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REPORT

OF

THE AUDITOR-GENERAL

ON

**KILIFI MARIAKANI WATER
AND SEWERAGE COMPANY**

**FOR THE YEAR ENDED
30 JUNE, 2022**



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

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2022**

**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, 2022

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KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

I. 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
Emmanuel Furaha Benedict	Chairman	19 th July 2019
Ravasco Pole Mwasambu	Member	19 th July 2019
Fredrick Baraka Kaingu	Member	5 th August 2021
Kennedy Mganga Chilibasi	Member	5 th august 2021
Beatrice Jumwa Nzai	Member	19 th July 2019
Margret Chizi Ngale	Member	19 th July 2019
Rashid Mukwana Muhhamad	Member	19 th July 2019
Zainabu Salim	Member	19 th July 2019
Nyasaida Famau Athman	Member	1 st July 2021

Corporate Secretary

John Bwire and Advocates, Company Secretary

P. O. Box 98731 – 80100

Mombasa

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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Entity Head Office

Kilifi – Mariakani Water & Sewerage Company Ltd

P.O. Box 275-80108 - Kilifi

Along Mombasa – Malindi road

LR No. 5054/115, kilifi.

Tel. Nos. 041-522508

Fax 041-522507

Email: info@kilifi water.co.ke

Entity Bankers

Kenya Commercial Bank Limited

P.O. Box 528

Kilifi

Tel No: 041- 22093

Fax: 041-22233

Co-operative Bank

P.O Box 96 -80108

Kilifi

Tel. No.020-2314898/+254708223330

Fax 020-2314892

Post Bank

P.O.Box 1047 - 80108

Kilifi Brach

Tel. No. 0417522399

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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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



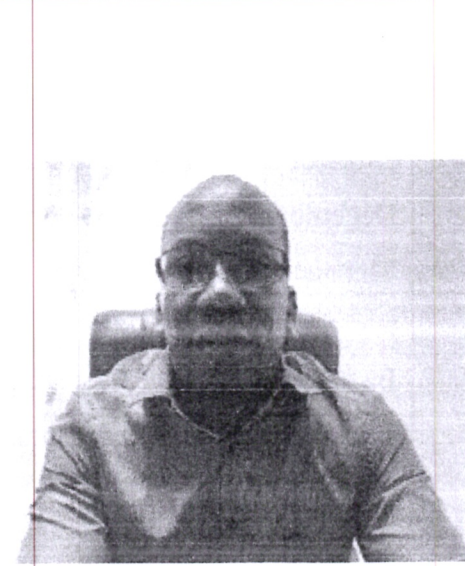
City Square 00200




Nairobi, Kenya

II. THE BOARD OF DIRECTORS

Ref	Directors	Details
1.	 Benedict Emmanuel Furaha	<p>Director Benedict Furaha is the Chairman of the Company's Board of Directors. He was born on 25th December 1975. Furaha holds Bachelor of Arts Degree in corporate communication and political science. He has 16 years of work experience.</p>
2.	 Ravasco Pole Mwasambu	<p>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.	 Zainabu Salim-HSC	<p>Director Zainabu Salim was Born on 12th January 1959. She holds a Diploma in Arts and Craft and a Certificate in Child Counselling. She is a reknown Businesswoman in Kilifi County. She currently the Chairperson of the board Audit committee. She has a wealth of experience in entrenuership.</p>

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4.	 <p>Kennedy Mganga Chilibasi</p>	<p>Director Kennedy Mganga Chilibasi was born in 1st February 1984. He is the County Chief Officer for Finance in County Government of Kilifi. He holds a Bachelor of Commerce Degree in Accounting from University of Nairobi. Mr. Chilibasi is a Certified Public Accountant and a member of Institute of certified public accountants of Kenya (ICPAK)</p>
5.	 <p>Ustadh Rashid Mukwana Muhhamad</p>	<p>Director Rashid Mukwana 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>
6.	 <p>Fredrick Baraka Kaingu</p>	<p>Director Fredrick Baraka Kaingu was born on 9th October 1978. He is the Chief Officer for Water and Sanitation services at County Government of Kilifi. He Holds a Bachelor of Science Degree in Animal Production from Egerton University and Masters Degree in Animal Parasitology from Jomo Kenyatta University of Agriculture and Technology. He has over 15 years of experience in Public service</p>

7.	 <p>Beatrice Jumwa Nzai</p>	<p>Director Beatrice Nzai was born on 30th December, 1957. She holds a Diploma in Education Management. She is the Chairperson of Technical and Commercial Committee of the board. She has 33 years of work experience and she is a retired Teacher</p>
8.	 <p>Margaret Chizi Ngale</p>	<p>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>
9.	 <p>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>



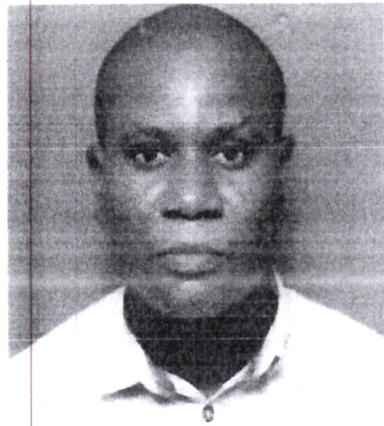
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10.	 <p>Hezekiah Nguma Mwarua</p>	<p>Mr. Hezekiah N. Mwarua is the company Managing Director. Born on 16th January 1983, Mr. Mwarua joined the company in January 2016 as Technical and Operations Manager and thereafter appointed as the Managing Director in July 2017. 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). Mr. Mwarua worked as a process engineer with Kenya Petroleum Refineries Limited for 6 years</p>
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III. MANAGEMENT TEAM

Ref	Management	Details
1.	 <p data-bbox="352 958 772 994">Eng. Hezekiah Nguma Mwarua</p>	<p data-bbox="852 394 1118 427">Managing Director</p> <p data-bbox="852 461 1506 1043">Until his appointment as Managing Director, he was also in-charge of the company’s Technical & Operation Portfolio. Mr. Mwarua joined the company in January 2016. He holds a Bachelor of technology Degree in chemical and process engineering from Moi University. He is currently pursuing a Masters of Business Administration Degree (Management Science option). Mr. Mwarua worked as a Process Engineer with Kenya Petroleum Refineries Limited before joining KIMAWASCO</p>
2.	 <p data-bbox="360 1599 600 1635">Alfred Dume Janji</p>	<p data-bbox="852 1095 1299 1128">Internal Audit & Risk Manager</p> <p data-bbox="852 1162 1506 1693">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). He also holds CPA Part III.</p>

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<p>3.</p>	 <p>Fatuma Mwidadi</p>	<p>Human Resources and Administration Manager:</p> <p>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>
<p>4.</p>	 <p>Ernest Chea Ngolo</p>	<p>Commercial and Business Development Manager:</p> <p>Ernest Chea is the Company’s Commercial and Business Development Manager. Born on 6th August 1978, Chea joined the company in 2019. He holds a Bachelor of science Degree in economics. He is currently pursuing a master’s degree in economics at the university of Nairobi.</p>
<p>5.</p>	 <p>Benedict Katana Ngumbao</p>	<p>Finance Manager.</p> <p>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 (Finance and Banking Option) 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>

6.	 <p>Pascal Dume Jira</p>	<p>TECHNICAL & OPERATIONS MANAGER</p> <p>Pascal Dume Jira is the company's Technical Manager. Born on 30 September 1984. 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>
7.	 <p>Ismail Juma Sadikini</p>	<p>PROCUREMENT MANAGER</p> <p>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.</p>

IV. 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 2021/2022, we entered into the third 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.

The company in partnership with Water Sector Trust Fund undertook a 40km stretch Water pipeline infrastructure development project in Bamba- The Bamba Shirango Midoina project. This project was intended to serve a population of 11,828 people and 2,816 heads of livestock.

