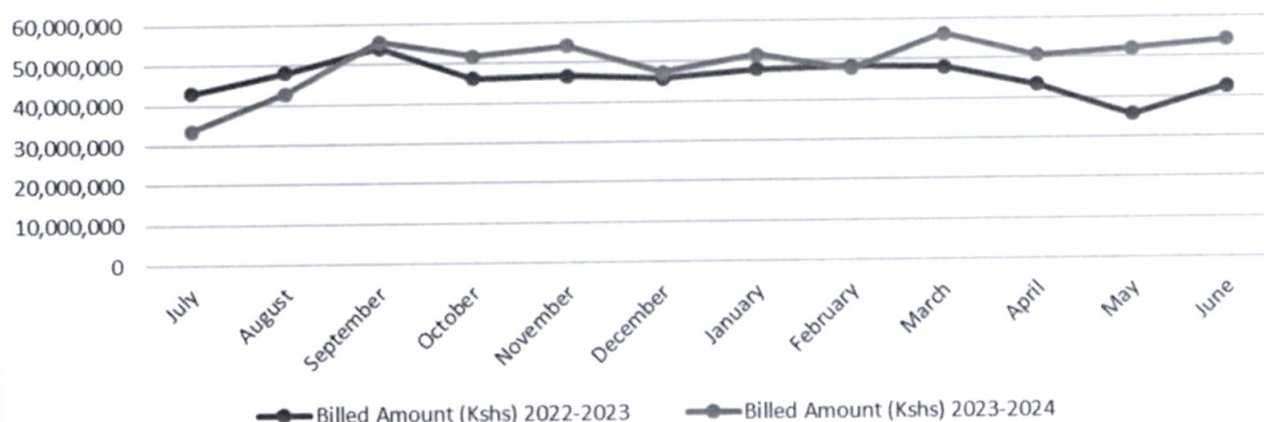
KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Table 2

Months	Production in m3		Billed Vol. m3		NRW		Billed Amount CWWDA (Kshs)		Billed Amount (Kshs)	
	2022-2023	2023-2024	2022-2023	2023-2024	2022-2023	2023-2024	2022-2023	2023-2024	2022-2023	2023-2024
July	844,282	817,169	456,086	341,491	388,196	475,678	16,981,780	17,098,280	42,973,339	33,538,421
August	902,001	832,596	499,053	429,319	402,948	403,277	18,339,820	16,759,940	48,095,547	42,776,484
September	951,207	805,072	538,328	442,986	412,879	362,086	19,369,020	32,944,538	53,941,890	55,582,661
October	895,566	842,009	481,342	414,588	414,224	427,421	19,990,400	29,981,676	46,186,111	51,698,209
November	896,773	824,562	486,631	423,627	410,142	400,935	18,500,000	30,466,584	46,642,023	54,131,707
December	866,064	670,523	466,611	373,652	399,453	296,871	16,909,180	21,852,106	45,635,354	47,351,498
January	912,438	803,765	498,327	419,520	414,111	384,245	18,485,440	27,936,202	47,854,652	51,502,840
February	884,492	823,887	499,739	385,580	384,753	438,307	16,463,340	27,798,162	48,193,520	47,754,462
March	865,029	861,998	501,224	453,989	363,805	408,009	17,316,040	30,164,902	47,864,188	56,152,630
April	780,845	837,188	445,891	410,065	334,954	427,123	14,675,040	27,002,698	43,327,305	50,614,385
May	760,929	774,340	372,118	418,199	388,811	356,141	17,009,000	26,708,190	35,620,563	52,094,820
June	775,099	826,842	428,836	437,999	346,263	388,843	14,054,860	28,234,892	42,560,475	54,128,750
	10,334,725	9,719,951	5,674,186	4,951,015	4,660,539	4,768,936	208,093,920	316,948,170	548,894,965	597,326,877
					45%	49%				

The Graph Shows Comparative Figures for Billed Revenue For the Year 2023 and 2024



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MANAGEMENT DISCUSSION ANALYSIS (CONTINUED)

c) Number of Connections (Active Billed)

During the year under review, the company recorded an overall average increase in the number of connections of 2% in comparison to the year 2022-2023. The company ended the year 2023-2024 with a marked increase in the number of connections of 28,899 compared to 28,446 in 2022-2023.

Year	No. of Connections		Change in No. of connections	% Change
	2022-2023	2023-2024	Per Qtr.	
Average Qtr1	27,227	28,593	1,366	5%
Average Qtr2	27,914	28,795	881	3%
Average Qtr3	28,236	29,004	768	3%
Average Qtr4	28,446	28,899	453	2%

d) Risks

i) Sustainability

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

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

The company in collaboration with the department of water and environment and natural resource participated in the world environmental day by providing seedlings in the financial year ended 30th June 2024.

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



Pascal Dume Jira

MANAGING DIRECTOR



Rashid Mukwana Muhhamad

CHAIRMAN

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

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 of the company

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

(ii) Results of operations

The results of the company for the year ended 30th June, 2024 as set out on page One (1) to Forty-Four (44)

(iii) Directors

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

Management Team

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

Auditors

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

By Order of the Board

John Bwire and Associates Advocates, Company Secretary

Mombasa

Date. 27.12.2024.....



12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012, water act 2016 and companies Act 2015. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2024, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

KILIFI MARIKANI WATER AND SEWERAGE COMPANY LIMITED
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STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)
Approval of the financial statements.

The entity's financial statements were approved by the Board on 27/12/24

2024 and signed on its behalf by:



Pascal Dume Jira

MANAGING DIRECTOR

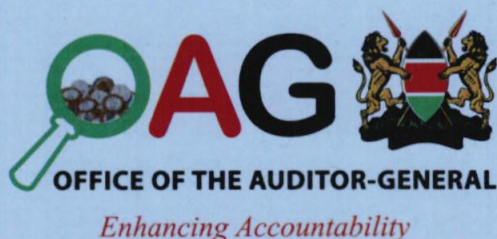


Rashid Mukwana Muhhamad

CHAIRMAN

REPUBLIC OF KENYA

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



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KILIFI-MARIAKANI 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.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kilifi-Mariakani Water and Sewerage Company Limited set out on pages 1 to 51, which comprise the statement of

Report of the Auditor-General on Kilifi-Mariakani Water and Sewerage Company Limited for the year ended 30 June, 2024

financial 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 Kilifi-Mariakani 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 (Accrual Basis) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. General and Operational Expenses

The statement of profit or loss and other comprehensive income and Note 12 to the financial statements reflects payments totalling Kshs.572,639,154 in relation to general and operational expenses. Review of the records on general and operational expenses revealed the following:

i. Unconfirmed Bulk Water Costs

Included in the expenditure on general and operational expenses is Kshs.316,948,170 in respect of bulk water costs. However, review of a sample of twenty-two (22) out of the one hundred and eighty-nine (189) individual water bills supporting the payment for the month of July, 2023 revealed that the bills were based on estimated units instead of the actual meter readings on units consumed attributed to nonfunctional bulk water meters.

ii. Unsupported and Irregular Expenditure on Hire of Equipment and Vehicles

Included in the general and operational expenses is Kshs.4,411,820 in respect of hire of equipment and vehicles. However, an amount of Kshs.2,170,000 spent on hire of motor cycles whose appropriate authority and documentation including requisitions, advertisements, evaluation and contract award were not provided.

