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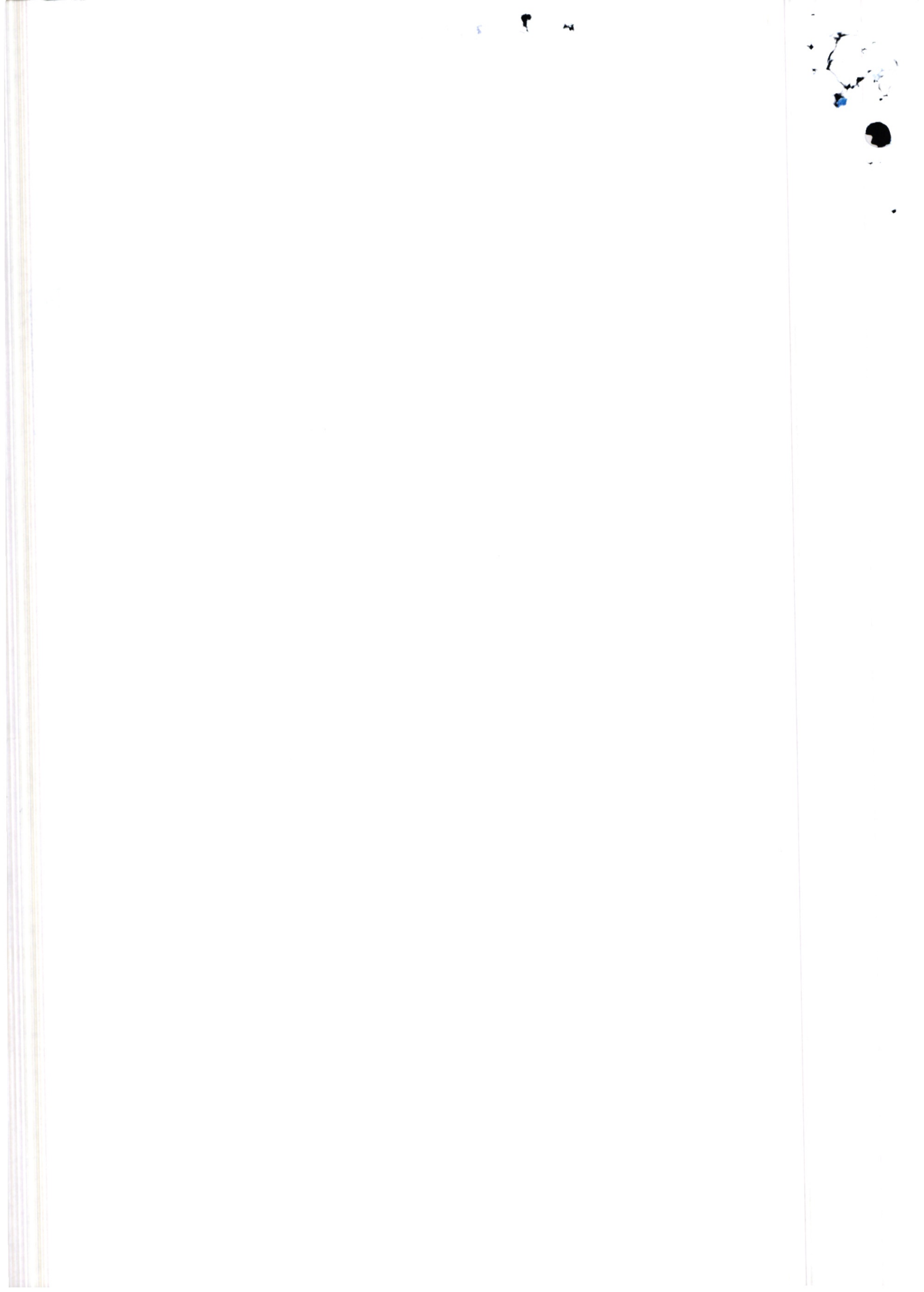
OF

THE AUDITOR-GENERAL

ON

**KWALE WATER AND SEWERAGE COMPANY
LIMITED**

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





KWALE WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

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

**KWALE WATER & SEWERAGE COMPANY LIMITED
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**KWALE WATER & SEWERAGE COMPANY LIMITED
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Background information

Kwale Water and Sewerage Company Limited is registered under the Company Act 2015 and it is also regulated under the state corporations Act Cap 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 support the managing director. The Company is domiciled in Kenya and has satellite stations at Ukunda, Kombani, Samburu, Taru, Mariakani, Mazeras, Lungalunga, Msambweni, Mkanda Kinanango and Mkanda.

Core Business

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

Company Vision

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

Company Mission

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

Directors

The Directors who served Kwale water and sewerage Company during the year ending 30 June 2021 were as follows:

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

- | | | | |
|-----|--------------------|-------------------------|--|
| 1. | Francis Nzai Mjera | - Chairman | - Reappointed on 1 st February 2018 |
| 2. | Eric Parmet | - Ag Managing Director | - Appointed on September 2019 |
| 3. | Rehema Chidzuga | - Member | - Appointed on 1 st February 2018 |
| 4. | Helen Njoroge | - Member | - Appointed on 1 st February 2018 |
| 5. | Japhet Mwero | - Member | - Appointed on 1 st February 2018 |
| 6. | Mwanatumu Kadau | - Member | - Appointed on 1 st February 2018 |
| 7. | Joseph Gathua | - Member | - Appointed on 2 nd May 2018 |
| 8. | Kassim Ramadhan | - Member | - Replacement for Suleiman Yeya |
| 9. | Alex Onduko | - Chief Officer Finance | - Appointed 2 nd January 2020 |
| 10. | Musyoki Muthoka | - Chief Officer Water | - Appointed 2 nd January 2020 |

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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

Corporate Contacts

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

Company Bankers

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

Independent Auditors

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

Principal Legal Advisers

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

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I. THE BOARD OF DIRECTORS

Ref	Name	Directors	Details
1.	Francis Nzai Mjera		Chairman of Board of Directors P.O Box 4 – 80403 KWALE Diploma- School Management at Kenyatta University on going Date of Birth: 15/2/1966
2.	Eric Melibo Parmet		Ag Managing Director KWAWASCO P. O. Box 4 – 80403 Kwale Masters in project planning management. BA in Development studies and Business Administration Date of birth: 1976
3.	Alex Onduko		Board Member P. O. Box 4 – 80403 Kwale CPA (K) Holder Holds master of Business Administration (Finance).