Sanitation Programs were also implemented during the year through funding from the Water Sector Trust Fund.

KIMAWASCO will continue to forge stable and long term relationships with its willing development partners and both levels of government in order to enhance its level of services to not only meet but strive to exceed customers' expectation. The County Government of Kilifi has also ambitiously invested in several water projects within KIMAWASCO's area of operation, which has greatly improved on the Company's water coverage from 43% to 61% 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 45% for the year ended 30th June 2022.

It is also in this financial year where the company was privileged to take part in a Utility Turn Around Framework consultancy under the WSDP program. The consultancy was aimed at enhancing the operationally efficiency in the organization in order to bring sustainability. It identified seven key result areas that would be handled under the consultancy; Governance & Strategy, Human Resources management, Technical Operations, Commercial Operations, Financial Sustainability, NRW and Monitoring & Evaluation.

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We are all aware of the many challenges and opportunities 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

V. 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 2022, the company received 10,880,179 m³ of water from CWWDA at a cost of Kshs 233,699,960. The company then billed a total volume of 6,024,481 m³ to its customers translating to a billed amount of Kshs 599,239,060. This was however, below the Kshs 623,434,987 billing target for the year.

The Company is still grappling with the challenge of high level of non-revenue water, which stood at 45% for the year ended 30th June 2022. This was however, a 12% decrease from the 52% level in the previous year; against a sector benchmark of 25%. 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.

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 company thus making it sustainable. This consultancy through an assessment of the current status of the

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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.

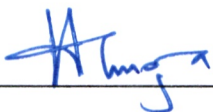
KIMAWASCO adopted modern technology of meter reading to reduce losses due to errors on meter reading and thus enhance its billing and revenue as well as reduce on the NRW. Within its small means, the Company has embarked on a strategy to service stalled meters and replace all non-functional unserviceable 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 17 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.



Hezekiah Nguma Mwarua

MANAGING DIRECTOR

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

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 2021/2022 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 Stakeholders forums	Enhanced customer relationships
		Costumers complains and resolution management	Attending to customers complains, provide solutions and close complain	Reduced customers Complains

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	Strengthen Governance Framework	Risk management policy document	Develop and implement a risk management policy	Risk management policy developed & implemented
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 Tender for Distribution Works Awarded Water Distribution Construction Works ongoing
	To develop Sanitation systems in Mtwapa, Mariakani and Kilifi Town	Progress Reports	Development of sanitation system in Kilifi and Mtwapa Town	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 Formation GIS unit Current NRW

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				level is 45%
Institutional Capacity	Strengthen governance framework	Risk management policy document	Develop and implement a risk management policy	Risk management policy developed & implemented
	Leverage technology for performance improvement	Technology needs assessment report	Undertake technology needs assessment and Implement recommendations	Implementation of GIS system.
	Rationalization of human resources for optimal productivity	Reviewed performance management system document Progress reports	Undertake review of the performance management system	Reviewed performance management system
Financial Management	Improve revenue generation by 15% annually	New connections report Metering report Meter reading efficiency report	Increase customer base Ensure 100% metering Efficient meter reading	3,199 No. of new connection Metering Ratio 100% Meter reading Efficient 90%

VII. 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

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Corporation is a County Government Entity, the Chief officer for finance and chief Water and Sanitation of County Government of Kilifi are expected to attend meetings of the Board and Board Committees for oversight and advisory purposes.

Committees of the Board

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

a) Audit and Risk Management Committee

The membership of the Audit Committee is comprised as follows:

1. Zainabu Salim - Chairperson
2. Beatrice Jumwa Nzai - Member
3. Ravasco Pole Mwasambu – 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 eight (8) 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. Rashid Mukwana Muhammad- Member
3. Kennedy Mganga Chilibasi – Member
4. Nyasaida Famau Athman -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 eight (8) 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. Beatrice Jumwa Nzai-Chairperson
2. Rashid Mukwana Muhammad-Member
3. Fredrick Baraka Kingu - 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.

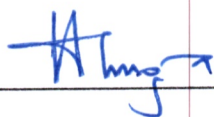
KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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Shareholding

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.

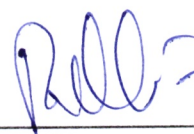
The Memorandum & Articles of Association of the company was registered and deposited with the Registrar of Companies reflecting the new shareholding portfolio as stated hereunder;

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



Hezekiah Nguma Mwarua

MANAGING DIRECTOR



Rashid Mukwana Muhhamad

CHAIRMAN

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Staffing

During the end of the financial year, the number of staff stood at 247 as shown in table 1

Table 1

NO. OF STAFF	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Permanent	185	185	185	184
Contract	53	53	56	56
Management Contract	7	7	7	7
TOTAL	245	245	248	247

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

During the year under review, the company received 10,880,179 m³ of water from CWWDA compared to the previous year's 11,192,843 m³ of water. This represents 3% decrease in bulk water purchase. The comparable yearly bulk water purchase/production translates to cost of water/sales of Kshs 233,699,960 and Kshs 231,711,860 for the years 2022 and 2021 respectively. The company registered an increase in volume of water it billed its customers from 5,368,053 m³ in 2021 to 6,024,481 m³ in-2022; an increase of approximately 12%. Non-Revenue water decreased from 52% in 2021 to 45% in 2022. The reduction of NRW from 52% to 45% a decrease by 7% was due to introduction of Company NRW day once in a week. Among notable causes of high NRW as noted by management was high estimated bills slapped to the water utility by the water service board, the long-standing issue of water production billed on Kilifi Mariakani water but consumed by the neighbouring water utilities, increased number of stopped meters which are suspected to be under-registering, and old & dilapidated water supply infrastructure that has resulted to frequent leaks and bursts. 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.

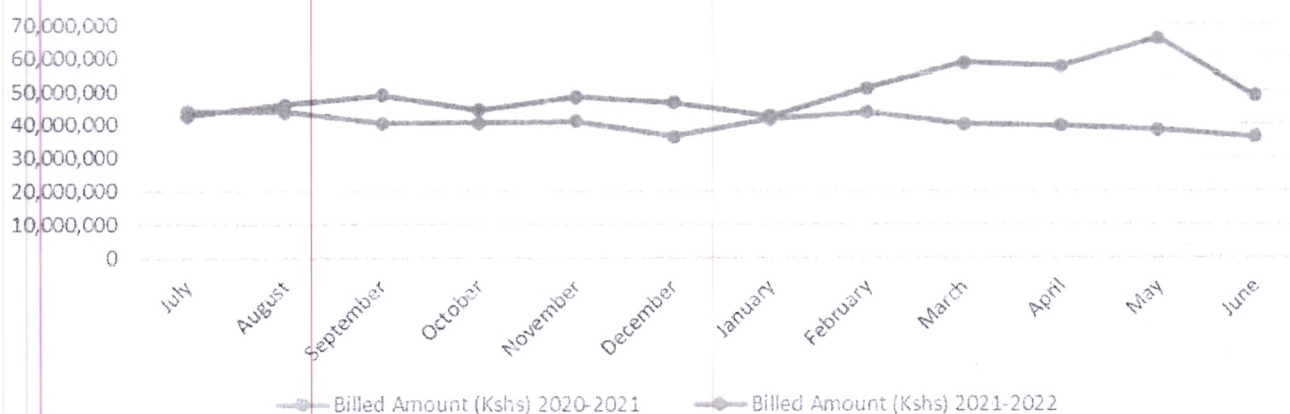
KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

