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OFFICE OF THE AUDITOR-GENERAL

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ON

KILIFI-MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

FOR THE YEAR ENDED 30 JUNE, 2020

OFFICE OF THE AUDITOR GENERAL
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KILIFI – MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Table of Contents

I.	KEY ENTITY INFORMATION AND MANAGEMENT	ii
II.	THE BOARD OF DIRECTORS	v
III.	MANAGEMENT TEAM	ix
IV.	CHAIRMAN'S STATEMENT	xii
V.	REPORT OF THE MANAGING DIRECTOR	xiii
VI.	CORPORATE GOVERNANCE STATEMENT	xv
VII.	MANAGEMENT DISCUSSION AND ANALYSIS	xix
VIII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xxii
IX.	REPORT OF THE DIRECTORS	xxiii
X.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxiv
XI.	REPORT OF THE INDEPENDENT AUDITORS	xxvi
XII.	STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2020	1
XIII.	STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020	2
XIV.	STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020	3
XV.	STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2020	4
XVI.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2020	5
XVII.	NOTES TO THE FINANCIAL STATEMENTS	7

I. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

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

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

Principal Activities

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

Directors

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

Name	Position	Date of appointment
Emmanuel Furaha Benedict	Chairman	14th May 2019
Ravasco Pole Mwasambu	Member	14th May 2019
Benjamin Kai Chilumo	Member	1st April 2014
Eng. Samuel Kombe	Member	1st April 2014
Beatrice Jumwa Nzai	Member	14th May 2019
Margret Chizi Ngale	Member	14thMay 2019
Christine Nzara John	Member	14thMay 2019
Rashid Mukwana Muhhamad	Member	14thMay 2019
Zainabu Salim	Member	14thMay 2019

Corporate Secretary

John Bwire and Associates Advocates

P. O. Box 98731 – 80100

Mombasa

Entity Head Office

Kilifi – Mariakani Water & Sewerage Company Ltd

P.O. Box 275-80108 - Kilifi

Along Mombasa – Malindi road

LR No. 5054/115, kilifi.

Tel. Nos. 041-522508

Fax 041-522507

Email: info@kilifi water.co.ke

Entity Bankers

Kenya Commercial Bank Limited

P.O. Box 528

Kilifi

Tel No: 041- 22093

Fax: 041-22233

Co-operative Bank

P.O Box 96 -80108

Kilifi

Tel. No.020-2314898/+254708223330

Fax 020-2314892

Post Bank

P.O.Box 1047 - 80108

Kilifi Brach

Tel. No. 0417522399

Collection Agencies

Safaricom Kenya Limited

M-PESA Holding

P.O. Box 66827 - 00800

Nairobi - Safaricom House Waiyaki Way

Tel.No. 0722-002222

Postal Corporations' of Kenya

P.O. Box 891333

Mombasa

Tel. No. 04122277705

Independent auditors

Office of the Auditor-General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi-Kenya

Principal legal advisors

The Attorney- General

State Law Office

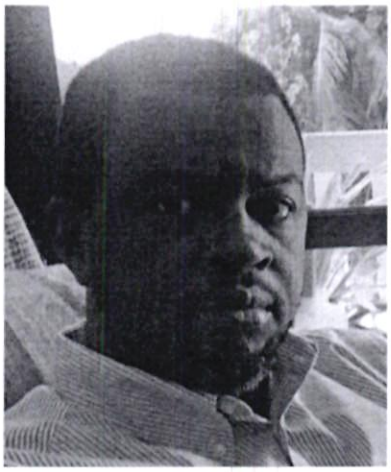
Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

II. THE BOARD OF DIRECTORS

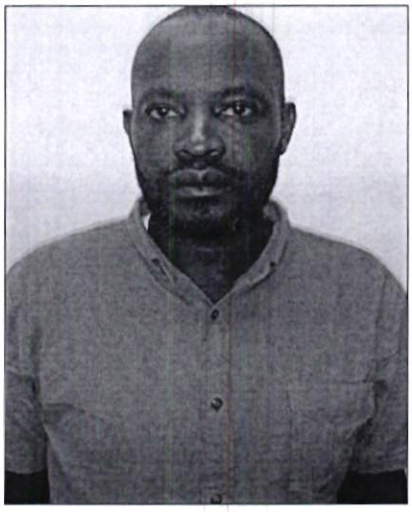
PHOTO	PROFILE
	Director Benedict Furaha is the Chairman of the Company's Board of Directors. He was born on 25th December, 1975. Furaha holds Bachelor of Arts Degree in corporate communication and political science. He has 16 years of work experience.
Ravasco Pole Mwasambu	Director Pole Mwasambu was born in 1956. He holds a Diploma in Agricultural Education. He has 37 years of work experience and he is a retired administrator.
Zainabu Salim	Director Zainabu Salim was Born on 12th January 1959.She holds a Diploma in Arts and Craft and a Certificate in Child Counselling. She is a reknown Businesswoman in Kilifi County. She currently the Chairperson of the board Audit committee. She has a wealth of experience in entrenuership.

Benjamin Kai Chilumo

Director Benjamin Chilumo was born in November 1973. He is the County Chief Officer for Finance in County Government of Kilifi. He holds a Bachelor of Business Management Degree in Finance and Banking from Moi University. Mr. Chilumo is a Certified Public Accountant and a member of Institute of certified public accountants of Kenya (ICPAK)

Ust adh Rashid Mukwana Muhhamad

Director Rashid Mukwana was born in 16th April, 1975. He holds a Diploma in Teaching Arabic and Islamic Studies. He is currently the executive officer of Supreme Council of Kenya Muslims (SUPKEM) in Kilifi County and has a wealth of experience.



Kenneth Charo Kazungu

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

Beatrice Jumwa Nzai

Director Beatrice Nzai was born on 30th December, 1957. She holds a Diploma in Education Management. She is the Chairperson of Technical and Commercial Committee of the board. She has 33 years of work experience and she is a retired Teacher

Margaret Chizi Ngale

Director Margaret Chizi was born on 10th July, 1975. She holds Masters of Degree in Education, Leadership and Management. She is a teacher by profession. She is currently the chairperson of the HR, Finance and Administration committee of the board. She possess a wealth of experience in teaching profession.

Christine Nzara John

Director Christine Nzara on 24th December, 1970.She holds a K.C.S.E Certificate and Computer Literate. She is a re-known business woman in Kilifi County. She has a wealth of experience in entrepreneurship.

Hezekiah Mwarua Nguma

Mr. Hezekiah N. Mwarua is the company Managing Director. Born on 16th January1983, Mr. Mwarua joined the company in January 2016 as Technical and Operations Manager and thereafter appointed as the Managing Director in July 2017. He holds a bachelor of technology in chemical and process engineering from Moi University. He is currently pursuing Masters of Business Administration (Management Science option). Mr. Mwarua worked as a process engineer with Kenya Petroleum Refineries Limited for 6 years.

III. MANAGEMENT TEAM

Hezekiah Nguma Mwarua

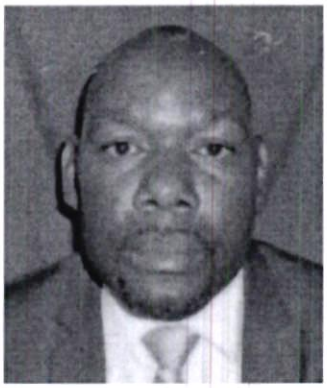
Managing Director

Until his appointment as Managing Director, he was also in-charge of the company's Technical & Operation Portfolio. Mr. Mwarua joined the company in January 2016. He holds a Bachelor of technology Degree in chemical and process engineering from Moi University. He is currently pursuing a Masters of Business Administration Degree (Management Science option). Mr. Mwarua worked as a Process Engineer with Kenya Petroleum Refineries Limited before joining KIMAWASCO

Alfred Dume Janji

Internal Audit Manager

Alfred Janji is the Internal Audit Manager. Born on 8th January 1984, Mr. Janji joined the company as Revenue officer in 2009. He has risen through the ranks to his current position of Internal Audit Manager. He holds a Bachelor of business management Degree in Accounting from Moi University and Diploma in personnel management from The Technical University of Mombasa. He is a certified Public Secretary CPS (K). He also holds CPA Part II.



Ernest Chea Ngolo

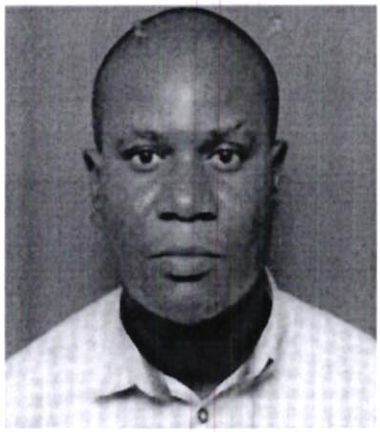
Commercial and Business Development Manager:

Ernest Chea is the Company's Commercial and Business Development Manager. Born on 6th August 1978, Chea joined the company in 2019. He holds a Bachelor of science Degree in economics. He is currently pursuing a master's degree in economics at the university of Nairobi.