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4.	Helen Njoroge		<p>Chairperson Audit Committee P.O. Box 4 – 80403 Kwale Diploma in ECDE Retired Teacher Date of Birth 30/09/1954</p>
5.	Japhet Mwero		<p>Chairperson Technical Committee P.O. Box 538 Mariakani O level Retired in civil service as veterinary officer Date of Birth: 1946</p>
6.	Rehema Chidzuga		<p>Chairperson Human Resource Committee P.O. Box 31 Matuga Holds Bachelors of Education Date of Birth 18th April 1957</p>
7.	Joseph Gathua		<p>Board Member P.O. Box 32, Mukurueni O level Accountant. Date of Birth 28/08/ 1957</p>

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8.	Munyao Msyoki Muthuka		<p>Board member P. O. Box 4 – 80403 Kwale Holds a master degree in Science and Geology Has extensive experience in managing project.</p>
9.	Mwanatumu Kadau		<p>Board member P.O. Box 115 LungaLunga O level Date of Birth 21/5/ 1972</p>
10.	Kassim Ramadhan		<p>Board member P.O. Box 18 - 80403 KWALE O level Cooperative College B.M.C Certificate Date of Birth 01/01/1960</p>

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II. MANAGEMENT TEAM

Ref	Name	Management	Details
1.	Eric Melubo Parmet		Ag Managing Director KWAWASCO P. O. Box 4 – 80403 Kwale Masters in project planning management. BA in Development studies and Business Administration Date of birth: 1976
2.	William Jefwa		Finance Manager. Bachelor of Business Administration - Accounting CPA (K), Member of ICPAK MBA- Ongoing
3.	Bismark Isaih Odede		Head of Technical Civil and Environment Engineering(Egerton University) Masters in project planning and management(uon) Computer application:auto cad &archcad,gis leadership training.
4.	Susan Mlamba		Human Resource Manager. Bachelor of Arts & Sociology HR. post graduate Master in Business Administration

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5.	Hussein Mwavadu		Commercial Manager Degree in Information and Technology. Diploma in IMIS Master Degree on going
6.	Steven Safari		Internal Auditor. Bachelor of Commerce (Accounting Option) CPA (K), Member of ICPAK Registered member of IIA
7.	Swaleh Chidzuga		Technical Manager. Diploma In water Engineering Higher Diploma in Building and Civil Works Member of Engineering Registration Board of Kenya
8.	Hamisi Nzimo		Procurement Officer Master degree project planning & Management (UON) Bachelor of Commerce procurement & S.C (UON) Registered member KISM

III. CHAIRMAN'S STATEMENT

Technical Activities

Key Projects and Investment decisions Kwawasco is planning / implementing

The company in efforts to mobilize resources have continuously submitted proposals to various stakeholders targeting boosting of water production and supply levels in areas of supply under the Company's jurisdiction currently standing at slightly above 40% of the County population. Key among these development partners are the World Bank, County Government of Kwale and Water Sector Trust Fund.

The response has been positive particularly from the World Bank where approval plans amounting to Ksh. 2.5 Billion both on water and sanitation shall be undertaken. The main tasks to be executed under this component include Water supply Improvement plans for Ukunda town and its environs, Sanitation Improvement in both Ukunda and Kwale town. Non- revenue water reduction plans cutting across the entire Kwawasco Institution strengthening for Kwawasco.

So far through the World Bank Support, the following have been delivered:-

- Procurement and delivery of Consumer water metres, all critical tools and fittings now available in our store that would address both the high non- revenue water and execute emergency repair within shortest time possible.
- Procurement and delivery of 10 Motorcycles for use within our field stations by the Company meter readers and pipe fitters.
- Construction of a modern meter testing bench with the structure complete awaiting stocking with the accompanying merchandise.
- Procurement of 2 water Boozers and 2 exhausters of capacity 10000 Litres each.

The main works under WSDP being the improvement of water supply and sanitation for Ukunda and Kwale towns, plans are at an advanced stage and schedule to start in the next financial year.

The water service trust fund (WSTF) approved plans for sanitation improvement around Institutions namely; Madibwani, Shimoni, Egu, Shimbahills, Mgandini and Magombani Primary schools each with varied magnitude of support. To date construction of the planned construction of sanitation block is complete at Shimoni Primary school, Shimba hills Secondary school and Egu primary school, while the same is on -going at Magombani, Madibwani and Mgandini primary school.

WSTF also did support are programme tagged UBSUP (Up calling Basic Sanitation in Urban Poor) basically aimed at Improving the sanitation standards within the environs of urban centres. Ukunda

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urban town was selected for this intervention where 200 toilets doors are to be constructed at owner cost with the programme eventually offering a subsidy of Ksh 20,000 for each door constructed.

Particular toilet model is being promoted that would address possible ground water resource pollution as is the case with the normal non-aligned conventional pit Latrines. So far 60 toilet doors have been constructed and beneficiaries awarded subsidy amount Ksh 1.2 Million.

UBSUP programme will also come up with a decentralised treatment facility (DTF) to be constructed within Mabokoni areas on a County land next to Technical University of Mombasa.

Construction work is on-going and to be completed by March 2021. Upon completion it would complement the other component of toilet construction as the emptying and treatment facility with a capacity of accommodating 5 exhausters of capacity 10,000 litres in a day.

WSTF has also supported the Company to respond to Covid – 19 pandemic by through funding to a tune of Ksh 3.9M project targeted at providing and opening up for hand washing points within the known hot sports areas within Kwale County, 27 Hot sports centres were mapped and installed with a 3000litre capacity plastic tank raised on masonry platform with hand washing detergents.

The company also entered into an agreement with Fujita, the Company Contracted to undertake Dongo Kundu bypass road under the MPARD programme to supply water to its critical installations along that road section where massive concrete work will be executed. Ksh 14 Million pipeline extension was undertaken and handed over to Fujita. Fujita is considered a potential customer that Kwawasco will bring on board thus boosting revenue accrued from the supply until 2024 and upon completion of their contract with the GOK.

Several projects have been and are being implemented by the County Government in the entire Kwale region resulting in more areas being covered with clean water particularly in the hinterland thus Improved hygiene and healthy people hence productive populace. Kwawasco has benefitted greatly through a large consignment of consumer meter received from the County. This will see well over 1000 non- working meters being replaced. The ultimate result is drastic reduction in non-revenue water percentage currently standing at over 50%.

Generally, all these developments will eventually have appositve impact to Kwawasco making the company self-sustainable.



.....
Francis Mjera Nzai

CHAIRMAN

**KWALE WATER & SEWERAGE COMPANY LIMITED
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IV. REPORT OF THE Ag MANAGING DIRECTOR

Kwale Water and Sewerage Company Limited (KWA WASCO) 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) and WASREB minimum service levels.

The Company has got 10 board members representing the County Government of Kwale, women representative, business community, hotel industry, professional's representative and farming community.

The population within KWA WASCO's service area is about 700,000 people based on the last census by the Kenya National Bureau of Statistics 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.

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

KWA WASCO is headed by a Managing Director and has four (4) departments namely Technical department, Commercial and Business Development, Finance and Administration, Human Resource.

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 hardworking zonal Managers. These are;

Station	Zones	Zonal Office	Zonal Manager	Tel. Contact
1	Tiwi/Ukunda	Ukunda zones	Zubeda Shauri	0711489281
2	Msambweni/Mkanda	Msambweni	Nchama	0720161655
3	Kwale/Kinango	Kwale	Keens Sternly	0720863087
4	Mzima	Mariakani	Thomas Karani	0720331757

The Company is in the process of reviewing the current tariff so that it can apply for a new tariff from Waster service Regulatory Board (WASREB).



Eric Parmet
Ag Managing Director

V. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process and structure by which companies are directed, controlled and held accountable in order to achieve long-term value to shareholders taking cognisance of the interest of the other shareholders. The Board of Directors of KWAWASCO is responsible for the governance of the corporation and is accountable to the shareholders 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 KWAWASCO 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.

