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REPORT



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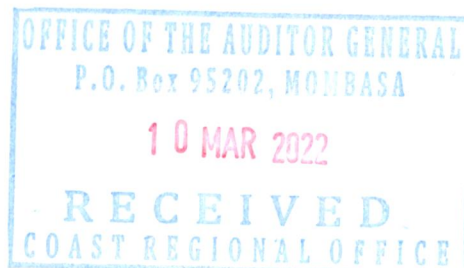
THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2021**

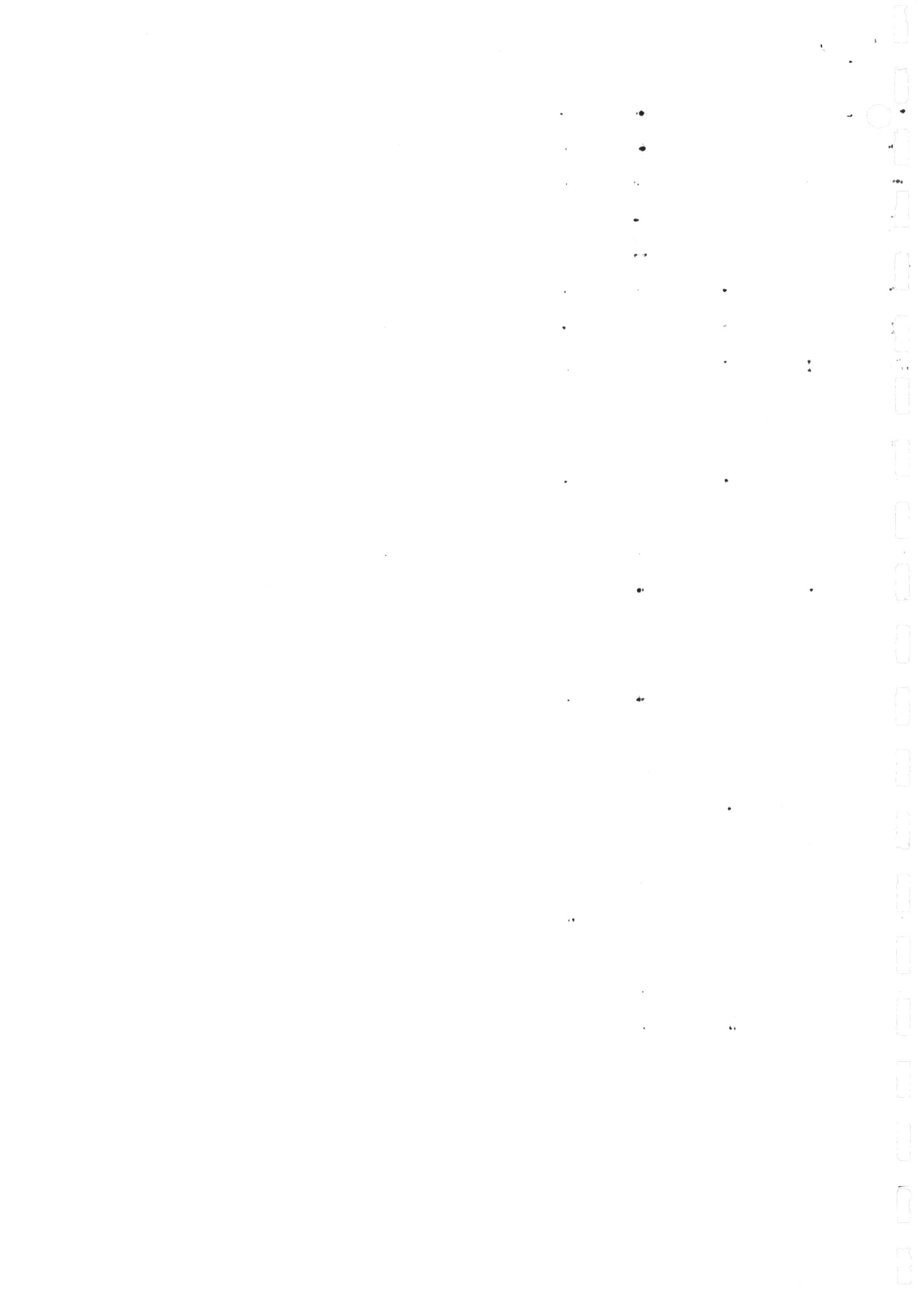




**KILIFI – MARIAKANI WATER AND
SEWERAGE COMPANY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2021**

**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, 2021**

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**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED ANNUAL
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021**

- 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	14 th May 2019
Ravasco Pole Mwasambu	Member	14 th May 2019
Benjamin Kai Chilumo	Member	1 st April 2014
Eng. Samuel Kombe	Member	1 st April 2014
Beatrice Jumwa Nzai	Member	14 th May 2019
Margret Chizi Ngale	Member	14 th May 2019
Christine Nzara John	Member	14 th May 2019
Rashid Mukwana Muhhamad	Member	14 th May 2019
Zainabu Salim	Member	14 th May 2019

Corporate Secretary

John Bwire and Advocates, Company Secretary

P. O. Box 98731 – 80100

Mombasa

**KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED ANNUAL
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021**

Entity Head Office

Kilifi – Mariakani Water & Sewerage Company Ltd

P.O. Box 275-80108 - Kilifi

Along Mombasa – Malindi road

LR No. 5054/115, kilifi.

Tel. Nos. 041-522508

Fax 041-522507

Email: info@kilifi water.co.ke

Entity Bankers

Kenya Commercial Bank Limited

P.O. Box 528

Kilifi

Tel No: 041- 22093

Fax: 041-22233

Co-operative Bank

P.O Box 96 -80108

Kilifi

Tel. No.020-2314898/+254708223330

Fax 020-2314892

Post Bank

P.O.Box 1047 - 80108

Kilifi Brach

Tel. No. 0417522399

Collection Agencies

Safaricom Kenya Limited
M-PESA Holding
P.O. Box 66827 - 00800
Nairobi - Safaricom House Waiyaki Way
Tel.No. 0722-002222

Postal Corporations' of Kenya
P.O. Box 891333
Mombasa
Tel. No. 04122277705

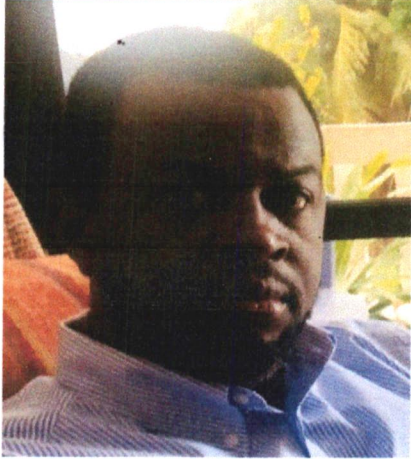


Independent auditors

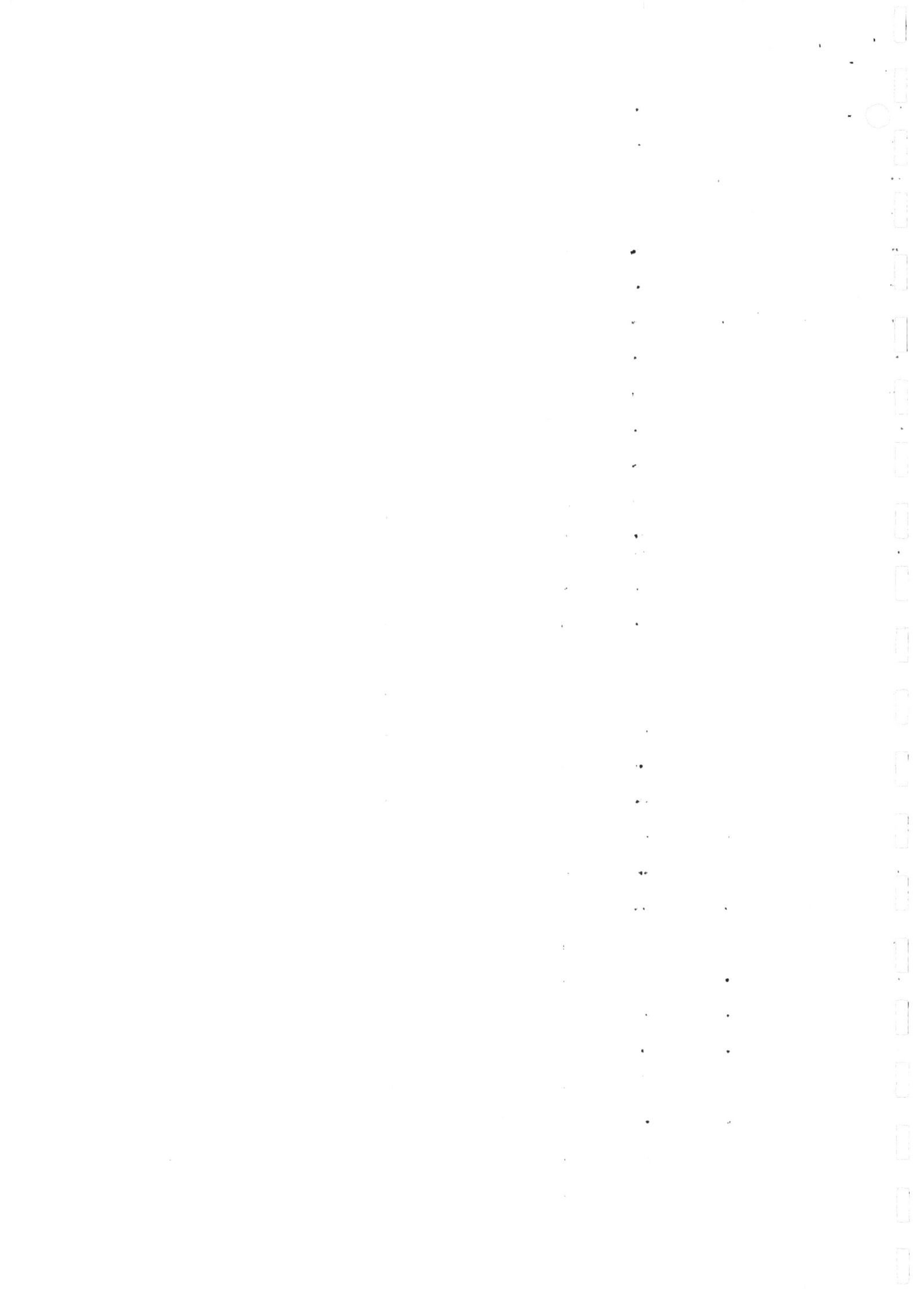
Auditor General
Office of the Auditor-General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi-Kenya