VIII.MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Table 2

Months	Production in m3		Billed Vol. m3		NRW		Billed Amount CWWDA (Kshs)		Billed Amount (Kshs)	
	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022
July	1,054,505	888,704	385,363	426,249	669,142	462,455	21,466,500	19,167,100	37,480,240	42,626,151
August	951,207	911,858	404,714	459,821	546,493	452,037	18,583,680	20,090,320	39,428,917	45,988,952
September	1,041,892	938,377	432,844	481,032	609,048	457,345	20,608,540	20,462,760	42,695,591	48,783,523
October	764,292	875,272	385,523	452,846	378,769	422,426	18,045,520	18,376,120	38,680,784	44,353,713
November	809,656	947,522	409,815	489,089	399,841	458,433	16,709,560	19,209,760	39,782,393	48,255,125
December	998,841	875,298	433,230	458,216	565,611	417,082	20,081,720	18,386,780	40,889,089	46,520,123
January	943,218	878,961	485,788	447,414	457,430	431,547	17,756,240	22,265,220	43,411,630	42,502,703
February	984,420	940,624	481,006	496,437	503,414	444,187	22,130,560	21,032,880	46,386,597	50,877,820
March	894,969	896,648	513,940	556,321	381,029	340,327	17,922,640	20,345,440	50,492,633	58,191,300
April	956,731	915,222	495,674	578,330	461,057	336,892	17,393,800	18,737,020	49,805,450	57,103,343
May	903,668	889,042	470,450	687,560	433,218	201,482	20,987,080	17,245,720	46,869,691	65,685,099
June	889,444	922,651	469,706	491,166	419,738	431,485	20,026,020	18,380,840	47,769,398	48,351,209
	11,192,843	10,880,179	5,368,053	6,024,481	5,824,790	4,855,698	231,711,860	233,699,960	523,692,413	\$99,239,060
					52%	45%				

The Graph Shows Coparative Figures For Billed Revenue For the Year 2021 and 2022



VIII.MANAGEMENT DISCUSSION ANALYSIS (CONTINUED)

c) Number of Connections (Active Billed)

During the year under review, the company recorded an overall average reduction in the number of connections of -3% in comparison to the year 2020-2021. The company ended the year 2021-2022 with a marked decrease in the number of connections of 26,631 compared to 27,521 in 2020-2021.

Year	No. of Connections		Change in No. of connections	% Change
	2020-2021	2021-2022	Per Qtr.	
Average Qtr1	25,599	26,609	1,010	4%
Average Qtr2	26,327	27,049	722	3%
Average Qtr3	25,913	27,819	1,906	7%
Average Qtr4	27,521	26,631	-890	-3%

d) Risks

i) Sustainability

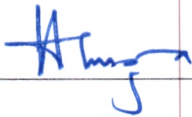
The major risk facing the company is lack of sustainability. This challenge is a function of many factors, a few among many, being high cost of operations including increased pumping power & fuel cost, high Non-Revenue Water (Water loss) through leaks and bursts, illegal water use, being billed for water 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.

IX. 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 distributed tree seedlings to primary schools in Kilifi county in the financial year ended 30th June 2022.

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.



Hezekiah Nguma Mwarua

MANAGING DIRECTOR



Rashid Mukwana Muhhamad

CHAIRMAN

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

X. REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30th June 2022, 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, 2022 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... 23rd March 2023



XI. 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, 2022. 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, 2022, 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.

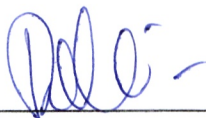
KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

XI.STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

Approval of the financial statements.

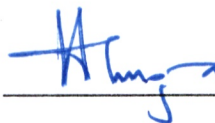
The entity's financial statements were approved by the Board on ... 29/03/2023

2023 and signed on its behalf by:



Rashid Mukwana Muhhamad

CHAIRMAN

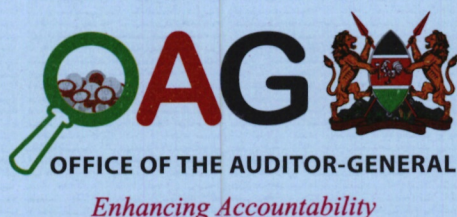


Hezekiah Nguma Mwarua

MANAGING DIRECTOR

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: 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 FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the 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 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 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 set out on pages 1 to 44, which comprise the statement of financial

position as at 30 June, 2022 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 as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act of, 2015, the Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Qualified Opinion

1. Operating Revenue - Unbilled Customers

The statement of profit and loss and other comprehensive income for the year ended 30 June, 2022 reflects Kshs.599,239,060 in respect of water sales being an increase of Kshs.75,546,647 (15%) from the Kshs.523,692,413 reported in the previous financial year. Audit review of the customer billing records indicated a customer base of 38,103 as per the Company's water meter inventory. Out of these, 27,078 water meters (customers) were active while the balance of 11,025 were either terminated, inactive or had been disconnected. However, Management discussion and analysis report indicated a total number of connections of 26,631, thereby leading to a variance (unbilled customers) totalling to four hundred and forty-seven (467). The variance has not been explained nor reconciled.

In the circumstances, the accuracy and completeness of operating revenue of Kshs.599,239,060 for the year ended 30 June, 2022 could not be confirmed.

2. Unsupported Board of Directors Expenses

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2022 reflects board expenses of Kshs.16,959,270. 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.

Further, two members of the Board who were beneficiaries of the payments were appointed on 05 August, 2021 as per key information and Management disclosure in the financial statements. However, the appointment letters of the two (2) members were not produced for audit review.

Under the circumstances, the regularity and eligibility of Kshs.2,620,581 board expenses for the year ended 30 June, 2022 could not be confirmed.

3. Overpayment of Security Services

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2022 reflects general and operational expenses of Kshs.448,330,587 as disclosed under Note 12 to the financial statements. Included in this amount is Kshs.11,756,114 in respect of security services expenditure. Documents provided for audit review indicates that the Management entered into a contract on 10 January, 2020 with a local company for provision of security and alarm services for a period of three (3) years. 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 totalling 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.

Further, the services were to be provided for forty (40) stations, of the company's premises/properties. However, the Management only provided evidence of work sheet attendances for provision of guard service at the Kilifi office and therefore no evidence was provided to confirm that services were rendered in the other thirty-nine company stations

Under the circumstances, the accuracy of Kshs.11,756,114 and provision of guard services of the same amount for the year ended 30 June, 2022 could not be confirmed.

4. Non-Current Assets

The statement of financial position as at 30 June, 2022 reflects total non-current assets of Kshs.548,394,653 as disclosed under Note 20 to the financial statements. Audit review of the assets register, and other supporting documents and information revealed the following anomalies.

4.1 Irregularities in Property Plant and Equipment

Note 20 of the financial statements for the year ended 30 June, 2022 reflects property, plant and equipment cost of Kshs.354,460,738. However, the fixed assets register produced for audit reflects assets with a total cost of Kshs.137,445,157 and indicate the last acquisition date as 26 June, 2020. The fixed assets amount therefore varied with the assets cost of Kshs.354,460,738 reflected under Note 20 by Kshs.217,015,581 which has not been explained or reconciled.

In addition, the Management did not provide ownership documents for the land with a valued of Kshs.3,445,000 as disclosed in Note 20 to the financial statements.

Under the circumstances, the accuracy, existence and valuation of property plant and equipment cost of Kshs.354,460,738 as at 30 June, 2022 could not be confirmed.

4.2 Work-In-Progress

Note 20 of the financial statements for the year ended 30 June, 2022 reflects work in progress of Kshs.233,256,184 in respect of ablation blocks (Kshs.15,132,046) and Mtwapa and Kilifi pipeline (Kshs.218,124,138). The Management provided interim

certificates for three (3No.) projects with a contract sum of Kshs.1,517,131,340 whose executed works were valued at Kshs.243,748,410 and uncertified works of Kshs.279,36,354. However, the following observations were made.

- i) The WIP as per the interim certificates totalled to Kshs.243,748,410 which differed with the amount disclosed in the financial statements of Kshs.233,256,184 by Kshs.10,492,226 which had not been explained.
- ii) The advance amount of Kshs.279,936,354 is missing in the financial statements.
- iii) One of the contactors had executed works valued at Kshs.144,289,436 as per interim certificate No.5. However, the Management had not recovered any amount of advance out of the Kshs.170,000,399 advanced for the contract. No explanation was provided for non-recovery of the advance.
- iv) The Management did not provide evidence of advance guarantee from financial institutions being security of the advanced amount in case of default by the contractors.