In the circumstances, the accuracy and completeness of bulk water costs totalling Kshs.572,639,154 could not be confirmed.

2. Unsupported Property, Plant and Equipment Balance

The statement of financial position and Note 20 to the financial statements reflects property, plant and equipment balance of Kshs.426,451,889. However, a fixed asset register was not provided for audit review. Further, the Company did not have land ownership documents and motor vehicles listed had their logbooks recorded in the name of Coast Water Service Board.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment balance of Kshs.426,451,889 could not be confirmed.

3. Inaccurate Coast Water Works Development Agency (CWWDA) Liability

The statement of financial position and Note 28 to the financial statements reflects a CWWDA liability balance of Kshs.221,074,257. However, the financial statements of CWWDA reflects a balance of Kshs.854,103,006 as a receivable from Kilifi-Mariakani Water and Sewerage Company Limited resulting in unreconciled variance of Kshs.633,028,749.

In the circumstances, the accuracy of CWWDA liability balance of Kshs.221,074,257 could not be confirmed.

4. Unsupported Capital Reserves Fund

The statement of financial position reflects capital reserves fund balance of Kshs.50,094,019 which as disclosed in Note 29 to the financial statements includes land, buildings, motor vehicles, various expenditures and adjustment for cost of bills recognized at the inception of the Company. However, these balances were however not supported with any documentation.

In the circumstances, the accuracy and completeness of the capital reserves fund balance of Kshs.50,094,019 could not be confirmed.

5. Unsupported and Long Outstanding Trade and Other Receivables Balance

The statement of financial position and Note 24 to the financial statements reflects trade and other receivables balance of Kshs.469,681,122 out of which a balance of Kshs.45,822,609 relates to trade receivables whose details were not provided for review while trade receivables balance of Kshs.436,201,939 have remained uncollected for over ninety-one (91) days. In addition, the trade and other receivables balance include other receivables balance of Kshs.15,237,455 relating to previous years which is under investigations. However, the progress of these investigations has not been provided. Further, the aging analysis in respect of advances balance of Kshs.536,069 on staff receivables on outstanding loans and advances, has not been provided.

In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.469,681,122 could not be confirmed.

6. Unaccounted for Long-Term Customer Deposits Balance

The statement of financial position and Note 33 to the financial statements reflects trade and other payables balance of Kshs.506,086,190 which includes a balance of Kshs.100,826,792 in respect of long-term customer deposits. However, a local Commercial Bank deposit bank account, which should hold the customer deposits, reflects a balance of Kshs.9,709 resulting to unexplained variance of Kshs.100,817,083.

In the circumstances, the accuracy and completeness of the long-term customer deposit balance of Kshs.100,826,792 could not be confirmed.

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

1. Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.94,096,435 for the company during the year. Similar trends were observed in previous years, with the company recording a loss of Kshs.98,642,706 in the 2022-2023 financial year, Kshs.85,853,456 in 2021-2022, and Kshs.73,329,407 in 2020-2021. In the 2019-2020 financial year, the Company reported a loss of Kshs.2,250,424.

This has resulted to negative retained earnings of Kshs.703,851,064. This condition has led to material uncertainty of the company's going concern. Though the company has pointed the sustainability risk under management discussion analysis in the financial report, there is need for more information on the plans in place to reverse this continuous loss making which has been increasing in the last four (4) years.

2. Budgetary Controls and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.1,000,749,034 and Kshs.826,314,239 respectively resulting to an under-collection of Kshs.174,434,795 or 17% of the budget. Similarly, the Company spent an amount of Kshs.920,410,674 against actual receipts of Kshs.826,314,239 resulting to an over-expenditure of Kshs.94,096,435 or 11% of the actual receipts.

The under-collection and over-expenditure may have negatively impacted on the planned activities of the Company which affected service delivery to the public.

My opinion is not modified in respect of these matters.

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

1. Failure to Offer Sewerage Services

According to the Memorandum of Association and as prescribed in the Water Act, 2016, the Company is mandated to offer sewerage services within the towns of Kilifi, Kaloleni, Rabai and its environs. Review of the Company's financial records revealed that the Company has not offered these services in the past and did not do so in the year under review. There was however, no explanation why the Company has failed to offer this service as mandated.

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2024. Even though Management indicates progress has been made in resolving the issues, evidence has not been provided and the issues remain unresolved.

Other Information

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

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

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(s) of the matter(s) 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. Excessive Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statement reflects operating revenue totalling to Kshs.597,326,877. However, review of the data provided for audit revealed water production of 9,719,951 cubic meters at a cost of Kshs.316,948,170. Out of this production, only 4,951,015 cubic meters were billed to customers at an amount of Kshs.597,326,877. The balance of 4,768,936 cubic meters which accounts for 49% of the water produced represented Unaccounted for Water (UFW) which is over and above the loss of 25% allowable by the Water Service Regulatory Board (WASREB) guidelines. The unaccounted-for water of 4,768,936 cubic meters may have resulted to loss in revenue estimated at an amount of Kshs.Kshs.481,662,536.

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

2. Trade and Other Payables Balance

The statement of financial position and Note 33 to the financial statement reflects trade and other payables balance of Kshs.506,086,190. Review of records on trade and other payables revealed the following:

i. Outstanding Audit Fees

Included in this balance is an amount of Kshs.5,945,600 in respect of audit fees which has been outstanding for more than one (1) one year. Management did not provide a satisfactory explanation of failure to settle the outstanding fees.

ii. Accrued Tax Liability

Included in this balance is Kshs.18,300,794 in respect of tax liability which recorded no movement from the previous year. Management did not explain what the outstanding tax liability relates to and did not give a payment plan on settling the liability. This is contrary to the provisions of the Income Tax Act, Cap 470 Section 92 (a) which requires that all taxes due shall be paid on or before 30 September of the following year.

iii. Non- Remittance of Staff Deduction

Included in this balance is an amount of Kshs.36,560,652 in respect of other liabilities. Documents provided revealed that this balance relates to staff deductions that were made but not remitted to relevant authorities contrary to Section 83 (1) of the Tax Procedure Act, 2015 which requires that a person who submits a tax return after the due date shall be liable to a penalty of twenty five percent (25%) of the tax due or ten thousand shillings whichever is higher.