Principal legal advisors



The Attorney- General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

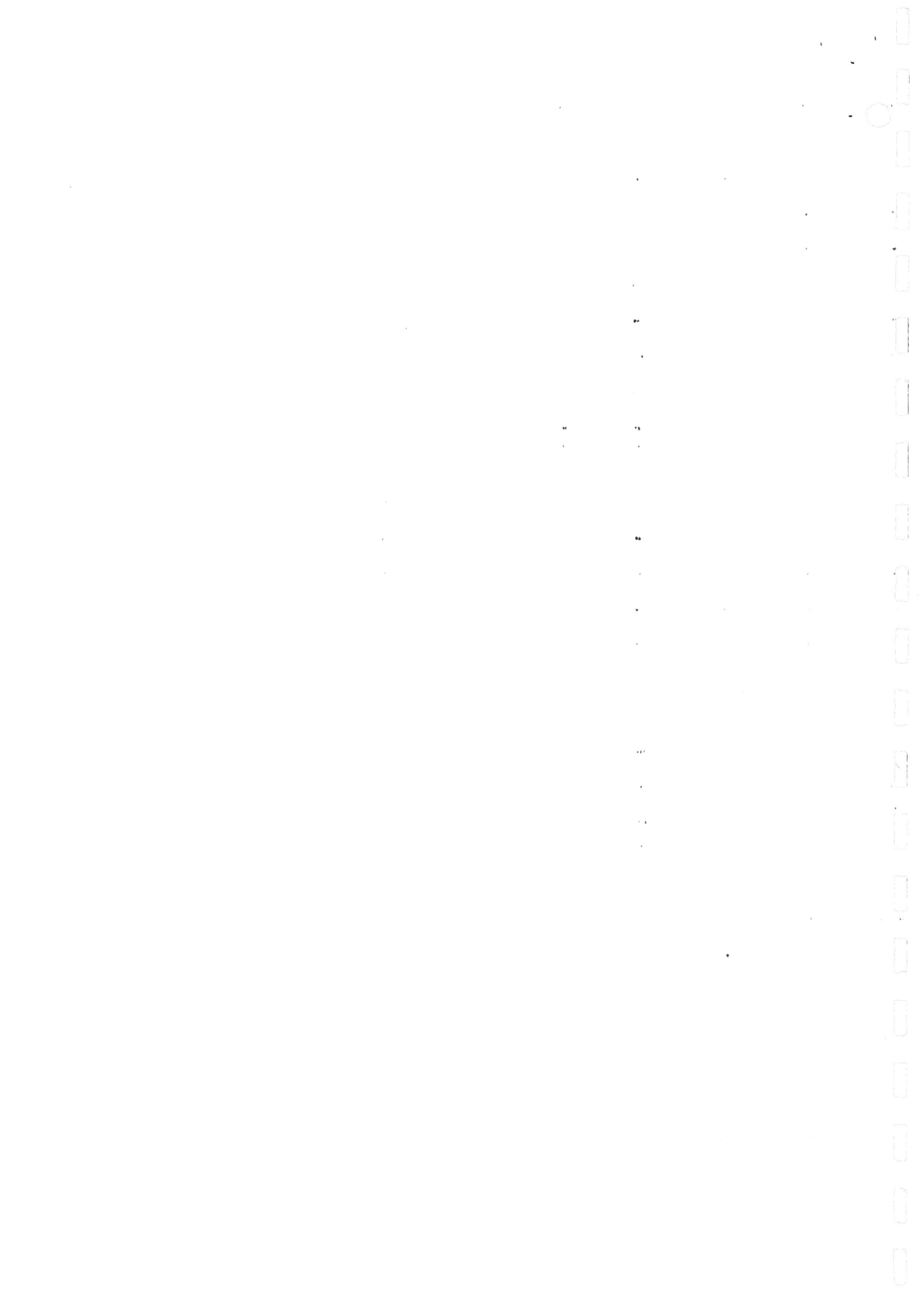
II. THE BOARD OF DIRECTORS

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>

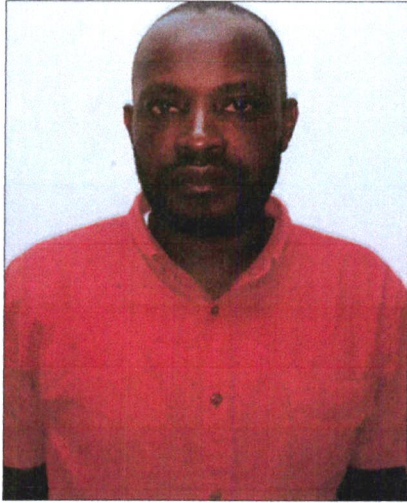



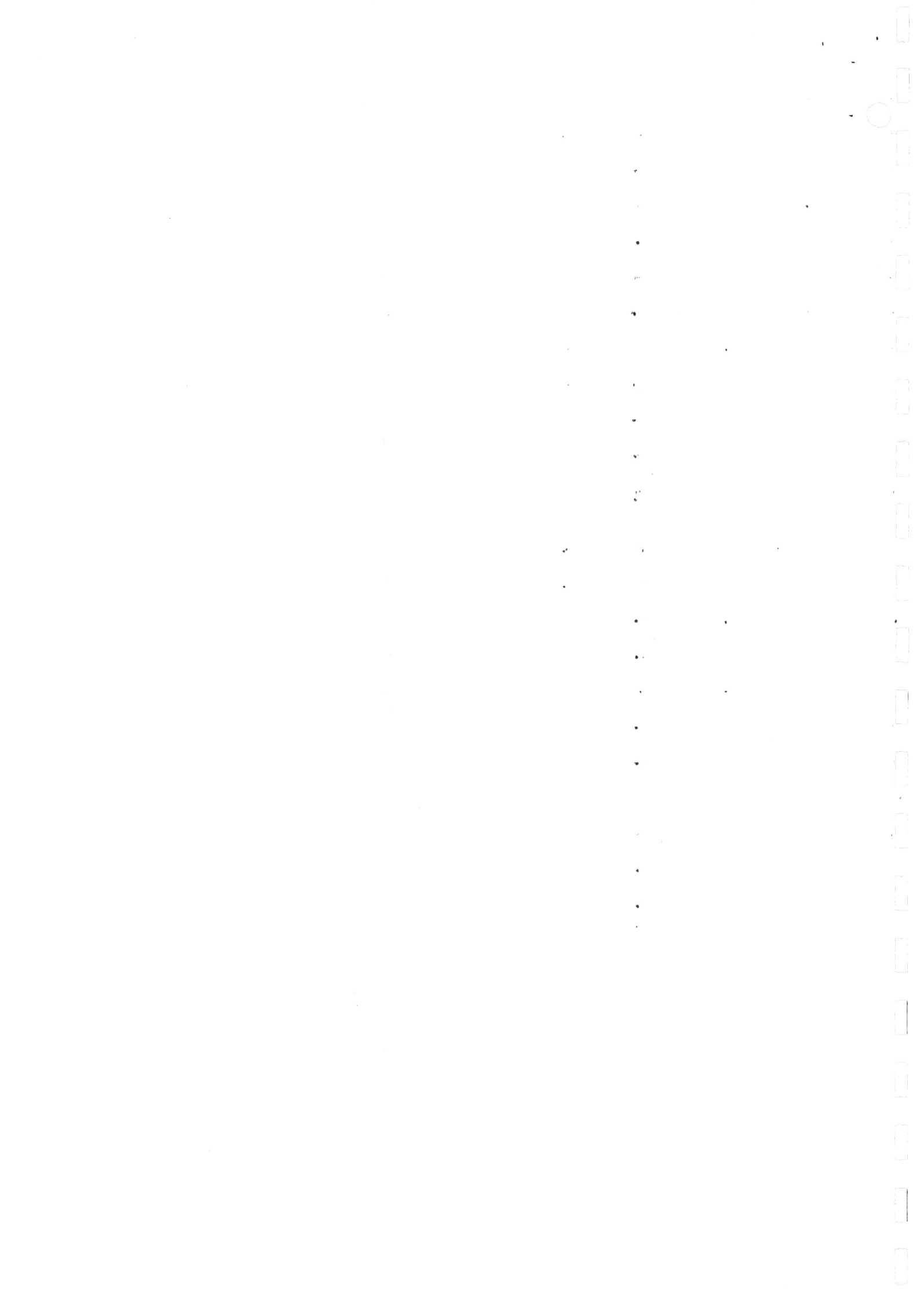
KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

4.	 <p>Benjamin Kai Chilumo</p>	<p>Director Benjamin Chilumo was born in November 1973. He is the County Chief Officer for Finance in County Government of Kilifi. He holds a Bachelor of Business Management Degree in Finance and Banking from Moi University. Mr. Chilumo 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>





KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

<p>6.</p>	 <p>Kenneth Charo Kazungu</p>	<p>Director Kenneth Charo Kazungu was born on 26th December 1978. He is the Ag. Chief Officer for Water and Sanitation services and the substantive County chief officer for Roads, Transport and Public works at County Government of Kilifi. He Holds a Degree in Planning and Environmental Management from Pwani University and a Masters of Degree in Project Planning and Management from the University of Nairobi. He also holds a Diploma in Land Surveying. He has 18 years of experience in Public service.</p>
<p>7.</p>	 <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>

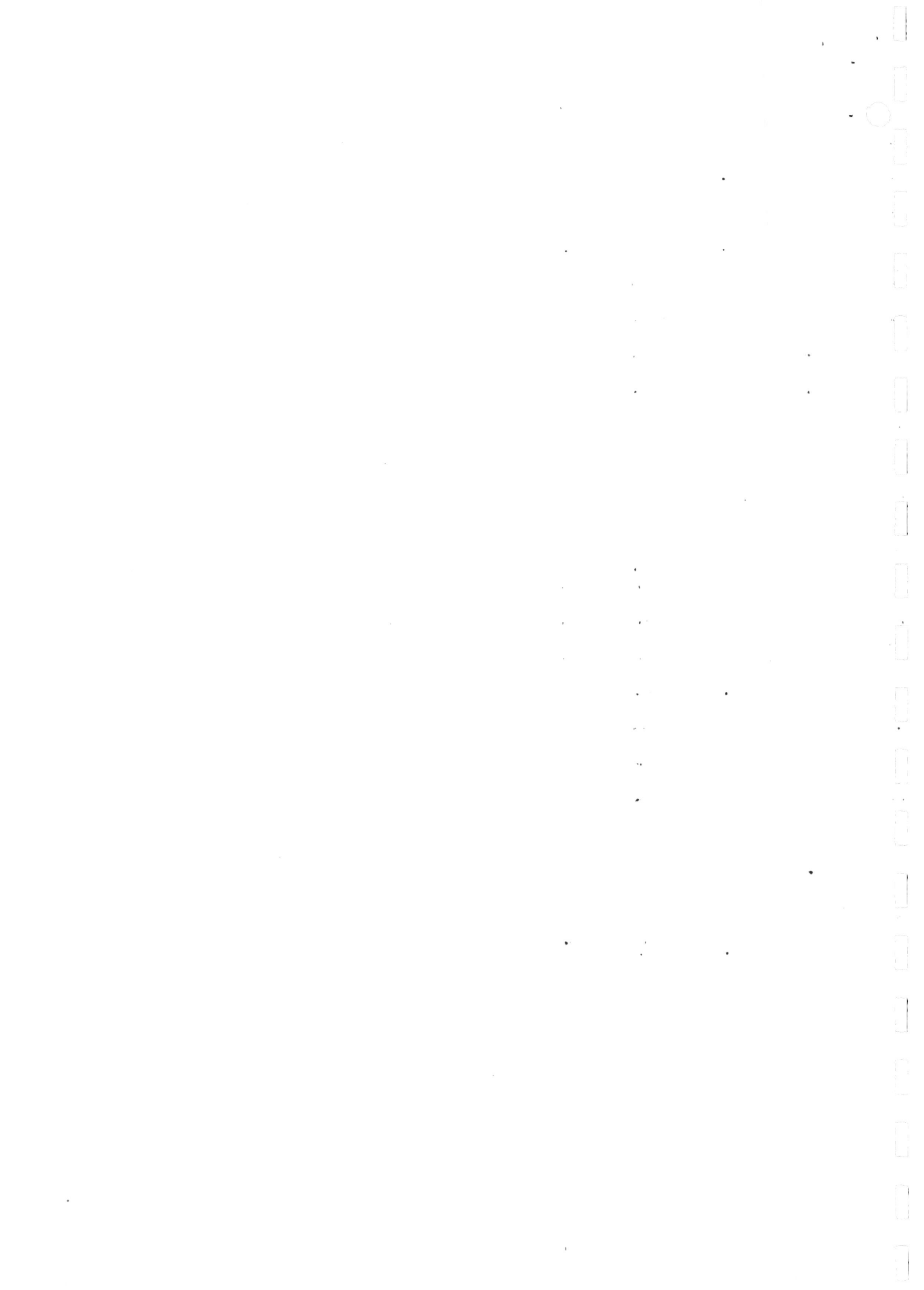





KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021


<p>8.</p>	 <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>
<p>9.</p>	 <p>Hezekiah Mwarua Nguma</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>

III. MANAGEMENT TEAM

Ref	Management	Details
1.	 <p data-bbox="320 965 780 1003">Eng. Hezekiah Nguma Mwarua</p>	<p data-bbox="820 405 1086 439">Managing Director</p> <p data-bbox="820 472 1461 1055">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="320 1599 780 1637">Alfred Dume Janji</p>	<p data-bbox="820 1106 1257 1140">Internal Audit & Risk Manager</p> <p data-bbox="820 1173 1461 1700">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>



<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>

<p>6.</p>	 <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>
<p>7.</p>	 <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

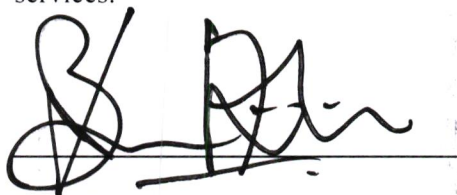
Kilifi-Mariakani Water and Sewerage Company is one of the two Water and Sewerage Companies in Kilifi County that is a wholly owned subsidiary of the County Government of Kilifi under the new Constitutional dispensation. The core mandate of the Company is to efficiently and sustainably provide safe and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

The Company enjoys a very willing to pay customer base and all efforts need to be directed towards maintaining customer confidence. However, the Company is currently not able to meet its demand, as the water it receives from the two sources; Mzima and Baricho-Nguu Tatu Pipelines both managed by CWWDA is able to serve only 50% of its demand. There are deliberate efforts by CWWDA through various projects funded by World Bank and other Development Financing Agencies to increase the volume of water supply to KIMAWASCO's area of operation.