Under the circumstances, the accuracy, existence and valuation of work in progress of Kshs.233,256,184 and presentation and disclosure of outstanding advance amount of Kshs.279,936,354 could not be confirmed as at 30 June, 2022.

4.3 Un-Categorised Addition to Water Infrastructure – Pipeline

Note 20 reflects assets additions of Kshs.48,027,950 out of which Kshs.22,470,883 is in respect of water infrastructure pipeline. Audit review of the of the payment vouchers provided in support of the expenditure indicated that Kshs.15,879,743 was in respect of casual laborers digging trenches for extension of pipeline to various areas within the company's jurisdiction. However, the works were not categorised and cost for each extension cumulated to specific identifiable projects/pipelines to enable recognition of specific verifiable asset in the fixed assets register.

Under the circumstances, the accuracy and cost of water infrastructure pipeline additions of Kshs.22,470,883 for the year ended 30 June, 2022 could not be confirmed as at 30 June, 2022.

5. Trade and Other Receivables

The statement of financial position as at 30 June, 2022 reflects trade and other receivables of Kshs.455,640,150 as disclosed under Note 24 to the financial statements. Audit review of the general ledger and other supporting documents revealed the following anomalies;

5.1 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.

In the circumstances, the recoverability of other receivables of Kshs.15,237,455 as at 30 June, 2022 is uncertain.

5.2 Non- Confirmation of Trade Receivables

Note 24 to the financial statements reflects trade receivables balance of Kshs.439,515,822 as at 30 June, 2022 being an increase of Kshs.62,795,282 (17%) from the Kshs.376,720,540 reported in the previous financial year. The increase is an indication of Management's laxity in collection and implementation of strategies to recover outstanding debtors. Further, the outstanding amount was not supported by debtor's confirmation balances and statements.

In addition, the Management did not provide for audit review an age analysis for the individual reported debtors and lumped sum of all debtors' balances in the age analysis.

In the circumstances, the accuracy and recoverability of Kshs.439,515,822 trade receivables as at 30 June, 2022 could not be confirmed.

5.3 In Accurate Provision for Bad and Doubtful Debts

Note 24(a) to the financial statements reflects provision for bad and doubtful debts of Kshs.1,279,600 being 0.3% of the outstanding receivables. However, this contrary to Paragraph 10.6 of the Company's Finance and Accounting Manual which prescribes a rate of 25% for debts outstanding for six to twelve months, 50% for those over one (1) year and 100% for receivables over two (2) years. Further, footnote to the trade receivables disclosure indicated that the provision on debtors of Kshs.1,279,600 is a general provision at 2% based on the company financial and accounting manual. This disclosure was inconsistent with the calculated provision of 0.3% and Company's Finance and Accounting Manual.

In the circumstances, the accuracy and adequacy of provision for bad and doubtful debts of Kshs.1,279,600 could not be confirmed as at 30 June, 2022.

5.4 Lack of Contracts for Terminated Water Connections

Note 24(a) to the financial statements reflects trade receivables net balance of Kshs.439,515,822 which includes an amount of Kshs.108,333 owed by customers whose water supply had been disconnected by the Company. Review of records provided for audit revealed that the Company did not have existing contracts with the customers prior to their disconnection.

In the circumstances, the recoverability of trade receivables balance of Kshs.103,333 could not be confirmed as at 30 June, 2022.

5.5 Unrecovered Prepayments

Note 24(c) to the financial statements reflects opening prepayments balance of Kshs.761,899 which includes a balance of Kshs.210,990 in respect to rent prepayments. As 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.

In the circumstances, the recoverability of Kshs.126,000 could not be confirmed as at 30 June, 2022.

6. Unconfirmed Coast Water Works Development Agency Liability

The statement of financial position and as disclosed in Note 28 to financial statements reflects a Coast Water Works Development Agency liability of Kshs.248,543,712. The balance was arrived at after deducting assets totalling 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.

In the circumstances, the accuracy and completeness of Coast Water Works Development Agency liability totalling Kshs.248,543,712 could not be confirmed as at 30 June, 2022.

7. Non-Current Liabilities

The statement of financial position reflects total non-current liabilities balance of Kshs.945,540,888 as disclosed under Notes 30, 31 and 32 to the financial statements. The following observations were made.

7.1 Lack of Agreement for Non-current Balance of Bulk Water

Note 30 to the financial statements reflects bulk water (debt) relating to total outstanding bulk water liability of Kshs.341,281,263 comprised of Kshs.322,900,423 and Kshs.18,380,840 balances of non-current liability and current liability respectively.

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.

In the circumstances, presentation and disclosure of bulk water non-current balance of Kshs.322,900,423 as non-current liability as at 30 June, 2022 could not be confirmed.

7.2 Lack of Agreement for Non-current Balance of Licensee Fees

The statement of financial position and as disclosed in Note 31 to the financial statements reflects licensee fees balance of Kshs.344,191,836 comprising of Kshs.324,653,127 and Kshs.19,538,709 for non-current liability and current liability respectively.

However, Management did not provide for audit any agreement between the Company and Coast Water Works Development Agency for confirmation the Kshs.324,653,127 payment/settlement postponement beyond one year to be classified as a non-current liability.

In the circumstances, presentation and disclosure of the license fees balance of Kshs.324,653,127 as non-current liability as at 30 June, 2022 could not be confirmed.

7.3 Un-Explained Coast Water Works Development Agency's Liability Variance

The statement of financial position as at 30 June, 2022 reflects liabilities amounting to Kshs.945,540,888 due to Coast Water Works Development Agency (CWWDA) under various account item heads. However, Coast Water Works Development Agency's financial statements indicated that the Company owed the Agency an amount of Kshs.912,748,862 as at 30 June, 2022, resulting in unexplained difference of Kshs.2,792,026.

In the circumstances, the accuracy and completeness of the amount of Kshs.945,540,888 reportedly owed to Coast Water Works Development Agency as at 30 June, 2022 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.734,916,152 and Kshs.663,694,536 respectively resulting to a revenue shortfall of Kshs.71,221,616 (or 10%) of the budget. Similarly, the Management expended Kshs.749,547,993 against an approved budget of Kshs.622,334,987 resulting to an over-expenditure of Kshs.127,213,005 or (20%) of the budget.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

1. Over Expenditure

The Management did not provide evidence to confirm that the County Executive Member for Water was informed of the circumstances likely to cause the budget variation, contrary to Section 46.(1) of the Public Finance Management Act, 2012 which states that, 'The Accounting Officer shall inform his or her responsible County Executive Committee Member immediately of any circumstances that are likely to affect materially the budgetary results either through revenue and expenditure or other receipts and payments of the County Government entity'. Further, there was no evidence to confirm that the net over expenditure of Kshs.127,213,006 was approved by the County Executive Member for Water as per the same Section 46(1) of Public Finance Management Act, 2012.

2. Unresolved Prior Year Matter

The audit report for the year ended 30 June, 2022 raised a matter relating to balances reflected in the financial statements. The progress made in resolving the issue has not been confirmed by the Management.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in 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. Dormant Bank Account

The statement of financial position as at 30 June, 2022 reflects bank and cash balances of Kshs.12,767,798 as disclosed under Note 25 to the financial statements. Included in this balance is Kshs.39,108 in respect of a dormant account held in a local bank. Audit review of the bank statements indicated that there were no transactions for over two years and the balance had been depleted by Kshs.4,320 being bank charges for the year. The Management did not explain why the bank account had not been closed resulting in wasteful expenditure in respect of bank charges and the Company's value for money was not received.

Failure to close the bank account resulted in ineffective use of public resources incurred in respect of bank charges.