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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 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. Helen Njoroge - Chairperson
2. Joseph Gathua - Member
3. Mwanatumu Kadau - 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 one 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. Rehema Chidzuga - Chairperson
2. Alex Onduko - Member
3. Helen Njoroge – Member

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

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

c) Technical and Commercial committee

1. Japhet Mwero -Chairperson
2. Muthuka Musyoki -Member
3. Kassim Ramadhan - Member

Technical issues

The Corporation has defined procedures for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications.

Shareholding

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

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

Town Council of Kwale	1998 shares
Chairman Town Council of Kwale	1 share
Town Clerk- Town Council	1 share
Total	2000 shares



Eric Parmet
Ag MANAGING DIRECTOR



Francis Mjera
CHAIRMAN

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VI. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Staffing

During the end of the financial year, the number of staff stood at 134 as shown in table 1

Table 1

NO. OF STAFF	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Permanent	57	57	57	57
Contract	65	70	72	77
Management Contract				
TOTAL	122	127	129	134

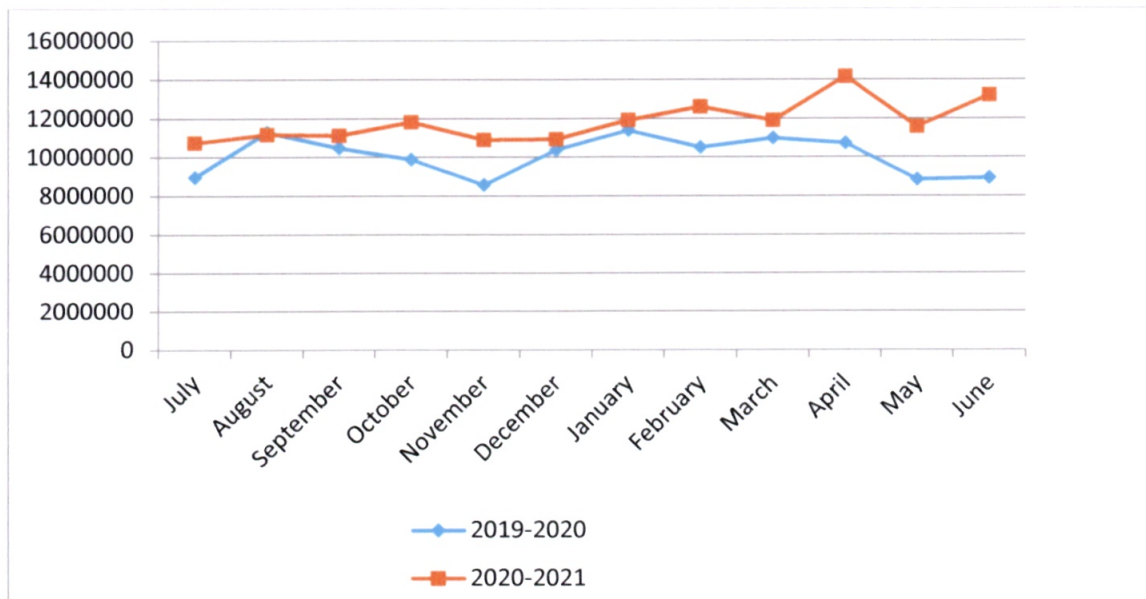
b) Production, billed volume, NRW, Billed amount CWWDA and Billed Revenue Amount.

During the year under review, the company received 4,521,589 m³ of water from CWWDA compared to the previous year's 4,714,159 m³ of water. This represents 4.08 % decrease in bulk water purchase. The comparable yearly bulk water purchase/production translates to cost of water/sales of Kshs 94,283,180 and Kshs 90,431,780 for the years 2021 and 2020 respectively. The company registered an increase in volume of water it billed its customers from 1,536,406 m³ in 2020 to 1,682,406 m³ in 2021; an increase of approximately 9.5%. Non-Revenue water decreased from 67% in 2020 to 62% in 2021. The reduction of NRW from 67% to 62% 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 Kwale Water and Sewerage Company but consumed by Mombasa water and Kilifi Water Companies, 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.

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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	396,267	389,998	112,654	124,459	249,474	265,539	7,925,340	7,799,960	9,575,590	10,579,015
August	395,958	443,480	118,684	130,891	257,274	312,589	7,919,160	8,869,600	10,088,140	11,125,735
September	435,076	412,445	114,976	133,178	435,076	279,267	8,701,520	8,248,900	9,772,960	11,320,130
October	375,274	354,268	116,397	140,167	253,877	214,101	7,505,480	7,085,360	9,893,745	11,914,195
November	334,381	370,586	111,998	128,745	233,384	241,841	6,687,620	7,411,720	9,519,830	10,943,325
December	440,525	310,790	116,213	129,475	324,312	181,315	8,810,500	6,215,800	9,878,105	11,005,375
January	404,795	363,212	120,042	138,914	274,753	224,298	8,095,900	7,264,240	10,203,570	11,807,690
February	410,280	434,955	136,299	149,606	279,422	285,349	8,205,600	8,699,100	10,735,415	12,716,510
March	358,652	293,384	126,211	144,292	232,441	149,092	7,173,040	5,867,680	10,727,935	12,264,820
April	422,149	432,084	120,125	154,978	292,024	267,074	8,442,980	8,641,680	10,210,625	13,173,130
May	373,299	368,407	127,657	141,170	373,299	227,237	7,465,980	7,368,140	10,850,845	11,999,450
June	367,503	347,980	122,453	151,099	367,503	191,481	7,350,060	6,959,600	10,408,505	12,843,380
	4,714,159	4,521,589	1,433,709	1,666,974	3,280,450	2,839,183	94,283,180	90,431,780	121,865,224	141,692,825
					67%	62%				



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c) Number of Connections (Active Billed)

During the year under review, the company recorded an overall average growth in the number of connections of 8% in comparison to the year 2019-2020. The company ended the year 2020-2021 with a marked increase in the number of connections of 18,844 compared to 17,384 in 2019-2020.

Year	No. of Connections		Change in No. of connections	% Change
	2019-2020	2020-2021	Per Qtr.	
Average Qtr1	16,681	17,734	350	2%
Average Qtr2	16,831	18,108	374	5%
Average Qtr3	17,003	18,426	318	1.7%
Average Qtr4	17,384	18,844	418	2.3%

d) Risks

i) Sustainability

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

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(VII) ENVIRONMENTAL AND SUSTAINABILITY REPORTING

a) Sustainability Strategy and Profile

The company has diversified and increased the number of water sources including the newly 11 boreholes to be drilled under Ukunda Urban Water Supply Project (Phase 1). This is directly increasing the water supply to counter the ever increasing demand especially in the tourism sector. Close partnership with the County Government and the National Government has made it possible to access resources from the World Bank for more investments. There has been a devoted effort of increasing the area specific staff to monitor and report the uncounted waster (physical and financial losses) for prompt response and reconnections. This is also supported by the above project in replacing the old pipeline with the new pipelines as well as increasing the customer base through new proposed connections as well as customer care and the adoption of mini treatment for borehole systems. There has been increase in customer base. Some of the key challenges have been leakages especially in pristine areas (forest) where access is challenging thus the response time is longer than expected thus leading to losses.

