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Standing Committee
on Finance, Commerce
and Budget on
14/6/2017.
Dund*

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KWALE WATER AND SEWERAGE
COMPANY LIMITED

FOR THE YEAR ENDED
30 JUNE 2016

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

14 MAR 2017

RECEIVED



KWALE WATER & SEWERAGE Co. LTD

**REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016.**

KWALE WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

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COMPANY INFORMATION

Establishment

Kwale water and sewerage company Limited is a company registered under the company act Cap 486 of the laws of Kenya. It is domiciled in Kenya.

Currently under the devolved system of government, the company is controlled by the County Government pursuant to Public Finance Management Act (2012).

Company Vision

To be a leading water company that provides quality and sufficient water and sewerage services in a reliable and sustainable manner to the residents of Kwale, Kinango and Msambweni districts.

Company Mission

To be the most efficient company in the provision of clean, safe, sufficient and affordable water and sewerage services to the residents of Kwale, Kinango and Msambweni districts

COMPANY SECRETARY

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Sida Camp
Kwale Area
P.o. Box 18 – 80403
KWALE

BANKERS

Kenya Commercial Bank
Ukunda Branch
P.O. Box 150-80400
Ukunda

Equity Bank
Ukunda Branch
P.O. Box 1476-80400
Ukunda

INDEPENDENT AUDITORS




AUDITOR GENERAL

Kenya National Audit Office
Anniversary Towers
P.O. Box 30084
NAIROBI.



LEGAL ADVISORS

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





DIRECTORS

	NAME	PHOTO	DESCRIPTION
1	FRANCIS NZAI MJERA		Chairman of Board of Directors P.O. Box 4 -80403 KWALE. Diploma-School Management at Kenyatta University (ongoing) Date of Birth: 15/2/1966
2	GUNDA CHEMBEA		Managing Director. KWAWASCO P.O. Box 18 - 80403 KWALE Phd Ongoing. Master in civil Engineering. Date of Birth: 25/12/1976
3	NTEMBE MAKOTI		Chairperson of Human Resource and Finance Committee. P.O. Box 562 – 80400 UKUNDA Holds a masters of education and currently pursuing Doctor of Philosophy (PhD) at Kenyatta University Date of Birth: 16/6/1955
4	DR. ATHUMAN CHIGUZO/ HEMED MWABUDZO		Member of Technical Committee P.O. Box 4 - 80403 MOMBASA
5	BAKARI SEBE		Member of the Human Resource and Finance committee. P.O. Box 4 -80403 KWALE Currently a PhD student of Business Administration at JKUAT Date of Birth: 17/10/1973
6	BAKARI GOWA		Chairman of Audit Committee. P.O. Box 4 -80403 MOMBASA Professional accountant (CPA-K) CPS-K Holds Master Degree In Strategic Management.

KWALE WATER AND SEWERAGE COMPANY LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

7	LUCIANA PARAZZI BASILE		Member of Audit Committee. South Coast Residents Association (Hotels) P.O. Box UKUNDA
8	MBITO MONGO		Chairman of the Technical Committee. P.O. Box 96 Pemba Primary School MARIAKANI Vast experience in Administration Date of Birth: 12/7/1949
9	FARIDA JADI		Member of the Human Resource and Finance Committee. P.O. Box 699 - 80400 UKUNDA Holds a Degree in Law Date of Birth: 20/8/1985

MANAGEMENT TEAM

	NAME	DESCRIPTION
1	<p>GUNDA.CHEMBEA</p> 	<p>Managing Director. PHD On going Master in Civil & Construction Engineering.</p>
2	<p>MWANASHA MBWIZA</p>	<p>Commercial Manager Bachelor of Arts (Sociology and Public Administration) July- Oct2015</p>
3	<p>WILLIAM JEFWA</p> 	<p>Finance Manager Bachelor of Business Administration - Accounting . CPA (K), Member of ICPAK</p>
4	<p>PHILIP NYAKUNDI</p>	<p>Human Resource Officer Higher Diploma in Human Resource Management –July –Oct2015</p>
5	<p>HUSSEIN MWAVADU</p> 	<p>ICT Officer Degree in Information and Technology (Diploma in IMIS) Masters Degree ongoing</p>
6	<p>SWALEH KIDZUGA</p> 	<p>Technical Manager Diploma In Civil Engineering and Building and Construction</p>

CHAIRMAN'S STATEMENT

Technical Activities

Intensification by the technical department in responding rapidly on issues impacting negatively on the general output of the Company were the key contributors to the revamped company outlook. Critical result oriented formations established and currently working include the rapid response team, the one stop meter servicing and testing unit, field inspection unit, meter utility unit and water quality assurance unit all under the technical department.

Through the rapid response team major bursts and serious leakages resulting from vandalism cases have been fixed promptly thereby reducing by a greater margin water and revenue loss. Major water production repairs were also handled by this department.

Over the year, the Company undertook major system improvement such as pipeline re-alignment along the main delivery line from Madabara2. A direct connection to our customers was provided to ensure prompt response on water shortages to all corners of Kwale Township. This alternative allows for any maintenance work be undertaken at Godoni tank without interrupting water flow to our consumers.

The revival into operation of Msambweni police borehole that had sunk and needed fishing was a great plus to the Company. Since its revival over 90% of the populace of Msambweni residents are adequately served with water thereby increasing the overall revenue accrued from that Msambweni station.