2. Unaccounted for Water

Review of records provided for audit revealed that the Company received 10,880,179 cubic meters of water from Coast Water Works Development Agency, out of which 6,024,481 cubic meters (55%) was billed to its customers for Kshs.599,239,060. The balance of 4,855,698 cubic meters (45%) represents Unaccounted for Water (UFW) which is 20% percentage points above the allowable threshold of 25% set by the Water Service Regulatory Board (WASREB).

The unaccounted-for water may have resulted to loss of revenue estimated at Kshs.482,996,280 at the Company's average selling price of Kshs.99.47 per cubic meter and is a pointer to possible revenue leakages.

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

3. Over-commitment of Salary Above Two Thirds of Basic Salary

Audit examination of payroll data submitted for the year under review, indicated that one hundred and fifty-seven (157) employees of the company had several instances of over-deductions made against their salaries exceeding the required two thirds (2/3) of their basic salary contrary to Section C.1(3) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016 states that "Public officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource Units should ensure compliance."

Management was in breach of law.

4. Lack of Gender and Ethnic Balance Within the Company

During the year under review, the total number of employees was two hundred and forty-seven (247) out of which two hundred and one (202) or 82% of the total number were male. Section B.22(2) of the Human Resource Policies and Procedures Manual for the Public Service, May, 2016 states that "The Government will endeavor to have a gender balanced Civil Service by ensuring that not more than 2/3 of positions in its establishment are filled by either gender."

Further, the total number of employees were two hundred and forty-seven (247) out of which two hundred and one (201) or 81% of the total number were members of the same ethnic community in the county. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

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

5. Unsettled Tax Expenses

As previously reported, Note 33 to the financial statements reflects tax liabilities totalling Kshs.18,300,794 for prior year assessment, out of which Kshs.8,480,175 relates to fines and penalties. The Company was audited by Kenya Revenue Authority in 2016/2017 financial year for compliance with tax laws and found not to have complied with various aspects of tax regulations.

The tax assessed amounted to Kshs.35,800,794 and comprised Kshs.27,325,619, principal taxes defaulted and Kshs.8,475,175 in penalties and interest. The Company did not settle the assessed tax obligation which may lead to further penalties and interest and result in wasteful use of public funds.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires 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 are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Weaknesses in Inventory Management

A physical verification of the inventory receipt and issue system in the stores department revealed that the Company maintained manual stores records through the use of stock cards. The records maintained did not indicated details of the persons/officers requesting for inventory issue, point/location of issue and customers (in case of meters) to enable tracing of the issued inventory. Further, the system does not provide for ways of determining utilizations, reorder levels and obsolete inventory held in the store.

In addition, the stock take done on 30 June, 2022 as pert the stock take report was signed by three (3) employees all of whom were responsible for stores management. As a result, the stock take report could not be verified to be objective.

Under the circumstance, the inventory management system is weak and prone to misuse, pilferage and manipulation.

2. Defined Benefits Retirement Obligations

As disclosed under Note 34 to the financial statements for the year ended 30 June, 2022, the Company has a defined benefit scheme under which Fund Managers normally determine liabilities and advise the employer to pay from time to time. However, there is no disclosure in the Note of any advice to the Company regarding any liability despite the disclosure that some members have not been contributing to the scheme. This indicates that the Scheme's level of funding has not been established to determine its adequacy.

In the circumstances, the funding level of the scheme may result in a material liability to the Company.

3. Failure to Maintain Water Meters Register

Billing records provided indicated that out of the company's 38,103 customers base, 10,933 water meters were indicated as disconnected or terminated. However, the Management did not maintain a physical stock register of the meters to show returned to store, reissued or held in store of the meters after disconnection/termination. Physical count of the disconnected meters held in store indicated that only 977 meters were held in the store while the difference of about 9,976 meters was not accounted for. The unaccounted-for meters would have generated an estimated reconnection fees of Kshs.9,976,000 based on the reconnection charges of Kshs.1,000 per meter.

Further, the Management did not have in place a control to ensure that disconnected customers with material/huge bills were not issued with new meters which would be cheaper than settling the huge outstanding bills. This exposed the company to losses.

Under the circumstances, the lacks adequate procedures and controls for managing disconnection/termination of water supply and managing returned meters exposing it to losses.

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 control, 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

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. in my opinion, adequate accounting records have been kept by the Kilifi Mariakani Water and Sewerage Company, so far as appears from the examination of those records; and,

- iii. The Company's financial statements are in agreement with the accounting records and returns.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 April, 2023

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2022**

		2021-2022	2020-2021
	Notes	Kshs	Kshs
REVENUES			
Operating Revenue	6	599,239,060	523,692,413
Grants Income	7(a)	45,659,350	55,089,413
WSTF grant	7(b)	534,597	534,597
Other Income	8	18,261,529	12,617,806
Finance Income	9	-	-
Other gains/(losses)	10	-	-
Total Revenue		663,694,536	591,934,299
EXPENSES			
Staff Costs	11	198,805,525	184,858,818
General and Operations expenses	12	448,330,587	406,273,565
Board Expenses	13	16,959,270	8,931,453
Maintenance Expenses	14	45,456,658	23,033,577
Depreciation and amortization	15	39,995,952	42,166,223
Finance cost	16	-	-
Total Expenses		749,547,992	665,263,636
Profit/(loss) before taxation		(85,853,456)	(73,329,407)
Income Tax Expense/(credit)	17	-	-
Profit/loss After Taxation		(85,853,456)	(73,329,407)
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, 2022

XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	315,138,469	301,948,316
Intangible assets	21	2,694,737	3,118,421
WIP-mariakani office	22(a)	-	4,495,730
WIP-Ablution Blocks	22(b)	15,132,046	15,132,046
WIP-Mtwapa & Kilifi Pipeline	22 (c)	218,124,138	182,494,322
Total Non-Current Assets		551,089,390	507,188,836
Current Assets			
Inventories	23	28,598,032	44,189,291
Trade and other receivables	24	455,640,150	393,190,333
Bank and cash balances	25	12,767,798	72,432,199
Total Current Assets		497,005,980	509,811,823
TOTAL ASSETS		1,048,095,370	1,017,000,659
EQUITY AND LIABILITIES			
Capital and Reserves			
Owners Equity		-	-
Ordinary share capital	26	100,000	100,000
Retained earnings	27	(513,311,923)	(427,458,467)
CWWDA Liability	28	248,543,712	132,544,373
Capital Reserves fund	29	50,094,019	50,094,019
Capital and Reserves		(214,574,192)	(244,720,075)
Non-Current Liabilities			
Bulk water	30	322,900,423	429,903,708
Licencee fees	31	324,653,127	305,084,418
Loan -WSDP	32	297,987,338	92,987,338
Total Non-Current Liabilities		945,540,888	827,975,464
Current Liabilities			
Trade and other payables	33	305,373,763	389,989,172
Deferred Income	7(c)	10,157,333	10,691,930
Retirement benefit obligations	34	1,588,578	33,064,168
Total Current Liabilities		317,119,674	433,745,270
TOTAL EQUITY AND LIABILITIES		1,048,086,370	1,017,000,659

The financial statement were approved by the Board of directors on 23/03/2023 and signed on its behalf by:


FINANCE MANAGER


MANAGING DIRECTOR


CHAIRMAN OF THE BOARD

Name: Benedict Katana Ngumbao CPA No. 15256 Name: Hezekiah Nguma Mwarua Name: Rashid Mukwana Muhamad

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

				2021-2022
	Share Capital	Retained Earnings	Capital Reserves	Total
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2021	100,000	(427,458,467)	50,094,019	(377,264,488)
Net Profit for the year		(85,853,456)		(85,853,456)
As at 30 th June 2022	100,00	(513,311,923)	50,094,019	(463,117,904)
				2020-2021
As at 30th June 2020	100,000	(354,129,060)	50,094,019	(303,935,041)
Net Profit for the year		(73,329,407)		(73,329,407)
As at 30 th June 2021	100,000	(427,458,467)	50,094,019	(377,264,488)