b) Environmental Performance

The organization has hired Environment & Social Safeguard Specialist whose Terms and Reference include the preparation of the Environment Policy. However, the organization does abide by Good International Industry Practices in management of biodiversity, waste management and efforts to reduce environmental impacts related to day to day activities. The organization undertake due diligence include detailed Environmental and Social Impact Assessment for the new project case in point the Ukunda Urban Water Supply Project and the proposed Office Complex Building. Project specific Waste management Plans, Biodiversity Management Plans are prepared by the contractor before site hand over and start of the project.

c) Employee Welfare

In line with Work Injury Benefits Act, 2007, the organization has taken appropriate WIBA cover for all staff members. Other additional measures in line with Occupational Health and Safety Act, 2007 include:

- i. Acquisition of the personal protective equipment for the staff including but not limited to:
Gumboots, safety boots, motor cycle riders' reflector jackets, among others,
- ii. Provision of masks and sanitizers
- iii. Fumigation of vehicles after every two weeks,

d) Market place practices

i) Responsible Competing Practices

The organization is guided by the following core values:

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

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

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

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

The organization is open in market practices with the private water service providers through support training in operation and maintenance of their borehole and treatment centres, providing of chemical to other water service providers when there is scarcity at the County Government.

ii) Product Stewardship

Safety of water is guaranteed in the following ways:

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

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

(VIII) CORPORATE SOCIAL RESPONSIBILITY / COMMUNITY ENGAGEMENTS

Kwale Water and Sewerage Company is the only registered Water Service Provider in Kwale County. The Company operations cover all the sub counties with service lines in all major towns in the county including Mackinon, Taru, Samburu, Mazeras, Mariakani, Kinango, lutsangani /tsunza, Kwale, Kombani, Ukunda/ Diani, Msambweni, Lungalunga and Vanga towns. The Company also operates other rural schemes mainly on Mzima line and Mkanda dam serving areas of Kasemeni, Mwavumbo , and Dzombo and Kikoneni areas respectively . The Company has a total of 18,500 connections mainly registered on domestic tariff and a few connections on commercial tariff.

The Company has within the reporting period undertaken CSR initiatives together with other partners in the County, including County Government of Kwale, Red Cross, Base Titanium and Civil Society Organizations.

The advent of Covid-19 and subsequent travel restrictions and containment measures dealt a blow to the company's main revenue stream being the beach hotels and cottages. The same had a ripple effect since hotels and the tourism sector laid-off staff for a long period of time, who happen to be a majority of the Company's customers on domestic tariff, mainly in Ukunda /Diani.

The containment measures imposed by the Ministry of Health required concerted efforts by all stakeholders at County level. Initial steps undertaken include ensuring sufficient/ uninterrupted supply of water to all customers, installation of hand washing- points at all public spaces and water trucking to major markets and bus parks. As a member of the County Covid-19 response committee, KWAWASCO was tasked with the mandate of ensuring availability of water within the service areas. In addition the company undertook water trucking to all major markets and towns in Kwale County. With a Grant from Water Sector Trust Fund (WSTF), the company installed 27 hand washing points across the County, mounted with 3000 liter tanks. The Company has continued to supply water to these points and other hand washing points in the county that were installed by other partners including County Government and Base Titanium.

The Company has also invested in extension of supply lines within Kwale, Kinango and Ukunda towns to reach informal settlements/ urban poor with water supply. In addition the company has periodically delivered free water to institutions that have identified as critical including Kwale Prisons, Kwale Police Station, Kwale school for the Mentally handicapped and Kwale School for the deaf.

The Company has also availed transport to the County Government for delivery of relief food supplies and critical consignments to hospitals.

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

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

Results of operations

The results of the company for the year ended 30th June, 2021 as set out on page One (1) to Five-eight (5)

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.

Management Team

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

Lewa and Associates Advocates, Company Secretary

Mombasa



Date... 16th August, 2022

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

(X) STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act*), require the Directors to prepare financial statements in respect of Kwawasco, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of Kwawasco for that year/period. The Directors are also required to ensure that Kwawasco keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of Kwawasco.

The Directors are responsible for the preparation and presentation of Kwawasco's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (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 Company;
- (v) Selecting and applying appropriate accounting policies;
- (vi) Making accounting estimates that are reasonable in the circumstances.

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are of the opinion that Kwawasco's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2021, and of Kwawasco's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of Kwawasco's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

Kwawasco's financial statements were approved by the Board on 16/08/ 2022 and signed on its behalf by:

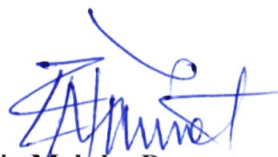
Signature



Name Francis Mjera Nzai

Chairperson of the Board

Signature

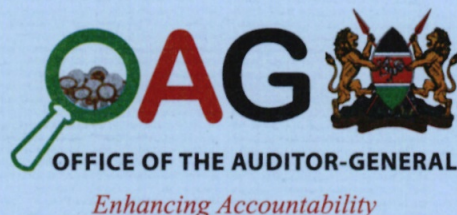


Name: Eric Melubo Parmet

Ag Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KWALE 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 Kwale Water and Sewerage Company Limited set out on pages 1 to 44, which comprise of the statement of financial

Report of the Auditor-General on Kwale Water and Sewerage Company Limited for the year ended 30 June, 2021

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 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 the Kwale 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, 2015, the Water Act, 2016 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unreconciled Variance in Cost of Bulk Water

The statement of profit or loss and other comprehensive income reflects sales amount of Kshs.86,902,063 which includes the cost of bulk water of Kshs.37,276,860 as disclosed in Note 7 to the financial statements. However, invoices from Coast Water Works Development Agency indicated an amount of Kshs.83,061,540 in respect of the cost of bulk water, resulting in a variance of Kshs.45,784,680 which was not explained or reconciled.

In the circumstances, the accuracy and completeness of bulk water costing Kshs. 37,276,860 could not be confirmed.

2. Lack of Receivables Ageing Analysis

The statement of financial position reflects trade and other receivables net balance of Kshs.230,942,074 and as disclosed in Note 17 to the financial statements. However, ageing analysis of the debts was not provided for audit verification.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.230,942,074 could not be confirmed.

3. Unsupported Trade Payables

The statement of financial position reflects trade and other payables balance of Kshs.313,391,695 which as disclosed in Note 27 to the financial statements includes trade payables balance of Kshs.287,078,991. The trade payables, further, includes a balance of Kshs.5,982,991 owed to Water Services Regulatory Board (WASREB). However, this amount was not supported by bills or a statement from the creditor. Further, included in the trade payables balance is a balance of Kshs.37,276,860 owed to Coast Water Works Development Agency. However, records maintained by the Agency indicated the balance owed by the Company as Kshs.695,725,546, resulting in unreconciled and unexplained variance of Kshs.658,448,686.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.313,391,695 could not be confirmed.

4. Unsupported Capital Reserve

The statement of financial position reflects capital reserve balance of Kshs.36,719,864 and as disclosed under Note 20 to the financial statements. However, the Management did not provide evidence in support of the balance.

In the circumstances, the completeness and accuracy of the capital reserve balance of Kshs.36,719,864 could not be confirmed.

5. Failure to Disclose Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income reflects an operating loss after tax of Kshs.15,088,834 (2020: a loss of Kshs.27,397,471), resulting in accumulated deficit of Kshs.129,296,522 (2020: Kshs.135,300,717). Further, the total current liabilities balance was Kshs.346,338,546 while total current assets balance was Kshs.271,180,273, resulting in negative working capital of Kshs.75,158,273. This is an indication that the Company may not be able to settle its obligation as and when they fall due.