Other major developments that were undertaken by key stakeholders but geared towards improvement of service delivery by the Company include:-

1. Construction of water storage reservoir capacity 500m³, 4No standard water kiosks and 2km of 2" diameter UPVC distribution lines at Ukunda through the support of WSTF.
2. System improvement and laying of 4" diameter UPVC line from Kaya Bombo to Matuga Research Centre by the support of the County Government of Kwale.
3. Augmentation of the new Kibaoni – Kinango rising main, installation of a ground steel tank at Kiziamonzo, installation of an elevated steel tank at Kinango Baraza park grounds and laying distribution network within Kinango town and its environs through collaboration of the County Government of Kwale and Coast Water Services Board will contribute immensely in ensuring water flow to Kinango is nonstop.

These developments and systems being put in place by the Company are aimed at revamping its service provision to its clients, boost revenue collections hence self-sustaining.

Commercial Activities

- Customers

We increased our customer base to 13,073 from 11,582 . The subtle increase of water volumes after WASSIP 1 projects and our take water services to the people approach saw customer numbers soar.

We expect more customers with upcoming development project of the county government at Magodzoni Tiwi and Makondenani area of Matuga and after the completion of the Mwache Dam.

-Billings and Collections

Billings are prompt. We have recorded tremendous improvements on our billing and collection efficiencies.

Effects of tourism on KWAASCO revenues

The tourism slump at the South Coast hit KWAASCO so hard and directly.

Our water tariff is pro-poor and the hotels used to cushion the low sales from the domestic consumers. With low bed occupancies and closures sales in our commercial hub area of Diani went down and affected the entire financial projections and actual cash flows of the company.

-Tariff

KWAASCO has been operating on a new water tariff from 25 March 2014.

Strategic plan 2013 -017

KWAASCO is in the process of implementing its second strategic plan. The SP in place needs be in tandem with county government development plans now that water is devolved to the county

CHIEF EXECUTIVE OFFICER'S REPORT

Kwale Water and Sewerage Company Limited, KWAASCO was incorporated on the 26th September 2005. The company's mandate is to efficiently and effectively provide quality, reliable and adequate water services to the residents of Kwale County in accordance with a versatile service provision agreement (SPA) with Coast Water Services board.

The Company has got 8 board members representing the County Government of Kwale, women representative, business community, hotel industry, professional's representative and farming community.

The population within KWAASCO's service area is about 700,000 people based on the last census by the national government, while the company's estimated population served is about 52%. Kwale water and Sewerage Company receives bulky water from Coast Water Services board from its various sources namely Marere Springs, Mzima Springs and the Tiwi Boreholes.

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

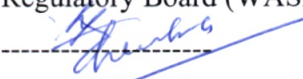
KWAASCO is headed by a Managing Director and has five (5) departments namely Operations and Maintenance, Commercial and Business Development, Finance and Administration, Human Resource and Quality Assurance.

The need to take services closer to the people and improve on the company performance and service delivery, the company has the following area offices across the county which are manned by able and hard working Area Managers. These are;

Station	Area Office	Location	Area Manager	Tel. Contact
1	Lunga Lunga/Vanga	Lunga Lunga town	Hassan Mwachuo	0715692176
2	Tiwi	Tiwi	Chirima Malenga	0722838873
3	Msambweni	Msambweni	John Lugho	0722279743
4	Ukunda	Ukunda	Mtama Hamisi	0725427267
5	Kombani	Kombani	Mwanasiti Mtama	0728217434
6	Mazeras	Mazeras	Grace Mule	0718784877
7	Mariakani	Mariakani	Julius Mzungu	
8	Samburu/Taru	Samburu	Mwanasti Kassim	
9	Kwale	Kwale	Zubeda Shauri	0711489281
10	Kinango	Kinango	Mwabengome	0723176457

It is worth noting that Tiwi and Kombani are two in one areas of operations.

The Company is currently operating on a new tariff approved by the Water Services Regulatory Board (WASREB), through the Coast Water Services Board (CWSB).



Athman Gunda Chembea
Managing Director

CORPORATE GOVERNANCE STATEMENT

The previous board mandates ended in November 2013. In line with the new constitution promulgated on 27 August 2010, the county government got involved with water services when functions were devolved from the national government to county governments. A new board came into office through Kenya Gazette Notice No. 2509 of 17th April 2014 by the then CEC Member in charge of water services Dr. Athman Chiguzo and immediately the board took office.

The board constituted three committees namely Audit Committee chaired by Director Bakari Gowa, Finance and Human Resource Committee chaired by Director Ntembe Makoti and Technical Committee chaired by none other than Director Mbito Mongo. The board committees articulate the board's views and take its right place in governance of the company.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In the spirit of giving back to the society the company took water free of charge to Masjid Markaz Diani during their annual festivals.

Water boozers were sent to the far flung and remote secondary schools in Nyango, Mbita in Kinango district and also areas in Samburu.

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The principal activity of the company is sale of water to the residents of kwale County, Kenya.

FINANCIAL RESULTS

Profit for the year **Kshs. 2,576,149**

DIRECTORS

The members of the Board of Directors who served during the year are shown on page 3 and 4 in accordance with Regulation of Public Sector Accounting Standards Board (PSASB).