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

3. Staff Costs

The statement of profit or loss and other comprehensive income and Note 11 to the financial statements reflects staff costs totalling Kshs.260,823,826. Review of records on staff costs revealed the following:

i. Lack of Gender Balance

Included in this expenditure is an amount of Kshs.208,670,658 in respect of salaries and allowances to permanent staff. However, review of staff register provided revealed that the entity had a total of two hundred and sixty-five (265) Staff during the year under review. Out of this number, two hundred and fifteen (215) or 81% were male and only fifty (50) or 19% were female contrary to Section B. 22 (2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 on non-discrimination in employment which provides that the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than two thirds of positions in its establishment are filled by either gender.

ii. Failure to Adhere to National Cohesion and Integration Act

Review of staff data provided for audit revealed that the entity had a total of two hundred and sixty five (265) staff during the year under audit review out of whom two hundred and thirty nine (239) or 90% were from Mijikenda ethnic community. This is contrary to Section 65 (e) of the County Governments Act, 2012 and Section 7(2) of National Cohesion and integration Act 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

iii. Failure to Adhere to a Third Rule on Basic Pay

Included in the expenditure on staff costs is an amount of Kshs.208,670,658 in respect of salaries and allowances to permanent staff. Review of payroll revealed that twenty-four (24) staff members overcommitted their salary beyond the two thirds of the basic contrary to contrary to provision of Section 19(3) of the Employment Act which states that the total amount of all deductions may be made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

4. Irregular Overdraft Facility and Dormant Bank Account

The statement of financial position and Note 25 to the financial statements reflects bank and cash balance of Kshs.111,295,967. However, review of the bank statements, cashbooks, bank reconciliations and certificate of bank balances revealed that Kenya Commercial Bank (KCB) Kilifi main account was overdrawn by an amount of Kshs.7,967,574 in the Month of June, 2024. However, Management disclosed that there was no set limit for the overdraft and no appropriate authority from the County treasury to overdraw the account. Further, Bamba PSAN WSTF bank account had a Nil balance with management explaining that the account was closed. However, the letter authorizing the closure of the bank account was not provided.

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, 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.

Report of the Auditor-General on Kilifi-Mariakani Water and Sewerage Company Limited for the year ended 30 June, 2024

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

1. 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.
2. The information given in the Directors' report on pages xv to xvi is consistent with the financial statements.

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

**14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2024**

		2023-2024	2022-2023
	Notes	Kshs	Kshs
REVENUES			
Operating Revenue	6	597,326,877	548,894,965
Grants Income	7(a)	211,664,990	134,317,187
WSTF grant	7(b)	534,597	534,597
Other Income	8	16,787,775	15,773,296
Finance Income	9	-	-
Other gains/(losses)	10	-	-
Total Revenue		826,314,239	699,520,045
EXPENSES			
Staff Costs	11	260,823,826	239,303,652
General and Operations expenses	12	572,639,154	459,224,127
Board Expenses	13	10,455,797	11,149,825
Maintenance Expenses	14	31,385,939	42,724,037
Depreciation and amortization	15	44,842,043	43,561,110
Finance cost	16	263,915	-
Total Expenses		920,410,674	795,962,751
Profit/(loss) before taxation		(94,096,435)	(96,442,706)
Income Tax Expense/(credit)	17		
Profit/loss After Taxation		(94,096,435)	(96,442,706)
Earnings per share-Basic and Diluted	18		-
Dividend per Share	19		-

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

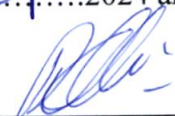
15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	426,451,889	425,356,133
Intangible assets	21	2,178,264	2,722,830
WIP-WSTF(PSF Chonyi& Kaloleni)	22(a)	9,252,827	-
WIP-Ablution Blocks	22(b)	27,993,312	27,993,312
WIP-Mtwapa & Kilifi Pipeline	22 (c)	680,392,979	555,646,553
Total Non-Current Assets		1,146,269,272	1,011,718,829
Current Assets			
Inventories	23	25,941,880	19,338,241
Trade and other receivables	24	469,681,122	443,248,588
Bank and cash balances	25	111,295,967	8,533,513
Total Current Assets		606,918,969	471,120,341
TOTAL ASSETS		1,753,188,241	1,482,839,171
EQUITY AND LIABILITIES			
Capital and Reserves			
Owners Equity		-	-
Ordinary share capital	26	2,600,000	100,000
Retained earnings	27	(703,851,064)	(609,754,629)
CWWDA Liability	28	221,074,257	292,548,843
Capital Reserves fund	29	50,094,019	50,094,019
Capital and Reserves		(430,082,788)	(267,011,767)
Non-Current Liabilities			
Bulk water	30	410,194,572	341,281,262
Licencee fees	31	344,191,836	344,191,836
Loan -WSDP	32	845,031,541	643,118,249
Total Non-Current Liabilities		1,599,417,949	1,328,591,347
Current Liabilities			
Trade and other payables	33	506,086,190	376,526,319
Deferred Income	7(c)	9,088,139	9,622,736
Retirement benefit obligations	34	68,678,750	35,110,536
Total Current Liabilities		583,853,080	421,259,591
TOTAL EQUITY AND LIABILITIES		1,753,188,241	1,482,839,171

The financial statements were approved by the Board of directors on...27.6.2024 and signed on its behalf by:


FINANCE MANAGER


MANAGING DIRECTOR


CHAIRMAN OF THE BOD

Name: CPA Benedict Katana Ngumbao No.15256 **Name:** Eng. Pascal Dume Jira **Name:** Rashid Mukwana Muhhamad

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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

	Share Capital	Retained Earnings	Capital Reserves	Total
				2022-2023
	Kshs	Kshs	Kshs	Kshs
As at 1st July 2022	100,000	(513,311,923)	50,094,019	(463,117,904)
Net Profit for the year		(96,442,706)		(96,442,706)
As at 30 th June 2023	100,00	(609,754,629)	50,094,019	(559,560,610)
				2023-2024
As at 1st July 2023	100,000	(609,754,629)	50,094,019	(559,560,610)
Net Profit for the year		(94,096,435)		(94,096,435)
As at 30 th June 2024	2,600,000	(703,851,064)	50,094,019	(653,657,045)

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

17. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2024

	Notes	2023-2024	2022-2023
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from Operations	35	(130,888,744)	21,043,962
Dividends paid			
Net cash generated from operating activities		(130,888,744)	21,043,962
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	20	(45,393,233)	(153,098,066)
Proceeds from disposal of Property, Plant and Equipment			
Purchase of Intangible Assets	21	-	(710,000)
WIP WSTF Project	22a	(9,252,827)	
Work In Progress-Ablution Blocks	22b	-	(12,861,266)
Work In Progress-Kilifi & Mtwapa Pipeline	22c	(124,746,426)	(337,522,415)
Proceeds from Disposal of Quoted Investments			
Net Cash Used in Investing Activities		(179,392,486)	(504,191,747)
FINANCING ACTIVITIES			
WST-Grant	7(b)	(534,598)	(534,598)
GRANT INCOME (WSTF, WSDP/COUNTY GOVERNMENT)	7(a)	211,664,990	134,317,187
WSDP-LOAN	32	201,913,292	345,130,911
Net Cash used from Financing Activities		413,043,684	478,913,500
Increase/(Decrease) In Cash And Cash Equivalents		102,762,454	(4,234,285)
Cash And Cash Equivalents At Beginning Of Year		8,533,513	12,767,798
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		111,295,967	8,533,513

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024

	Original budget	Final budget	Actual on comparable basis	Performance difference	%
	2023-2024	2023-2024	2023-2024	2023-2024	
Revenue		Kshs	Kshs	Kshs	
Operating Revenue	720,648,192	880,301,116	597,326,877	-282,974,239	-32%
Non Operating Revenue	53,500,000	45,500,000	16,787,775	-28,712,225	63%
NCBA		13,235,262	-	-13,235,262	100%
WSTF/WSDP/Couty Government Grants	-	61,712,656	212,199,587	150,486,931	244%
Total income	774,148,192	1,000,749,034	826,314,239	-174,434,795	-17%
Expenses					
staff cost	262,479,543	277,675,460	260,823,826	16,851,634	6%
BOD expenses	12,000,000	12,000,000	10,455,797	1,544,203	13%
General and operations expenses	409,240,609	534,556,913	572,639,154	-38,082,241	-7%
Depreciation and Amortization	-	-	44,842,043	-44,842,043	100%
Repairs & Maintanace	18,650,000	28,650,000	31,385,939	-2,735,939	-10%
Finance cost	16,706,943	16,706,943	263,915	16,443,028	98%
Total recurrent expenditure	719,077,095	869,589,316	920,410,674	-50,821,358	-6%
Surplus/ deficit for the period	55,071,097	131,159,718	-94,096,435	-123,613,437	
Capital Expenditure	55,071,097	131,159,718	45,393,233	85,766,485	65%
Total Expenditure	774,148,192	1,000,749,034	965,803,907	34,945,127	