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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XVI. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021-2022	2020-2021
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from Operations	35	(221,396,915)	122,973,716
Interest received	5	-	-
Interest paid	7	-	-
Dividends paid		-	-
Taxation paid (Prior years assessment)	8	-	-
Net cash generated from operating activities		(221,396,915)	122,973,716
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	20	(52,512,422)	(99,851,054)
Proceeds from disposal of property, plant and equipment			-
Purchase of intangible assets	21	(250,000)	
WSTF project			
Work in progress-Ablution blocks	22a	-	(15,132,046)
Work in progress-kilifi & mtwapa pipeline	22b	(35,629,816)	(182,494,322)
Proceeds from disposal of quoted investments			
Net cash used in investing activities		(88,392,238)	(297,477,422)
FINANCING ACTIVITIES			
Grant from County Government	4		-
Proceeds from borrowings			-
Repayment of borrowings	20		-
WST-Grant	3(a)	(534,598)	(534,598)
WSTF BAMBA	3 (c)	45,659,350	55,089,399
WSDP-LOAN	32	205,000,000	154,210,338
Net cash used from financing activities		250,124,752	208,765,139
Increase/(Decrease) In Cash And Cash Equivalents		(59,664,401)	34,261,433
Cash And Cash Equivalents At Beginning Of Year		72,432,199	38,170,766
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		12,767,798	72,432,199

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original budget	Final budget	Actual on comparable basis	Performance difference	%
	2021-2022	2021-2022	2021-2022	2021-2022	
Revenue		Kshs	Kshs	Kshs	
Operating Revenue	623,434,987	623,434,987	599,239,060	-24,195,927	-4%
Non-Operating Revenue	75,000,000	75,000,000	18,261,529	-56,738,471	-76%
WSIF Grants	36,481,165	36,481,165	46,193,947	9,712,782	27%
Total income	734,916,152	734,916,152	663,694,536	-71,221,615	-10%
Expenses					
staff cost	195,694,041	195,694,041	198,805,525	-3,111,484	-2%
BOD expenses	8,870,000	8,870,000	16,959,270	-8,089,270	-91%
General and operations exepenses	381,713,945	381,713,945	448,330,587	-66,616,642	-17%
Depreciation and Amortization	-	0	39,995,952	-39,995,952	100%
Repairs & Maintanace	19,350,058	19,350,058	45,456,658	-26,106,600	135%
Finance cost	16,706,943	16,706,943	0	16,706,943	100%
Total expenditure	622,334,987	622,334,987	749,547,992	-127,213,005	-20%
Surplus/ deficit for the period		112,581,165	-85,853,456	-198,434,620	

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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Explanations to the Budget variances

- a) The shortfall of 4% 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 baraza's and broadcasting to encourage them to settle their water bills.
- c) There was an over expenditure on repairs and maintenance of 135% 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 board of director's budget line. In the reported year the company welcome the consultant on Utility Turn Around Framework under the world bank funded project. The board of directors were engaged in activities undertaken by the consultant. These activities resulted to an over expenditure on this expenditure vote line.

XVIII. 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 financial statements have been prepared in accordance with the PFM Act 2012, the State Corporations Act 446, 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, 2022

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 2022

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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Title	Description	Effective Date
	subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, 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, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet	The amendments are effective for annual reporting periods

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Title	Description	Effective Date
Taxes	method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption 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 2021/2022

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.

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%

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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) Finance and operating leases

Leases, which confer substantially all the risks and rewards of ownership to the entity, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

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 income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

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.

l) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handling 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.

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 financial year. 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 entity 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 and is currently at Kshs.200 per employee 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 2021-2022 was approved by the Board of directors on 30 June 2021. 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 FY2021-2022.

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.

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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, 2022.

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 Entity
- 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 asset
- Changes in the market in relation to the asset conditions

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.

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NOTES TO THE FINANCIAL STATEMENT (Continues)

6.0 SALES		
	2022	2021
	Kshs	Kshs
Operating Revenue	599,239,060	523,692,413
Credit Adjustments		
Total	599,239,060	523,692,413

7.(a) Grants Income	2022	2021
	Kshs	Kshs
Bamba Midoina	36,795,430	50,400,374
CLTS	-	0
PSF	1,806,139	-
UBSUP	7,057,781	1,337,025
Bamba midoina/Covid	-	3,352,000
Total	45,659,350	55,089,399

During the year under review the cost of bulk water purchase increased from Kshs 231,711,860 to Kshs 233,699,960. An increase in cost of bulk water by Kshs 1,988,100.

7.0 (b) GRANTS FROM WATER SERVICE TRUST FUND

	2021-2022	2020-2021
	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).

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NOTES TO THE FINANCIAL STATEMENT (Continues)

During the financial year 2021-2022 the company received Kshs 412,587,877 From Water Fund as grant to cushion water companies on the effect of Covid-19 pandemic on revenue. The funds were to be used to settle outstanding arrear accrued on Electricity for Baricho Water Treatment Plant which was facing frequent disconnections and affect water distribution in the region. A total of Kshs 188,450,000 was utilized in settling the outstanding electricity bill at Baricho water treatment plant, Kshs 27,257,855.00 was used to settle accrued electricity bill for company while the balance was utilized in settling accrued Administrative cost.

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

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NOTES TO THE FINANCIAL STATEMENT (Continues)**8.0 (a) OTHER INCOME**

	2021- 2022	2020 - 2021
	Kshs	Kshs
Miscellaneous Revenue	7,757,079	2,242,260
New Connection Charges	8,591,190	9,015,630
Adjustment	-	
Re-connection charges	1,913,260	1,359,916
Total	18,261,529	12,617,806

9.0 FINANCE INCOME

	2021- 2022	2020 - 2021
	Kshs	Kshs
Finance Income	-	-

10.0 OTHER GAINS/(LOSES)

	2021- 2022	2020 - 2021
	Kshs	Kshs
Finance Income	-	-

11.0 STAFF COSTS

	2021-2022	2020-2021
	Kshs	Kshs
Salaries & Allowances to Permanent Staff	163,726,121	150,175,697
Wages of Contract Employees	1,350,000	459,000
Company National Social Security Fund	584,400	533,800
Pension	14,867,113	13,804,190
Staff Welfare	787,570	284,543
Staff Medical	8,940,641	7,886,631
Gratuity	5,297,240	5,297,280
Staff Incentives	1,235,000	1,140,000
WIBA	-	2,100,417
Staff Licence renewal	3,050	-
WASCA	-	73,200
Osha	19,800	1,212,800
Subsistence Allowances	1,855,750	926,266
Subscriptions	138,840	964,995
Total	198,805,525	184,858,818

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

The average number of employees at the end of the year was:	2021-2022	2020- 2021
Contract employees – Management	7	7
Permanent employees	184	181
Temporary and contract employees	56	36
Total	247	224

12. GENERAL AND OPERATIONAL EXPENSES

	Notes	2021-2022 Kshs	2020-2021 Kshs
Chemicals		22,242,965	2,206,893
Electricity pumps and office		30,042,277	30,989,966
Fuel, oil, lubricants and gases		14,988,403	11,300,000
Bulk water costs		233,699,960	231,711,860
office supplies	12a	7,787,094	5,780,024
Uniform and protective clothing		211,408	-
Telecommunication	12b	3,869,296	4,169,509
Postage and courier		-	-
Insurance Costs		906,567	618,180
Rents and Rates		1,174,677	1,308,506
Hire of equipment and vehicles	12c	1,394,145	919,700
Domestic travelling and subsistence		11,240,088	9,452,900
Staff training and development		4,065,704	2,172,716
Bank charges		1,196,755	1,344,300
Security Services		11,756,114	11,099,956
Publicity and advertising		1,765,460	2,888,876
Audit fees provision		672,800	672,800
Legal Fees		68,750	-
Consultancy fees		9,430,225	6,960,462
Licence and levies	12d	31,016,923	22,721,940
Sports and recreation		311,850	184,451
Donation/CSR		113,000	-
Hospitality expenses		4,919,773	2,029,527
Provision for doubtful debts		1,186,824	92,776
Motor vehicle inspection		105,000	89,200
Pipeline Rehabilitation		32,220,420	37,612,864
NRW/GIS		1,437,250	377,450
Meter replacement		433,200	-
Meter servicing and consumables		193,550	-
Civil and constructions works		241,400	-
Disconnection expenses		100,000	-
Lease fees		19,538,709	19,568,709
Total		448,330,587	406,273,565