AUDITORS

The Auditor General is responsible for the statutory audit of the KWAWASCO in accordance with the Section ... of the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

BY ORDER OF THE BOARD

Chairman of the Board

Francis Nzai Mjera



..... 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual 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 and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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



Chairman of the Board

.....2016



Managing Director

15/1/2017
.....2016

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KWALE WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2016

REPORT ON THE FINANCIAL STATEMENT

I have audited the accompanying financial statements of Kwale Water and Sewerage Company Limited set out on pages 12 to 29, which comprise the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 believe were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditor-General's responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report 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. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial

Report of the Auditor-General on the Financial Statements of Kwale Water and Sewerage Company Limited for the year ended 30 June 2016

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for Adverse Opinion

1.0 Presentation of Financial Statements

The financial statements availed for audit reflected the following anomalies;

Note 7 to the financial statements on administration expenses includes bank charges and commissions amounting to Kshs.1,229,798. However, the International Financial Reporting Standards No. 1 on presentation of financial statements requires finance costs to be presented separately. Further, Note 13 to the financial statements reflects a revenue reserve surplus of Kshs.47,487,451 (2014/15 Kshs.50,063,600) whereas the actual revenue reserve is a deficit of Kshs. (47,487,451) 2014/15: Kshs.(50,063,000).

In the circumstances, the financial statements do not comply with the requirements of the International Financial Reporting Standards No. 1 on presentation.

2.0 Inaccuracies in the Financial Statements

The financial statements availed for audit reflected the following inaccuracies;

2.1. The Cash flow statement includes an amount of Kshs.10,294,916 as cash outflow for purchase of property plant and equipment out of which Kshs.3,960,000 was not an actual cash flow as indicated in note 9 to the financial statements on additions to motor vehicles.

2.2. Note 3 to the financial statements for the year ended 30 June 2016 reflects revenue of Kshs.124,544,115. However, there casted figure is Kshs.124,547,115 resulting in unexplained nor reconciled variance of Kshs.3,000.

2.3. Note 4 to the financial statements reflect an amount of Kshs.35,505,550 as cost of bulky electricity for the year 2014/2015. However, the audited financial statements for the year 2014/2015 indicate Kshs.35,501,550 resulting in unexplained and unreconciled variance of Kshs.4,000.

2.4. Note 17 to the financial statements for the year ended 30 June 2016 reflects an amount of Kshs.41,313,663 as other payables. However, the casted figure in the supporting schedule availed for audit review amounted to Kshs.38,312,763 resulting to unexplained or reconciled variance of Kshs.3,000,900.

As a result, the accuracy and completeness of the financial statements for the year ended 30 June 2016 could not be confirmed.

3.0 Financial Performance

The Company recorded a profit of Kshs.2,576,149 for the year ended 30 June 2016 (2014/2015 loss of Kshs.10,034,934) thus reducing the accumulated deficit from Kshs.50,063,600 to Kshs.47,487,451 as at 30 June 2016. In addition, the total current liabilities of Kshs.168,030,460 exceeded the total current assets of Kshs.154,478,227 resulting to a negative working capital of Kshs.13,552,233. This is an indication that the Company may not be able to settle its obligations when they fall due. Therefore, the Company's going concern is threatened and its continued existence depends on continued financial support by its creditors and bankers.

4.0 Non-Current Assets

4.1 Property, Plant and Equipment

The statement of financial position as at 30 June 2016 reflects property, plant and equipment balance of Kshs.17,127,180. Included in the balance of Kshs.17,127,180 is Kshs.10,294,916 being cost of assets acquired during the year. However the asset register availed for audit had neither values nor dates when the assets were acquired or donated by Coast Water Service Board. Further, scrutiny of the General Ledger maintained by the Company revealed that it acquired intangible assets in form of software for billing system during the year at a cost of Kshs.550,000. However, the balance was not reflected in these financial statements as at 30 June 2016

4.2 Purchase of Motor Vehicle

Included in the property, plant and equipment balance of Kshs.17,127,180 as at 30 June 2016 is an addition of Kshs 4,950,000 relating to a motor vehicle (Ford Ranger XLT) acquired at a cost of 3,960,000 by the Company through asset financing from a bank and the balance of Kshs.990,000 paid by the Company. A motor company was awarded the tender to supply the vehicle which was delivered on 31 January 2016. However, the asset financing arrangement with the bank did not materialize resulting in repossession of the vehicle by the supplier for non-payment of Kshs.3,950,000 although the Company had paid down payment of Kshs.990,000.

4.3 Water Meters

Records availed for audit revealed that the Company received Water Meters worth Kshs.1,455,000 from the County Government of Kwale. However, it is not clear and the

management has not explained how the water meters were accounted for in these financial statements.

Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.17,127,180 as at 30 June 2016 could not be confirmed.

5.0 Trade and Other Receivables

The statement of financial position reflects a balance of Kshs.140,754,109 in respect of trade and other receivables as at 30 June 2016. Included in the balance is Kshs.259,415 and Kshs.518,989 being staff imprest and debtors respectively. These amounts have been outstanding for a very long time and there was no evidence that the management has made effort to recover the same.

Consequently, it has not been possible to confirm the recoverability of trade and other receivable balance of Kshs.778,404 and that trade and other receivable balance of Kshs.140,754,109 as at 30 June 2016 is fairly stated.