Water being a devolved function, 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 68% in the past 5 years. A lot more still needs to be done on development of water infrastructure. The Company has engaged the County Government of Kilifi and other Development Agencies in rehabilitation of the old and dilapidated water supply infrastructure which has been a major contributor to high water loss through leaks and bursts that the company experiences; the Company's Non-Revenue Water level standing at 52% for the year ended 30th June 2021.

The Board of Directors in March 2018 adopted meter management, new connections and commercial policies that will give guidance in tackling commercial part of the company's NRW. The Company's Strategic Plan covers the period [2019-2024].

Due to the rising cost of living occasioned by high inflation, high cost of energy/fuel and increased cost of doing business, the Company was in August 2017 was granted a new tariff in order to be able to cost cover in the long run; by the 3rd year of the new tariff period. KIMAWASCO is very grateful for the considerable support it has received from its customers and all stakeholders and promises to be more accountable in its pursuit to offer them better services.



Benedict Emmanuel Furaha

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 the year ended 30 June 2021, the company received 11,192,840 m³ of water from CWWDA at a cost of Kshs 231,711,860. The company then billed a total volume of 5,368,053 m³ to its customers translating to a billed amount of Kshs 523,692,413. This was however, below the Kshs 590,326,151 billing target for the year.

The Company is still grappling with the challenge of high non-revenue water level, which stood at 52% for the year ended 30th June 2021. This was a 5% decrease from the 57% 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 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.

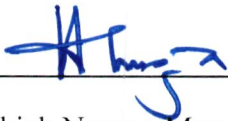
The Company has piloted on creation of District Metered Areas to enable it carry out water balance and hence effectively monitor its water supply to customers, and be able to point out at areas where it loses its water. Through financing from the world bank under WSDP project, the company intends to 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.

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.

REPORT OF THE MANAGING DIRECTOR (CONTINUE)

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 16 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.



Hezekiah Nguma Mwarua

MANAGING DIRECTOR

- VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

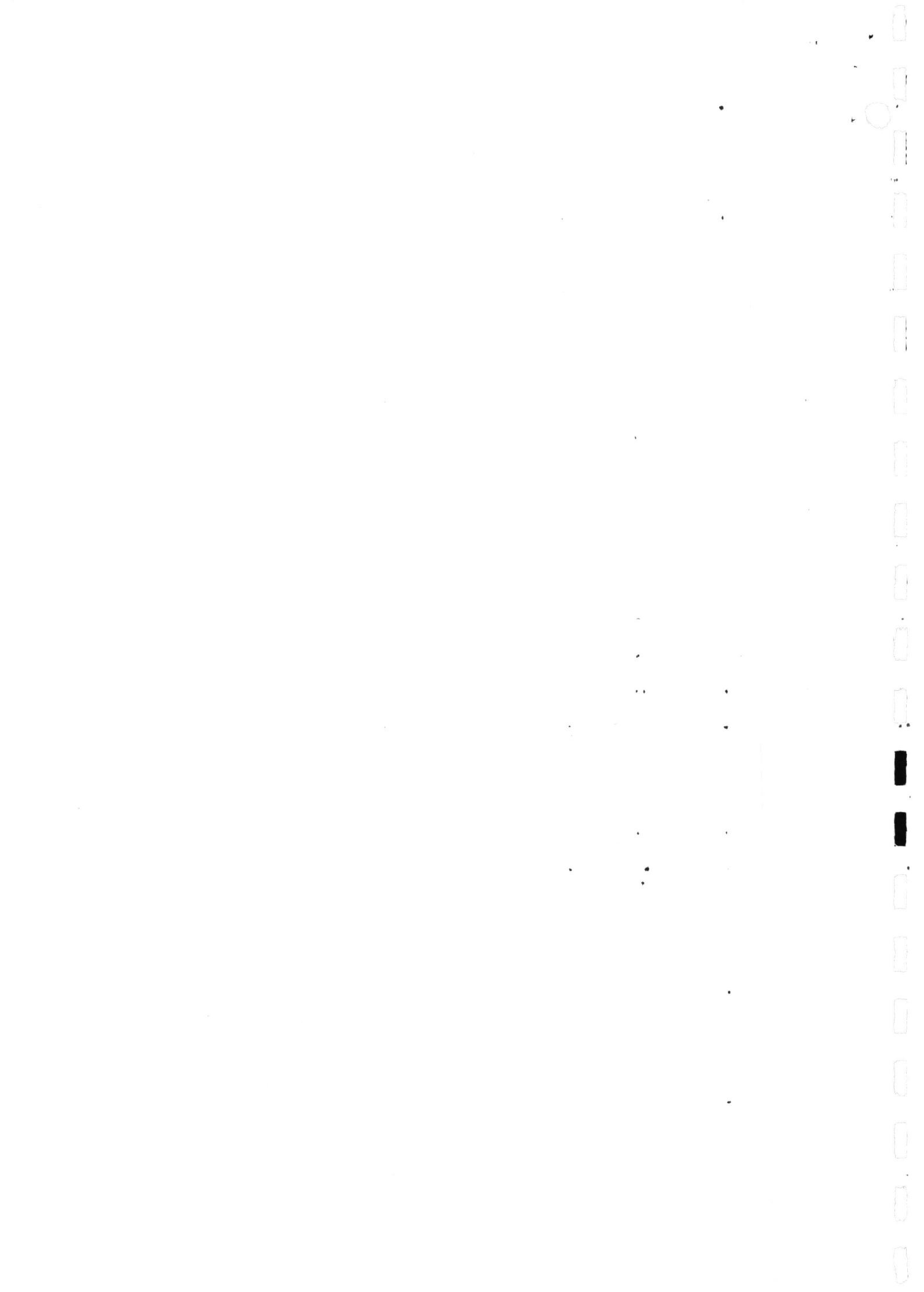
Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity’s performance against predetermined objectives.

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 2020/2021 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Corporate Image	<ul style="list-style-type: none"> • To increase customer satisfaction levels by 10% 	<ul style="list-style-type: none"> • Existence of reviewed service charter document 	<ul style="list-style-type: none"> • Review and implement service charter 	<ul style="list-style-type: none"> • Reviewed service charter
	Improve Corporate communication	Corporate communication policy document	Develop corporate communication policy	Corporate Policy



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Infrastructure Development	To develop Sanitation systems in Mtwapa, Mariakani and Kilifi Town	Sanitation 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
		Progress Reports	Development of sanitation system in Kilifi and Mtwapa Town	Sanitation project ongoing in Kilifi
	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 policy	Developed Non-revenue water management policy
Institutional Capacity	Strengthen governance framework	Reviewed organizational structure document Implementation progress report	Review and implement organizational structure	Reviewed organizational structure
	Leverage technology for performance improvement	Technology needs assessment report	Undertake technology needs assessment and Implement recommendations	Mobile Meter reading System Financial Management Information System
Financial Management	<ul style="list-style-type: none"> Improve revenue generation by 15% annually 	New connections report Metering report Meter reading efficiency report	Increase customer base Ensure 100% metering Efficient meter reading (smart metering)	2,943 No. of new connection Metering Ratio 99% Meter reading Efficient 99.9%

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 Corporation is a State Corporation, the Inspector General of State Corporations is expected to attend

VII. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

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. Benjamin Kai Chilumo – Member
4. Christine Nzara John-Member

VII. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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. Kenneth Charo Kazungu

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.

Risk Management and Internal Controls

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

Shareholding


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

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

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VII. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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



Benedict Emmanuel Furaha

CHAIRMAN

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Staffing

During the end of the financial year, the number of staff stood at 224 as shown in table 1

Table 1

NO. OF STAFF	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Permanent	181	181	181	181
Contract	36	36	36	36
Management Contract	7	7	7	7
TOTAL	224	224	224	224

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

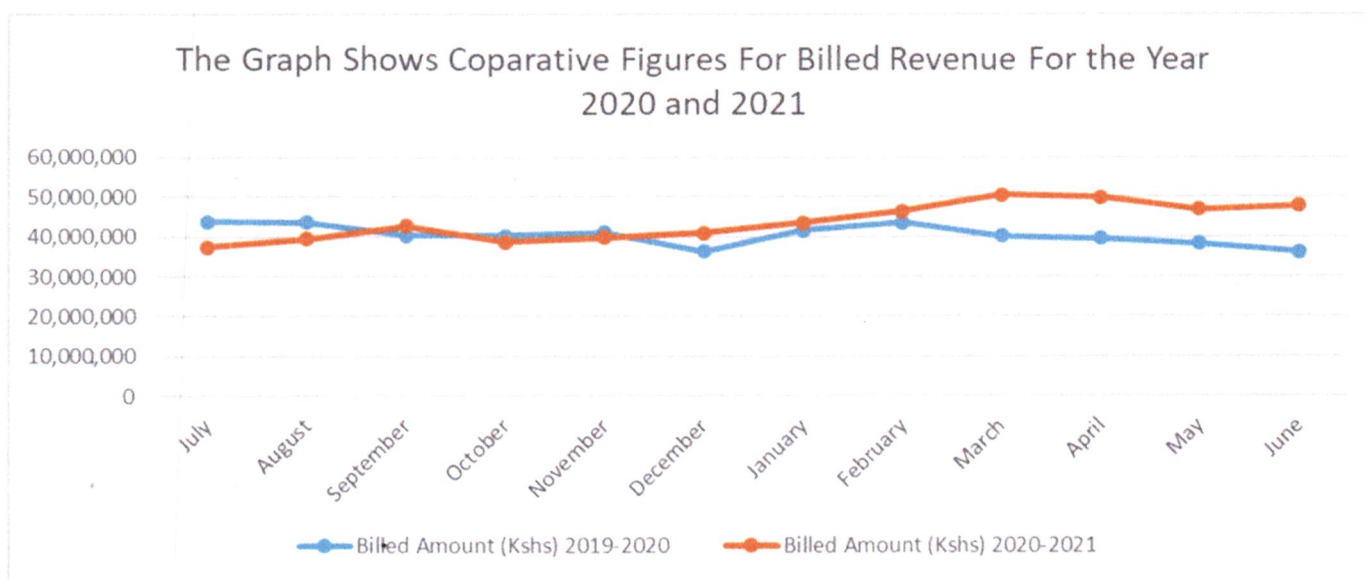
During the year under review, the company received 11,192,843 m³ of water from CWWDA compared to the previous year's 11,172,994 m³ of water. This represents 0.18 % increase in bulk water purchase. The comparable yearly bulk water purchase/production translates to cost of water/sales of Kshs 231,711,860 and Kshs 218,731,760 for the years 2021 and 2020 respectively. The company registered an increase in volume of water it billed its customers from 4,815,789 m³ in 2020 to 5,368,053 m³ in 2021; an increase of approximately 12%. Non-Revenue water decreased from 57% in 2020 to 52% in 2021. The reduction of NRW from 57% to 52% a decrease by 5% 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.