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

12.(a) OFFICE SUPPLIES

	2021-2022	2020-2021
	Kshs	Kshs
Office expenses	2,937,529	1,649,227
Office Cleaning	204,274	172,731
Newspapers and periodicals	7,200	1200
Computer stationery and accessories	1,589,210	1,903,980
Print stationery general	1,667,258	1,384,634
IT consumables & subscriptions	1,381,623	668,252
Total	7,787,094	5,780,024

12.(b) TELECOMMUNICATION

	2021-2022	2020-2021
	Kshs	Kshs
Telephone and Internet services	2,687,596	3,516,259
Bill postage		-
Tokens (sms)	1,181,700	653,250
Total	3,869,296	4,169,509

12.(c) HIRE OF EQUIPMENT AND VEHICLES

	2021-2022	2020-2021
	Kshs	Kshs
Transport	1,265,845	409,400
Hire of Transport	14,000	495,300
Mileage	114,300	15,000
Total	1,394,145	919,700

12.(d) LICENCE AND LEVIES

	2021-2022	2020-2021
	Kshs	Kshs
Wasreb licence	5,266,063	-
Wasreb levy	23,669,360	20,962,940
Neema licence	2,081,500	1,759,000
Total	31,016,923	22,721,940

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continues)**13. BOARD OF DIRECTORS EXPENSES**

	2021-2022	2020-2021
	Kshs	Kshs
Workshop & Seminars	5,624,100	1,779,500
Travel & Accommodation	2,362,181	445,100
Committee Allowances	4,805,800	3,519,000
Annual General Meeting	-	-
Chairman Honorarium	720,000	720,000
BOD Events	1,213,800	163,750
Bod stakeholders forum	-	-
BOD Self evaluation	981,000	1,527,655
BOD Medical	1,025,639	609,348
Entertainment	176,250	37,100
BOD Other	50,500	130,000
Total	16,959,270	8,931,453

14. REPAIRS & MAINTENANCE

	2021-2022	2020 - 2021
	Kshs	Kshs
Buildings	929,900	567,260
Computers	249,810	63,990
Furniture & Equipment	-	-
Motor Cycles	2,853,824	1,028,726
Motor Vehicles	3,492,338	2,619,209
Generator	135,800	35,148
Pumps	3,642,253	1,763,200
Water infrastructure	33,982,583	16,851,294
Electricity repairs	170,150	104,750
Total	45,456,658	23,033,577

15. DEPRECIATION AND AMORTIZATION

	2021-2022	2020 - 2021
	Kshs	Kshs
Property, plant and equipment	39,322,268	41,386,618
Intangible Assets	673,684	779,605
Total	39,995,952	42,166,223

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continues)

16.0 FINANCE COST

	2021- 2022	2020 - 2021
	Kshs	Kshs
Finance cost	-	-

17.0 INCOME TAX EXPENSE

a) TAXABLE PROFIT/ LOSS FOR THE YEAR ENDED 30 JUNE 2022

	2021-2022	2020-2021
	Kshs	Kshs.
Profit /Loss for the year	(85,853,456)	(73,329,407)
Add back depreciation/amortization	39,995,952	42,166,223
Add back provision for doubtful debts	1,186,824	92,776
Add back provision for Audit fees	672,800	672,800
Add back donations	113,000	-
	(43,884,880)	(30,397,608)
Less allowable expenses		
Wear and tear allowances	51,776,169	53,975,510
Loan Interest		
Total Allowable items	51,776,169	53,975,510
Amount chargeable to tax	(85,853,456)	(73,329,407)
Taxable Profit / Loss B/F	(431,219,975)	(357,890,568)
	(517,073,431)	(431,219,975)

b) TAXATION (PRIOR YEARS ASSESSMENT)

	2021-2022
Tax liability from previous year	18,300,794
Less payment	-
Outstanding Tax payable	18,300,794

During the Year 2021/22 the company had an outstanding tax payable of Kshs 18,300,794.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

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 2022, no dividend in respect of the year, ended June 30, 2022 as the company reported losses.

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

20.0 PROPERTY, PLANT AND EQUIPMENT

DETAILS	Land	Buildings	Motor Vehicles	Computers & Accessorles	Furniture and Fitting	Plant and Equipment	Water Infrastructure meters	Water Infrastructure Pipeline	Total
NBV as at 1 st july 2020	3,445,000	29,733,351	26,446,979	6,062,365	4,220,243	2,549,668	64,421,903	106,604,370	243,483,88
Additional Assets 2021			33,720,000	4,215,884		2,337,220	11,550,000	48,027,950	99,851,05
Fixed Assets as at 30 th June 2021	3,445,000	29,733,351	60,166,979	10,278,249	4,220,243	4,886,888	75,971,903	154,632,320	343,334,93
Depreciation charge 2021		743,334	15,041,745	3,083,475	527,530	610,861	15,194,381	6,185,293	41,386,61
NBV as at 1 st July 2021	3,445,000	28,990,017	45,125,234	7,194,775	3,692,713	4,276,027	60,777,523	148,447,027	301,948,31
Additional Assets 2022	-	4,495,730	-	1,724,320	2,993,645	-	20,827,844	22,470,883	52,512,42
Fixed Assets as at 30 th June 2022	3,445,000	33,485,747	45,125,234	8,919,095	6,686,358	4,276,027	81,605,367	170,917,910	354,460,73
Depreciation Charged 2022	-	837,144	11,281,309	2,675,728	835,795	534,503	16,321,073	6,836,716	39,322,26
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	315,138,46
WIP (Ablution blocks		15,132,046							15,132,04
WIP(mtwapa & kilifi pipeline)								218,124,138	218,124,13
Total									548,394,65

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

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	33,485,747	837,144	32,648,604
Plant and machinery	4,276,027	534,503	3,741,523
Motor vehicles, including motor cycles	45,125,234	11,281,309	33,843,926
Computers and related equipment	8,919,095	2,675,728	6,243,366
Furniture & Fittings	6,686,358	835,795	5,850,563
Cold water meters	81,605,367	16,321,073	65,284,293
water infrastructure pipeline	170,917,910	6,836,716	164,018,194
	354,460,738	39,322,268	315,138,469

21.0 INTANGIBLE ASSETS COST

	2021-2022	2020-2021
	Kshs	Kshs
At 1 July 2021	8,397,550	8,397,550
Additions	250,000	-
At June 30 2022	8,647,550	8,397,550
At 1 July 2021	5,280,328	4,500,723
Charge for the year	673,684	779,605
Impairment loss		
At June 30 2022	5,954,012	5,280,328
At June 30 2022	2,693,538	3,117,222

	Cost or valuation	Annual depreciation charge	NBV
	Kshs	Kshs	Kshs
software	3,367,222	673,684	2,693,538
	3,367,222	673,684	2,693,538

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continues)

22.(a) WIP-Mariakani office

	2021-2022	2020-2021
	Kshs	Kshs
WIP -Mariakani office	-	4,495,730

22.(b) WIP-Ablution Blocks

	2021-2022	2020-2021
	Kshs	Kshs
WIP –Ablution Blocks	15,132,046	15,132,046

22.(c) WIP-Mtwapa & Kilifi Pipeline

	2021-2022	2020-2021
	Kshs	Kshs
WIP –Mtwapa & Kilifi Pipeline	218,124,138	182,494,322