6.0 Cash and Bank Balance

6.1 Bank Overdraft

The statement of financial position as at 30 June 2016 reflects a balance of Kshs.13,724,118 in respect of cash and bank balances. Records availed for audit review indicated that the Company had overdrawn its expenditure account to the tune of Kshs.107,000. However, the overdrawn amount has been set off against cash and bank balance of Kshs.13,831,118 contrary to the requirement of International Financial Reporting Standards No. 1 on presentation which requires that assets should not be set off against liabilities but be disclosed separately in the financial statements.

6.2 Unbanked Water Sales

The statement of comprehensive income reflects an amount of Kshs.124,544,115 in respect of revenue (water sales) out of which Kshs.80,662,857.10 was received in cash as per the records availed for audit verification. However, only Kshs.78,939,013.00 was banked in the Company's collection account resulting in unbanked cash of Kshs.1,723,844.10.

Consequently, the accuracy and completeness of cash sales of Kshs.80,662,857 for the year ended 30 June 2016 could not be confirmed.

7.0 Non-Current Liabilities

7.1 Service Gratuity

The statement of financial position as at 30 June 2016 reflects an amount of Kshs.12,342,534 in respect of non-current liabilities out of which, Kshs.3,505,133 relates

to service gratuity. However, a list of all staff on contract and the provision done as at 30 June 2016 was not availed for audit.

In the circumstance, it was not possible to confirm that Kshs.427,728 paid as service gratuity was provided for and that the balance of Kshs.3,505,133 is fairly stated as at 30 June 2016.

7.2 Customer Deposits

The statement of financial position reflects a figure of Kshs.8,837,401 in respect of customer deposit. During the year, the Company received Kshs.2,225,976 being customer deposits, however, no deposit register was availed for audit verification. Further, Kshs.1,000,000 was used to pay power bills, contrary to the requirements of service provider's agreement on operation of customer deposit account.

Consequently, it was not possible to ascertain the correctness and completeness of the customer deposits of Kshs.8,837,401 as at 30 June 2016.

8.0 Trade and Other Payables

8.1 Advance from County Government

The statement of financial position as at 30 June 2016 reflects trade and other payables balance of Kshs.168,030,460. Included in this balance is trade creditors of Kshs.114,971,311 out of which Kshs.5,000,000 was an advance from County Government of Kwale. The agreement availed for audit verification indicates that the Company was to settle the debt before the end of the financial year 2014/2015. However, as at 30 June 2016 the company had not settled the advance.

Further, the Kwale Water Company's current account in respect of Coast Water Services Board had a balance of Kshs.71,876,648 as at 30 June 2016. However, records maintained by the Board indicated a balance of Kshs.221,378,555 resulting in unreconciled or explained variance of Kshs.149,501,907.

In addition, the management failed to produce documentary evidence to support accruals and sundry (project funding) balance of Kshs.11,745,486. Consequently, the accuracy and completeness of the trade and other payables balance of Kshs.168,030,460 as at 30 June 2016 could not be confirmed.

8.2 Audit fees

Included in the trade and other payables under Note 17 are trade creditors figure of Kshs.114,971,311 out of which Kshs.2,128,000, is an audit fees owed to the Office of the Auditor-General. Further the company failed to disclose the audit fees balance separately. This is contrary to Section 41 of the Public Audit Act, 2015, which requires that the funds of the Office of the Auditor-General shall consist of audit fees charged at rates prescribed by the Auditor-General. As a result, the Board Breached the law.

9.0 Unremitted Statutory Deductions

As reported in the previous year, the trade and other payables balance of Kshs.168,030,460 as at 30 June 2016 includes other payables of Kshs. 41,313,663 out of which Kshs.32,324,117 is in respect of unremitted Pay As You Earn. Kenya Revenue Authority (KRA) has instituted a recovery process for unpaid taxes and imposed a tax penalty of Kshs.14,805,454 which has been included in these financial statements.

The penalty payable to KRA on account of unremitted Pay As You Earn constitutes a nugatory expenditure to the Company.

10.0 Non-Revenue Water

Records availed for audit revealed that during the year under review, the Company produced 2,655,398 cubic meters of water, out of which only 1,668,040 cubic meters were billed to customers at Kshs.124,544,115. The balance of 987,358 cubic meters or approximately 37% of the total volume represented Unaccounted for Water (UFW). The UFW may have resulted to loss of sales during the year estimated at Kshs.44,431,110.00 charged at the rate of Kshs.45 per cubic meter.

The significant level of UFW may negatively impact the Company's profitability and its long term sustainability. Further there was no evidence that the management has put strategies in place to reverse the trend.

11.0 Administrative Costs

11.1 Directors Emoluments

The statement of profit and loss and other comprehensive income reflects administrative costs of Kshs.41,030,289. The costs includes an amount of Kshs.2,083,150 paid as director's emoluments as reflected in Note 7 to the financial statements out of which Kshs.1,280,000 was paid as sitting allowance. However, the appointment letters availed for audit indicated that each director was to be paid an allowance of Kshs.11,000 per sitting in state of Kshs.20,000 per sitting paid by the company. No explanation was provided for this anomaly.

Under the circumstances, it was not possible to confirm the regularity of Kshs.1,280,000 paid as sitting allowance for the year ended 30 June 2016.