Fatuma Mwidadi

Human Resources And Administration Manager:

Fatuma Mwidadi is the company's Human Resources & Administration Manager. Born in 1988, Fatuma joined the company in 2012 as Human Resources & Administration Assistant and rose through ranks to the current position. Fatuma graduated from Kampala International University, Uganda. She is also a member of the institute of Human Resources of Kenya. She is currently pursuing a Master of Business Administration at the Pwani University. Prior to joining the company, Fatuma worked as administrative officer with Grout and Shot Crete Construction Company.



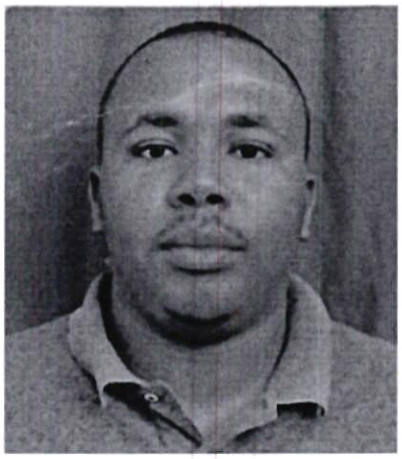
Benedict Katana Ngumbao

Finance Manager.

Benedict K. Ngumbao is the company Finance Manager. Born on 21st December 1981.He joined the company in 2018. He holds a Bachelor of Business Management (Finance and Banking Option) from Moi University. He is a Certified Public Accountant of Kenya and a member of Icpak. He worked with the County Government of Kilifi as the principal Accountant at the County Treasury. He is currently pursuing a master's degree in finance at Technical university of Mombasa

TECHNICAL & OPERATIONS MANAGER

Pascal Dume Jira is the company's Ag. Technical Manager. Born on 30 September 1984. He holds Bachelor of Science Degree in Civil Engineering from Technical University of Mombasa. Besides that, he is a holder of a Higher Diploma in Water Engineering from Kenya water Institute.



Ismail Juma Sadikini

PROCUREMENT MANAGER

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

IV. CHAIRMAN'S STATEMENT

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

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

Water being a devolved function, the County Government of Kilifi has also ambitiously invested in several water projects within KIMAWASCO's area of operation, which has greatly improved on the Company's water coverage from 43% to 68% in the past 5 years. A lot more still needs to be done on development of water infrastructure. The Company has engaged the County Government of Kilifi and other Development Agencies in rehabilitation of the old and dilapidated water supply infrastructure which has been a major contributor to high water loss through leaks and bursts that the company experiences; the Company's Non-Revenue Water level standing at 57% for the year ended 30th June 2020.

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

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

Benedict Emmanuel Furaha

CHAIRMAN

V. REPORT OF THE MANAGING DIRECTOR

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

In the year ended 30 June 2020, the company received 11,172,994 m3 of water from CWWDA at a cost of Ksh. 218,731,760. The company then billed a total volume of 4,784,993 m3 to its customers translating to a billed amount of Ksh. 484,819,690. This was however, below the Ksh. 681,882,855 billing target for the year.

The Company is still grappling with the challenge of high non-revenue water level, which stood at 57% for the year ended 30th June 2020. This was a 6% increase from the 51% level in the previous year; against a sector benchmark of 25%. The high NRW level in KIMAWASCO is majorly attributed to old and dilapidated water supply network that has outlived its useful life and thus it is prone to leaks and bursts, Illegal water connections and old inaccurate & stalled meters that are not giving correct customer consumptions.

KIMAWASCO has approached several donor agencies and the County Government of Kilifi to fund-raise for the replacement of these dilapidated water supply infrastructure, which require heavy financing. Some pipeline networks have been built on thus exposing them to illegal water use.

The Company has piloted on creation of District Metered Areas to enable it carry out water balance and hence effectively monitor its water supply to customers, and be able to point out at areas where it loses its water. Through financing from the world bank under WSDP project, the company intends to enhance water distribution in Kilifi and Mtwapa towns by replacing all dilapidated water pipelines, augmenting inadequate pipelines, carryout pipeline extentions to reach out to the unserved and create District Meter Areas for managing Non-Revenue Water.

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

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

High electricity and fuel cost for pump stations pose a great challenge to the Company's operations; the Company operates 16 pumping units to lift water to reach to its customers in far and raised areas. The company intends to undertake an investment grade companywide energy audit to identify opportunities for energy cost reduction.

Hezekiah Nguma Mwarua

MANAGING DIRECTOR

VI. CORPORATE GOVERNANCE STATEMENT

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

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

Board of Directors

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

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

Board Meetings

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held four (4) regular and four (4) special meetings during the year under review. As the Corporation is a State Corporation, the Inspector General of State Corporations is expected to attend meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

Committees of the Board

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

a) Audit and Risk Management Committee

The membership of the Audit Committee is comprised as follows:

1. Zainabu Salim - Chairperson
2. Beatrice Jumwa Nzai - Member
3. Ravasco Pole Mwasambu - Member

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

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

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

b) Human Resource, Finance and Administrations Committee

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

1. Margaret Chizi Ngale - Chairperson
2. Rashid Mukwana Muhammad- Member
3. Benjamin Kai Chilumo – Member

4.Christine Nzara John-Member

c)Technical and Commercial committee

1.Beatrice Jumwa Nzai-Chairperson

2.Rashid Mukwana Muhammad-Member

3. Kenneth Charo Kazungu

The Committee reviews and provides recommendations on issues relating to all human resources matters including, career progression, performance management, training needs, job transfers, staff recruitment, staff placements, promotions, demotions, discipline and staff welfare. The Committee assists the Board in fulfilling its oversight responsibilities relating to the Corporation's finance, information and technology, procurement, investment strategies, policies, projects and related activities. The Committee held eight (8) regular meetings and no special meeting in the year under review.

Risk Management and Internal Controls

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

Shareholding

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

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

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

Hezekiah Nguma Mwarua
MANAGING DIRECTOR

Benedict Emmanuel Furaha
CHAIRMAN

VII. MANAGEMENT DISCUSSION AND ANALYSIS

(a) Staffing

During the end of the financial year, the number of staff reduced from 226 to 225 because the Technical manager resigned.

Table 1

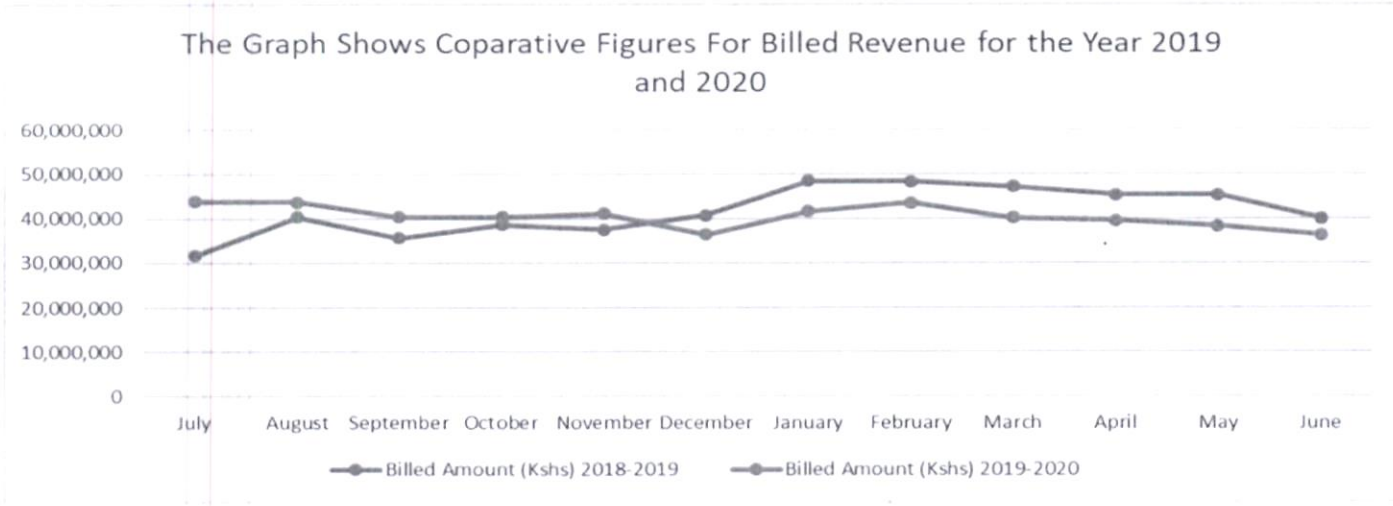
NO. OF STAFF	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Permanent	183	183	183	182
Contract	36	36	36	36
Management Contract	7	6	6	7
TOTAL	**226**	**225**	**225**	**225**

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

During the year under review, the company received 11,172,994 m^3 of water from CWWDA compared to the previous year's 9,796,476 m^3 of water. This represents 14 % increase in bulk water purchase. The comparable yearly bulk water purchase/production translates to cost of water/sales of kshs 218,731,760 and kshs192,842,040 for the years 2020 and 2019 respectively. The company registered a decrease in volume of water it billed its customers from 4,815,789 m^3 in 2019 to 4,784,687 m^3 in 2020; a decrease of approximately 1%. Non-Revenue water increased from 51% in 2019 to 57% in 2020. Among notable causes of the increase in NRW as noted by management was was high estimated bills slapped to the water utility by the water service board, the long-standing issue of water production billed on Kilifi Mariakani water but consumed by the neighbouring water utilities, increased number of stopped meters which are suspected to be under-registering, and old & dilapidated water supply infrastructure that has resulted to frequent leaks and bursts. The company has requested for a reconciliation of the bulk water purchase figures so that the figures in the company's books are in harmony with those held by Coast Water Works Development Agency. For more details, refer to table 2.