23.0 INVENTORIES

	2021-2022	2020-2021
Engineering stores	5,964,357	17,234,924
Motor vehicle spare parts	960,950	268,939
Chlorine	547,222	-
Building materials	10,000	15,000
Water meters	19,128,219	24,843,071
Computer accessories	1,596,607	1,174,757
Stationery and general stores	381,678	652,600
Total	28,589,032	44,189,291

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
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

NOTES TO THE FINANCIAL STATEMENT (Continues)

24.0 TRADE AND OTHER RECEIVABLES

	2021-2022	2020-2021
	Kshs	Kshs
Trade receivables	439,515,822	376,720,540
Deposits and prepayments	210,990	210,990
Insurance prepayments	-	550,909
VAT recoverable	-	-
Staff receivables	675,883	470,439
Other receivables	15,237,455	15,237,455
Net trade and other receivables	455,640,150	393,190,333

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

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	440,795,422	376,813,316
Provision for doubtful receivables	(1,279,600)	(92,776)
Total	439,515,822	376,720,540

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

	2021-2022	2020-2021
	Kshs	Kshs
Less than 30 days	48,351,209	47,769,398
Between 30 and 60 days	4,921,968	5,960,267
Between 61 and 90 days	39,409,543	17,124,628
Between 91 and 120 days	31,422,149	4,948,183
Over 120 days	316,690,553	301,010,840
Total	440,795,422	376,813,316

The provision on debtors of Kshs 1,279,600 is a general provision at 2.0% based on the company financial and accounting manual.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24.0 (b) STAFF RECEIVABLES

	2021-2022	2020-2021
	Kshs	Kshs
Gross staff loans and advances	675,883	470,439
Provision for impairment loss		-
Total	675,883	470,439

24.0 (c) Prepayments

	2021-2022	2020-2021
	Kshs	Kshs
Rent	210,990	210,990
Insurance	-	550,909
Total	210,990	761,899

25.0 BANK AND CASH BALANCES

	2021-2022	2020-2021
	Kshs	Kshs
Cash at bank	12,765,298	72,423,049
Cash in hand	2,500	9,150
Total	12,767,798	72,432,199

		2021-2022	2020-2021
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1101877731	529,050	31,921
Kenya Commercial bank	1102227366	92,235	81,232
Kenya Commercial bank	1102227595	132,571	560,724
Kenya Commercial bank	1101877553	464,494	4,870,391
Kenya Commercial bank	1102225444	133,440	3,792,918
Co-operative Bank	1136465628000	39,108	43,428
Post Bank	744130000183	30,275	161,048
WSTF Bamba midoina/covid	1262035279	9,301,966	28,138,112
WSTF Bamba community	1270638718	20,250	141,647
WSTF PSAN BAMBA	1270638343	409,090	44,734

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UBSUP WSTF	1266702717	202,500	401,997
WSDP	1239146469	36,437	31,623,666
KIMAWASCO WSDP	1284360954	73,703	
WSTF CLSG	1283481308	59,229	
Sub- total		11,524,348	69,891,817
Cash in Hand		2,500	9,150
M-PESA	522100	3,120	1,000
M-PESA	841961	-	-
M-PESA	825995	-	-
Postal Corporation		1,237,830	2,530,232
Sub- total		1,243,450	2,540,382
Grand total		12,767,798	72,432,199

26.0 ORDINARY SHARE CAPITAL

	2021-2022	2020-2021
Authorized:	Kshs	Kshs
5,000 ordinary shares of Kshs. 1,000 par value each	5,000,000	5,000,000
	5,000,000	5,000,000
Issued and fully paid:		
100 ordinary shares of Kshs. 1,000 par value each	100,000	100,000
Total	100,000	100,000

27.0 RETAINED EARNINGS

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

	2021-2022	2020-2021
Retained Earnings	Kshs	Kshs
As at 1 July 2021	(427,458,467)	(354,129,060)
Net profit for the year	(85,853,456)	(73,329,407)
Total as at June 30 2022	(513,311,923)	(427,458,467)

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.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

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.

Total current & non-current liabilities Kshs. 1,262,660,562

Less total Assets Kshs. 1,048,086,370

Less Capital and Reserve Kshs. 463,117,904

CWWDA Liability Kshs.(248,543,712)

29.0 CAPITAL RESERVES FUND

	2021-2022	2020-2021
	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 30 June 2022 is Kshs 322,900,423 being classified as non-current and Kshs.18,380,840 classified as current.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

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. The current accumulated amount is Kshs 344,191,836 being Kshs 19,538,709 classified as current and Kshs 324,653,127 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 BORROWINGS

	2021-2022	2020-2021
	Kshs	Kshs
Balance at beginning of the year	92,987,338	-
Borrowings during the year	205,000,000	92,987,338
Repayments of borrowings during the year	-	-
Balance at end of the year	297,987,338	92,987,338
Less: Amounts due within one year (current portion)		-
Amounts due after one year (non-current portion)	-	-

Note: The company received Kshs 205,000,000 as a loan from world bank in the financial year 2021-2022.

33.0 TRADE AND OTHER PAYABLES

	2021-2022	2020-2021
	Kshs	Kshs
Trade Creditors	100,254,716	117,090,873
Other Liabilities	4,832,326	18,986,835
Long Term Customer Deposit	84,204,802	73,629,492
Water Service Regulatory Services Levy	55,238,375	47,091,409
Tax Liability (Prior years Assessment)	18,300,794	18,300,794
Audit Fees	4,623,200	3,289,200
Lease fees(licensee fees)	19,538,709	19,568,709
Bulk water liabilities	18,380,840	92,031,860
Total	305,373,763	389,989,172

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.

	2021-2022	2020-2021
	Kshs	Kshs
Laptrust	1,588,578	33,064,168
Total	1,588,578	33,064,168

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

35.0 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2021-2022	2020-2021
	Kshs	Kshs
Operating profit/(loss)	(85,853,456)	(73,329,407)
Depreciation/amortization	39,995,952	42,166,223
Provision for bad debts	1,186,824	92,776
Provision (CWWDA liability)		
Provision for audit fees	672,800	672,800
WSTF GRANT		-
Operating profit/(loss) before working capital changes	(43,997,880)	(30,397,608)
Stock of consumables	15,600,260	(27,939,776)
(Increase)/decrease in trade and other receivables	(62,449,818)	(74,090,052)
Increase/(decrease) in trade and other payables	(84,615,409)	60,812,508
Increase/(decrease)in CWWDA liability	(131,910,902)	(18,144,887)
Increase/(decrease) in retirement benefit obligations	(31,475,590)	16,343,338
Increase/(decrease)in Borrowings	205,000,000	92,987,338

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Increase/(decrease) in Bulk liability	(107,003,285)	114,231,760
Increase/(decrease) in licensee remuneration	19,568,709	19,568,702
	(221,283,915)	122,973,716
Operating Activities		
Donations	(113,000)	-
Cash generated from/(used in) operations	(221,396,915)	122,973,716

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:

	2021-2022	2020-2021
	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 roaster 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.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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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

	2021-2022	2020-2021
	Kshs	Kshs
Water Services Trust Fund	45,659,350	55,089,413
County Government		-
Total	45,659,350	55,089,413

c) Key management compensation

	2021-2022	2020-2021
	Kshs	Kshs
Directors' emoluments	15,933,631	8,931,453
Compensation to the CEO	-	-
Compensation to key management	24,264,000	23,560,800
Total	40,197,631	32,492,253

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.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2022

1. Related Party Balances

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

2. Segment information

The Company does not have segments operating either geographically 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).

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;

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
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- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.


Managing Director

Date: 23/03/2023


Chairman of the Board

Date: 23/03/2023