11.2 Insurance

The statements of profit and loss and other comprehensive income reflect an amount of Kshs.41,030,289 in respect of administrative costs out of which Kshs.687,823 relates to insurances costs for the year under review. However, records on insurance contract agreements and valuation reports were not availed for audit verification.

Under the circumstances, the validity of insurance cost of Kshs.687,823 incurred in the year ended 30 June 2016 could not be confirmed.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Kwale Water and Sewerage Company Limited as at 30 June 2016, and of its financial performance and of its cashflows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Kenyan Companies Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit; and,
- (ii) In my opinion, proper books of accounts have been kept by the Company, so far as appears from my examination of those books; and,
- (iii) The Company's statement of financial position is in agreement with the books of account.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

05 April 2017

**STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE
 2016**

	NOTES	2015/2016 Kshs	2014/2015 Kshs
REVENUES	3	124,544,115	107,247,055
DIRECT COSTS	4	<u>(60,829,404)</u>	<u>(65,872,214)</u>
GROSS PROFIT		63,714,711	41,374,841
OTHER INCOME	5	17,468,650	27,629,074
EMPLOYMENT COSTS	6	(36,472,859)	(36,185,674)
ADMINISTRATIVE COSTS	7	(41,030,289)	(42,853,175)
PROFIT/LOSS BEFORE TAX		<u>3,680,213</u>	<u>(10,034,934)</u>
CORPORATE TAX 30%	8	1,104,063	-
PROFIT /LOSS AFTER TAX		<u><u>2,576,149</u></u>	<u><u>(10,034,934)</u></u>

KWALE WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

ASSETS		2015/2016	2014/2015
Non-Current Assets	NOTES	Kshs	Kshs
Property, Plant & Equipment	9	17,127,180	10,903,021
Current Assets			
Trade and Other Receivables	10	140,754,109	112,362,471
Cash and Bank	11	13,724,118	5,114,064
Total Current Assets		<u>154,478,227</u>	<u>117,467,535</u>
TOTAL ASSETS		<u>171,605,407</u>	<u>128,379,556</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share Capital	12	2,000,000	2,000,000
Accumulated Revenue Reserves (Deficit)	13	(47,487,451)	(50,063,600)
Capital Reserve	14	36,719,864	36,719,864
Total Capital and Reserves		<u>(8,767,587)</u>	<u>(11,343,736)</u>
Non Current Liabilities			
Service gratuity	15	3,505,133	3,317,404
Customer Deposits	16	8,837,401	6,611,425
Total Non Current Liabilities		<u>12,342,534</u>	<u>9,928,829</u>
Total Current Liabilities			
Trade and Other Payables	17	168,030,460	129,794,463
TOTAL EQUITY AND LIABILITIES		<u>171,605,407</u>	<u>128,379,556</u>

The financial statements on pages 9 – 28 were approved by the Board on _____ 2016 and signed on its behalf by:



Francis Nzai Mjera
(Chairman)
DATE

13



Gunda Athman Chembea
(Managing Director)
DATE

KWALE WATER AND SEWERAGE COMPANY LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

**STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2016
 STATEMENT OF CHANGES IN EQUITY**

	Capital Reserve Kshs	Accumulated Revenue Reserve (Deficit) Kshs	Share Capital Kshs	Total Kshs
AS AT 01.07.2014	36,719,864	(40,028,666)	2,000,000	(1,308,802)
SURPLUS FOR THE YEAR	-	(10,034,934)	-	(10,034,934)
AS AT 30.06.2015	<u>36,719,864</u>	<u>(50,063,600)</u>	<u>2,000,000</u>	<u>(11,343,736)</u>
AS AT 01.07.2015	36,719,864	(50,063,600)	2,000,000	(11,343,736)
PROFIT FOR THE YEAR	-	2,576,149	-	2,576,149
AS AT 30.06.2016	<u>36,719,864</u>	<u>(47,487,451)</u>	<u>2,000,000</u>	<u>(8,767,587)</u>

STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Capital Reserve Kshs	Accumulated Revenue Reserve (Deficit) Kshs	Share Capital Kshs	Total Kshs
AS AT 01.07.2013	36,719,864	(40,876,688)	2,000,000	(2,156,824)
PROFIT FOR THE YEAR	-	848,022	-	848,022
AS AT 30.06.2014	<u>36,719,864</u>	<u>(40,028,666)</u>	<u>2,000,000</u>	<u>(1,308,802)</u>
AS AT 01.07.2014	36,719,864	(40,028,666)	2,000,000	(1,308,802)
LOSS FOR THE YEAR	-	(10,034,934)	-	(10,034,934)
AS AT 30.06.2015	<u>36,719,864</u>	<u>(50,063,600)</u>	<u>2,000,000</u>	<u>(11,343,736)</u>

KWALE WATER AND SEWERAGE COMPANY LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2015