Table 2

Months	Production in m3		Billed Vol. m3		NRW		Billed Amount CWWDA (Kshs)		Billed Amount (Kshs)	
	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020
July	668,394	913,458	303,506	419,487	364,888	493,971	14,362,420	18,565,300	31,670,170	43,869,680
August	777,566	942,677	395,228	424,313	382,338	518,364	15,549,260	19,776,760	40,382,700	43,698,300
September	734,695	941,135	367,502	403,934	376,193	537,201	14,622,120	19,181,180	35,678,085	40,346,264
October	718,747	928,035	364,317	397,079	354,430	530,956	14,048,620	16,537,320	38,588,790	40,350,022
November	765,955	926,742	365,161	389,157	400,794	537,585	15,647,780	16,143,500	37,492,472	41,049,919
December	719,810	872,099	388,525	369,484	331,285	502,615	14,361,340	17,767,260	40,674,473	36,337,383
January	813,281	1,053,802	446,406	415,532	366,875	638,270	16,190,380	21,385,100	48,379,552	41,596,325
February	967,159	955,342	468,342	431,170	498,817	524,172	19,258,860	16,870,300	48,147,903	43,510,285
March	800,785	830,017	450,082	405,033	350,703	424,984	14,032,000	16,118,700	47,061,900	40,123,964
April	936,199	938,188	452,767	400,321	483,432	537,867	18,328,600	17,393,800	45,260,560	39,533,350
May	908,462	870,281	434,663	373,744	473,799	496,537	17,698,960	18,120,660	45,201,652	38,181,847
June	985,423	1,001,218	379,290	355,739	606,133	645,479	18,741,700	20,871,880	40,001,668	36,222,351
	9,796,476	**11,172,994**	**4,815,789**	**4,784,993**	**4,980,687**	**6,388,001**	**192,842,040**	**218,731,760**	**498,539.925**	**484,819,690**
					51%	57%			7%	



c) Number of Connections (Active Billed)

During the year under review, the company recorded an overall average growth in the number of connections of 10% in comparison to the year 2018-2019. The company ended the year 2019-2020 with a marked increase in the number of connections of 24,507 compared to 22,276 in 2018-2019.

Year	No. of Connections		Change in No. of connections	
	2018-2019	2019-2020	Per Qtr.	% Change
Average Qtr1	20,094	22,731	2,637	13%
Average Qtr2	20,904	22,210	1,306	6%
Average Qtr3	21,826	23,518	1,692	8%
Average Qtr4	22,276	24,507	2,231	10%

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 ernergy saving opportunities, carrying out a customer identification survey to clean up the customer data base, intesifying on NRW reduction activities, putting a caveat on staff employment, enhance budgetary controls among others.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

Hezekiah Nguma Mwarua
MANAGING DIRECTOR

Benedict Emmanuel Furaha
CHAIRMAN

IX. REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30th June 2020, which show the state of the company's affairs.

Principal activities of the company

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

Results of operations

The results of the company for the year ended 30th June, 2020 as set out on page twenty-four (24) to twenty-eight (28)

Directors

The members of the Board of Directors who served during the year are shown on page one (1) to page four (4). 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 five (5) to page seven (7)

Auditors

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

By Order of the Board

John Bwire and Associates Advocates, Company Secretary

Mombasa

Date 22.3.2021

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act CAP446, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year. The Directors are also required to ensure that the entity keeps proper accounting records, which disclose with reasonable accuracy of the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements.

The entity's financial statements were approved by the Board on .....22.3.....2021 and signed on its behalf by:

Benedict Emmanuel Furaha	Hezekiah Nguma Mwarua
CHAIRMAN	**MANAGING DIRECTOR**

REPUBLIC OF KENYA

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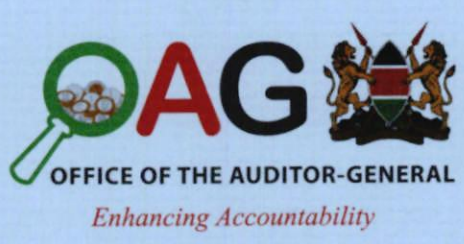

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KILIFI-MARIAKANI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kilifi-Mariakani Water and Sewerage Company Limited set out on pages 1 to 54, which comprise of the statement of financial position as at 30 June, 2020, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements represent fairly, the financial position of Kilifi-Mariakani Water and Sewerage Company Limited as at 30 June, 2020, 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, the Companies Act of 2015 and the Public Finance Management Act, 2012, and the Water Act, 2016.

Basis for Qualified Opinion

The financial statements reflect several balances that have not been supported with adequate records or information as explained in the following paragraphs:

1.0 Liability Owed to Coast Water Works Agency

The statement of financial position for the year ended 30 June, 2020 reflects a liability totaling Kshs.28,978,443 owed to Coast Water Works Development Agency, as disclosed in Note 26 to the financial statements. However, the Note does not disclose the comparative balance for the previous financial year. No explanation has been provided for the omission.

2.0 Inaccuracies in the Financial Statements

The financial statements contain the following inaccuracies:

i) The statement of profit or loss and other comprehensive income reflects a surplus profit balance amounting to Kshs.15,782,283 for the year under review whereas the statement of comparison of budget and actual amounts reflects a surplus of Kshs.13,531,859. The difference amounting to Kshs.2,250,424 between the two sets of records has not been explained.

ii) Several balances reflected in Note 30 to the financial statements- reconciliation of operating profit /(loss) to cash generated from (used in) operations do not tally with the sums of items shown as making up the balances in records provided for audit:

No.	Account Name	Amount Reflected in Note 30 Kshs.	Re-cast Amount Kshs.	Variance Kshs.
1	Decrease in Consumables (Inventories)	3,478,903	3,462,903	16,000
2	Increase in Trade and Other Receivables	91,378,291	71,378,291	20,000,000
3	Increase in Trade and Other Payables	13,573,492	73,367,819	59,794,327
4	Increase in Coast Water Works Development Agency Liability	12,925,673	296,594	12,629,079
5	Increase in Bulk Liability	43,173,350	50,342,040	7,168,690
6	Increase in Licensee Remuneration	57,366,175	35,967,839	21,398,336
Note 12 - Net book Value as at 30 June, 2020		3,898,027	3,896,827	1,200

In view of these discrepancies, the accuracy and completeness of the cash flow statement for the year ended 30 June, 2020 could not be confirmed.

3.0 Revenue from Sale of Water

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2020 reflects water sales totalling Kshs.484,819,690. However, the following issues were noted in respect to the balance:

i) The bills provided for audit amounted to Kshs.484,587,246, resulting in unexplained variance of Kshs.232,444 with the balance amounting to Kshs.484,819,690 reflected in the financial statements.

(ii) Records provided for audit indicated that the Company had 36,417 customers. However, the records indicated that 176 of the customers from whom water sales totalling Kshs.957,646 were generated had water meters with identical serial numbers. Management did not provide a satisfactory explanation how it happened that one meter was allocated to more than one customer.

iii) Water sales records provided for audit review indicated that sales adjustments totalling Kshs.96,342,519 reduced the sales for the year from Kshs.581,162,209 to Kshs.484,819,690, or by 17%. However, journal entries indicating reasons for the adjustments were not provided for audit review. As a result, the accuracy and validity of the sales adjustments totalling Kshs.96,342,519 made during the year under review could not be confirmed.

4.0 Revenue on Estimated Billing

Water sales records indicated that the Company billed 19,029 customers a total of Kshs.442,259,750 after conducting meter readings while 4,187 customers were billed Kshs.42,327,496 on estimated consumption. Although Management indicated that the estimates were based on three (3) months' actual meter reading averages, no records were provided for audit to confirm the assertion.

Further, audit review of a sample of the estimated bills totalling Kshs.42,327,496 indicated they were for the twelve months spanning the year under review. Therefore, the estimated bills were not based on three (3) months' actual readings as per the Company's policy. In addition, Management did not explain why actual readings were used over the whole 12-month period ended 30 June, 2020.

In the circumstances, the accuracy, validity and completeness of estimated water sales totalling Kshs.42,327,496 for the year ended 30 June, 2020 could not be confirmed.

5.0 Cost of Sales

The statement of profit and loss and other comprehensive income reflects cost of sales totalling Kshs.274,869,260, out of which Kshs.218,731,760 relates to cost of bulk water which increased by Kshs.25,889,720 or 13.43% from Kshs.192,842,040 in the previous year.