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

Explanations to the Budget variances

- a) The shortfall of 32% on operating Revenue (sale of water) was due to high non-revenue water and commercial losses. Aged network, stopped meters, water theft, bursts and leaks resulted to the company not achieving its revenue Targets.
- b) The company reported a shortfall in non-operating revenue in the financial year, that is low connection and reconnection fees. During the period the company experienced decline in customer connectivity. The company also had to engage customer in paying for usage of water rather resorting to mass customer disconnection. It was found out that most disconnected customers take time to service their water usage bills and engages themselves in water theft. The company will continue to engage the customers through sensitization, public Barraza's and broadcasting to encourage them to settle their water bills.
- c) There was an over expenditure on repairs and maintenance of 10% in the reported period. Major expenditure was on repairs of water infrastructure. Most of our water infrastructure are old and dilapidated which require heavy capital investments for replacement. Also increase on breakdown of pumps resulted to an increase on expenditure on the vote line.
- d) Over-expenditure on General and operational expenses of 7% in the reported period. The expenditure was mainly incurred under the WSDP Projects on office supplies, domestic travels and staff training.

19. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

i) New and amended standards and interpretation in issues effective for the year ended 30 June 2024

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

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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2023/2024

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) **Revenue recognition**

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Company's delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the Company actually receives such grants.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognized as it accrues.

b) **In-kind contributions**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

c) Property, plant and equipment

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

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Buildings and civil works 2.5% or the unexpired lease period

Plant and machinery 12.5 %

Motor vehicles, including motor cycles 25.0%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

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

Depreciation and impairment of property, plant and equipment

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

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

g) Investment property

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

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

h) Right to Use Asset

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

i) Fixed interest investments (bonds)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

i. Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

o) Deferred tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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

p) Borrowing costs

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

q) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Borrowings

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

s) Trade and other payables

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

t) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2014. The scheme is administered by County Pension Fund Managers and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time. Currently each employee Kshs 2,160.00 of per month.

u) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

v) Exchange rate differences

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

w) Budget information

The original budget for FY 2023-2024 was approved by the Board of directors on 30 June 2023. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not have additional appropriations on the budget in FY2023-2024.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xvi of these financial statements.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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

State all judgements, estimates and assumptions made: e.g. provisions and contingent liabilities

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 6 and 12.

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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENT (Continues)

6.0 SALES		
	2024	2023
	Kshs	Kshs
Operating Revenue	597,326,877	548,894,965
Credit Adjustments		
Total	597,326,877	548,894,965

7.(a) Grants Income	2024	2023
	Kshs	Kshs
County Government	50,000,000	-
CLTS	-	253,518
PSF	11,664,990	-
UBSUP	-	2,924,169
WSDP	150,000,000	131,139,500
Total	211,664,990	134,317,187

During the year under review the cost of bulk water purchase increased to Kshs 316,948,170 from Kshs 208,093,920. An increase in cost of bulk water by Kshs 108,854,250.

7.0 (b) GRANTS FROM WATER SERVICE TRUST FUND

	2023-2024	2022-2023
	Kshs	Kshs
Capital grants received	534,597	534,597
Total	534,597	534,597

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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTES TO THE FINANCIAL STATEMENT (Continues)

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

7. (c) DEFERRED INCOME

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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENT (Continues)

8.0 (a) OTHER INCOME

	2023- 2024	2022 - 2023
	Kshs	Kshs
Miscellaneous Revenue	4,914,664	4,558,981
New Connection Charges	7,336,541	8,220,315
Re-connection charges	4,151,570	2,994,000
Sanitation Income	385,000	-
Total	16,787,775	15,773,296

9.0 FINANCE INCOME

	2023- 2024	2022 - 2023
	Kshs	Kshs
Finance Income	-	-

10.0 OTHER GAINS/(LOSES)

	2023- 2024	2022 - 2023
	Kshs	Kshs
Finance Income	-	-

11.0 STAFF COSTS

	2023-2024	2022-2023
	Kshs	Kshs
Salaries & Allowances to Permanent Staff	208,670,658	192,189,379
Wages of Contract Employees	764,000	2,048,000
Company National Social Security Fund	4,583,347	1,796,600
Pension	22,377,617	20,223,199
Staff Welfare	446,721	916,643
Staff Medical	10,895,328	11,750,933
Gratuity	4,769,164	4,953,760
Staff Incentives	2,730,000	1,677,000
WIBA	192,000	1,912,139
Staff Licence renewal	-	25,950
Osha	1,762,318	7,000
Subsistence Allowances	1,207,200	1,242,800
Subscriptions	90,400	560,250
Total	260,823,826	239,303,652

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continues)

The average number of employees at the end of the year was:	2023-20234	2022- 2023
Contract employees – Management	7	5
Permanent employees	248	250
Temporary and contract employees	10	11
Total	265	266

12. GENERAL AND OPERATIONAL EXPENSES

	Notes	2023-2024 Kshs	2022-2023 Kshs
Chemicals		3,573,200	2,140,536
Electricity pumps and office		29,053,249	24,977,207
Fuel, oil, lubricants and gases		35,074,128	25,281,889
Bulk water costs		316,948,170	208,093,920
office supplies	12a	3,372,433	7,081,367
Uniform and protective clothing		-	44,600
Telecommunication	12b	4,915,313	5,238,115
Postage and courier		-	-
Insurance Costs		1,820,502	955,812
Rents and Rates		1,586,088	1,653,623
Hire of equipment and vehicles	12c	4,411,820	2,577,975
Domestic travelling and subsistence		16,239,393	8,638,010
Staff training and development		10,807,385	5,062,950
Bank charges		2,441,062	1,730,083
Security Services		16,336,047	13,940,882
Publicity and advertising		27,150,052	3,251,635
Audit fees provision		672,800	672,800
Legal Fees		-	473,900
Consultancy fees		47,653,493	82,710,675
Licence and levies	12d	24,043,075	27,817,418
Sports and recreation		6,992,300	868,250
Donation/CSR		-	250,000
Hospitality expenses		3,476,818	7,029,049
Provision for doubtful debts		521,276	1,029,293
Motor vehicle inspection		12,000	46,000
Pipeline Rehabilitation		13,345,300	23,313,250
NRW/GIS		295,000	1,120,850
Meter replacement		89,250	783,000
Meter servicing and consumables		57,000	228,000
Civil and constructions works		94,000	-
Disconnection expenses/fittings		1,658,000	2,005,037
Tariff Public Consultation		-	208,000
Total		572,639,154	459,224,127

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continues)