These conditions indicate the existence of a material uncertainty, which may cast doubt on the Company's ability to continue as a going concern, and further implies that the Company's existence is dependent on continued support from the County Government of Kwale, shareholders and creditors. Management did not disclose the material uncertainty related to going concern or measures taken to mitigate this.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kwale 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 comparison of budget and actual amounts reflects a final revenue budget and actual on comparable basis of Kshs.220,096,878 and Kshs.214,229,959 respectively, resulting in a revenue shortfall of Kshs.5,866,919 or 2% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis

of Kshs.212,152,440 and Kshs.229,318,793 respectively, resulting in an over-expenditure absorption of Kshs.17,166,353 or 8% of the budgeted amount.

2. Unresolved Prior Year Matters

Prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

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-Revenue Water

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.141,692,825 in respect of revenue from water sales as disclosed in Note 6 to the financial statements. Documents provided for audit review indicated that the Company's total volume of bulk water was 4,521,589 cubic meters (m³), out of which only 1,682,401 (38%) cubic meters were billed to customers for Kshs.141,692,825. The balance of 2,839,188 (62%) cubic meters represents Non Revenue Water (NRW). This is higher than 25% loss allowable by the Water Service Regulatory Board (WASREB) guidelines. The Non Revenue Water may have resulted in total loss of 1,708,798 cubic meters valued at approximately Kshs.143,880,792 based on an estimated distribution rate of Kshs.84.2 per cubic metre after allowing for the allowable loss of 25% of the distributed water.

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

2. Non-remittance of Statutory Deductions

The statement of financial position reflects tax payable of Kshs.15,789,234 which as disclosed in Note 28 to the financial statements relates to payroll liabilities and withholding taxes. These includes unremitted statutory deductions from Board Members' allowances, PAYE and withholding tax.

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

3. Unauthorized Expenditure

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.212,152,440 and Kshs.229,318,793 respectively, resulting in an over-expenditure of Kshs.17,166,353 or 8% of the budgeted amount. Management did not provide evidence of the Board's approval for the excess expenditure.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter 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

Lack of ICT Controls and Policy Documents

Review of the ICT internal controls and general IT environment revealed lack of IT Strategic Committee, IT strategic plan, data back-up, tested emergency procedure and data recovery plan. Further, the ICT Section appears to be understaffed as it has only one staff member.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan Companies Act, 2015, I report based on 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, adequate accounting records have been kept by the Company, so far as appears from the examination of those records;
- (iii) The Company's financial statements are in agreement with those records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

The Board of Directors is responsible for overseeing Company's financial reporting process, reviewing the effectiveness of how the 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 overall 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 controls may not prevent or detect misstatements and instances of noncompliance. 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 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 controls.
- 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 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

08 September, 2022

KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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

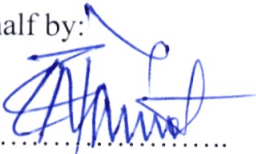
	Note	2020-2021	2019-2020
		Kshs	Kshs
REVENUES			
Revenue	6	141,692,825	121,865,224
Cost of sales	7	(86,902,063)	(77,189,555)
Gross profit		54,790,761	44,675,669
Other Income			
Grants	8	57,920,534	14,576,000
Other Income	9	14,616,600	12,275,850
TOTAL REVENUES		127,327,896	71,527,519
OPERATING EXPENSES			
Administration Costs	10	117,203,462	91,652,075
Depreciation of property, plant and equipment	14	25,133,264	6,917,716
Amortization of Intangible Assets	15	80,004	355,199
TOTAL OPERATING EXPENSES		142,416,730	98,924,990
PROFIT/(LOSS) BEFORE TAXATION		(15,088,834)	(27,397,471)
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT/(LOSS) AFTER TAXATION		(15,088,834)	(27,397,471)
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(15,088,834)	(27,397,471)

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

(XIII) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021


	Note	2020-2021	2019-2020
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	157,033,721	53,223,406
Intangible assets	15	186,676	-
Total Non-Current Assets		<u>157,220,397</u>	<u>53,223,406</u>
Current Assets			
Trade and other receivables	17	240,942,074	218,878,094
Bank and cash balances	18	30,238,199	16,981,761
Total Current Assets		<u>271,180,273</u>	<u>235,859,855</u>
Total Assets		<u>428,400,670</u>	<u>289,083,261</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	19	2,000,000	2,000,000
Capital reserve	20	36,719,864	36,719,864
Retained earnings/ Accumulated Deficit	23	(129,296,522)	(135,300,717)
Capital and Reserves		(90,576,658)	(96,580,853)
Non-Current Liabilities			
Borrowings/ World Bank (WSDP) Loan	24	152,230,081	45,015,440
Customer Deposit	25	20,408,701	16,510,601
Total Non-Current Liabilities		172,638,782	61,526,041
Current Liabilities			
Trade and other payables	27	313,991,695	271,961,389
Retirement benefit obligations/ Service Gratuity	29	16,557,617	13,334,884
Tax payable	28	15,789,234	38,841,798
Total Current Liabilities		346,338,546	324,138,071
TOTAL EQUITY AND LIABILITIES		428,400,670	289,083,261

The financial statements were approved by the Board on 16/08/ 2022 and signed on its behalf by:



Ag Managing Director

Name: Eric Parmet



Finance Manager

Name: William Jefwa



Chairman of the Board

Name: Francis Nzai

ICPAK M/NO: 12660

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

(XIV) STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	note s	Ordinary share capital	Capital reserve	Fair value adjustment reserve	Retained earnings/ Reserve Deficit	Capital/ Developmen t Grants/Fund	Total
As at July 1, 2019		2,000,000	36,719,864	-	(96,383,421)	-	(57,663,557)
Profit for the year/ Loss		-	-	-	(38,917,296)	-	(38,917,296)
Capital/Development grants received during the year		-	-	-	-	-	-
As at June 30, 2020		2,000,000	36,719,864	-	(135,300,717)	-	(96,580,853)
As at July 1, 2020		2,000,000	36,719,864	-	(135,300,717)	-	(96,580,853)
Profit/Loss for the year		-	-	-	(15,088,834)	-	(14,001,347)
Adjustment on Debtors					13,106,491		12,019,004
Adjusted Corporate Tax					1,584,284		1,584,284
Adjusted Income tax		-	-	-	6,402,254	-	6,402,254
At June 30, 2021		2,000,000	36,719,864	-	(129,296,522)	-	(90,576,658)

Note:

Paye outstanding of ksh. 6,402,254 was harmonized with that of I-tax system and adjustment passed, further the entity has been incurring losses for the last six years hence the need to adjust the corporate tax which realised in 2017/2018

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

(XV) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	12,257,505	(13,508,987)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(128,943,577)	(39,772,496)
Purchase of intangible assets	15	(266,680)	(-)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		(129,210,257)	(39,772,496)
CASH FLOWS FROM FINANCING ACTIVITIES			
Customer Deposit		3,898,100	2,464,500
Gratuity Payables		3,222,733	3,343,526
WSDP Loan		107,214,641	45,015,440
Fujita		4,831,936	1,042,279
Ubsup		7,057,780	-
Covid-19		3,984,000	-
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		130,209,190	51,865,745
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		13,256,438	1,415,738
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		16,981,761	15,566,023
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		30,238,199	16,981,761