However, sale of water which should have correlated positively with the cost of bulk water purchases decreased by Kshs.13,720,235 or 2.73% from Kshs.498,539,925 in the year 2018/2019 to Kshs.484,819,690 during the year under review. The anomaly suggested there may have been leakage of revenue resulting from unbilled consumption of the Company's water.

Further, included in the cost of bulk water sales totalling Kshs.218,731,760 were three (3) water bills totalling Kshs.6,845,360 whose supply location was indicated as Kwale Water and Sewerage Company Limited and therefore the bills may not have related to Kilifi-Mariakani Water and Sewerage Company Limited.

In view of these issues, the accuracy, completeness, and validity of cost of bulk water totalling Kshs.218,731,760 for the year ended 30 June, 2020 could not be confirmed.

6.0 Property, Plant and Equipment

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance totalling Kshs.243,483,880 as further disclosed in Note 11 to the financial statements. The following observations were made in respect to the balance:

6.1 Leased Assets from Coast Water Works Development Agency

As previously reported, included in the property, plant and equipment balance totalling Kshs.243,483,880 is Kshs.34,256,900 being the book value of assets leased from Coast Water Works Development Agency in accordance with Clause 3 and Clause 4 and Schedule F and Schedule G of the unsigned Service Provision Agreement (SPA). However, records on ownership of the assets by the Company and professional valuation certificates were not provided for audit.

Consequently, valuation, and ownership of the assets by the Company of the assets valued at Kshs.34,256,900 could not be confirmed.

6.2 Motor Vehicles

Note 11 to the financial statements for the year ended 30 June, 2020 reflects motor vehicles costs totalling Kshs.35,262,639. Records provided for audit review indicated that the Company acquired five (5) motorcycles and one saloon car during the year ended 30 June, 2018. However, logbooks for the five (5) motorcycles indicated that they were owned by private company. Log books for ten (10) other motorcycles costing Kshs.1,970,002 acquired during the financial year under audit review were not provided for audit review.

Consequently, the accuracy, ownership and rights and obligations on motor vehicles valued at Kshs.35,262,639 as at 30 June, 2020 could not be confirmed.

6.3 Fixed Assets Register

Disclosed in Note 11 to the financial statements are fixed assets costs totalling Kshs.277,174,545 as at 30 June, 2020. However, the assets register indicated that assets costs totalled Kshs.125,022,468 on the said date and were comprised of an opening balance totalling 33,047,156 and additions for the year totalling Kshs.91,975,312. The variance totalling Kshs.152,152,077 between the balances in the two sets of records was not explained or reconciled.

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

Consequently, the accuracy and completeness of the fixed assets costs totalling Kshs.277,174,545 as at 30 June, 2020 could not be confirmed.

6.4 Unsupported Additions to Property, Plant and Equipment

Disclosed in Note 11 to the financial statements are additions to property and equipment totalling Kshs.118,302,404 made during the year under review. However, the supporting schedule provided for audit indicated that additions totalling Kshs.91,975,312, resulting in an unexplained variance of Kshs.26,327,092 between the two sets of records. No explanation was provided for the variance.

7.0 Trade and Other Receivables

The statement of financial position as at 30 June, 2020 reflects trade and other receivables balance totalling Kshs.319,100,281 as detailed in Note 14 to the financial statements. However, the following anomalies were noted in respect to the balance:

7.1 Offsetting and Allocation of Payments by Debtors

Records provided for audit indicated that the gross trade receivables balance totalling Kshs.303,176,773 reflected in Note 14 to the financial statement was arrived at after irregularly deducting customer advance payments totalling Kshs.3,967,849 that should have been accounted for separately.

Further, audit review of customer billing and payment records indicated that the Company's payment system links customer account numbers with Mpesa Paybill. In case a customer account is not identified during the payment process, the amount received is credited to a suspense account. Mpesa records provided for audit reflected customer payments totalling Kshs.93,890,083 that had not been credited to specific customer debtor accounts and which were transferred to a suspense account in the year under review. No records of effort made to contact the payees, as required by Section 19 of the Unclaimed Financial Assets Act, 2011 were provided for audit

Consequently, the accuracy and completeness of gross trade receivables balance totalling Kshs.303,176,773 as at 30 June, 2020 could not be confirmed.

7.2 Terminated Water Connections

The trade receivables balance totalling Kshs.303,176,773 includes Kshs.200,058 relating to customers whose water supply was disconnected by the Company. Records provided for audit review indicated that the Company did not have existing contracts with these customers and could not therefore institute legal proceedings to recover the amounts owed.

Consequently, recoverability of debts totalling Kshs.200,058 as at 30 June, 2020 could not be confirmed.

7.3 Unidentified Debtors

The trade receivables balance totaling Kshs.303,176,773 includes sales totalling Kshs.15,309,844 made at seven (7) water boozing points at which the Company sells water to vendors who pay on cash basis. Information provided for audit indicated that the sales were made to government agencies who drew water from the water boozing points on credit. However, contract agreements, invoices, billing statements or a schedule indicating details of specific debtors, quantity of water supplied and amount due were not provided for audit review. As a result, the accuracy and validity of the balance totalling Kshs.15,309,844 as at 30 June, 2020 could not be confirmed.

7.4 Undisclosed Accounts Receivables

Audit review of billing records and outstanding customer balances indicated that 9,161 disconnected customers had outstanding water bills totalling Kshs.110,819,466. However, the bills were not included in the trade receivables balance totalling Kshs.303,176,773. Management did not provide an explanation for the omission.

7.5 Other Receivables

Included under Note14 to the financial statements are receivables totalling Kshs.15,237,455. However, analyses showing the items the balance was comprised of were not provided for audit review. Consequently, the accuracy, completeness and validity of the other receivables balance totalling Kshs.15,237,455 as at 30 June, 2020 could not be confirmed.

7.6 Advances and Prepayments

The trade and other receivables balance totalling Kshs.303,176,773 includes deposits and prepayments totalling Kshs.210,990. Included in the balance is Kshs.126,000 incurred on outstanding prepaid honoraria payments made in 2013. However, no explanation was provided why Management had not recovered the prepayment.

Further, included in the Kshs.210,990 deposits is Kshs.84,990 which, however, was not supported by details of the employee or person owing and purpose of the amount due.

7.7 Provision for Bad and Doubtful Debts

Disclosed under Note 14 (a) to the financial statements is a provision for bad and doubtful debts totalling Kshs.1,352,938 which reflects a decrease of Kshs.3,384,718 from the previous year's provision of Kshs.4,737,656. The Note indicates that the provision was made at the rate of 2% of outstanding receivables as at 30 June, 2020 based on historical estimates. However, the rate translates to Kshs.6,090,594 which varies with the provision amounting Kshs.1,352,938 by Kshs.4,737,656. No explanation has been provided for the anomaly.

Further, provision for bad and doubtful debts of 2% is contrary to Paragraph 10.6 of the Company's Finance and Accounting Manual which prescribes a rate of 25% for debts outstanding for six to twelve months, 50% for those over one (1) year and 100% for receivables over two (2) years.

In the circumstances, the provision totalling Kshs.1,352,938 is inadequate and the receivables balances totalling Kshs.319,100,281 may not be fairly stated.

8.0 Capital and Reserves

The statement of financial position as at 30 June, 2020 reflects negative capital and reserves totalling Kshs.332,913,484. However examination of records on the balance revealed the following anomalies:

8.1 Ordinary Share Capital

The statement of financial position as at 30 June, 2020 reflects ordinary share capital amounting to Kshs.100,000. The Company is registered as a Limited Company with an authorized share capital of Kshs.5,000,000. According to the Memorandum and Articles of Association, share capital worth Kshs.36,000 was fully subscribed and issued to Kilifi County Government as at 30 June, 2020. The variance amounting to Kshs.64,000 has not been explained. Available information indicated that as at 30 June, 2020, the County Government had not paid for the shareholding.

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

	Shareholder	Number of Ordinary Shares	Value of Ordinary Shares (Kshs.)
1	County Government of Kilifi	4,996	4,996,000
2	County Secretary – County Government of Kilifi	2	2,000
3	Executive Committee Member Finance and Economic Planning	1	1,000
4	Executive Committee Member for Water, Forestry and Natural Resources	1	1,000
	Total	**5,000**	**5,000,000**

However, the changes are not reflected in the financial statements for the year under review. In the circumstance, the accuracy of the ordinary share capital balance totalling Kshs.100,000 as at 30 June, 2020 could not be confirmed.

8.2 Coast Water Works Development Agency Liability

The statement of financial position as at 30 June, 2020 reflects a liability amounting to Kshs.28,978,443 owed to Coast Water Works Development Agency, as disclosed in Note 26 to financial statements. The balance was, apparently, arrived at after deducting assets totalling Kshs.625,398,199 and capital and reserves totalling Kshs.303,935,041 from current and non-current liabilities totalling Kshs.958,311,683 which indicated that the sum was a balancing item in the statement of financial position as at 30 June, 2020.

Consequently, the accuracy and completeness of Coast Water Works Development Agency liability totalling Kshs.28,978,443 as at 30 June, 2020 could not be confirmed.