12.(a) OFFICE SUPPLIES

	2023-2024	2022-2023
	Kshs	Kshs
Office expenses	1,478,000	1,033,286
Office Cleaning	284,413	264,423
Newspapers and periodicals	3,480	16,160
Computer stationery and accessories	239,700	942,750
Print stationery general	404,820	3,697,193
IT consumables & subscriptions	962,020	1,127,555
Total	3,372,433	7,081,367

12.(b) TELECOMMUNICATION

	2023-2024	2022-2023
	Kshs	Kshs
Telephone and Internet services	2,789,623	3,421,315
Bill postage	-	-
Tokens (sms)	2,125,690	1,816,800
Total	4,915,313	5,238,115

12.(c) HIRE OF EQUIPMENT AND VEHICLES

	2023-2024	2022-2023
	Kshs	Kshs
Transport	448,620	1,525,775
Hire of Transport	3,887,000	1,052,200
Mileage	76,200	-
Total	4,411,820	2,577,975

12.(d) LICENCE AND LEVIES

	2023-2024	2022-2023
	Kshs	Kshs
Wasreb licence	-	100,000
Wasreb levy	23,893,075	21,955,918
Neema licence	150,000	5,761,500
Total	24,043,075	27,817,418

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTES TO THE FINANCIAL STATEMENTS (Continues)

13. BOARD OF DIRECTORS EXPENSES

	2023-2024	2022-2023
	Kshs	Kshs
Workshop & Seminars	1,311,800	1,000,000
Travel & Accommodation	755,400	333,400
Committee Allowances	5,074,000	6,647,000
Annual General Meeting	-	400,000
Chairman Honorarium	720,000	580,000
BOD Events	46,000	1,031,200
Bod stakeholders forum	1,534,000	-
BOD Self evaluation	-	-
BOD Medical	834,597	536,440
Entertainment	-	113,075
BOD Other	180,000	508,710
Total	10,455,797	11,149,825

14. REPAIRS & MAINTENANCE

	2023-2024	2022 - 2023
	Kshs	Kshs
Buildings	557,085	1,076,619
Computers	143,900	622,656
Furniture & Equipment	-	-
Motor Cycles	760,247	1,445,058
Motor Vehicles	4,661,873	5,382,713
Generator	484,699	42,900
Pumps	1,261,701	2,710,687
Water infrastructure	19,361,427	26,544,307
Repairs and maintenance WSDP	4,113,207	4,760,397
Electricity repairs	41,800	138,700
Total	31,385,939	42,724,037

15. DEPRECIATION AND AMORTIZATION

	2023-2024	2022 - 2023
	Kshs	Kshs
Property, plant and equipment	44,297,477	42,880,402
Intangible Assets	544,566	680,708
Total	44,842,043	43,561,110

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

NOTES TO THE FINANCIAL STATEMENTS (Continues)**16.0 FINANCE COST**

	2023- 2024	2022 - 2023
	Kshs	Kshs
Finance cost	263,915	-

17.0 INCOME TAX EXPENSE**a) TAXABLE PROFIT/ LOSS FOR THE YEAR ENDED 30 JUNE 2024**

	2023-2024	2022-2023
	Kshs	Kshs.
Profit /Loss for the year	(94,096,435)	(96,442,706)
Add back depreciation/amortization	44,842,043	43,561,110
Add back provision for doubtful debts	521,276	1,029,293
Add back provision for Audit fees	672,800	672,800
Add back donations	-	250,000
	(48,060,316)	(50,929,503)
Less allowable expenses		
Wear and tear allowances	66,894,818	71,187,484
Loan Interest		
Total Allowable items	66,894,818	71,187,484
Amount chargeable to tax	(94,096,435)	(96,442,706)
Taxable Profit / Loss B/F	(613,516,137)	(517,073,975)
	(707,612,572)	(613,516,137)

b) TAXATION (PRIOR YEARS ASSESSMENT)

	2023-2024
Tax liability from previous year	18,300,794
Less payment	-
Outstanding Tax payable	18,300,794

During the Year 2023/24 the company had an outstanding tax payable of Kshs 18,300,794.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continues)

18.0 EARNINGS PER SHARE

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

19.0 DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2024, no dividend in respect of the year, ended June 30, 2024 as the company reported losses.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2024

NOTES TO THE FINANCIAL STATEMENTS (Continues)

20.0 PROPERTY, PLANT AND EQUIPMENT

DETAILS	Land	Buildings	Motor Vehicles	Computers & Accessories	Furniture and Fitting	Plant and Equipment	Water Infrastructure meters	Water Infrastructure Pipeline	Total
NBV as at 1 st July 2022	3,445,000	32,648,604	33,843,926	6,243,366	5,850,563	3,741,523	65,284,293	164,081,194	315,138,469
Additional Assets 2023	-	5,634,653	-	13,131,453	-	5,758,800	6,050,000	122,523,160	153,098,066
Fixed Assets as at 30 th June 2023	3,445,000	38,283,257	33,843,926	19,374,819	5,850,563	9,500,323	71,334,293	286,604,354	468,236,536
Accumulated depreciation	-	957,081	8,460,981	5,812,446	731,320	1,187,540	14,266,859	11,464,174	42,880,402
Cost/Valuation as at 1 st July 2023	3,445,000	37,326,176	25,382,944	13,562,373	5,119,243	8,312,783	57,067,435	275,140,180	425,356,133
Additional Assets 2024	-	-	-	17,396,586	-	-	15,705,847	12,290,800	45,393,233
Fixed Assets as at 30 th June 2024	3,445,000	37,326,176	25,382,944	30,958,959	5,119,243	8,312,783	72,773,281	287,430,980	470,749,366
Depreciation Charged for the year		933,154	6,345,736	9,287,688	639,905	1,039,098	14,554,656	11,497,239	44,297,477
NBV as at 30 th June 2024	3,445,000	36,393,021	19,037,208	21,671,272	4,479,337	7,273,685	58,218,625	275,933,740	426,451,889
WIP (Ablution blocks)		27,993,312							27,993,312
WIP(mtwapa & kilifi pipeline)								680,392,979	680,392,979
WIP(WSTF-PSF Chonyi & Kaloleni)		9,252,827							9,252,827
Total									1,144,091,007

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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

	Cost or valuation	Annual depreciation charge	NBV
	Kshs	Kshs	Kshs
Land	3,445,000	-	3,445,000
Buildings	37,326,176	933,154	36,393,021
Plant and machinery	8,312,783	1,039,098	7,273,685
Motor vehicles, including motor cycles	25,382,944	6,345,736	19,037,208
Computers and related equipment	30,958,959	9,287,688	21,671,272
Furniture & Fittings	5,119,243	639,905	4,479,337
Cold water meters	72,773,281	14,554,656	58,218,625
water infrastructure pipeline	287,430,980	11,497,239	275,933,740
	470,749,366	44,297,477	426,451,889

21.0 INTANGIBLE ASSETS COST

	2023-2024	2022-2023
	Kshs	Kshs
At 1 July 2023	9,357,550	8,647,550
Additions	-	710,000
At June 30 2024	9,357,550	9,357,550
At 1 July 2023	6,634,720	5,954,012
Charge for the year	544,566	680,708
Impairment loss		
At June 30 2023	7,179,286	6,634,720
At June 30 2023	2,178,264	2,722,830