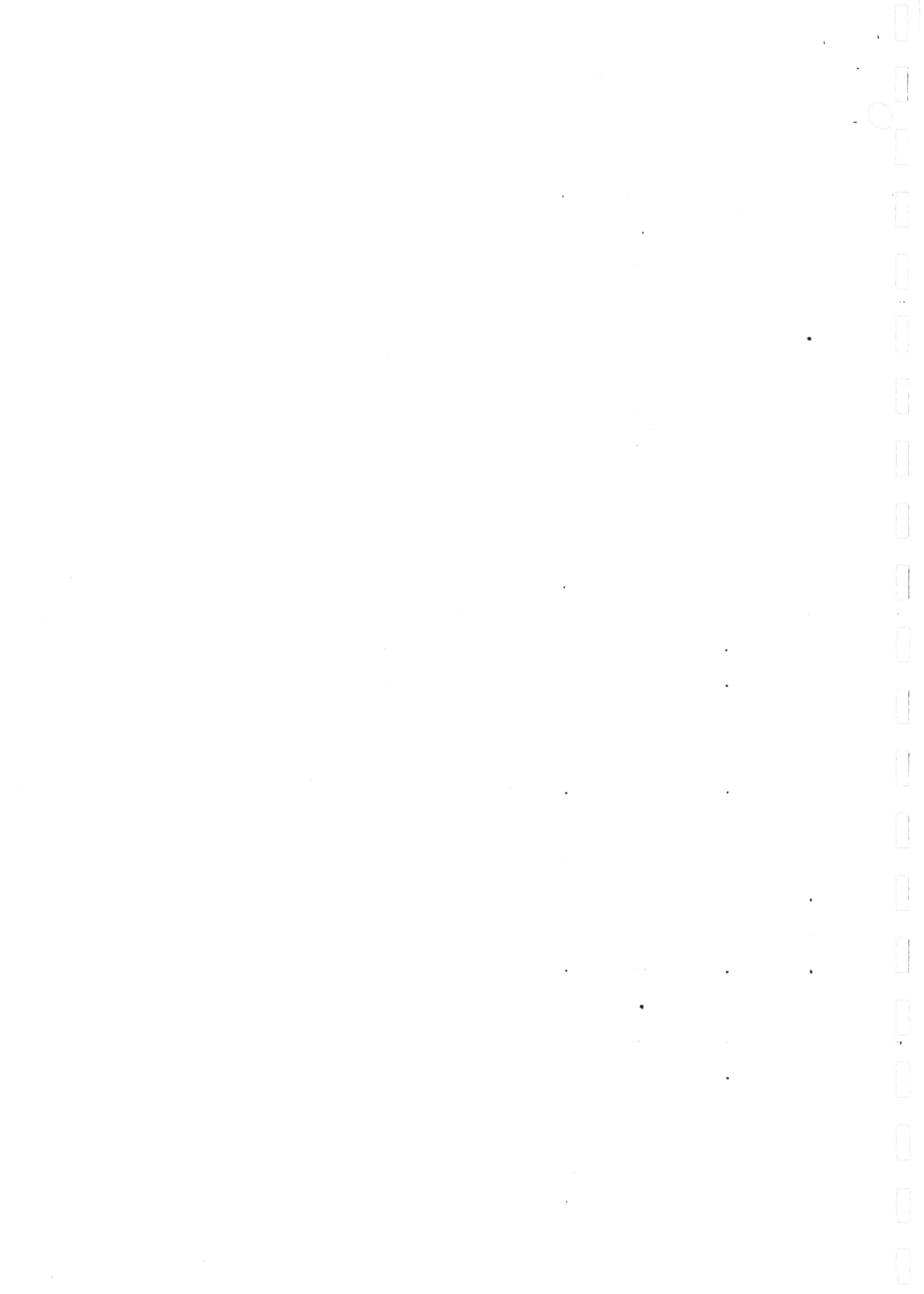
KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

VIII.MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Table 2

Months	Production in m3		Billed Vol. m3		NRW		Billed Amount CWWDA (Kshs)		Billed Amount (Kshs)	
	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021
July	913,458	1,054,505	419,487	385,363	493,971	669,142	18,565,300	21,466,500	43,869,680	37,480,240
August	942,677	951,207	424,313	404,714	518,364	546,493	19,776,760	18,583,680	43,698,300	39,428,917
September	941,135	1,041,892	403,934	432,844	537,201	609,048	19,181,180	20,608,540	40,346,264	42,695,591
October	928,035	764,292	397,079	385,523	530,956	378,769	16,537,320	18,045,520	40,350,022	38,680,784
November	926,742	809,656	389,157	409,815	537,585	399,841	16,143,500	16,709,560	41,049,919	39,782,393
December	872,099	998,841	369,484	433,230	502,615	565,611	17,767,260	20,081,720	36,337,383	40,889,089
January	1,053,802	943,218	415,532	485,788	638,270	457,430	21,385,100	17,756,240	41,596,325	43,411,630
February	955,342	984,420	431,170	481,006	524,172	503,414	16,870,300	22,130,560	43,510,285	46,386,597
March	830,017	894,969	405,033	513,940	424,984	381,029	16,118,700	17,922,640	40,123,964	50,492,633
April	938,188	956,731	400,321	495,674	537,867	461,057	17,393,800	17,393,800	39,533,350	49,805,450
May	870,218	903,668	373,744	470,450	496,537	433,218	18,120,660	20,987,080	38,181,847	46,869,691
June	1,001,218	889,444	355,739	469,706	645,479	419,738	20,871,880	20,026,020	36,222,351	47,769,398
	11,172,994	11,192,843	4,784,993	5,368,053	6,388,001	5,824,790	218,731,760	231,711,860	484,819,690	523,692,413
					57%	52%				





VIII.MANAGEMENT DISCUSSION ANALYSIS (CONTINUED)

c) Number of Connections (Active Billed)

During the year under review, the company recorded an overall average growth in the number of connections of 12% in comparison to the year 2019-2020. The company ended the year 2020-2021 with a marked increase in the number of connections of 27,521 compared to 24,507 in 2019-2020.

Year	No. of Connections		Change in No. of connections	
	2019-2020	2020-2021	Per Qtr.	% Change
Average Qtr1	22,731	25,599	2,868	13%
Average Qtr2	22,210	26,327	4,117	19%
Average Qtr3	23,518	25,913	2,395	10%
Average Qtr4	24,507	27,521	3,014	12%

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. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

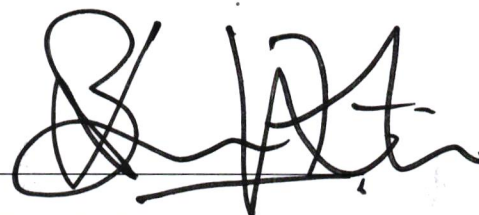
KIMAWASCO has been taking part in some activities geared at giving back to the community under CSR initiative that is anchored in a Policy adopted by the Board. The company offered a four-year sponsorship to a needy former student of Ganze Primary School who completed form four in the recent concluded KCSE examinations; the sponsorship program is meant to promote girl child education in Kilifi County.

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



Benedict Emmanuel Furaha

CHAIRMAN

X. REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30th June 2021, which show the state of the company's affairs.

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).

Results of operations

The results of the company for the year ended 30th June, 2021 as set out on page One (1) to Forty Six (46)

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 eight Board members contrary to the Memorandum and Articles of Association as one board member resigned.

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...



XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 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, 2021. 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 and the State Corporations Act. 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, 2021, 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.

XI.STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

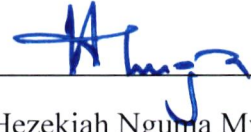
Approval of the financial statements.

The entity's financial statements were approved by the Board on10/03/.....2022 and signed on its behalf by:



Benedict Emmanuel Faraha

CHAIRMAN

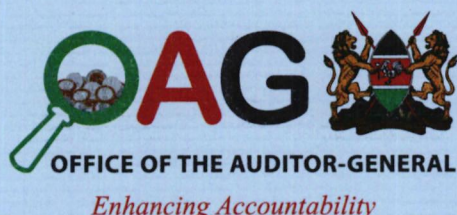


Hezekiah Nguma Mwarua

MANAGING DIRECTOR

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KILIFI - MARIAKANI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2021

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 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 Limited set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2021 and the statement of profit or loss and other

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kilifi - Mariakani Water and Sewerage Company Limited as at 30 June, 2021, 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. Irregular Classification of Cost of Sales

The statement of profit or loss and other comprehensive income and as disclosed in Note 2 to the financial statements reflects cost of sales totalling to Kshs.284,173,066 which includes an amount of Kshs.231,711,860 relating to the cost of bulk water. However, included in the cost of bulk water are bills totalling Kshs.1,391,940 whose supply location was indicated as Kwale Water and Sewerage Company Limited and therefore do not relate to Kilifi - Mariakani Water and Sewerage Company Limited.

In the circumstances, the accuracy and validity of the cost of sales totalling Kshs.1,391,940 could not be confirmed.

2. Unconfirmed Other Income

The statement of profit or loss and other comprehensive income and as disclosed in Note 5(a) to the financial statements reflects an amount of Kshs.12,617,806 in respect of other income. However, the list of new connections, reconnections, meter damages, meter testing, disconnections and terminations were not provided for audit.

Further, the ledger reflects other income amounting to Kshs.9,385,790 which had been captured but reversed as mis-postings. However, the Management did not provide details of the mis-postings. In addition, the reversals were not supported by journal vouchers.

In the circumstances, the accuracy and completeness of other income of Kshs.12,617,806 could not be confirmed.

3. Unsupported Operating Expenses

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects administrative costs of Kshs.338,924,347 which includes an amount of other operating expenses of Kshs.Kshs.49,097,314. Included in the amount is Kshs.2,968,340 and Kshs.442,400 spent on rehabilitation of various water

pipelines and labour costs during survey of a water pipeline project, respectively both totalling Kshs.3,410,740. However, reports to confirm the various pipelines identified for repairs, the repairs done and the survey report were not provided for audit.

In the circumstances, the propriety of operating expenses of Kshs.3,410,740 could not be confirmed.

4. Property, Plant and Equipment

The statement of financial position and as disclosed in Note 11 to the financial statements reflects property, plant and equipment (PPE) balance of Kshs.301,948,316. Review of records revealed the following anomalies;

4.1 Unconfirmed Asset Values

Included in PPE balance of Kshs.301,948,316 is an amount of Kshs.34,256,900 in respect of the book value of assets leased from Coast Water Works Development Agency in accordance with Clauses 3 and 4 and Schedules F and G of the unsigned Service Provision Agreement (SPA). However, records on ownership of the assets by the Company and professional valuation certificates were not provided for audit.

In the circumstances, the accuracy, valuation and ownership of the assets with a book value of Kshs.34,256,900 could not be confirmed.

4.2 Unsupported Work in Progress

The PPE balance also includes work-in-progress (WIP) relating to the Mariakana office of Kshs.4,495,730. However, audit verification revealed that the building is partially complete and has been in use for the past five years.

Further, the PPE balance also includes work in progress (WIP) balances of Kshs.15,132,046 and Kshs.182,494,322 for ablution blocks and Mtwapa-Kilifi pipeline respectively. However, the approved certificates of work done to confirm the actual value of work-in-progress were not provided for audit.

In the circumstances, the accuracy and existence of the work-in-progress totalling Kshs.202,122,098 could not be confirmed.

4.3 Fixed Assets Register

Note 11 to the financial statements reflects property, plant and equipment balance of Kshs.343,334,934 relating to fixed assets cost as at 30 June, 2021 (2020 - costs Kshs.277,174,545). However, as previously reported, the assets register indicated that assets costs were amounting to Kshs.125,022,468 as at 30 June, 2020. The variance totalling Kshs.152,152,077 between the balances in the two sets of records was not explained or reconciled.