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(XVI) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Sale of services	151,112,878	-	151,112,878	141,692,825	(9,420,053)	-6%
Transfers from County Government and other Agencies	50,000,000	(-)	50,000,000	53,936,534	3,936,534	7.8%
Other income	15,000,000	-	15,000,000	14,616,600	(383,400)	-2.6%
Covid-19 Mitigation	-	3,984,000	3,984,000	3,984,000	-	-
Total income	216,112,878	3,984,000	220,096,878	214,229,959	(5,866,919)	-2.7%
Expenses						
Compensation of employees	53,038,016	-	53,038,016	52,763,069	274,947	0.5%
Direct Cost	90,200,000	(-)	90,200,000	86,902,063	3,297,936	3.6%
Rent paid	313,500	(-)	313,500	313,500	-	0%
Other payments	68,600,924	-	68,600,924	70,598,509	43,252	0.1%
Grants and subsidies paid	-	-	-	-	-	-
Consultancy			20,000,000	18,741,652	1,258,348	6.2%
Total expenditure	212,152,440	(-)	212,152,440	229,318,793	3,616,135	1.6%
Surplus for the period	3,960,438	-	3,960,438	(15,088,834)	(11,128,396)	

Under the WSDP program WSP was expecting ksh 400 Million loans from IDA for works contracts and consultancy.

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(XVII) NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Kwale Water and Sewerage Company Limited.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Title	Description	Effective Date
IAS 39-Financial Instruments: Recognition and Measurement	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). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

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Title	Description	Effective Date
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 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 loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
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.

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Title	Description	Effective Date
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 and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
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.

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Title	Description	Effective Date
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 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.	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after 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 entity did not early – adopt any new or amended standards in year 2020/2021

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

In-kind contributions are donations that are made to the Kwawasco 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 Kwawasco 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.

c) Property, plant and equipment

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

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

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line 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:

Freehold Land	Nil
Buildings and civil works	40 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

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

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 recognised so that the asset is written down immediately to its estimated recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest 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.

j) Quoted investments

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognised 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

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

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.

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

o) Deferred tax

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Deferred Tax

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

p) Borrowing costs

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

q) Cash and cash equivalents

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

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised 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

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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 capitalised as part of the cost of the project.

s) Trade and other payables

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

t) Retirement benefit obligations

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

u) Provision for staff leave pay

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

v) Exchange rate differences

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

w) Budget information

The original budget for FY 2020-2021 was approved by the BOD on 15th March 2020.

There has been no additional appropriation made to the approved budget in accordance with specific approvals from 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 company did not record additional appropriations on the 2019-2020 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Service concession arrangements

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

b) Comparative figures

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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.

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

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6. Revenue

	2020/2021	2019/2020
	Kshs	Kshs
Minor water sales	130,228,365	107,005,975
Major water sales	11,464,460	14,859,249
Total	141,692,825	121,865,224

There was an increase in revenue from Ksh 121,865,224 to Ksh 141,692,825

7. Cost of Sales

	2020/2021	2019/2020
	Kshs	Kshs
CWWDA/WASREB/WARMA	6,270,553	5,507,085
Cost of Bulk Electricity	43,354,650	34,464,450
Cost of Bulk water	37,276,860	37,218,020
Total	86,902,063	77,189,555

9% administration fee of water sale for CWWDA was removed as per the gazette notice issued on 4th November 2018, Kwawasco is recognizing 4% of water sale to WASREB.

8. Grants

	2020/2021	2019/2020
	Kshs	Kshs
Fujita Corporation	14,584,674	-
WSTF Ubsup	9,351,860	-
Covid-19 Mitigation	3,984,000	-
Recurrent grants received from County Government up to June 2020	-	14,576,000
Recurrent grants received from County Government in Nov 2020	30,000,000	-
Total	57,920,534	14,576,000

Note: KWAWASCO received grant from County Government of Kwale of Ksh.30, 000,000 which was paid directly to Kenya Power and Lighting Company Limited to settle bulk electricity bills.

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9. Other Income

	2020/2021	2019/2020
Description	Kshs	Kshs
Sale of tender documents	-	-
Meter Rent	10,513,100	9,732,050
Connection	4,103,500	2,543,800
Total	14,616,600	12,275,850

10. Administration Costs

	2020/2021	2019/2020
Description	Kshs	Kshs
Staff costs (note 10b)	52,763,069	50,425,112
Directors' emoluments	2,186,000	1,500,000
Electricity and water	96,318	22,690
Communication services and supplies	1,322,144	1,549,786
Transportation, travelling and subsistence	11,707,333	8,443,078
Advertising, printing, stationery and photocopying	1,404,865	831,713
Subscription	350,240	237,400
Rent expenses	313,500	292,500
Staff training expenses	949,533	362,760
Hospitality supplies and services	1,918,534	1,648,148
Insurance costs	1,388,815	319,863
Bank charges and commissions	444,774	401,761
Office and general supplies and services	516,411	299,219
Auditors' remuneration	580,000	228,000
Corporate social responsibility	0	50,000
Legal fees	1,064,915	909,201
Consultancy fees	505,490	-
Licenses and permits	974,182	-
Repairs and maintenance	3,364,843	2,226,141
Provision for bad and doubtful debts	5,219,309	6,415,052
Bad debts Written off	-	342,541
Other operating expenses	8,280,277	7,989,050
Other operating expenses (WSDP)	21,852,910	7,158,060
Total	117,203,462	91,652,075

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10b Staff Costs

Description	2020/2021	2019/2020
	Kshs	Kshs
Salaries and allowances of permanent employees	48,159,271	45,673,302
Wages of temporary employees	-	-
Employer's contributions to national social security schemes	287,400	272,800
Employer's contributions to pension scheme	701,712	706,049
Leave pay	-	-
Gratuity provisions	3,614,686	3,772,961
Staff welfare	-	-
Total	52,763,069	50,425,112
The average number of employees at the end of the year was:		
Permanent employees – Management	2,625,455	2,625,455
Permanent employees – Unionisable	20,327,077	20,327,077
Temporary and contracted employees	29,810,537	27,472,580
Total	52,763,069	50,425,112

The increase in staff salary and remuneration is as a result of truck drivers, operators and procurement officer who were hired during the year by the Company

11. Operating profit/ (loss)

	2020/2021	2019/2020
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 10b)	52,763,069	50,425,112
Depreciation of property, plant and equipment	24,962,034	6,917,716
Depreciation of right-of-use asset	-	-
Amortisation of intangible assets	80,004	355,199
Provision for bad and doubtful debts	5,217,059	6,415,052
Directors' emoluments – fees	2,186,000	1,500,000
- other	-	-
Auditors' remuneration - current year fees	580,000	228,000

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12. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. 0 (2019-2020: Kshs. 0) by the average number of ordinary shares in issue during the year of 0 (2019-2020:). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

13. 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, a final dividend in respect of the year ended June 30, 2021 of Kshs. 0 (2020: Kshs. 0) for every ordinary share of par value of Kshs.0 is to be proposed. An interim dividend of Kshs. 0 (2020: Kshs. 0) for every ordinary share of par value of Kshs.0 was declared and paid during the year. This will bring the total dividend for the year to Kshs.0 (2020: Kshs.0).