		2015/2016	2014/2015
		Kshs	Kshs
Profit / (Loss) before Tax		3,680,213	(10,034,934)
<u>Adjustment for items not involving Movement of cash</u>			
Depreciation	9	4,070,757	2,035,116
Cash flow from operations before Working Capital Changes		7,750,969	(7,999,818)
Changes in Working Capital			
Increase in Trade and Other Receivables	10	(28,391,638)	(26,654,648)
Increase in Customer Deposits	16	2,225,976	1,338,100
Increase in Trade and Other Payables	17	38,235,997	40,564,090
<u>Decrease in tax</u>		<u>(1,104,063)</u>	<u>(363,439)</u>
Net Cash Flow from operations after Working Capital Changes		18,717,241	6,884,285
Cash flow from Investing Activities			
Property, Plant and Equipment Acquired	9	(6,334,916)	(3,923,871)
Adjustment – cost of motor van not involving movement of funds	9	(3,960,000)	
Net cash utilized from investing activities		<u>(10,294,916)</u>	<u>(3,923,871)</u>
Cash flow from Financing Activities			
Long term liabilities	15	187,729	837,0000
Net cash utilized from financing activities		187,729	837,000
Increase in Cash and Cash Equivalents		8,610,054	3,797,414
Cash and Cash Equivalents- At start of the year	11	5,114,064	1,316,650
Cash and Cash Equivalents- At end of the year		<u>13,724,118</u>	<u>5,114,064</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

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

Adoption of new and revised International Financial Reporting Standards and Interpretations

(a) New standards and amendments to published standards effective for the year ended 31 December 2013

Amendments to IFRS 7 Disclosures The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral - posting requirements) for financial instruments under an enforceable offsetting master netting agreement or similar arrangement.

Financial Assets and Financial Liabilities The application of the amendments had no effect on the company's financial statements as the company did not have any offsetting arrangements in place.

IFRS 13 Fair Value Measurement The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

ACCOUNTING POLICIES (Continued)

Adoption of new and revised International Financial Reporting Standards and Interpretations (Continued)

(a) New standards and amendments to published standards effective for the year ended 30 June 2014 (Continued)

IFRS 13 Fair

Value

**Measurement
(Continued)**

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the 2012 comparative period

The company does not have any financial and non financial instruments carried at fair value, thus the application of IFRS 13 did not have any material impact on the amounts recognised in the financial statements

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income to The Company has applied the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The new terminologies have been adopted in these financial statements. The application of the other amendments to IAS 1 did not have any impact on profit or loss, other comprehensive income and total comprehensive income.

KWALE WATER AND SEWERAGE COMPANY LIMITED
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Amendments to The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

This amendment did not have any impact on the company's financial statements as the company did not restate its prior period financial statements.

Adoption of new and revised International Financial Reporting Standards and Interpretations (Continued)

(b) New standards and amendments to published standards and interpretations in issue but not yet effective in the year ended 30 June 2014

	Effective for annual periods beginning on or after
<i>New standards and amendments to standards</i>	
IFRS 9	1 January 2018
Amendments to IAS 32	1 January 2014

(c) Impact of relevant new and amended standards and interpretations in issue but not yet effective on the financial statements for future annual periods.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to

present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The application of this standard is likely to have an impact on amounts reported in these financial statements. However it is not practicable to provide a reasonable estimate on the effects of IFRS 9 until a detailed review has been completed.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The Directors of the company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the company's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset

(d) Early adoption of standards

The company did not early-adopt any new or amended standards in 2015.

Basis of preparation

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) under the historical cost convention.

Revenue recognition

Revenue represents the invoiced value of water services rendered net of Value Added Tax (VAT), service charge and catering levy and discounts where applicable and is recognised upon the performance of services. Expenses are recognized when incurred.

Retirement benefit costs

The company contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Fund Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently at Kshs 200 per employee per month. The company's contributions to all staff retirement benefits schemes are charged to the profit or loss in the year to which they relate.

Service gratuity provision

Staffs are paid gratuity on the expiry of their employment contracts as stipulated in their appointment letters. The applicable rate is 31% and the cost charged to the statement of comprehensive income in the year to which they relate.

Taxation

Current taxation is provided on the basis of the results for the year as shown in the financial statements adjusted in accordance with tax legislation.

Taxation (Continued)

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be generated against which the temporary differences can be utilised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation on other items of property, plant and equipment is calculated on the straight line basis to write off the cost of the assets over their estimated useful lives at the following annual rates: -

Computers	30%
Motor cycles	12.5%
Furniture and fittings	12.5%
Machinery and Equipment	12.5 %

Impairment

At the end of each reporting period date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Financial instruments

Financial assets and liabilities are recognised on the company's statement of financial position when the company has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps to recover them have failed.

Financial risk management

The board of directors in reducing the risk associated, established an audit committee which reports to the full board on quarterly basis on issues of compliance of the company with statutory bodies and as well as its ability in meeting its financial obligations. The audit committee is assisted in these functions by the County government audit staff who undertake

KWALE WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

regular controls and reviews on the procedures the results which are reported to the Audit committee.

RELATED PARTY DISCLOSURES

(a) County Government of Kwale

The County Government of Kwale is the major shareholder of KWAWASCO, holding 98% of the company equity interest. The County Government has provided grants to offset bulky electricity power bills and also granted 2 motor pumps to our pumping stations at Madabara.

(b) Coast Water Service Board

Coast Water Services board operates as a principle and Kwawasco as an agent as per the Service providers Agreement (SPA). The board sales bulky water to the company in order to sale to consumers. As at the end of the financial year the company had not yet paid the amount which was due to them.

Comparative figures

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

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, 2013.