Further, Note 11 to the financial statements reflects additions to property and equipment totalling Kshs.118,302,404 for the previous year. However, as previously reported, the supporting schedule provided for audit indicated additions totalling Kshs.91,975,312 for the year ended 30 June, 2021 thus resulting in an unreconciled variance of Kshs.26,327,092.

In addition, the fixed assets register does not reflect the date of purchase, description of each asset including model and serial number, cost, specific location, asset number, depreciation policy, class and category of assets, contrary to the format prescribed in Paragraph 12.2.1 and 12.3 of the Company's Finance and Accounting Manual.

As a result, the accuracy and completeness of the fixed assets costs totalling Kshs.343,334,934 could not be confirmed.

5. Trade and Other Receivables

5.1 Unsupported Other Receivables

The statement of financial position and as disclosed in Note 14 reflects trade and other receivables of Kshs.393,190,333 which includes an amount of Kshs.15,237,455 for other receivables. However, the analysis of the other receivables balance was not provided for audit.

5.2 Lack of Contracts for Terminated Water Connections

Note 14(a) to the financial statements reflects trade receivables net balance of Kshs.376,720,540 which includes an amount of Kshs.108,333 owed by customers whose water supply was 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.

5.3 Unrecovered Prepayments

Note 14(c) to the financial statements reflects 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 incurred on outstanding prepaid honoraria made in the year 2013. However, no explanation was provided for failure to recover the prepayment.

5.4 Understated Provision for Bad and Doubtful Debts

Note 14(a) to the financial statements reflects provision for bad and doubtful debts of Kshs.92,776 which decreased by Kshs.1,260,162 from the previous year's provision of Kshs.1,352,938. The provision was calculated at the rate of 2% of outstanding receivables based on the Company's Finance and Accounting Manual. However, using the gross trade receivables of the year under review of Kshs.376,813,316, the provision should have been Kshs.7,536,266 which varies with the provision of Kshs.92,776 by Kshs.7,443,490.

Further, provision for bad and doubtful debts of 2% is 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.

In the circumstances, the accuracy and recoverability of trade receivables balance of Kshs.376,720,540 and the adequacy of provision of Kshs.92,776 could not be confirmed.

6. Unconfirmed Cash and Bank Balances

The statement of financial position and as disclosed in Note 15 to the financial statements reflects bank and cash balance of Kshs.72,432,199. However, the following anomalies were noted;

- (i) The ledger for a bank account held at a commercial bank indicated an opening balance of Kshs.8,109,299 which differs with the previous year's audited closing balance of Kshs.2,890,816, resulting in an unreconciled variance of Kshs.5,218,483.
- (ii) The bank confirmation certificate for a bank account with a cash book balance of Kshs.161,048 was not provided for audit. Further, the bank reconciliation statement for the same account indicated a ledger balance of Kshs.61,382, thus resulting to an unreconciled variance of Kshs.99,666.

As a result, the accuracy and completeness of the cash and bank balance of Kshs.72,432,199 could not be confirmed.

7. Non-Current Liabilities

The statement of financial position reflects total non-current liabilities balance of Kshs.838,667,393. Review of records revealed the following anomalies;

7.1 Lack of Agreement for Bulk Water

Note 24 to the financial statements reflects bulk water (debt) relating to total outstanding bulk water liability of Kshs.521,935,568 comprised of Kshs.429,903,708 and Kshs.92,031,860 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 the balance of Kshs.429,903,708 as a long-term liability.

7.2 Unconfirmed Outstanding Licensee Fees

The statement of financial position and as disclosed in Note 23 to the financial statements reflects licensee fees balance of Kshs.324,653,127 comprised of Kshs.305,084,418 and Kshs.19,568,709 for non-current liability and current liability respectively.

However, the Management did not provide for audit any agreement between the Company and Coast Water Works Development Agency for confirmation of balance of Kshs.305,084,418 as a long-term liability.

In the circumstances, accuracy and completeness of the license fees non-current balance of Kshs.305,084,418 could not be confirmed.

7.3 Unsupported Deferred Income

The statement of financial position and as disclosed in Note 3(b) to the financial statements reflects deferred income of Kshs.10,691,930. However, Management did not provide records, including analyses of the balance to justify the treatment as deferred income.

In the circumstances, the accuracy, validity and completeness of deferred income of Kshs.10,691,930 could not be confirmed.

7.4 Loan - WSDP

The statement of financial position and as disclosed in Note 20 to the financial statements reflects loan - WSDP of Kshs.92,987,338. The records indicated that the total loan which was received from the World Bank was Kshs.154,210,338 for Water Services Development Project (WSDP). However, the Company wrongly disclosed an amount of Kshs.61,223,000 as revenue in the financial year 2019/2020 and the balance of Kshs.92,987,338 as a loan during the current year under review. The inconsistency in treatment of the loan amount was not explained.

In the circumstances, the accuracy and correct disclosure of loan-WSDP of Kshs.92,987,338 could not be confirmed.

8. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 22 to the financial statements reflects trade and other payables totalling Kshs.389,989,172 which includes long-term customer deposits totalling Kshs.73,629,492 being an increase of Kshs.17,450,821 from the previous year's balance of Kshs.56,178,671. Records provided for audit indicated that the Company charges Kshs.2,500 as meter deposits from new customers. The increase in deposits of Kshs.17,450,821 translates to an additional 6,980 regular customers in the year under review whose listing was not provided for audit.

Further, as previously reported, the bank account maintained for purposes of holding customer deposits held at a local commercial bank reflected a balance of Kshs.4,870,391 resulting in a variance of Kshs.68,759,101 which was not explained or reconciled.

In the circumstances, the existence of long-term customer deposits balance of Kshs.73,629,492 could not be confirmed.

9. Capital and Reserves

The statement of financial position reflects negative capital and reserves totalling Kshs.244,720,075. However, review of records on the balance revealed the following anomalies:

9.1 Ordinary Share Capital

The statement of financial position reflects ordinary share capital amounting to Kshs.100,000. As previously reported, the Company is registered as a Limited Company with an authorized share capital of Kshs.5,000,000. According to the Memorandum and Articles of Association, share capital worth Kshs.36,000 was fully subscribed and issued to Kilifi County Government as at 30 June, 2021. The variance amounting to Kshs.64,000 was not explained. Available information indicated that as at 30 June, 2021, the County Government had not paid for the shareholding.

Further, the statement of corporate governance indicates that the Company had prepared and deposited new Memorandum and Articles of Association with the Registrar of Companies. The Memorandum reflected a changed shareholding structure as follows:

No.	Shareholder	Number of Ordinary Shares	Value of Ordinary Shares (Kshs.)
1	County Government of Kilifi	4,996	4,996,000
2	County Secretary - County Government of Kilifi	2	2,000
3	Executive Committee Member Finance and Economic Planning	1	1,000
4	Executive Committee Member for Water, Forestry and Natural Resources	1	1,000
Total		5,000	5,000,000

However, the changes are not reflected in the financial statements for the year under review.

In the circumstance, the accuracy of the ordinary share capital balance totalling Kshs.100,000 could not be confirmed.

9.2 Unconfirmed Coast Water Works Development Agency Liability

The statement of financial position and as disclosed in Note 26 to financial statements reflects a Coast Water Works Development Agency liability of Kshs.132,544,373. The balance was arrived at after deducting assets totalling Kshs.1,017,000,659 and capital and reserves totalling Kshs.377,264,447 from current and non-current liabilities of Kshs.1,261,720,733. 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.132,544,373 could not be confirmed.

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

As previously reported, the statement of financial position as at 30 June, 2021 reflects liabilities amounting to Kshs.979,318,636 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.1,014,768,981 as at 30 June, 2021, resulting in unexplained difference of Kshs.35,450,345.

In the circumstances, the accuracy and completeness of the amount of Kshs.979,318,636 reportedly owed to Coast Water Works Development Agency as at 30 June, 2021 could not be confirmed.

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

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. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.788,581,327 and Kshs.591,399,618 respectively resulting to a revenue shortfall of Kshs.197,181,709 or 25% of the budget. Similarly, the Management expended Kshs.612,691,028 against an approved budget of Kshs.620,226,151 resulting to an under-expenditure of Kshs.7,535,123 or 1% of the budget.

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

2. Unresolved Prior Year Matter

The audit report for the year ended 30 June, 2021 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. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees was two hundred and twenty-five (225) out of which two hundred and one (201) or 90% 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, the Management is in breach of the Law.

2. Failure to Tax Employee Benefits

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects administrative costs of Kshs.338,924,347 which includes an amount of Kshs.10,372,600 in respect to travelling and accommodation which further includes an amount of Kshs.495,300 paid for mileage allowances. However, the mileage allowances were not subjected to tax. This is contrary to Section 5(2)(b) of the Income Tax Act, 2017 which states that, "where an employee enjoys a benefit, advantage or facility of whatsoever nature in connection with employment or services rendered; the value of such benefit should be included in employee's earnings and charged to tax".

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

3. Unsettled Tax Expenses

As previously reported, Note 22 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.

4. Un-Accounted for Water

Review of records provided for audit revealed that the Company received 11,192,840 cubic meters of water from Coast Water Works Development Agency, out of which 5,368,063 cubic meters (48%) was billed to its customers for Kshs.523,692,413. The balance of 5,824,787 cubic meters (52%) represents Unaccounted for Water (UFW) which is 27% percentage points above the allowable threshold of 25% set by the Water Service Regulatory Board (WASREB).

The UFW may have resulted to loss of revenue estimated at Kshs.568,266,219 at the Company's average selling price of Kshs.97.56 per cubic meter and is a pointer to possible revenue leakages.

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

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. Un-Accounted for Water Meters

Records provided for audit and review of the Company's billing system revealed that the Company had a customer base of 35,893, out of which 9,786 customers were indicated as disconnected. However, the Company did not maintain a physical stock register of the meters held after disconnection. Physical verification at the store revealed that only 1,000 disconnected meters were in store while the difference of 8,786 were not produced for verification.

Failure to record and account for returned meters after disconnection could lead to loss of meters or illegal reconnections.

2. Inventory Management

The statement of financial position and as disclosed in Note 13 to the financial statements reflects inventory balance of Kshs.44,189,291. However, records provided for audit and discussions held with the Management indicated that the Company had not insured the inventory.

Further, store's physical visit revealed that the stock items were not catalogued or record kept for obsolete and unserviceable inventories including water meters.

In the circumstances, the existence of effective internal control systems for inventory could not be confirmed.

3. Defined Benefits Retirement Obligations

As disclosed under Note 25 to the financial statements for the year ended 30 June, 2021, 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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015 I report based on the 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's financial statements are in agreement with the accounting records.

Responsibilities of Management and the Board of Directors

The 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 controls, risk management and overall governance.

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

The 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 control 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 control 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 control 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 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 going concern 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 to 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 controls that are identified during the audit.