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14. Property, Plant and Equipment

2021	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Compute rs & related equipmen t	Office equipmen t, furniture & fittings	Loose Tools	Total
COST OR VALUATION							
At July 1, 2020	-	61,741,347	12,166,536	5,586,153	5,038,728	-	84,532,764
Additions	13,875,860	35,509,717	71,451,000	2,410,619	4,200	5,692,181	128,943,577
Transfers	-	-	-	-	-	-	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2021	13,875,860	97,251,064	83,617,536	7,996,772	5,042,928	5,692,181	213,476,341
DEPRECIATION							
At July 1, 2020	-	20,078,402	5,542,385	3,007,443	2,681,126	-	31,309,356
Charge for the year	346,896	11,435,237	9,781,848	1,547,758	313,869	1,707,656	25,133,264
Impairment loss	-	-	-	-	-	-	-
Eliminated on disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)
At June 30, 2021	346,896	31,513,639	15,324,233	4,555,201	2,994,995	1,707,656	56,442,620
NET BOOK VALUE At June 30, 2021	13,528,964	65,737,425	68,293,303	3,441,571	2,047,933	3,984,525	157,033,721

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TES TO THE FINANCIAL STATEMENTS (Continued)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2020	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Loose Tools	Capital work in progress	Total
COST OR VALUATION								
As at 1 July 2019	-	31,576,341	7,099,136	3,088,503	2,996,288	-	-	44,760,268
Additions	-	30,165,006	5,067,400	2,497,650	2,042,440	-	-	39,772,496
Transfers	-	-	-	-	-	-	(-)	-
Disposals	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
As at 30th June 2020	-	61,741,347	12,166,536	5,586,153	5,038,728	-	-	84,532,764
DEPRECIATION								
At July 1, 2019	-	15,344,345	3,790,387	2,696,633	2,560,275	-	-	24,391,640
Charge for the year	-	4,734,057	1,751,998	310,810	120,851	-	-	6,917,716
Impairment loss	-	-	-	-	-	-	-	-
Eliminated on disposal	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
As at 30th June 2020	-	20,078,402	5,542,385	3,007,443	2,681,126	-	-	31,309,356
NET BOOK VALUE								
At June 30, 2020	-	41,662,945	6,624,151	2,578,710	2,357,602	-	-	53,223,408

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14 (b) Property, Plant and Equipment at Cost

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	-	-	-
Buildings	13,875,860	346,896	13,528,964
Plant and machinery	97,251,064	31,513,639	65,737,425
Motor vehicles, including motorcycles	83,617,536	15,324,233	68,293,303
Computers and related equipment	7,996,772	4,555,201	3,441,571
Office equipment, furniture, and fittings	5,042,928	2,994,995	2,047,933
Loose tools	5,692,181	1,707,656	3,984,525
	213,476,341	56,442,620	157,033,721

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

	Cost or valuation	Normal Annual Depreciation Charge
Plant and machinery	1,157,042	-
Motor vehicles, including motor cycles	-	-
Computers and related equipment	2,696,633	-
Office equipment, furniture and fittings	2,648,350	-
Total	6,502,025	-

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15. Intangible Assets

	2020/2021	2019/2020
	Kshs	Kshs
COST		
At July 1, 2020	-	4,201,981
Additions	266,680	-
Disposals	(-)	(-)
At June 30	266,680	4,201,981
AMORTISATION		
At July 1	-	3,846,782
Charge for the year	80,004	355,199
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	80,004	4,201,981
NET BOOK VALUE		
At June 30	186,676	-

Purchase of QuickBooks software

16. Inventories

	2020/2021	2019/2020
	Kshs	Kshs
Stationery and general stores	301,441	904,042
Equipment and fittings	1,226,613	6,174,959
Less: Impairment of stocks	(-)	(0)
Total	1,528,054	7,079,001

Note: Inventories as at 30 June 2021 of consumable items appear as a disclosure as they are out rightly expensed under administration costs.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17.) Trade and Other Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Trade receivables (note 17 (a))	246,161,383	225,284,147
Deposits and prepayments	-	-
Staff receivables (note 17 (b))	-	9,000
Other receivables	-	-
Gross trade and other receivables	246,161,383	225,293,147
Provision for bad and doubtful debts	(5,219,309)	(6,415,052)
Net trade and other receivable	240,942,074	218,878,095

17 (a) Trade Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Gross trade receivables	295,154,917	270,658,507
Adjustment on Debtors	(48,993,534)	(45,365,360)
Net trade receivables	246,161,383	225,293,147
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	2,653,320	3,265,801
Between 30 and 60 days	4,932,430	4,065,122
Between 61 and 90 days	3,532,621	3,743,003
Between 91 and 120 days	3,805,854	4,403,872
Over 120 days	231,237,158	203,391,040
Total	246,161,383	218,869,094

The provision for doubtful debts is the increase of ksh 20,877,236 from the trade receivables subjected to 25%, making the charge for the year to be ksh.5, 219,309

17 (b) Staff Receivables

	2020/2021	2019/2020
	Kshs	Kshs
Gross staff loans and advances	-	9,000
Provision for impairment loss	(-)	(-)
Net staff loans	-	9,000
Less: Amounts due within one year	(-)	(-)
Amounts due after one year	-	9,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Bank and Cash Balances

	2020/2021	2019/2020
	Kshs	Kshs
Cash at bank	30,158,623.00	16,894,802.00
Cash in hand	79,576.00	86,959.00
	30,238,199.00	16,981,761.00

Most of the entity cash is held at Kenya Commercial Bank and Equity bank Ukunda branches

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Current account (Expenditure)			
Kenya Commercial Bank	1108004733	1,576,336.29	1,182,600.94
Equity Bank	0440294134905	19,680.72	19,860.72
WSDP Project	1240284225	11,212,988.65	57,023.00
Sub- total		12,809,006.66	1,259,304.69
b) Collection Accounts			
Kenya Commercial Bank	1108004849	6,842,861.26	3,256,878.36
Equity Bank	0440194134911	14,433.80	14,433.80
Sub- total		6,857,295.06	3,271,312.16
c) Fixed deposits account			
Equity Bank (Customer Deposit)	0440194134915	9,128,578.25	3,723,648.25
Sub- total		9,128,578.25	3,723,648.25
Other Accounts			
Project Accounts (d)		1,342,870.70	8,612,473.40
Cash		79,576.00	86,959.00
Mpesa		20,872.00	28,064.00
Sub- total		1,443,318.70	8,727,496.00
Grand total		30,238,198.67	16,981,761.00
d) Other Accounts			
County Water Bill	1235959678	-	2,067.00
KRA Lungalunga	1580267877573	-	33,970.00
WSTF Ukunda Household San	1268421448	234,055.80	2,977,076.00
Mgandini Sanitation	1260307670	47,182.00	3,629,056.00
Fujita Water project	1273250230	423,007.90	221,313.40
Madibwani Sanitation Project	1259629708	39,689.50	685,946.00

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		2020/2021	2019/2020
Financial institution	Account number	KShs	KShs
Shimoni P2 Sanitation Project	1257175947	19,944.50	89,043.50
Pongwe Sanitation Project	1260307425	104,625.00	94,846.00
Egu Sanitation Project	1259628760	6,750.00	815,946.00
Majimboni Sanitation Project	1260308057	3,114.00	63,389.50
Magombani P2 Sanitation	1260307204	128,495.00	-
Kwawasco Covid-19 Response	1275038174	336,007.00	-
Sub total		1,342,870.70	8,612,473.00

19. Ordinary Share Capital

	2020/2021	2019/2020
	Kshs	Kshs
Authorized:		
2,000 ordinary shares of KShs 1,000 par value each	2,000,000	2,000,000
Issued and fully paid:		
2,000 ordinary shares of KShs 1,000 par value each	2,000,000	2,000,000

20. Capital Reserve

	2020/2021	2019/2020
	Kshs	Kshs
Capital Reserve	36,719,864	36,719,864

21. 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.