	Cost or valuation	Additions	Annual depreciation charge	NBV
	Kshs		Kshs	Kshs
software	2,722,830	-	544,566	2,178,264
	2,722,830	-	544,566	2,278,264

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

22.(a) WIP-PSF Chonyi & Kaloleni

	2023-2024	2022-2023
	Kshs	Kshs
WIP -PSF Chonyi & Kaloleni	9,252,827	-

22.(b) WIP-Ablution Blocks

	2023-2024	2022-2023
	Kshs	Kshs
WIP –Ablution Blocks	27,993,312	27,993,312

22.(c) WIP-Mtwapa & Kilifi Pipeline

	2023-2024	2022-2023
	Kshs	Kshs
WIP –Mtwapa & Kilifi Pipeline	680,392,979	555,646,553

23.0 INVENTORIES

	2023-2024	2022-2023
Engineering stores	6,350,985	8,403,807
Motor vehicle spare parts	32,050	313,600
Chlorine	27,120	-
Building materials	-	-
Water meters	17,681,374	9,439,333
Computer accessories	1,611,847	732,197
Stationery and general stores	238,504	449,304
Total	25,941,880	19,338,241

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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENT (Continues)

24.0 TRADE AND OTHER RECEIVABLES

	2023-2024	2022-2023
	Kshs	Kshs
Trade receivables	453,822,609	427,250,807
Deposits and prepayments	84,990	210,990
Insurance prepayments	-	-
VAT recoverable	-	-
Staff receivables	536,069	549,337
Other receivables	15,237,455	15,237,455
Net trade and other receivables	469,681,122	443,248,588

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

24.0 (a) TRADE RECEIVABLES

	2023-2024	2022-2023
	Kshs	Kshs
Gross trade receivables	454,343,885	428,280,100
Provision for doubtful receivables	(521,276)	(1,029,293)
Total	453,822,609	427,250,807

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

	2023-2024	2022-2023
	Kshs	Kshs
Less than 30 days	6,221,680	35,209,875.50
Between 30 and 60 days	7,978,279	24,704,285.50
Between 61 and 90 days	3,941,987	29,561,555.50
Between 91 and 120 days	12,990,387	31,476,970.00
Over 120 days	423,211,552	307,327,413.50
Total	454,343,885	428,280,100.00

The provision on debtors of Kshs 521,276 is a general provision at 2.0% based on the company financial and accounting manual.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24.0 (b) STAFF RECEIVABLES

	2023-2024	2022-2023
	Kshs	Kshs
Gross staff loans and advances	536,069	549,337
Provision for impairment loss		
Total	536,069	549,337

24.0 (c) Prepayments

	2023-2024	2022-2023
	Kshs	Kshs
Rent	84,990	210,990
Total	84,990	210,990

25.0 BANK AND CASH BALANCES

	2023-2024	2022-2023
	Kshs	Kshs
Cash at bank	111,295,967	8,532,513
Cash in hand	-	1,000
Total	111,295,967	8,533,513

		2023-2024	2022-2023
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1101877731	45,561	11,984
Kenya Commercial bank	1102227366	10,131	12,178
Kenya Commercial bank	1102227595	238,965	96,231
Kenya Commercial bank	1101877553	9,709	69,297
Kenya Commercial bank	1102225444	(7,967,574)	3,809,336
Co-operative Bank	1136465628000	75,851	34,788
Post Bank	744130000183	1,135,077	313,370
WSTF Bamba midoina/covid	1262035279	-	1,558
WSTF Bamba community	1270638718	-	5,837
WSTF PSAN BAMBA	1270638343	-	393
UBSUP WSTF	1266702717	(1,840)	8,038
WSDP	1239146469	112,754,847	2,075,376

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KIMAWASCO WSDP	1284360954	124,900	118,510
WSTF CLSG	1283481308	-	56,652
WSTF PSF CHONYI	1313289094	1,995,512	-
WSTF PSF KALOLENI	1313289078	540,453	-
NCBA	8864160021	(146)	-
Sub- total			6,613,548
Cash in Hand		-	1,000
M-PESA	522100	26,980	86,033
M-PESA	841961	-	-
M-PESA	825995	-	-
Postal Corporation		2,307,541	1,832,931
Sub- total		2,334,521	1,919,964
Grand total		111,295,967	8,533,513

26.0 ORDINARY SHARE CAPITAL

	2023-2024	2022-2023
Authorized:	Kshs	Kshs
5,000 ordinary shares of Kshs. 1,000 par value each	5,000,000	5,000,000
Total	5,000,000	5,000,000
Issued and fully paid:		
2,500 ordinary shares of Kshs. 1,000 par value each	2,500,000	-
100 ordinary shares of Kshs. 1,000 par value each	100,000	100,000
Total	2,600,000	100,000

Note: The company received 2,500 ordinary shares of Kshs. 1,000 par value each from the County Government of Kilifi amounting to Kshs. 2,500,000 in the year under review.

27.0 RETAINED EARNINGS

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

	2023-2024	2022-2023
Retained Earnings	Kshs	Kshs
As at 1 July 2023	(609,754,629)	(513,311,923)
Net profit for the year	(94,096,435)	(96,442,706)
Total as at June 30 2024	(703,851,064)	(609,754,629)

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

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NOTES TO THE FINANCIAL STATEMENT (Continues)

28.0 COAST WATER WORKS DEVELOPMENT AGENCY LIABILITY

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

	2023-2024	2022-2023
	Kshs	Kshs
Total current & non-current liabilities	2,183,271,028	1,749,850,938
Less total Assets	1,753,188,241	1,482,839,171
Less Capital and Reserve	<u>651,157,045</u>	<u>559,560,610</u>
CWWDA Liability	<u>(221,074,257)</u>	<u>(292,548,843)</u>

29.0 CAPITAL RESERVES FUND

	2023-2024	2022-2023
	Kshs	Kshs
Land	2,745,000	2,745,000
Buildings	29,821,900	29,821,900
Motor vehicles	1,690,000	1,690,000
Subtotal	34,256,900	34,256,900
Management salary at formation	521,875	521,875
Payroll deduction on Ex- Nwc	411,423	411,423
Ex-New payroll on formation	418,332	418,332
Management salary at 2006 July	521,875	521,875
Statutory deduction 2006 August	411,423	411,423
Transfer on reconciliation	220,184	220,184
Sub Total	2,505,112	2,505,112
Adjustment for cost of bills	13,332,007	13,332,007
Total	50,094,019	50,094,019

30.0 BULK WATER (DEBT)

The Bulk water debt relates to Coast Water Works Development Agency invoices for supply of water which has been rescheduled for payment in future. The outstanding amount as at 30th June 2024 is Kshs. 410,194,572 being classified as non-current and Kshs. 99,716,598 classified as current.

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

31.0 LICENCEE FEES

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

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

32.0 WSDP LOAN

	2023-2024	2022-2023
	Kshs	Kshs
Balance at beginning of the year	643,118,249	297,987,338
Borrowings during the year	201,913,292	345,130,911
Repayments of borrowings during the year	-	-
Balance at end of the year	845,031,541	643,118,249
Less: Amounts due within one year (current portion)		
Amounts due after one year (non-current portion)		

Note: The company received Kshs 201,913,292 as a loan from world bank in the financial year 2023-2024.