I also provide the 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

15 September, 2022

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

**XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**


		2020-2021	2019-2020
	Notes	Kshs	Kshs
REVENUES			
Sale of water	1	523,692,413	484,819,690
		523,692,413	484,819,690
Cost of sales	2	284,173,066	274,869,260
Gross Profit		239,519,347	209,950,431
WSTF Grant	3(a)	534,597	534,597
WSTF Bamba - EUCPIRA	c	55,089,413	10,850,717
County Government	4	-	13,000,000
WSDP	5(b)	-	81,223,000
Other Income	5(a)	12,617,806	11,097,216
TOTAL REVENUES		307,761,163	326,655,961
OPERATING EXPENSES			
Administrative costs	6	338,924,347	294,241,213
Depreciation expenses	11	41,386,618	33,690,665
Amortisation of Intangible Assets	12	779,605	974,507
Adjustments (Audit fees)			
TOTAL OPERATING EXPENSES		381,090,571	328,906,385
Operating Profit/ (Loss)		(73,329,407)	(2,250,424)
Finance Income			
Finance Cost	7		
Profit/Loss Before Taxation		(73,329,407)	(2,250,424)
Income Tax Expense/(Credit)	8		
PROFIT/(LOSS) AFTER TAXATION		(73,329,407)	(2,250,424)
Earnings Per Share	9		-
Dividend Per Share	10		-

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

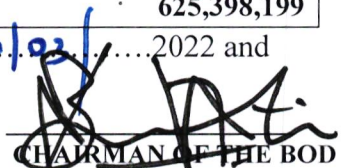
XIV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	301,948,316	243,483,880
Intangible assets	12	3,118,421	3,898,027
WIP-mariakani office	11(a)	4,495,730	4,495,730
WIP-Ablution Blocks	11b	15,132,046	-
WIP-Mtwapa & Kilifi Pipeline	11c	182,494,322	-
Total Non-Current Assets		507,188,836	251,877,637
Current Assets			
Inventories	13	44,189,291	16,249,516
Trade and other receivables	14	393,190,333	319,100,281
Bank and cash balances	15	72,432,199	38,170,766
Total Current Assets		509,811,823	373,520,563
TOTAL ASSETS		1,017,000,659	625,398,199
EQUITY AND LIABILITIES			
Capital and Reserves			
Owners Equity		-	-
Ordinary share capital	16	100,000	100,000
Retained earnings	19	(427,458,467)	(354,129,060)
CWWDA Liability	26	132,544,373	(28,978,443)
Capital Reserves fund	27	50,094,019	50,094,019
Capital and Reserves		(244,720,075)	(332,913,484)
Non-Current Liabilities			
Bulk water	24	429,903,708	315,671,948
Licencee fees	23	305,084,418	285,515,716
Loan -WSDP	20	92,987,338	-
Deferred Income	3(b)	10,691,930	11,226,527
Total Non-Current Liabilities		838,667,393	612,414,189
Current Liabilities			
Trade and other payables	22	389,989,172	329,176,664
Retirement benefit obligations	25	33,064,168	16,720,830
Total Current Liabilities		423,053,340	345,897,494
TOTAL EQUITY AND LIABILITIES		1,017,000,659	625,398,199

The financial statement were approved by the Board of directors on.....19/07/2022 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: Emmanuel Benedict Furaha

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

				2020-2021
	Share Capital	Retained Earnings	Capital Reserves	Total
	Kshs	Kshs	Kshs	Kshs
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)
				2019-2020
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2019	100,000	(351,878,636)	50,094,019	(301,684,617)
Net Loss for the year		(2,250,424)		(2,250,424)
As at 30th June 2020	100,000	(354,129,060)	50,094,019	(303,935,041)

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

XVI. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2020-2021	2019-2020
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from Operations	30	122,973,716	86,590,406
Interest received	5	-	-
Interest paid	7	-	-
Dividends paid		-	-
Taxation paid (Prior years assessment)	8	-	-
Net cash generated from operating activities		122,973,716	86,590,406
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(99,851,054)	(118,302,404)
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets	12	-	(1,802,290)
WSTF project	3		
Work in progress-Ablution blocks		(15,132,046)	-
Work in progress-killifi & mtwapa pipeline		(182,494,322)	
Proceeds from disposal of quoted investments			
Net cash used in investing activities		(297,477,422)	(120,104,694)
FINANCING ACTIVITIES			
Grant from County Government	4	-	13,000,000
Proceeds from borrowings		-	-
Repayment of borrowings	20	-	-
WST-Grant	3(a)	(534,598)	(534,598)
WSTF BAMBA	3 (c)	55,089,399	10,850,717
WSDP-LOAN		154,210,338	20,000,000
Net cash used from financing activities		208,765,139	43,316,119
Increase/(Decrease) In Cash And Cash Equivalents		34,261,433	
Cash And Cash Equivalents At Beginning Of Year		38,170,766	28,368,935
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		72,432,199	38,170,766

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021 ✓

XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original budget	Final budget	Actual on comparable basis	Performance difference	%
	2020-2021	2020-2021	2020-2021	2020-2021	
Revenue		Kshs	Kshs	Kshs	
Sale of goods	590,326,151	590,326,151	523,692,413	-66,633,738	-11%
Other income	84,500,000	84,500,000	12,617,806	-71,882,194	-85%
WSTF	113,755,176	113,755,176	55,089,399	-58,665,777	-52%
Total income	788,581,327	788,581,327	591,399,618	-197,181,709	-25%
Expenses	Λ	Λ	Λ	Λ	
Compensation of employees	202,342,620	205,175,870	184,858,818	20,317,052	10%
Use of goods and services	326,088,669	332,624,059	351,646,121	-19,022,062	-6%
Finance cost	14,000,000	14,000,000	1,344,300	12,655,700	90%
Rent paid	1,800,000	1,300,000	1,308,506	-8,506	-1%
Repairs & Maintenance	20,882,822	24,097,822	22,928,703	1,169,119	-5%
BOD expenses	8,620,000	9,438,500	8,507,340	507,047	5%
Other payments	51,779,957	33,589,900	42,097,240	-8,507,340	-25%
Total expenditure	625,514,068	620,226,151	612,691,028	7,111,010	-1%
Surplus/ deficit for the period	163,067,259	168,355,176	-21,291,410	-190,070,699	

KEY

Λ CAST DOWNWARD & PROVED ACCURATE

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KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

Explanations to the Budget variances

- a) The shortfall of 11% in sale of water was due to high non-revenue water attributed to aged network, stopped meters, water theft, bursts and leaks. The other factor contributing to huge disparity in revenue is water rationing which precipitates inconsistency in supply of water in some areas.
- b) Shortfall in other incomes was due to low connectivity in new connections and failure to meet reconnection fee target was due to change in approach of handling clients through customer management plan. The company adopted broadcast system to sensitize clients to pay.
- c) The above factors affected the overall shortfall of total revenue for the fiscal year 2020/2021.
- d) Purchases for goods and services although it has favorable variance of 1% there are quite a number of expenditure that had unfavorable variances
 - i) Aged water infrastructure lead to increase in the cost of water infrastructure services.
 - ii) Over-expenditure on electricity booster pump was due to increase in electricity tariff and increased water coverage and distribution hours.
 - iii) Over expenditure on fuel and lubricants was due to increase in fleet and fuel pump price
- e) Travelling and accommodation- This is contributed by World Bank trainings and consultative meetings and other facilitation of staff who were on company's official assignment.
- f) Reduced billing and revenue collection from both the mainstream water sales line but also from the other sources in the last four months of the financial year due to the effects of the COVID-19 pandemic.

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
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

3. ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Title	Description	Effective Date
Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. Affected the entity and hence adopted in January 2016	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IAS 39-Financial Instruments: Recognition and Measurement and	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value).	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

<p>Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle , issued in September 2014)</p>	<p>The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa. The standard does not affect the company and hence does not apply.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.</p>
<p>Amendment to IFRS 7 (Annual Improvements to IFRSs 2012–2014 Cycle , issued in September 2014)</p>	<p>The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. The standard is relevant to the entity and therefore was adopted.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2016.</p>
<p>Amendments to IFRS 10, IFRS 12 and IAS 28 titled Investment Entities: Applying the Consolidation Exception (issued in December 2014)</p>	<p>The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. Not applicable to the entity so not adopted.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2016.</p>
<p>Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014)</p>	<p>The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. This amendments affects the entity early adoption 1 january,2017</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2016.</p>

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

<p>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</p>	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. Early adoption 1 January 2017s to IAS 12)</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2017</p>
<p>Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)</p>	<p>The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes in fair values; and (iii) other changes. Early adoption in January 2017</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2017</p>
<p>Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of interests in other entities</p>	<p>Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution. The standard does not apply to the company's operation and therefore not adopted</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2017</p>

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

IFRS 15 Revenue from Contracts with Customers (issued in May 2014)	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance. Affects the entity so it is to be adopted for the first time in January 2018	The amendments are effective for annual periods beginning on or after January 1, 2018
IFRS 9 Financial Instruments (issued in July 2014)	This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition: The entity does not deal with financial instruments and therefore the standard does not apply – Not adopted	The amendments are effective for annual periods beginning on or after January 1, 2018

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

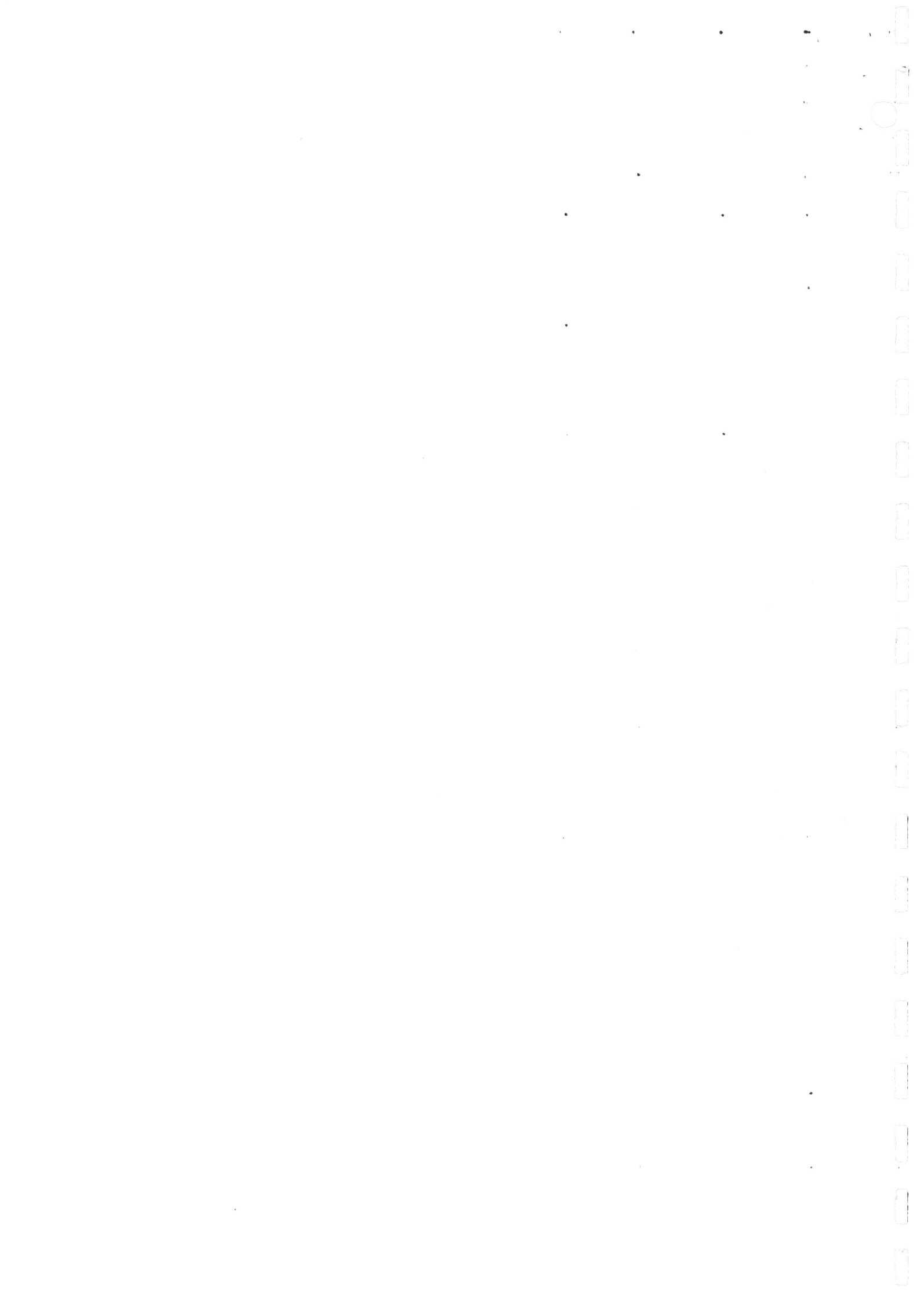
Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going 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	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

Title	Description	Effective Date
	loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet 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.	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations	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
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

Title	Description	Effective Date
	and present obligations that are not probable or not reliably measurable).	
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after



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Title	Description	Effective Date
	17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.]