Contingency liability

There are court cases whose outcome may have impact on the financial statements for the year ended June 30th 2016, such as

- i. Food and Allied Workers Vs KWAWASCO
- ii. Abdalla Vitu Vs KWAWASCO
- iii. Katembo Nyundo Vs KWAWASCO

Provision for staff leave pay

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

Financial instruments

Trade payables

Trade payables are initially stated at their nominal value.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and short term deposits net of outstanding bank overdrafts. Short term deposits are liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other

KWALE WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key areas of judgment in applying the entities accounting policies are dealt with below:

Critical judgements in applying accounting policies

There are no critical judgments, apart from those involving estimations (see b below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

(a) Key sources of estimation uncertainty

Impairment losses

At the end of each reporting period date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment.

KWALE WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

NOTES TO THE FINANCIAL STATEMENTS

	2015/ 2016	2014/2015
3. REVENUE	Ksh	Ksh
Minor Water sales	94,289,334	73,296,188
Major Water sales	<u>30,257,781</u>	<u>33,950,867</u>
	<u>124,544,115</u>	<u>107,247,055</u>

There was increase in revenue due to raise in volumes of water as a result of the completion of Vambeko line extra connections.

4 DIRECT COSTS:

Cost of bulky water	13,008,396	19,645,959
Cost of bulky electricity	44,584,009	35,505,550
CWSB/WASREB	<u>3,237,000</u>	<u>10,724,705</u>
	<u>60,829,404</u>	<u>65,872,214</u>

The company buys bulky water from Coast Water Services Board at Ksh 20 per cubic meter, production and pumping of water is by use of large power supply in all the pumping stations, Kshs. 11,208,970.35 and Ksh. 1,245,441.15 being CWSB administrative fee and WASREB levy respectively were charged in the financial year.

5 OTHER INCOME

Connection and reconnection	2,000,600	1,292,050
Meter Rent	3,015,050	3,920,636
Sale of Tender	73,000	93,000
Grant –In – Aid	12,380,000	22,323,388
	<u>17,468,650</u>	<u>27,629,074</u>

Connections were high due to increase in water volumes experienced during this financial period and also the raise in client confidence in the company. Grants – the County Government of Kwale paid for the company electricity bills for its various pumping stations, this meant steady supply of power.

6 EMPLOYMENT COSTS

Salaries and wages for permanent employee	34,391,339	32,789,191
Casual Wages	713,662	2,318,483
NSSF contributions	250,000	241,000
Staff provision	945,002	837,000
Top ups	172,856	-
	<u>36,472,859</u>	<u>36,185,674</u>

KWALE WATER AND SEWERAGE COMPANY LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

	2015/2016 Kshs	2014/2015 Kshs
7. ADMINISTRATION EXPENSES		
Directors' emoluments	2,083,150	3,065,100
Electricity for offices	93,363	98,450
Communication services and supplies	1,427,861	1,087,649
Transportation, travelling, subsistence	8,076,808	5,122,757
Advertising, Printing, Stationary and photocopying	1,240,904	973,178
Rent Expenses	102,000	94,000
Staff training and Seminars expenses	1,272,070	447,780
Hospitality supplies and services	624,060	250,496
Insurance costs	687,823	536,403
Bank charges and commissions	1,229,798	772,484
Office and general supplies and services	229,382	532,261
Fines and penalty- KRA	113,600	14,805,454
Auditors' remuneration	232,000	232,000
Legal fees	582,250	1,050,000
Consultancy fees	426,280	366,000
Repair and Maintenance	702,260	2,202,073
Operating expenses	16,962,650	7,540,973
Depreciation charge	4,070,757	2,035,116
Subscription	206,000	
Provision for doubtful debts	667,274	1,641,000
	41,030,287	42,853,175
8. CORPORATE TAX @ 30%		
Profit or loss before tax	3,680,213	(10,034,934)
Tax charged	1,104,063	-

KWALE WATER AND SEWERAGE COMPANY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Motor cycles	Computers	Machinery & Equipment	Furniture and Fittings	Motor vehicle	Total
	KShs	KShs	KShs	KShs	KShs	Kshs
	12.50%	30%	12.50%	12.50%	25%	
Cost						
As at 01.07.2015	1,049,136	212,712	12,374,849	2,346,444	-	15,983,141
Additions	-	1,572,100	3,772,816	-	4,950,000	10,294,916
As at 30.06.2016	1,049,136	1,784,812	16,147,665	2,346,444	4,950,000	26,278,057
Depreciation						
As at 01.07.2015	393,426	121,413	2,367,050	2,198,231	-	5,080,120
Charge for the year	131,142	535,443	2,018,458	148,213	1,237,500	4,070,756
As at 30.06.2016	524,568	656,857	4,385,508	2,346,444	1,237,500	9,150,877
Net Book Value						
At 30.06.2016	524,568	1,127,955	11,762,157	-	3,712,500	17,127,180
At 30.06.2015	655,710	91,299	10,007,799	148,213	-	10,903,021

PROPERTY, PLANT AND EQUIPMENT 2014/2015

	Motor cycles	Computers	Machinery & Equipment	Furniture and Fittings	Motor Vehicle	Total
		KShs	KShs	KShs	KShs	Kshs
	12.50%	30%	12.50%	12.50%	-	
Cost						
As at 01.07.2014	1,049,136	64,000	8,670,675	2,275,459	-	12,059,270
Additions	-	148,712	3,704,174	70,985	-	3,923,871
As at 30.06.2015	1,049,136	212,712	12,374,849	2,346,444	-	15,983,141
Depreciation						
As at 01.07.2014	262,284	57,600	820,194	1,904,926	-	3,045,004
Charge for the year	131,142	63,813	1,546,856	293,305	-	2,035,116
As at 30.06.2015	393,426	121,413	2,367,050	2,198,231	-	5,080,120
Net Book Value						
At 30.06.2015	655,710	91,299	10,007,799	148,213	-	10,903,021
At 30.06.2014	786,852	6,400	7,850,481	370,533	-	9,014,266

KWALE WATER AND SEWERAGE COMPANY LIMITED
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FULLY DEPRECIATED
Furniture and Fittings @ 12.5%

Full depreciated as at 30th June 2016 but still in use.