8.3 Capital Reserve Fund

The statement of financial position as at 30 June, 2020 reflects cash reserves totalling Kshs.50,094,019 as further disclosed in Note 27 to the financial statements. Examination of records on the reserve indicated that Kshs.34,256,900 related to the assets at formation of the Company and Kshs.15,837,119 were expenses incurred in the first year of the Company after it was incorporated. Reflection of the balances under cash reserves was not explained.

In view of these issues, the accuracy and validity of the share capital balance totalling kshs.100,000 could not be confirmed.

9.0 Non-Current Liabilities

The statement of financial position as at 30 June, 2020 reflects Kshs.612,414,189 in respect of non-current liabilities, being an increase of Kshs.85,775,280 or 16.3% from the balance of Kshs.526,638,909 reported in the previous year. Audit review of the balance revealed the following anomalies:

9.1 Bulk Water

Included under current assets bulk water sales totalling Kshs.315,671,948 as disclosed in Note 24 to the financial statements. Information provided in the Note indicated that, the total outstanding bulk water liability was Kshs.429,903,708 as at 30 June, 2020 and the Company had categorized Kshs.315,671,948 of the balance as non-current and Kshs.114,231,760 as current liability.

However, Management did not provide for audit review any agreement between the Company and Coast Water Works Development Agency suspending immediate settlement of the outstanding balance totalling Kshs.315,671,948 for a period of more than 12 months from 30 June, 2020 to allow its recognition of the balance as a long term liability.

Consequently, fair statement of the bulk water liability balance totalling Kshs.429,903,708 as at 30 June, 2020 could not be confirmed.

9.2 Licensee Fees

The statement of financial position reflects licence fees totalling Kshs.285,515,716 as disclosed in Note 23 to the financial statements. Information provided in the Note indicates that, the total outstanding licensee fees as at 30 June , 2020 amounted to Kshs.305,084,418, out of which Kshs.285,515,716 was categorized as non-current liability and Kshs.19,568,703 as a current liability.

However, the Management did not provide for audit review any agreement between the Company and Coast Water Works Development Agency suspending immediate settlement of the outstanding amount of Kshs.285,515,716 for a period of more than 12 months from 30 June, 2020 to qualify the balance as a non-current liability.

As a result, fair statement of the licence fees balance totalling Kshs.305,084,418 as at 30 June, 2020 could not be confirmed.

9.3 Deferred Income

The statement of financial position reflects deferred income totalling Kshs.11,226,527 as further disclosed in Note 3 (b) to the financial statements. However, Management did not provide records, including analyses of the balance to explain its treatment as deferred income.

Consequently, the validity and completeness of deferred income balance totalling Kshs.11,226,527 as at 30 June, 2020 could not be confirmed.

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

As similarly reported in the previous year, the statement of financial position as at 30 June, 2020 reflects a liability amounting to Kshs.706,009,684 due to Coast Water Works

	KIMAWASCO Financial Statements		Amount due to CWWDA Kshs.
1	Capital and Reserves	Coast Water Works Development Agency (CWWDA) Liability	(28,978,443)
2	Non-Current Liabilities	Bulk Water	315,671,948
3	Non-Current Liabilities	Licensee Fees	285,515,716
4	Trade and Other Payables	Licensee Fees	19,568,703
5	Trade and Other Payables	Bulk Water	114,231,760

Total Owed to CWWDA			**706,009,684**
CWWDA Financial Statements			
	Trade and Other Receivables	Kilif-Mariakani Water and Sewerage Company Limited	799,193,306
Variance			**93,183,622**

Development Agency (CWWDA) and reflected under capital and reserves. However, Coast Water Works Development Agency's financial statements indicated that the Company owed the Agency Kshs.799,193,306 as at 30 June, 2020. The variances were arrived at as follows:

No explanation was provided for the variance totalling Kshs.93,183,622. As a result, the accuracy and completeness of the sum of Kshs.706,009,684 reported as owed to Coast Water Works Development Agency as at 30 June, 2020 could not be confirmed.

Trade and Other Payables

The statement of financial position as at 30 June, 2020 reflects trade and other payables totalling Kshs.329,176,664 as further disclosed in Note 22 to the financial statements. The following anomalies were noted in respect to the balance:

11.1 Trade Creditors

Included in Note 22 to the financial statements are trade creditors totalling Kshs.74,462,794. However, no third-party confirmations were provided for audit review. In the circumstance, the accuracy and validity of trade and other payables balance totalling Kshs.74,462,794 as at 30 June, 2020 could not be confirmed.

11.2 Long-term Customer Deposits

Included in Note 22 to the financial statements are long-term customer deposits totalling Kshs.56,178,671. However, the supporting schedule provided reflected a balance of Kshs.56,470,382, resulting in an unexplained variance of Kshs.291,711.

Further, the bank account maintained for purposes of holding customer deposits held at a local commercial bank reflected a balance of Kshs.4,442,622 as at 30 June, 2020 resulting in a variance of Kshs.51,736,049 which has not been reconciled nor explained.

In the circumstances the accuracy and existence of long-term customer deposits balance totalling Kshs.56,178,671 as at 30 June, 2020 could not be confirmed.

11.3 Tax Expenses

Note 22 to the financial statements reflects tax liabilities totalling Kshs.18,300,794 for prior year assessment, out of which Kshs.8,480,175 relate to fines and penalties. The Company was audited by Kenya Revenue Authority in 2016/2017 for compliance with tax laws and found not to have complied with various aspects of tax regulations.

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

12.0 Retirement Benefits Obligation

The statement of financial position as at 30 June, 2020 reflects retirement benefits obligation totalling Kshs16,720,830. Audit review of payroll records revealed retirement benefits obligations payable totalling Kshs.18,657,667 for the year under review and Kshs.3,234,365 for 2018/2019, all totalling Kshs.21,892,032 in respect of employer and employee contributions.

However, the amount remitted to the pension fund was Kshs.5,171,202, leaving an unremitted amount of Kshs.16,720,830. Management did not explain why employees and employer pension contributions had not been remitted to the pension fund. Failure to remit the retirement benefits obligations may result in penalties and interest charges to the Company and is contrary to the law.

In view of the delay in making the remittances, the actual amount outstanding as at 30 June, 2020 could not be confirmed.

13.0 Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.2,250,424 which resulted to an increase in accumulated losses to Kshs.354,129,060 as at 30 June, 2020 from the Kshs.351,878,636 reported in the previous year.

Further, the statement of financial position as at 30 June, 2020 reflects a working capital of Kshs.27,623,069, being current assets of Kshs.373,520,563 less current liabilities of Kshs.345,897,494. However, as highlighted elsewhere in this report, Management had classified bulk water totalling Kshs.315,671,948 and licensee fees totalling Kshs.285,515,716 as non-current liabilities although these had been disclosed as current assets in the financial statements of Coast Water Works Development Agency for the year ended 30 June, 2020. Therefore, had the liabilities been disclosed as current liabilities, the Company would have had a material negative working capital of Kshs.573,564,595 which would have indicated its inability to meet its current financial obligations as they fell due.

The existence of the material uncertainty has cast doubt on the Company's ability to continue as a going concern. However, the financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Kilifi and creditors and bankers. The Company`s directors have not disclosed the measures they have implemented to reverse the Company's unsatisfactory financial position and put it on the path to profitability.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

1.1 Revenue Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects a revenue budget totalling Kshs.752,478,13 against actual collection of Kshs.600,990,623, resulting in a net under-collection of Kshs.151,487,511 or 20% of the budget as summarized below:

Revenue	Approved Final Budget (Kshs.)	Actual Collection (Kshs.)	Under Collection (Kshs.)	Over Collection (Kshs.)	% of the Variance
Sale of Water	681,882,855	484,819,690	197,063,165	0	29
Other Income	70,595,279	11,097,216	59,498,063	0	84
Water Sector Trust Fund and Water and Sanitation Development Project	0	105,073,717	0	105,073,717	100
Total	**752,478,134**	**600,990,623**	**256,561,228**	**105,073,717**	**20**

Management explained the revenue shortfall as having resulted from high amount of unbilled water supplies due leakages linked to the Company's old supply network. The shortfall may have constrained the operations of the Company in the year under review.

1.2 Expenditure Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects an expenditure budget of Kshs.659,320,134 against actual expenditure of Kshs.587,458,764 or 89% of the budget, resulting in a net under-expenditure of Kshs.71,861,370 or 11% as detailed below:

Expenditure Item		Final Expenditure Budget (Kshs.)	Actual Expenditure (Kshs.)	Over Expenditure (Kshs.)	Under Expenditure (Kshs.)	% of the Variance
1.	Compensation of Employees	220,525,686	169,710,537	0	50,815,149	23
2.	Use of Goods and Services	332,230,170	325,614,112	0	6,616,058	1
3.	Finance Costs	18,202,828	1,042,704	0	17,160,124	94
4.	Rent Paid	1,600,000	1,615,493	15,493	0	1
5.	Repairs and Maintenance	22,239,632	31,992,269	9,752,637	0	44
6.	Directors Expenses	8,823,615	6,456,898	0	2,366,717	27
7.	Other Payments	55,698,203	51,026,751	0	4,671,452	1
Totals		**659,320,134**	**587,458,764**	**9,768,130**	**81,629,500**	**11**

The shortfall of revenue and under-expenditure implied that provision of services for the year under review may have been constrained.