22. Fair Value Adjustment Reserve

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

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23. Retained Earnings/ Accumulated Deficit

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

As at July 1, 2019	(96,383,421)
Surplus/ deficit for the year	(27,397,471)
Deffered Income	(11,519,825)
As at June 30, 2020	(135,300,717)
As at July 1, 2020	(135,300,825)
Surplus/ Deficit for the year	(15,088,834)
Adjusted on Debtors	13,106,491
Adjusted Tax	7,986,538
As at June 30,2021	(129,296,522)

24. World Bank (WSDP) Loan

	2020/2021	2019/2020
First Disbursement	45,015,440	45,015,440
Second Disbursement	107,214,641	-
Total	152,230,081	45,015,440

25. Customer Deposit

	2019/2020	2019/2020
	Kshs	Kshs
Opening balance	16,510,601	14,046,101
Movement	3,898,100	2,464,500
Customer Deposit	20,408,701	16,510,601

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26. Deferred Tax Liability

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

27. Trade and Other Payables

	2020-2021	2019-2020
	Kshs	Kshs
Trade payables	287,078,991	230,284,784
Accrued expenses	1,342,871	8,612,473
Office of Auditor General	3,400,000	2,820,000
Other payables	22,169,833	30,244,132
Total	313,991,695	271,961,389

28. Tax payable

	2020/2021	2019/2020
Paye	38,841,798	40,778,676
Movement	(23,052,564)	(1,936,878)
Total	15,789,234	38,841,798

29. Retirement Benefit Obligations

The entity operates a defined benefit scheme for all full-time employees from July 1, 2020. The scheme is based on 15 percentage of basic salary of an employee at the time of retirement. The liability at the end of the year is as follows:

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2020-2021	2019-2020
	KShs	KShs	KShs	KShs	KShs
At the beginning of the year	13,334,884	-	-	13,334,884	9,991,358
Changes during the year	3,222,733	-	-	3,222,733	3,343,526
Total employee benefits obligation	16,557,617	-	-	16,557,617	13,334,884

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Recognition of Retirement Benefit Asset/ Liability

a) Amounts recognised under other gains/ Losses in the statement of Comprehensive Income

The entity also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 200 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by CPF Pension Fund. Employees contribute 6% while employers contribute 9% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred

30. Provisions

Description	Long service leave	Bonus Provision	Gratuity provisions	Other Provisions	Total
	KShs		KShs	KShs	KShs
Balance at the beginning of the year	-	-	13,334,884	-	13,334,884
Additional Provisions	-	-	3,222,733	-	3,222,733
Provision utilised	(-)	(-)	(-)	(-)	(-)
Change due to discount and time value for money	-	-	-	-	-
Less: Current portion	(-)	(-)	(-)	(-)	(-)
Balance at the end of the year	-	-	16,557,617	-	16,557,617

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31. Notes to The Statement of Cash Flows

	Notes	2020-2021	2019-2020
		Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations			
Profit or loss before tax		(15,088,834)	(27,397,471)
Add back: Depreciation	14	25,133,264	6,917,716
Amortisation	15	80,004	355,199
Provision for doubtful debts		5,219,309	342,541
Operating profit/(loss) before working capital changes		15,343,743	(19,782,015)
Changes in Working Capital			
(Increase)/decrease in trade and other receivables	17	(22,063,980)	(19,116,845)
Increase/(decrease) in trade and other payables	27	42,030,306	38,846,574
Increase/(decrease) in Tax payable	28	(23,052,564)	(1,936,878)
Increase/(decrease) in Differed income		-	(11,519,823)
Cash generated from/(used in) operations		12,257,505	(13,508,987)
(b) Analysis of changes in loans			
Balance at beginning of the year		57,023	-
Receipts during the year		107,214,641	45,015,440
Repayments during the year		(96,058,675)	(44,958,417)
Repayments of previous year's accrued interest		(-)	(-)
Foreign exchange (gains)/losses		-	(-)
Accrued interest		-	-
Balance at end of the year		11,212,989	57,023
(c) Analysis of cash and cash equivalents			
Short term deposits		9,128,578	3,723,648
Cash at bank		21,030,044	13,171,154
Cash in hand		79,576	86,959
Balance at end of the year		30,238,199	16,981,761

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32. Related Party Disclosures

Government of Kenya

The County Government of Kwale is the principal shareholder of the company, holding 99.9% of Kwale water and Sewerage Company's equity interest.

Other related parties include:

- i) The Parent Ministry
- ii) Key management
- iii) Board of directors

Transactions with related parties

	2020-2021	2019-2020
	Kshs	Kshs
a) Purchases from related parties		
Purchases of electricity from KPLC	43,354,651	34,464,450
Purchase of water from govt service providers	37,276,860	37,218,020
Training and conference fees paid to govt. agencies	949,533	362,760
Fujita Cooperation	14,584,674	-
WSTF Ubsup	9,351,860	-
Total	105,517,578	72,045,230
a) Grants from the Government		
Grants from County Government	30,000,000	14,576,000
Total	30,000,000	14,576,000
b) Key management compensation		
Directors' emoluments	2,302,000	1,500,000
Compensation to key management	2,625,455	2,625,455
Total	4,927,455	4,125,455

**KWALE WATER & SEWERAGE COMPANY LIMITED
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FOR THE YEAR ENDED JUNE 30, 2021**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33. Financial Risk Management

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

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

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

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

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

Credit Risk (Continued)

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

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.

**KWALE WATER & SEWERAGE COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(ii) Market risk

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

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

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

a) Foreign currency risk

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

**KWALE WATER & SEWERAGE COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Share Capital	2,000,000	2,000,000
Retained earnings	(129,296,522)	(135,300,717)
Capital reserve	36,719,864	36,719,864
Total funds	(90,576,658)	(123,780,892)
Total borrowings	-	-
Less: cash and bank balances	30,238,199	16,981,761
Net debt/(excess cash and cash equivalents)	(43,216,898)	(74,943,332)
Gearing	116.6%	131.8%

34. Incorporation

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

35. Events After The Reporting Period

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

36. Currency

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

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

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

Ag Managing Director

Name

Eric Melubo Parmel

Signature

Date.....16/08/2022.....

TURKANA COUNTY ASSEMBLY MORTGAGE (MEMBERS) SCHEME FUND
Reports and Financial Statements
For the year ended June 30, 2021.

16. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of xxx County Government				
FY 2020/2021				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	-
b.	Development Grants	<u>Bank Statement Date</u>	-	-
			-	-
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager
 Turkana County Assembly

Head of County Treasury at
 Turkana County Assembly

Sign -----

Sign-----