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 2020/2021

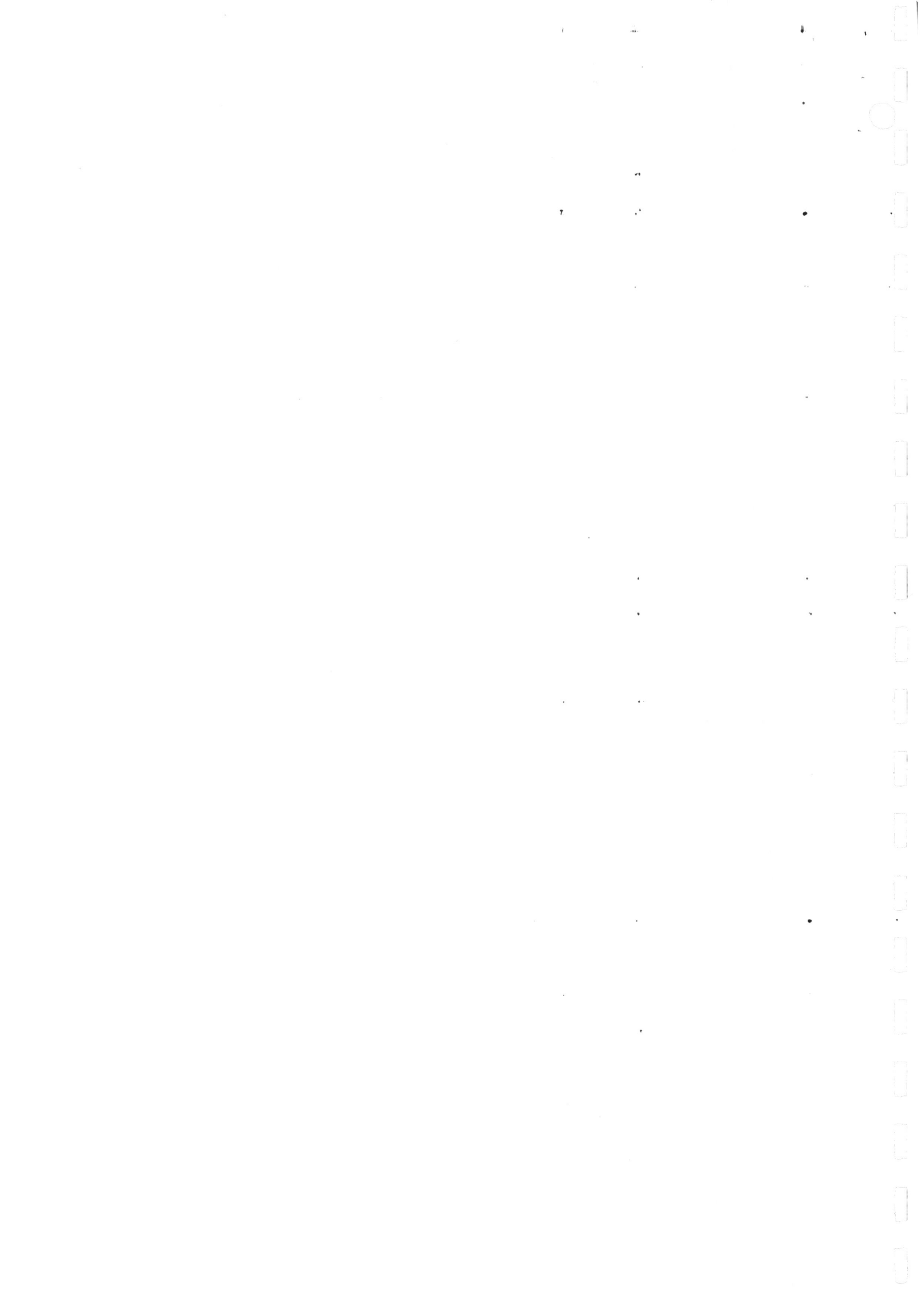
4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. 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.



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- 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.

2. 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.

3. 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.

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

5. 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.

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6. 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.

7. 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.

8. 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.

9. 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.

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10.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.

11.Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

12.Inventories

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

13.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.

14.Taxation

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.

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.

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.

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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 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.

15. 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

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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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

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.

21. Budget information

The original budget for FY 2020-2021 was approved by the Board of directors on 30 June 2020. 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 FY2020-2021.

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.

23. Comparative figures

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

24. 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, 2021.

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

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.

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

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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1.0 SALES		
	2021	2020
	Kshs	Kshs
Sale of water	523,692,413	484,819,690
Credit Adjustments		-
Total	523,692,413	484,819,690

2.0 COST OF SALES	2021	2020
	Kshs	Kshs
Cost of Water	231,711,860	218,731,760
Lease Fees	19,568,709	19,568,703
Chemicals	2,206,893	1,603,774
Electricity Booster pumping	30,308,154	34,797,023
Adjustment	-	-
Network extension	-	-
NRW/GIS	377,450	168,000
Total	284,173,066	274,869,260

During the year under review the cost of bulk water purchase increase from Kshs 218,731,760 to Kshs 231,711,860. An increase in cost of bulk water by Kshs 12,980,100.

3.0 (a) GRANTS FROM WATER SERVICE TRUST FUND

	2020-2021	2019-2020
	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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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

3.0(b)

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

3.0(c) WSTF BAMBA-EUCPIRA

	2020 - 2021	2019 - 2020
Account Name	Kshs	Kshs
Bamba p san f	-	3,065,474
Bamba Midoina-Covid	3,352,000	3,148,000
UBSUP	1,337,025	3,896,725
Bamba CLTS	-	262,218
Bamba Midoina	50,400,374	478,300
Total	55,089,399	10,850,717

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4.0 COUNTY GOVERNMENT

	2020-2021	2019-2020
	Kshs	Kshs
County Government	-	13,000,000
Total	-	13,000,000

5.0 (a) OTHER INCOME

	2020- 2021	2019 - 2020
	Kshs	Kshs
Miscellaneous Revenue	2,242,260	3,138,622
New Connection Charges	9,015,630	6,220,921
Adjustment		
Re-connection charges	1,359,916	1,737,673
Total	12,617,806	11,097,216

Note: The company received ksh 154,210,338 from world bank in the financial year 2020-2021. Out of the ksh 154,210,338 received as cash ksh 61,223,000 had been recognised as revenue in the year 2019-2020 and the balance of ksh 92,987,338 is indicated as revenue for the year 2020-2021.

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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6.0 ADMINISTRATIVE COSTS			
		2020-2021	2019-2020
	Notes	Kshs	Kshs
Staff Costs	6(a)	184,858,818	168,382,223
Directors Emoluments	6(b)	8,931,453	7,723,998
Travelling & Accommodations	6(c)	10,372,600	16,543,149
Hospitality Supplies & Services	6(d)	2,029,527	1,873,441
Advertising, printing & Stationary	6(e)	6,177,490	8,900,328
Office, general supplies & services	6(f)	13,591,366	11,522,541
Staff Training		2,172,716	2,669,995
Rent Expenses		1,308,506	1,615,493
WASREB levy		20,962,940	19,394,115
Insurance Costs		618,180	1,526,019
Bank Charges & Commission		1,344,300	1,054,594
Legal fees		-	-
Fines & Penalties	6(g)	-	-
Other Operating Expenses	6(h)	49,097,314	14,723,510
Repairs and Maintenance	6(i)	23,033,577	29,918,623
Communication services and supplies	6(j)	4,169,509	5,270,863
Consultancy		6,960,462	-
Provision for Bad & Doubtful Debts		92,776	1,352,938
Provision for Audit fees		672,800	672,800
Electricity		681,812	1,035,944
Donations		-	35,937
Staff Uniforms		-	-
Motor vehicle Inspection		89,200	24,700
Car Tracking		-	-
Licence fees		1,759,000	-
World water Day		-	-
Total		338,924,347	294,241,213

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020-2021	2019-2020
	Kshs	Kshs
6(a) STAFF COSTS		
Salaries & Allowances to Permanent Staff	150,175,697	137,808,759
Wages of Contract Employees	459,000	533,590
Company National Social Security Fund	533,800	538,200
Pension	13,804,190	11,583,580
Staff Welfare	284,543	1,203,813
Staff Medical	7,886,631	5,128,111
Gratuity	5,297,280	4,094,080
Staff Incentives	1,140,000	1,800,000
WIBA	2,100,417	1,698,964
Staff Licence renewal	-	2,950
WASCA	73,200	682,356
Osha	1,212,800	2,013,000
Subsistence Allowances	926,266	759,676
Subscriptions	964,995	535,145
Total	184,858,818	168,382,223

The average number of employees at the end of the year was:	2020-2021	2019- 2020
Permanent employees – Management	7	7
Permanent employees – Unionisable	181	182
Temporary and contract employees	36	36
Total	224	225

6(b) BOARD OF DIRECTORS EXPENSES

	2020-2021	2019-2020
	Kshs	Kshs
Workshop & Seminars	1,779,500	245,000
Travel & Accommodation	445,100	866,600
Committee Allowances	3,519,000	2,944,000
Annual General Meeting	-	1,4741,00
Chairman Honorarium	720,000	840,000
BOD Events	163,750	207,000
Bod stakeholders forum	-	311,500
BOD Self evaluation	1,527,655	
BOD Medical	609,348	789,148
Entertainment	37,100	5,000
BOD Other	130,000	41,650
Total	8,931,453	7,723,998

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENT (Continued)

6(c) TRAVELLING & ACCOMONDATION

	2020-2021	2019-2020
	Kshs	Kshs
Transport	409,400	2,417,949
Travel and Accommodation	9,452,900	13,720,009
Hire of Transport	495,300	233,741
Milleage	15,000	171,450
Total	10,372,600	16,543,149

6(d) HOSPITALITY SUPPLIES & SERVICES

	2020-2021	2019-2020
	Kshs	Kshs
Conference & Meetings	2,029,527	1,873,441
Entertainment	-	-
Total	2,029,527	1,873,441

6(e) ADVERTISING, PRINTING & STATIONARY

	2020-2021	2019-2020
	Kshs	Kshs
comp accessories	1,903,980	2,116,045
Printing and stationary general	1,384,634	873,753
Publicity Expenses	2,013,543	5,085,617
Public, adverts & announcements	875,333	824,913
Total	6,177,490	8,900,328

6(f) OFFICE, GENERAL SUPPLIES AND SERVICES

	2020-2021	2019-2020
	Kshs	Kshs
Office expenses	1,649,227	2,004,405
Office Cleaning	172,731	93,731
Newspapers and periodicals	1200	-
Security Services	11,099,956	8,895,759
IT consumables &subscriptions	668,252	528,645
Total	13,591,366	11,522,541

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6g) FINES & PENALTIES	2020-2021	2019-2020
	Kshs	Kshs
Laptrust penalty	-	-
Taxes for prior years	-	-
Road offences	-	-
	-	-

6 h) OTHER OPERATING EXPENSES

	2020-2021	2019-2020
	Kshs	Kshs
Disconnection expenses	-	100,000
Disconnection Fittings	-	-
O&M Field allowance	-	4,624,310
Pipeline Rehabilitation	37,612,864	-
Fuel & Lubricants	11,300,000	9,920,000
Meter servicing consumables	184,450	79,200
Total	49,097,314	14,723,510

6 i) REPAIRS & MAINTENANCE

	2020-2021	2019 - 2020
	Kshs	Kshs
Buildings	567,260	929,913
Computers	63,990	234,620
Furniture & Equipment	-	26,980
Motor Cycles	1,028,726	953,722
Motor Vehicles	2,619,209	3,340,794
Generator	35,148	28,900
Pumps	1,763,200	2,542,200
Water infrastructure	16,851,294	21,616,685
Electricity repairs	104,750	244,810
Total	23,033,577	29,918,623

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 j) COMMUNICATION SERVICES

	2020-2021	2019-2020
	Kshs	Kshs
Telephone and Internet services	3,516,259	3,515,709
Bill postage	-	210,259
Tokens (sms)	653,250	1,544,896
Total	4,169,509	5,270,863

7.0 FINANCE COSTS

	2020-2021	2019-2020
	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Total	-	-

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.0 INCOME TAX EXPENSE

a) TAXABLE PROFIT/ LOSS FOR THE YEAR ENDED 30 JUNE 2021

	2020-2021	2019-2020
	Kshs	Kshs.
Profit /Loss for the year	(73,329,407)	(2,250,424)
Add back depreciation/amortization	42,166,223	34,665,171
Add back provision for doubtful debts	92,776	1,352,938
Add back provision for Audit fees	672,800	672,800
Add back donations	-	35,937
	(30,397,608)	34,476,422
Less allowable expenses		
Wear and tear allowances	53,975,510	40,932,305
Loan Interest		
Total Allowable items	53,975,510	40,932,305
Amount chargeable to tax	(73,329,407)	(2,250,424)
Taxable Profit / Loss B/F	(357,890,568)	(355,640,144)
	(431,219,975)	(362,096,027)

b) TAXATION (PRIOR YEARS ASSESSMENT)

	2020-2021
Tax liability from previous year	18,300,794
Less payment	-
Outstanding Tax payable	18,300,794

During the Year 2020/21 the company had an outstanding tax payable of Kshs 18,300,794.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.0 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.