2.0 Prior Year Issues

The audit report for the year ended 30 June 2020 raised several unsatisfactory matters relating to balances reflected in the financial statements, lawfulness and effectiveness in use of public resources, and effectiveness of internal control, risk management and governance. The progress made in resolving the issues will be confirmed after the matters are discussed by the Legislature.

Other Information

The directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter 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

14.0 Non-Revenue Water

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2020 reflects water sales totalling Kshs.484,819,690. Records provided for audit review indicated that the Company received 11,172,994 cubic meters of water from Coast Water Works Development Agency, out of which 4,784,993 cubic meters (42.8%) was billed to its customers. The balance totalling 6,388,001 cubic meters (57.2%) denoted as Non-Revenue Water (NRW) was 32.2 percentage points above the allowable threshold of 25% set by the Water Service Regulatory Board (WASREB).

The NRW may have resulted loss of revenue estimated at Kshs.647,104,501 at the Company's average selling price of Kshs.101.3 per cubic meter. Therefore, the NRW was a major contributor to the Company's unsatisfactory financial performance and is a risk to the sustainability of its operations.

15.0 Failure to File Value Added Tax Returns

Records provided for audit indicated that the Company was registered as a provider of zero-rated supplies under the Value Added Tax (VAT) Act, but had not been filing monthly VAT returns since April 2018. This was contrary to Section 44 of VAT Act, 2013 which provides that every registered person shall submit a return, in the prescribed form and

manner, in respect of each tax period not later than the twentieth day after the end of that period.

16.0 Gender Bias in Employment

Note 6(a) to the financial statements shows that Kilifi Mariakani Water Company had two hundred and twenty-five (225) employees as at 30 June, 2020. A review of personnel records provided for audit revealed that out of the 225 employees, 41 or 22.3% were of the female gender while 148, or 77.7% were of the male gender.

The staffing status contrary to Article 27(8) of the Constitution of Kenya, 2010 which states that, not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

17.0 Irregular Deductions of Staff Salaries

Note 6(a) to the financial statements reflects staff costs totalling Kshs.137,808,759. However, audit review of the Company's payroll for the year under review indicated that payroll deductions in excess of two thirds of basic pay were effected on the salaries of an average of fifty-thee (53) staff members in each month of the financial year, as detailed below:

This was contrary to provisions of Section 19(3) of the Employment Act, 2007 which prohibits employers from making deductions that exceed two thirds of the monthly wages of their employees.

Therefore, Management contravened the law and put their employees at the risk of pecuniary embarrassment.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1.0 Disconnected Water Meters Not Accounted For

Records provided for audit review indicated that the Company had 36,417 registered customers out of whom 10,057 had disconnected water meters. However, the Company

did not maintain records on the physical stock of meters held after disconnection, and those re-issued.

Paragraph 4.4.1 of the Company's Commercial Policy and Standards requires all disconnected accounts to be registered in the disconnections register and deactivated on the electronic information management system. Therefore, 10,057 disconnected meters were not accounted for.

In addition, the Company did not provide evidence to confirm that customers with material outstanding balances were not reconnected using different accounts.

In the circumstances, the Company does not have adequate controls on the management of water meters and customer connections.

2.0 Weaknesses in Information and Communications Technology (ICT)

Audit review of records and information provided for audit indicated that the Company had no policy guidelines on ICT and operated without an ICT strategy, despite having implemented a billing system that resulted in significant reliance on information technology software and hardware.

Further, the Company had not integrated or created an interface between its various electronic systems. For example, updating of the billing system against M-Pesa and direct deposits made in the bank was still done manually.

In addition, the Company did not have documented procedures on backing up its database and there were no backup registers to indicate whether or not backups were successfully done. Furthermore, data backups were not tested to check their integrity and were not stored in an offsite location and were thus exposed to the same perils as the live environment data.

In view of these issues, the Company's ICT controls were inadequate.

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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;

(ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;

(iii) The Company's statement of financial position and statement profit or loss and other comprehensive income are in agreement with books of account; and

(iv) In my opinion the information provided in the report of the directors on page xxiii, is consistent with the financial statements.

Responsibilities of Directors and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, 2015, and for maintaining effective internal control as the 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 Company's effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the ability of Kilifi-Mariakani Water and Sewerage Company Limited to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors are aware of the intention to liquidate the Company or to cease operations.

Management is 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 applied in an effective way.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 ability of the Company to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 applicable, related safeguards.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

XII. STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2020

		2019-2020	**2018-2019**
	Notes	**Kshs**	**Kshs**
REVENUES			
Sale of water	1	484,819,690	498,539,925
		484,819,690	**498,539,925**
Cost of sales	2	274,869,260	262,783,681
Gross Profit		**209,950,431**	**235,756,244**
WSTF Grant	3(a)	534,597	534,597
WSTF Bamba - EUCPIRA	c	10,850,717	
County Government	4	13,000,000	
WSDP	5(b)	81,223,000	
Other Income	5(a)	11,097,216	26,026,355
TOTAL REVENUES		**326,655,961**	**262,317,196**
OPERATING EXPENSES			
Administrative costs	6	294,241,213	301,706,312
Depreciation expenses	11	33,690,665	15,633,509
Amortisation of Intangible Assets	12	974,507	767,561
Adjustments (Audit fees)			-
TOTAL OPERATING EXPENSES		**328,906,385**	**318,107,382**
Operating Profit/ (Loss)		**(2,250,424)**	**(55,790,186)**
Finance Income			-
Finance Cost	7		
Profit/Loss Before Taxation		(2,250,424)	(55,790,186)
Income Tax Expense/(Credit)	8		-
PROFIT/(LOSS) AFTER TAXATION		**(2,250,424)**	**(55,790,186)**
Earnings Per Share	9	-	-
Dividend Per Share	10	-	-

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	243,483,880	158,872,141
Intangible assets	12	3,898,027	3,070,244
WIP-mariakani office	11(a)	4,495,730	4,495,730
Total Non-Current Assets		**251,877,637**	**166,438,115**
Current Assets			
Inventories	13	16,249,516	12,786,613
Trade and other receivables	14	319,100,281	247,721,990
Bank and cash balances	15	38,170,766	28,368,935
Total Current Assets		**373,520,563**	**288,877,538**
TOTAL ASSETS		**625,398,199**	**455,315,653**
EQUITY AND LIABILITIES			
Capital and Reserves			
Owners Equity		-	-
Ordinary share capital	16	100,000	100,000
Retained earnings	19	(354,129,060)	(351,878,636)
CWWDA Liability	26	(28,978,443)	(28,681,849)
Capital Reserves fund	27	50,094,019	50,094,019
Capital and Reserves		**(332,913,484)**	**(330,366,466)**
Non-Current Liabilities			
Bulk water	24	315,671,948	265,329,908
Licencee fees	23	285,515,716	249,547,877
Borrowings K-REP	20	-	-
Deferred Income	3(b)	11,226,527	11,761,124
Total Non-Current Liabilities		**612,414,189**	**526,638,909**
Current Liabilities			
Trade and other payables	22	329,176,664	255,808,845
Retirement benefit obligations	25	16,720,830	3,234,365
Total Current Liabilities		**345,897,494**	**259,043,210**
TOTAL EQUITY AND LIABILITIES		**625,398,199**	**455,315,653**

The financial position on pages 24 to 27 were approved for issues by the Board of directors on..22:3:.....2021 and signed on its behalf by:

FINANCE MANAGER	MANAGING DIRECTOR	CHAIRMAN OF THE BOD
Name:Benedict Katana Ngumbao CPA No.15256	**Name:** Hezekiah Nguma Mwarua	**Name**: Emmanuel Benedict Furaha

XIV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

				2019-2020
	Share Capital	**Retained Earnings**	**Capital Reserves**	**Total**
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2019	100,000	(351,878,636)	50,094,019	(301,684,617)
Net Loss for the year		(2,250,424)		(2,250,424)
As at 30th June 2020	100,000	(354,129,060)	50,094,019	(303,935,041)
				2018-2019
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2018	100,000	(296,088,450)	50,094,019	(245,894,431)
Net Loss for the year		(55,790,186)		(55,790,186)
As at 30th June 2020	100,000	(351,878,636)	50,094,019	(301,684,617)

XV. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
OPERATING ACTIVITIES			
Cash generated from Operations	30	86,590,406	40,234,654
Interest received	5	-	-
Interest paid	7	-	
Dividends paid		-	-
Taxation paid (Prior years assessment)	8	-	
Net cash generated from operating activities		**86,590,406**	**40,234,654**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(118,302,404)	(32,425,980)
Proceeds from disposal of property, plant and equipment		-	-
Purchase of intangible assets	12	(1,802,290)	(214,998)
WSTF project	3		-
Work in progress-Ark project		-	
Proceeds from disposal of quoted investments			
Net cash used in investing activities		**(120,104,694)**	**(32,640,978)**
FINANCING ACTIVITIES			
Grant from County Government	4	13,000,000	-
Proceeds from borrowings		-	-
Repayment of borrowings	20	-	
WST-Grant	3(a)	(534,598)	(534,598)
WSTF BAMBA	3 (c)	10,850,717	
WSDP		20,000,000	
Net cash used from financing activities		**43,316,119**	**(534,598)**
Increase/(Decrease) In Cash And Cash Equivalents		9,801,831	7,059,078
Cash And Cash Equivalents At Beginning Of Year		28,368,935	21,309,857
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**38,170,766**	**28,368,935**