Cost	-	2,346,444
Accumulated depreciation	-	2,346,444
Value	-	Nil

Furniture and fittings in use is fully depreciated.

MOTOR VEHICLE

Ford Ranger cost Ksh 3,960,000 bought in the year had not been paid for as at 30 June 2016.

NOTE 10: TRADE AND OTHER RECEIVABLES	2015/2016	2014/2015
	Kshs	Kshs
Trade Receivables	207,678,226	178,679,005
Provision for doubtful debts	(68,043,321)	(67,376,047)
Prepayments	340,800	340,800
Staff Imprest	259,415	454,920
Staff Debtors	518,989	263,793
Total	<u>140,754,109</u>	<u>112,362,471</u>

NOTE: 11 CASH AND BANK

Cash at Bank	1,830,893	4,371,723
Cash at Bank (Projects)	11,745,487	
Cash In Hand	<u>147,738</u>	<u>742,341</u>
	<u>13,724,118</u>	<u>5,114,064</u>

Note

The company received funds from Water Service Trust Funds to undertake water projects in Mwakigwena, Msambweni, Godoni, Taru and Migombani.
 The project cash is held at KCB – Kwale Branch Kshs 11,745,487.

KWALE WATER AND SEWERAGE COMPANY LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2015/2016	2014/2015
	KShs	KShs
12. SHARE CAPITAL		
Authorised and Issued 5,000 Ordinary Shares	5,000,000	5,000,000
2,000 Ordinary Shares at Ksh 1,000 each fully paid	2,000,000	2,000,000
13. ACCUMULATED REVENUE RESERVE		
	2015/2016	2014/2015
	Ksh	Ksh
Opening balance	-	-
	50,063,600	40,028,666
Add Surplus or Loss	2,576,149	10,034,934
	-	-
	<u>47,487,451</u>	<u>50,063,600</u>
14. CAPITAL RESERVE		
	2015/2016	2014/2015
	Ksh	Ksh
Capital Reserve	36,719,864	36,719,864
Customer third party balances at takeover		
15. SERVICE GRATUITY		
	2015/2016	2014/2015
	Ksh	Ksh
Opening balances	3,317,404	2,480,404
Movement	187,729	837,000
Closing balances	<u>3,505,133</u>	<u>3,317,404</u>
16. CUSTOMER DEPOSIT		
	2015/2016	2014/2015
	Ksh	Ksh
Customer deposit	8,837,401	6,611,425
Amount held by the company refundable at termination of contract		

KWALE WATER AND SEWERAGE COMPANY LIMITED
 REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016.

17. TRADE AND OTHER PAYABLES	2015/2016	2014/2015
	Ksh	Ksh
Trade Creditors	114,971,311	92,136,720
Accruals and Sundry (Project funding)	11,745,486	-
Other payables	<u>41,313,663</u>	<u>37,657,743</u>
	<u>168,030,460</u>	<u>129,794,463</u>
Other Payables	2015/2016	2014/2015
	Ksh	Ksh
Pan Africa & Madison Insuarance	158,185	52,615
National Hospital Insurance Fund	79,000	74,250
NSSF Contribution	84,000	41,600
PAYE	32,324,117	35,482,883
CWSSWG	50,600	48,800
Pension	1,176,032	1,277,569
KUCFAW	161,490	34,050
Ukulima Sacco	894,531	645,976
Net Staff Salaries	1,844,473	-
HELB	14,000	-
KWAWASCO Welfare	177,362	-
CPF	968,433	-
Faulu Kenya	<u>380,540</u>	<u>-</u>
	<u>41,313,663</u>	<u>37,657,743</u>

NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit for the year to net cash generated from operations

Profit/Loss for the year	3,680,213	(10,034,934)
Adjustments for:		
Depreciation	4,070,757	2,035,116
	_____	_____
Profit for the year before working capital changes	7,750,969	(7,999,818)
Movements in working capital;		
Increase in trade and other receivables	(28,391,638)	(26,654,648)
Increase in customer deposits	2,225,976	1,338,100
(Decrease) / increase in trade and other payables	38,235,997	40,564,090
	_____	_____
Net cash generated from operations	19,821,304	7,247,727
	=====	=====

(a) Analysis of cash and cash equivalents

Bank balances	13,576,380	4,371,723
Cash Balances	147,738	742,341
	_____	_____
	13,724,118	5,114,064
	=====	=====

18. Fair value of financial instruments

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

19. INCORPORATION

The company is incorporated in Kenya under the Kenyan Companies Act.

20. CURRENCY

These financial statements are presented in Kenya Shillings (Ksh).

21. COMPARATIVE FIGURES

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

22. 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. 2016.