10.0 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 2021, no dividend in respect of the year, ended June 30, 2021 as the company reported losses .

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.0 PROPERTY, PLANT AND EQUIPMENT

DETAILS	Land	Buildings	Motor Vehicles	Computers & Accessories	Furniture and Fitting	Plant and Equipment	Water Infrastructure meters	Water Infrastructure Pipeline	Total
Bal as at 1 st July 2019	3,445,000	28,344,099	7,411,534	4,974,961	4,823,135	2,913,906	22,762,379	84,197,127	158,872,141
Additional Assets 2020		2,151,646	27,851,105	3,685,561			57,765,000	26,849,092	118,302,404
Fixed Assets as at 30 th June 2020	3,445,000	30,495,745	35,262,639	8,660,522	4,823,135	2,913,906	80,527,379	111,046,219	277,174,545
Depreciation charge 2020		762,394	8,815,660	2,598,157	602,892	364,238	16,105,476	4,441,849	33,690,665
NBV AS AT 30 TH June 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	243,483,880
WIP (Building)		4,495,730							4,495,730
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	243,483,880
Additional Assets 2021			33,720,000	4,215,884		2,337,220	11,550,000	48,027,950	99,851,054
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	343,334,934
Depreciation charge 2021		743,334	15,041,745	3,083,475	527,530	610,861	15,194,381	6,185,293	41,386,618
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	301,948,316
WIP (Building)									4,495,730
WIP (Ablution blocks)									15,132,046
WIP(mtwapa & kilifi pipeline)									182,494,322
									504,070,414

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Cost or valuation Ksh.	Annual depreciation charge Ksh.	NBV Ksh.
Land	3,445,000	-	3,445,000
Buildings	29,733,351	743,334	28,990,017
Plant and machinery	4,886,888	610,861	4,276,027
Motor vehicles, including motor cycles	60,166,979	15,041,745	45,125,234
Computers and related equipment	10,278,249	3,083,475	7,194,775
Furnitur & Fittings	4,220,243	527,530	3,692,713
Cold water meters	75,971,903	15,194,381	60,777,523
water infrastructure pipeline	154,632,320	6,185,293	148,447,027
	343,334,934	41,386,618	301,948,316

11.0 (a) WIP is the building under construction in Mariakani, an office block to reduce rent cost.

12.0 INTANGIBLE ASSETS COST

	2020-2021 Kshs	2019-2020 Kshs
At 1 July 2020	8,397,550	6,595,260
Additions	-	1,802,290
At June 30 2021	8,397,550	8,397,550
At 1 July 2020	4,500,723	3,526,216
Charge for the year	779,605	974,507
Impairment loss		
At June 30 2021	5,280,328	4,500,723
At June 30 2021	3,118,421	3,898,027

	Cost or valuation Ksh.	Annual depreciation charge Ksh.	NBV Ksh.
software	3,898,027	779,605	3,118,421
	3,898,027	779,605	3,118,421

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13.0 INVENTORIES		
	2020-2021	2019-2020
Engineering stores	17,234,924	4,945,615
Motor vehicle spare parts	268,939	157,872
Chlorine	-	364,500
Building materials	15,000	20,000
Water meters	24,843,071	8,988,664
Computer accessories	1,174,757	1,256,147
Stationery and general stores	652,600	516,718
Total	44,189,291	16,249,516

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

14.0 TRADE AND OTHER RECEIVABLES

	2020-2021	2019-2020
	Kshs	Kshs
Trade receivables	376,720,540	303,176,773
Deposits and prepayments	210,990	210,990
Insurance prepayments	550,909	
VAT recoverable	-	-
Staff receivables	470,439	475,063
Other receivables	15,237,455	15,237,455
Net trade and other receivables	393,190,333	319,100,281

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. Ksh 550,909 is insurance prepayments.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14.0 (a) TRADE RECEIVABLES

	2020-2021	2019-2020
	Kshs	Kshs
Gross trade receivables	376,813,316	304,529,711
Provision for doubtful receivables	(92,776)	(1,352,938)
Total	376,720,540	303,176,773

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

	2020-2021	2019-2020
	Kshs	Kshs
Less than 30 days	47,769,398	48,259,659
Between 30 and 60 days	5,960,267	15,127,348
Between 61 and 90 days	17,124,628	8,614,961
Between 91 and 120 days	4,948,183	18,469,504
Over 120 days	301,010,840	214,058,238
Total	376,813,316	304,529,711

The provision on debtors of Kshs 92,776 is a general provision at 2.0% based on the company financial and accounting manual.

14.0 (b) STAFF RECEIVABLES

	2020-2021	2019-2020
	Kshs	Kshs
Gross staff loans and advances	470,439	475,063
Provision for impairment loss		-
Total	470,439	475,063

14.0 (c) prepayments

	2020-2021	2019-2020
	Kshs	Kshs
Rent	210,990	210,990
Insurance	550,909	-
Total	761,899	210,990

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15.0 BANK AND CASH BALANCES

	2020-2021	2019-2020
	Kshs	Kshs
Cash at bank	72,423,049	38,170,766
Cash in hand	9,150	-
Total	72,432,199	38,170,766

		2020-2021	2019-2020
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1101877731	31,921	839,691
Kenya Commercial bank	1102227366	81,232	877,973
Kenya Commercial bank	1102227595	560,724	(1,711,891)
Kenya Commercial bank	1101877553	4,870,391	4,442,622
Kenya Commercial bank	1102225444	3,792,918	2,890,816
Co-operative Bank	1136465628000	43,428	47,748
Post Bank	744130000183	161,048	5,582,986
WSTF Bamba midoina/covid	1262035279	28,138,112	16,028,703
WSTF Bamba community	1270638718	141,647	336,022
WSTF PSAN BAMBA	1270638343	44,734	3,826,673
UBSUP WSTF	1266702717	401,997	2,636,275
WSDP	1239146469	31,623,666	1,018,932
Sub- total		69,891,817	36,816,550
Cash in Hand		9,150	-
M-PESA	522100	1,000	62,637
M-PESA	841961	-	-
M-PESA	825995	-	-
Postal Corporation		2,530,232	1,291,580
Sub- total		2,540,382	1,354,217
Grand total		72,432,199	38,170,766

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

16.0 ORDINARY SHARE CAPITAL

	2020-2021	2019-2020
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

17.0 REVALUATION RESERVE

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

18.0 FAIR VALUE ADJUSTMENT RESERVE

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

19.0 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.

	2020-2021	2019-20120
Retained Earnings	Kshs	Kshs
As at 1 July 2020	(354,129,060)	(351,878,636)
Net profit for the year	(73,329,407)	(2,250,424)
Total as at June 30 2021	(427,458,467)	(354,129,060)

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
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20.0 BORROWINGS

	2020-2021	2019-2020
	Kshs	Kshs
Balance at beginning of the year	-	-
borrowings during the year	92,987,338	-
Repayments of borrowings during the year	-	-
Balance at end of the year	92,987,338	-
Less: Amounts due within one year (current portion)	-	-
Amounts due after one year (non-current portion)	-	-

This loan facility awarded to the company by K-REP Bank at an interest rate of 21% per annum on reducing balance was fully settled by financial year 2017-2018.

21.0 DEFFERED TAX LIABILITY

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

	2020-2021	2019-2020
	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)

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

22.0 TRADE AND OTHER PAYABLES

	2020-2021	2019-2020
	Kshs	Kshs
Trade Creditors	117,090,873	74,462,794
Other Liabilities	18,986,835	13,116,274
Long Term Customer Deposit	73,629,492	56,178,671
Water Service Regulatory Services Levy	47,091,409	30,028,468
Tax Liability (Prior years Assessment)	18,300,794	18,300,794
Audit Fees	3,289,200	3,289,200
Lease fees(licensee fees)	19,568,709	19,568,703
Bulk water liabilities	92,031,860	114,231,760
Total	389,989,172	329,176,664

23.0 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 ksh. 324,653,127 being ksh. 19,568,709 classified as current and ksh. 305,084,418 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.

24.0 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 2021 is Kshs 521,935,568 being Kshs 92,031,860 classified as current and Kshs 429,903,708 classified as non-current.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25.0 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.

	2020-2021	2019-2020
	Kshs	Kshs
Laptrust	33,064,168	16,720,830
Total	33,064,168	16,720,830

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.

26.0 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 Ksh. 1,261,720,733

Less total Assets Ksh. 1,017,000,659

Less Capital and Reserve Ksh. 377,264,447

CWWDA Liability Ksh. (132,544,373)

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27.0 CAPITAL RESERVES FUND

	2020-2021	2019-2020
	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

28.0 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.

29.0 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
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

30.0 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2020-2021	2019-2020
	Kshs	Kshs
Operating profit/(loss)	(73,329,407)	(2,250,424)
Depreciation/amortization	42,166,223	33,690,665
Provision for bad debts	92,776	1,352,938
Provision (CWWDA liability)		
Provision for audit fees	672,800	672,800
WSTF GRANT	-	534,597
Operating profit/(loss) before working capital changes	(30,397,608)	34,000,576
Stock of consumables	(27,939,776)	3,478,903
(Increase)/decrease in trade and other receivables	(74,090,052)	(91,378,291)
Increase/(decrease) in trade and other payables	60,812,508	13,573,492
Increase/(decrease)in CWWDA liability	(18,144,887)	12,925,673
Increase/(decrease) in retirement benefit obligations	16,343,338	13,486,465
Increase/(decrease)in Borrowings	92,987,338	-
Increase/(decrease) in Bulk liability	114,231,760	43,173,350
Increase/(decrease) in licensee remuneration	19,568,702	57,366,175
	122,973,716	86,626,343
Operating Activities		
Donations	-	(35,937)
Cash generated from/(used in) operations	122,973,716	86,590,406

31.0 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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

	2020-2021	2019-2020
	Kshs	Kshs
Water Services Trust Fund	55,089,413	10,850,717
County Government	-	13,000,000
Total	55,089,413	23,850,717

c) Key management compensation

	2020-2021	2019-2020
	Kshs	Kshs
Directors' emoluments	8,931,453	6,456,898
Compensation to the CEO	-	-
Compensation to key management	23,560,800	17,076,000
Total	32,492,253	23,532,898

32.0 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.

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

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

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

(ii) Liquidity risk management

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

1. Related Party Balances

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

2. Segment information

The Company does not have segments operating either geographically 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

KILIFI MARIAKANI WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

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;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.


Managing Director

Date: 10/03/2022


Chairman of the Board

Date: 10/3/22



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