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2020

	Original budget	Final budget	Actual on comparable basis	Performance difference	%
	2019-2020	2019-2020	2019-2020	2019-2020	
Revenue	Kshs	Kshs	Kshs	Kshs	
Sale of goods	681,882,855	681,882,855	484,819,690	(197,063,165)	-29%
Other income	70,595,279	70,595,279	11,097,216	(59,498,063)	-84%
WSDP &WSTF			105,073,717	105,073,717	100%
Total income	**752,478,134**	**752,478,134**	**600,990,623**	(151,487,511	**-20%**
Expenses					
Compensation of employees	220,525,686	220,525,686	169,710,537	50,815,149	23%
Use of goods and services	332,230,170	332,230,170	325,614,112	6,616,058	1%
Finance cost	18,202,828	18,202,828	1,042,704	17,160,124	94%
Rent paid	1,600,000	1,600,000	1,615,493	(15,493)	-1%
Repairs & Maintanace	22,239,632	22,239,632	31,992,269	(9,752,637)	-44%
BOD expenses	8,823,615	8,823,615	6,456,898	2,366,717	27%
Other payments	55,698,203	55,698,203	51,026,751	4,671,452	1%
Total expenditure	**659,320,134**	**659,320,134**	**587,458,764**	71,861,370	10%
Surplus/ deficit for the period	**93,158,000**	**93,158,000**	**13,531,859**	-79,626,141	

Explanations to the Budget variances

a) The shortfall of 29% in sale of water was due to high non-revenue water attributed to aged network, stopped meters, water theft, bursts and leaks. The other factor contributing to huge disparity in revenue is water rationing which precipitates inconsistence in supply of water in some areas.

b) Shortfall in other incomes was due to low connectivity in new connections and failure to meet reconnection fee target was due to change in approach of handling clients through customer management plan. The company adopted broadcast system to sensitize clients to pay.

c) The above factors affected the overall shortfall of total revenue for the year 2020.

d) Purchases for goods and services although it has favorable variance of 1% there are quite a number of expenditure that had unfavorable variances

i) Aged water infrastructure lead to increase in the cost of water infrastructure services.

ii) Over-expenditure on electricity booster pump was due to increase in electricity tariff and increased water coverage and distribution hours

iii)Over expenditure on fuel and lubricants was due to increase in fleet and fuel pump price

e) Travelling and accommodation- this is contributed by World Bank trainings and consultative meetings, etc.

f) Wasreb levy increased due to percentage increased from 1% to 4% as from September 2019

g) Reduced billing and revenue collection from both the mainstream water sales line but also from the other sources in the last four months of the financial year due to the effects of the COVID-19 pandemic.

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard/Amendment to a standard	Effective date	Impact
Amendments to IAS 16 and IAS 38 titled Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)	1 Jan 2016	The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally

Standard/Amendment to a standard	Effective date	Impact
		presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. Affected the entity and hence adopted in January 2016
Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle , issued in September 2014)	1 Jan 2016	The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa. The standard does not affect the company and hence does not apply.
Amendment to IFRS 7 (Annual Improvements to IFRSs 2012–2014 Cycle , issued in September 2014	1 Jan 2016	The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. The standard is relevant to the entity and therefore was adopted.
Amendments to IFRS 10, IFRS 12 and IAS 28 titled Investment Entities: Applying the Consolidation Exception (issued in December 2014)	1 Jan 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. Not applicable to the entity so not adopted.
Amendments to IAS 1 titled Disclosure Initiative (issued in December 2014)	1 Jan 2016	The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. This amendments affects the entity early adoption 1 january,2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12	1 Jan 2017	The amendments clarify that: • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where

Standard/Amendment to a standard	Effective date	Impact
		tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. Early adoption 1 January 2017
Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)	1 Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes in fair values; and (iii) other changes. Early adoption in January 2017
Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of interests in other entities	1st Jan 2017	Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution. The standard does not apply to the company's operation and therefore not adopted

Standard	Effective Date	Impact
IFRS 15 Revenue from Contracts with Customers (issued in May 2014)	1 Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance. Affects the entity so it is to be adopted for the first time in January 2018

Standard	Effective Date	Impact
IFRS 9 Financial Instruments (issued in July 2014)	1 Jan 2018	This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition: The entity does not deal with financial instruments and therefore the standard does not apply – Not adopted

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019.

Amendment/Interpretation to a standard	Effective date	Impact
IFRS 16: Leases *(Issued 13 January 2016)*	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. *Not adopted*
IFRS 17 Insurance Contracts *(Issued 18 May 2017)*	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021. *Not adopted*

IFRIC 23: Uncertainty over Income Tax Treatments *(Issued 7 June 2017)*	Applicable to annual reporting periods beginning on or after 1 January 2019	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances *Not adopted*
Prepayment Features with Negative Compensation (Amendments to IFRS 9) *(Issued 12 October 2017)*	Annual periods beginning on or after 1 January 2019	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Not adopted
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. *Not adopted*
Annual Improvements to IFRS Standards 2015–2017 Cycle *(Issued 12 December 2017)*	Annual periods beginning on or after 1 January 2019	Makes amendments to the following standards: • **IFRS 3** and **IFRS 11** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • **IAS 12** - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are

		different tax rates for distributed and undistributed profits. • **IAS 23** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings. *Not adopted*
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) *(Issued 7 February 2018)*	Annual periods beginning on or after 1 January 2019	The amendments in *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* are: • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. *Not adopted*
Amendments to References to the Conceptual Framework in IFRS Standards *(Issued 29 March 2018)*	Annual periods beginning on or after 1 January 2020	Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. *Not adopted*

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

iii) Early adoption of standards

The entity early – adopt new or amended standards in year 2020 as highlighted below;

i) Disclosure initiative (amendments to IAS7: Statement of cash flow)

ii) Recognition of deferred Tax Assets for unrealized losses (Amendments to IAS 12)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. **Revenue recognition**

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

i) **Revenue from the sale of goods and services** is recognised in the year in which the Company's delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii) **Grants from National Government** are recognised in the year in which the Company actually receives such grants.

iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is 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 lease agreements.

vi) **Other income** is recognised as it accrues.

2. **In-kind contributions**

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

3. **Property, plant and equipment**

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

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

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

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

4. **Depreciation and impairment of property, plant and equipment**

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

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

Buildings and civil works 2.5% or the unexpired lease period	
Plant and machinery	12.5 %
Motor vehicles, including motor cycles	25.0%
Computers and related equipment	30 %
Office equipment, furniture and fittings	12.5 %
Cold water meters	20 %
Water infrastructure pipeline	4%
Software (Intangible Asset)	20%

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

Depreciation and impairment of property, plant and equipment

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

5. **Intangible assets**

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

6. **Amortization and impairment of intangible assets**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

7. Investment property

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

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

8. Finance and operating leases

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

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

9. Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

10.Quoted investments

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

11.Unquoted investments

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

12.Inventories

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

13.Trade and other receivables

Trade and other receivables are 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.

14.Taxation

Current income tax

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

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

Deferred tax

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

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

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

foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

15.Cash and cash equivalents

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

16.Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at 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 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.

17.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.

18.Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2014. The scheme is administered by County Pension Fund Managers and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

19.Provision for staff leave pay

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

20.Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year are translated into the functional currency using the exchange rates prevailing at the dates of 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.

21.Budget information

The original budget for FY 2019-2020 was approved by the Board of directors on 30 June 2019. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not have additional appropriations on the budget in FY2019-2020.

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

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

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

23.Comparative figures

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

24.Subsequent events

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2020.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes

- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset conditions

Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1.0 SALES		
	2020	2019
	Kshs	Kshs
Sale of water	484,819,690	498,966,148
Credit Adjustments	-	(426,223)
Total	**484,819,690**	**498,539,925**

2.0 COST OF SALES	2020	2019
	Kshs	**Kshs**
Cost of Water	218,731,760	192,842,040
Lease Fees	19,568,703	35,967,839
Chemicals	1,603,774	887,920
Electricity Booster pumping	34,797,023	26,998,628
Adjustment	-	1,220,954
Network extension	-	4,866,300
NRW/GIS	168,000	-
Total	**274,869,260**	**262,783,681**

During the year under review the cost of bulk water purchase increase from ksh 192,842,040 to ksh 218,731,760. An increase in cost of bulk water by ksh 25,889,720.