33.0 TRADE AND OTHER PAYABLES

	2023-2024	2022-2023
	Kshs	Kshs
Trade Creditors	148,644,303	127,294,417
Other Liabilities	36,560,652	16,420,940
Long Term Customer Deposit	100,826,792	92,772,272
Water Service Regulatory Services Levy	96,091,451	74,598,376
Tax Liability (Prior years Assessment)	18,300,794	18,300,794
Audit Fees	5,945,600	5,945,600
Lease fees(licensee fees)	-	-
Bulk water liabilities	99,716,598	41,193,920
Total	506,086,190	376,526,319

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34.0 RETIREMENT BENEFIT OBLIGATIONS

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

	2023-2024	2022-2023
	Kshs	Kshs
Laptrust	68,678,750	35,110,538
Total	68,678,750	35,110,538

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 Kshs. 2,160 per employee per month.

35.0 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2023-2024	2022-2023
	Kshs	Kshs
Operating profit/(loss)	(94,096,435)	(96,442,706)
Depreciation/amortization	44,842,043	43,561,110
Provision for bad debts	521,276	1,029,293
Provision (CWWDA liability)		
Provision for audit fees	672,800	672,800
WSTF GRANT		
Operating profit/(loss) before working capital changes	(48,060,316)	(53,379,503)
Stock of consumables	(6,603,639)	9,259,792
(Increase)/decrease in trade and other receivables	(26,432,534)	12,391,562
Increase/(decrease) in trade and other payables	129,559,871	71,152,556
Increase/(decrease)in CWWDA liability	(435,686,626)	(394,067,626)
Increase/(decrease) in retirement benefit obligations	33,568,214	33,521,958
Increase/(decrease)in Borrowings	201,913,292	345,130,911
Increase/(decrease) in Bulk liability	68,913,310	18,380,840
Increase/(decrease) in licensee remuneration	-	19,538,709

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	(130,888,744)	21,293,962
Operating Activities		
Donations	-	(250,000)
Cash generated from/(used in) operations	(130,888,744)	21,043,962

36.0 DEFERRED TAX LIABILITY

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

	2023-2024	2022-2023
	Kshs	Kshs
Accelerated capital allowances	16,859,750	16,859,750
Unrealised exchange gains/(losses)		-
Revaluation surplus		-
Tax losses carried forward	(299,849,958)	(299,849,958)
Provisions for liabilities and charges		-
Net deferred tax liability	(282,990,208)	(282,990,208)

The movement on the deferred tax account is as follows:

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

37.0 PROVISION FOR LEAVE PAY

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

38.0 DIVIDENDS PAYABLE

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

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

39.0 RELATED PARTY DISCLOSURES

(a) Government of Kenya

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

Other related parties include:

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

b) Grants

	2023-2024	2022-2023
	Kshs	Kshs
Water Services Trust Fund	11,664,990	3,177,687
WSDP	150,000,000	131,139,500
County Government	50,000,000	
Total	211,664,990	134,317,187

c) Key management compensation

	2023-2024	2022-2023
	Kshs	Kshs
Directors' emoluments	10,275,797	10,213,385
Compensation to the CEO		-
Compensation to key management	21,322,400	22,041,484
Total	31,598,197	32,254,869

40.0 FINANCIAL RISK MANAGEMENT

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

(i) Credit risk

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

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

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

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

(ii) Liquidity risk management

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

1. Related Party Balances

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties

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include management personnel, their associates and close family members. There were no inter related party transaction during the year.

2. Segment information

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

3. Contingent assets and contingent liabilities

The Company does not have known contingent assets or contingent liabilities in the financial period under reporting

4. Capital Commitments

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

5. Events after the reporting period

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

6. Ultimate and Holding Entity

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

7. Currency

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

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20. APPENDICES

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

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

Audit Reference Number.	Auditors Observation.	Management Comments	Status	Timeline
1. Unbilled Revenue- Unbilled customers	Audit review indicated a total number of connections of 26,631, thereby leading to a variance (unbilled customers) totaling to four hundred and forty-seven (467). The variance has not been explained nor reconciled.	The variance in the number of active accounts and accounts billed at that time was as a result of discrepancies in the two systems. An account status being active in the billing system but actually on cut off on the ground. The management procured a robust billing system and this matter is resolved.	Closed.	
2. Unsupported Board of directors' expenses.	Audit of the records provided indicated that expenditure of Kshs. 2,620,581 in respect of travel and accommodation, workshops and seminars was not supported by evidence of travel to and attendance of the workshops/seminars by the beneficiaries.	The Board expenditure of kshs.2,620,581 support documents were provided for committee review.	Closed	
3. Overpayment of security services.	The contract provided for a sum of Kshs. 11,070,000 for provision of forty-five (45) guards and Kshs. 87,000 for alarm services	In the year under review, there were additional security guards which were deployed to various parts of company's	Closed	

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	totaling to Kshs. 11,157,600 per annum. However, the Company paid a total of Kshs. 11,756,114 leading to overpayment of Kshs. 598,514 which has not been explained.	jurisdiction. This led to an increment in the cost of hiring of guards. The letters requesting for additional guards have been provided for committee review.		
4. Unidentified debtors.	Note 24 to the financial statements reflects other receivables balance of Kshs. 15,237,445. The balance was not supported by an analysis of what it comprised of and details of who owed the Company this amount. The Management indicated that this is a carried forward balance from prior years and have not been able to identify the actual debtors owing the Company.		Ongoing	June 2024
5. Unrecovered prepayments.	Previously reported, included in this balance is an amount of Kshs. 126,000 in respect of outstanding prepaid honoraria made in the year 2013. However, no explanation was provided for failure to recover the prepayment.	The management has further interrogated the financial management system and discovered that the chairman was not paid honoraria for three subsequent months to recover the advanced honoraria but the same was not expensed.	Closed	
6. Lack of contracts for terminated water connections.	Note 24(a) to the financial statements reflects trade receivables net balance of Kshs. 439,515,822 which includes an amount of Kshs. 108,333 owed by	The company procured an improved system that does not allow termination of customer accounts with balances hence no account can be	Closed	

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	customers whose water supply had been disconnected by the Company. Review of records provided for audit revealed that the Company did not have existing contracts with the customers prior to their disconnection.	terminated with an outstanding balance.		
7. Unconfirmed Coast Water Works Development Agency Liability	Coast Water Works Development Agency liability of Kshs. 248,543,712. The balance was arrived at after deducting assets totaling Kshs. 1,048,086,371 from total current and non-current liabilities of Kshs. 1,262,660,560 less capital and reserves of Kshs. 463,117,904. This is an indication that the amount was a balancing item		Ongoing.	June 2024
8. Outstanding coast water liability.	However, Management did not provide for audit any agreement between the Company and Coast Water Works Development Agency for confirmation of Kshs.322,900,423 payment/settlement postponement beyond one year to be classified as a non-current liability.		Ongoing	June 2024.
9. Presentation of financial statements.	<ul style="list-style-type: none"> ▪ Statements of changes in equity omitted equity for the previous financial year which is contrary to the provisions of paragraph 38 of IAS 	The management acknowledges it was an error and has been corrected.	Closed.	

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	No 1. Presentation of financial statements to comply with the accounting standards.			
10. Property plant & Equipment	<ul style="list-style-type: none"> ▪ Ownership documents for the company assets. ▪ Valuation reports for the company assets. ▪ Status report on the reported work in progress in the last financial year of Ksh 4,495,730.00 		Ongoing.	June 2024
11. Shared water meters.	<ul style="list-style-type: none"> ▪ 554 No of customers with the shared meters shared with serial No. The management to address the customers water accounts with shared meter serial numbers. 	Management has however planned to ensure all the customer accounts details/ data are accurate.	Closed.	
12. Unmetered connections.	<ul style="list-style-type: none"> ▪ Explain how the consumption of unmetered customers was determined <p>Establish and implement controls to ensure all disconnections are deactivated in the sulis management system.</p>	The 790 customers stated above do exist but with water meters with invisible meter numbers or Serial numbers that are indicated in the system as Nil.	Closed.	
13. Unsupported Administrative costs	<ul style="list-style-type: none"> ▪ All unsupported expenditure of 3,311.939/- to properly be supported by payment vouchers and receipts 	Documents have been provided for your review.	Closed.	
14. Asset Register	<ul style="list-style-type: none"> ▪ Non-compliance with the financial manual. ▪ Loss of assets 		Ongoing.	June 2024
15. Leased Assets	<ul style="list-style-type: none"> ▪ Ownership and valuation documents of 		Ongoing	June 2024.

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from Coast water works development agency,	leased assets amounting g to 34,256,900/- from coast water works development agency to be provided			
16. Motor vehicles.	<ul style="list-style-type: none"> Change of Registration of 5 motorcycle in worth 9,882,045/- to a private company to Kimawasco. 	The Re-registration has been done.	Closed.	
17. Cost of sales.	<ul style="list-style-type: none"> The company should amend the cost of sales to reflect the correct amounts 	This was erroneous printing of Kilifi-water bills under Mombasa and Kwale Water names since probably because CWSB produces bills for all the water companies it supplies with water on bulk within the Coast region in the same time thus this error.	Closed	
18. Provision of bad and doubtful debts	<ul style="list-style-type: none"> The management should comply with the company's finance and accounting manual in the calculation of provision for bad and doubtful debts 		Ongoing	June 2024.
19. Cash and Bank	<ul style="list-style-type: none"> The management should provide confirmation that the cheques were presented and cleared 	The management has provided the schedule showing the date when the unrepresented cheques cleared.	Closed.	

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	by the bank.			
20. Gender Composition	<ul style="list-style-type: none"> ▪ The management should undertake steps during any future recruitment to ensure compliance with the constitution. 		ongoing	June 2024.
21. Debtors Aging analysis and credit policy.	<ul style="list-style-type: none"> ▪ The company should develop and implement strategies to recover the outstanding amounts. ▪ Provide an age analysis for audit review 		Ongoing.	June 2024.
22. Capital reserves.	<ul style="list-style-type: none"> ▪ The management should give details of the capital reserve fund and provide explanations of what they constitute and the reasons for their capitalization. 		Ongoing	June 2024.
23. Long-term customer deposits	Account for the undisclosed customer deposits amounting to Kshs 45,253,336.50.		Ongoing	June 2024.
24. Unexplained Use of Water	The management to provide documents showing how the grant	The management has provided the documents showing how the grant	Closed	

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Service Trust Fund Grant	was utilized	was utilized.		
25. Non-Current Liabilities	<ul style="list-style-type: none"> The company and coast water works development agency to reconcile the 86,373.372/- balance. 		Ongoing	June 2024.
26. Unconfirmed Trade and other Receivables balance	<ul style="list-style-type: none"> Provide age analysis and debtors conformation balances to support the outstanding balance. Provide debtors confirmation to support the outstanding balances 		Ongoing	June 2024.
27. Retirement above age 60 years	The company should follow the law and retire its employees as and when they reach the mandatory retirement age.	Majority of staff's national identity cards do not indicate the date and month of birth which poses a difficulty in determining the date and month of retirement.	Closed	
28. Unexplained variance on new connection charges	<ul style="list-style-type: none"> The management to explain the variance between the amount billed and the amount disclosed in the financial statement. 	The management acknowledges that this was an error. A journal entry has been passed and financial statements amended.	Closed	
29. Excess employer contribution	<ul style="list-style-type: none"> The amount of pension to be deducted should be based on the basic salary alone 	The Management has been deducting pension from its employees in accordance with the company's Human resource policy manual	Closed.	

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		chapter 17.4.		
30. Receipts not recorded in cashbook	<ul style="list-style-type: none"> ▪ Reconcile the unrecorded amount of Kshs. 167,412,015. ▪ All receipts should be recorded in the cashbook 	The management has attached cashbooks for your review and more clarification.	Closed	
31. Unachieved Revenue targets.	<ul style="list-style-type: none"> ▪ The entity should develop and implement strategies to increase revenue 		Ongoing	June 2024.
32. Misstatement of sale of water.	<ul style="list-style-type: none"> ▪ Reconcile the variance of Kshs. 426,223 between the amount disclosed financial statement balance and the billed amount. 	The management has reconciled the variance and a journal entry has been passed to correct the overstatement and financial statement amended.	Closed	
33. Unaccounted for water.	<ul style="list-style-type: none"> ▪ Strategies to be developed to reduce the high Unaccounted-for water 4,980,687cubic meters that represents 50.8% of water received and lost. 		Ongoing	June 2024.
34. Budget Controls and Performance	<ul style="list-style-type: none"> ▪ The management should establish realistic mechanisms for coming up with realistic budgets. Explain the circumstances and 		Ongoing	June 2024.

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	reasons why the planned targets were not met			
35. Loss Due to Underestimation	<ul style="list-style-type: none"> Provide evidence to confirm the basis of water bills estimates issued to customers. The company should adhere to the policy on estimation of water bills to prevent the risk of underestimation leading to loss of revenue. 	Management adheres to the policy on billing on estimate where needed arises. The estimated billing is actually based on three previous months' actual meter readings running averages.	Closed	
36. Work in progress.	<ul style="list-style-type: none"> Wrong treatment of assets which may be in use but disclosed as WIP. 	The management will ensure that the building is completed to ensure its capitalized	Closed.	
37. Administrative services procurement.	<ul style="list-style-type: none"> All purchases above Kshs. 10,000 should not be done in cash. 	These items were procured on cash basis as piece mill low value items which were very important and frequently used in the company's core water supply operations and other key support activities.	Closed	
38. Corporate Governance	<ul style="list-style-type: none"> The company to hold AGM since no such meeting has been held since 2012. Directors who have held office since 2013 	<p>AGM was held in 2019</p> <p>The directors retired and new ones are now holding office.</p>	<p>Closed</p> <p>Closed</p>	

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	<p>to retire as per the company memorandum and articles of association guideline.</p> <ul style="list-style-type: none"> ▪ Appointment of the company chairman. 	<p>The company board chairman was appointed amongst the new directors.</p>	<p>Closed</p>	
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Guidance

- (i) References used or numbers are as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Managing Director

Date: 27/12/24

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Appendix ii. Projects Implemented by the Company

Project 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)
KALOLENI PSF PROJECT	RUP/CPI/III/S/027/043	Water Sector Trust Fund(WSTF)	8 MONTHS	Project in Work in progress	YES	YES
CHONYI PSF PROJECT	RUP/CPIII/S/027/042	Water Sector Trust Fund(WSTF)	8 MONTHS	Project in Work in progress	YES	YES