3.0 (a) GRANTS FROM WATER SERVICE TRUST FUND

	2019-2020	2018-2019
	Kshs	Kshs
Capital grants received	534,597	534,597
Total	**534,597**	**534,597**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

3.0(b)

Name of the Entity sending the grant	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2015-2016
	KShs			
		KShs	KShs	KShs
Water Service Trust Fund	9,566,305	-	9,566,305	9,566,305
Total	**9,566,305**	**-**	**9,566,305**	**9,566,305**
				2016-2017
	12,830,318	13,364,915	3,798,610	**3,798,610**
Total	**12,830,318**	**13,364,915**	**3,798,610**	**3,798,610**
	12,295,721	**12,830,318**		**2017-2018**
	11,761,124	**12,295,721**		**2018-19**
	11,226,527	**11,761,124**		**2019-20**

3.0(c)WSTF BAMBA-EUCPIRA

	2019 - 2020	2018 - 2019
Account Name	Kshs	Kshs
Bamba p san f	3,065,474	-
Bamba Midoina-Covid	3,148,000	-
UBSUP	3,896,725	-
Bamba CLTS	262,218	-
Bamba Midoina	478,300	-
Total	**10,850,717**	**-**

4.0 COUNTY GOVERNMENT

	2019-2020	2018-2019
	Kshs	Kshs
County Government	13,000000	
Total	**13,000,000**	

5.0 (a)OTHER INCOME

	2019 - 2020	2018 - 2019
	Kshs	Kshs
Miscellaneous Revenue	3,138,622	15,312,055
New Connection Charges	6,220,921	6,590,850
Adjustment		1,394,950
Re-connection charges	1,737,673	2,728,500
Total	**11,097,216**	**26,026,355**

5.0 (b) WSDP

Project/Activities	Amount(kshs)	Status
Supply and delivery of motor vehicles	17,980,000	Delivered
Supply and delivery of motor cycles	9,378,000	Delivered
Supply and delivery of meters and meter testing kits and testing bench	53,865,000	Delivered
Total	**81,223,000**	

Note:The company had awarded for the above tenders and assets had been delivered by the close of the financial year 2019-2020 amounting to ksh.81,223,000.However by the close of the financial year 2019-2020 the company had only received ksh.20,000,000 cash from WSDP.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6.0 ADMINISTRATIVE COSTS			
		2019-2020	2018-2019
	Notes	Kshs	Kshs
Staff Costs	6(a)	168,382,223	166,776,604
Directors Emoluments	6(b)	7,723,998	10,457,040
Travelling & Accommodations	6(c)	16,543,149	13,748,854
Hospitality Supplies & Services	6(d)	1,873,441	1,720,578
Advertising, printing & Stationary	6(e)	8,900,328	4,283,263
Office, general supplies & services	6(f)	11,522,541	11,109,676
Staff Training		2,669,995	3,832,535
Rent Expenses		1,615,493	1,572,868
WASREB levy		19,394,115	15,568,726
Insurance Costs		1,526,019	986,734
Bank Charges & Commission		1,054,594	1,800,927
Legal fees		-	842,706
Fines &Penalties	6(g)	-	-
Other Operating Expenses	6(h)	14,723,510	28,351,126
Repairs and Maintenance	6(i)	29,918,623	24,055,770
Communication services and supplies	6(j)	5,270,863	6,454,302
Consultancy		-	1,138,500
Provision for Bad & Doubtful Debts		1,352,938	4,737,656
Provision for Audit fees		672,800	1,960,400
Electricity		1,035,944	1,049,550
Donations		35,937	68,199
Staff Uniforms		-	175,000
Motor vehicle Inspection		24,700	46,300
Car Tracking		-	201,000
World water Day		-	768,000
Total		**294,241,213**	**301,706,312**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019-2020	2018-2019
	Kshs	Kshs
6(a) STAFF COSTS		
Salaries & Allowances to Permanent Staff	137,808,759	128,366,416
Wages of Contract Employees	533,590	102,000
Company National Social Security Fund	538,200	507,600
Pension	11,583,580	12,004,490
Staff Welfare	1,203,813	966,263
Staff Medical	5,128,111	12,955,579
Gratuity	4,094,080	4,773,151
Staff Incentives	1,800,000	1,984,500
WIBA	1,698,964	1,468,868
Staff Licence renewal	2,950	10,900
WASCA	682,356	1,772,230
Osha	2,013,000	-
Subsistence Allowances	759,676	1,311,210
Subscriptions	535,145	553,397
Total	**168,382,223**	**166,776,604**

The average number of employees at the end of the year was:	2019-2020	2018- 2019
Permanent employees – Management	7	20
Permanent employees – Unionisable	182	171
Temporary and contract employees	36	13
Total	**225**	**204**

6(b) BOARD OF DIRECTORS EXPENSES

	2019-2020	2018-2019
	Kshs	Kshs
Workshop & Seminars	245,000	2,738,540
Travel & Accommodation	866,600	48,400
Committee Allowances	2,944,000	3,094,000
Annual General Meeting	1,4741,00	-
Chairman Honorarium	840,000	600,000
BOD Events	207,000	3,716,600
Bod stakeholders forum	311,500	-
BOD Medical	789,148	-
Entertainment	5,000	52,500
BOD Other	41,650	207,000
Total	**7,723,998**	**10,457,040**

NOTES TO THE FINANCIAL STATEMENT (Continued)

6(c) TRAVELLING & ACCOMONDATION

	2019-2020	2018-2019
	Kshs	Kshs
Transport	2,417,949	675,820
Travel and Accommodation	13,720,009	12,177,010
Hire of Transport	233,741	838,874
Milleage	171,450	57,150
Total	**16,543,149**	**13,748,854**

6(d) HOSPITALITY SUPPLIES & SERVICES

	2019-2020	2018-2019
	Kshs	Kshs
Conference & Meetings	1,873,441	1,720,578
Entertainment	-	-
Total	**1,873,441**	**1,720,578**

6(e) ADVERTISING, PRINTING & STATIONARY

	2019-2020	2018-2019
	Kshs	Kshs
comp accessories	2,116,045	630,000
Printing and stationary general	873,753	1,325,034
Publicity Expenses	5,085,617	2,293,529
Public, adverts & announcements	824,913	34,700
Total	**8,900,328**	**4,283,263**

6(f) OFFICE, GENERAL SUPPLIES AND SERVICES

	2019-2020	2018-2019
	Kshs	Kshs
Office expenses	2,004,405	1,101,644
Office Cleaning	93,731	319,088
Security Services	8,895,759	7,221,640
IT consumables &subscriptions	528,645	2,467,304
Total	**11,522,541**	**11,109,676**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6g) FINES & PENALTIES	2019-2020	2018-2019
	Kshs	Kshs
Laptrust penalty	-	-
Taxes for prior years	-	-
Road offences	-	-
	-	-

6h) OTHER OPERATING EXPENSES

	2019-2020	2018-2019
	Kshs	Kshs
Disconnection expenses	100,000	169,750
Disconnection Fittings	-	25,000
O&M Field allowance	4,624,310	19,407,870
Fuel &Lubricants	9,920,000	8,669,306
Meter servicing consumables	79,200	79,200
Total	**14,723,510**	**28,351,126**

6 i) REPAIRS & MAINTENACE

	2019-2020	2018 - 2019
	Kshs	Kshs
Buildings	929,913	1,382,113
Computers	234,620	253,076
Furniture & Equipment	26,980	10,500
Motor Cycles	953,722	923,483
Motor Vehicles	3,340,794	2,750,741
Generator	28,900	145,834
Pumps	2,542,200	1,266,070
Water infrastructure	21,616,685	**16,941,952**
Electricity repairs	244,810	**382,000**
Total	**29,918,623**	**24,055,770**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 j) COMMUNICATION SERVICES

	2019-2020	2018-2019
	Kshs	Kshs
Telephone and Internet services	3,515,709	4,398,074
Bill postage	210,259	748,808
Tokens (sms)	1,544,896	1,307,420
Total	**5,270,863**	**6,454,302**

7.0 FINANCE COSTS

	2019-2020	2018-2019
	Kshs	Kshs
Interest expense on loans	-	-
Interest expense on bank overdrafts	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.0 INCOME TAX EXPENSE

a)TAXABLE PROFIT/ LOSS FOR THE YEAR ENDED 30 JUNE 2020

	2019-2020	2018-2019
	Kshs	Kshs.
Profit /Loss for the year	(2,250,424)	(55,790,186)
Add back depreciation/amortisation	34,665,171	16,401,070
Add back provision for doubtful debts	1,352,938	4,737,656
Add back provision for Audit fees	672,800	672,800
Add back donations	35,937	68,199
	34,476,422	**(33,910,461)**
Less allowable expenses		
Wear and tear allowances	40,932,305	19,874,204
Loan Interest		-
Total Allowable items	**40,932,305**	**19,874,204**
Amount chargeable to tax	**(6,455,883)**	**(55,790,186)**
Taxable Profit / Loss B/F	(355,640,144)	(299,849,958)
	(362,096,027)	**(355,640,144)**

b) TAXATION (PRIOR YEARS ASSESSMENT)

	2019-2020
Tax liability from previous year	**18,300,794**
Less payment	-
Outstanding Tax payable	**18,300,794**

During the Year 2019/20 the company had an outstanding tax payable of kshs 18,300,794.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.0 EARNINGS PER SHARE

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

10.0 DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2020, no dividend in respect of the year, ended June 30, 2020 as the company reported losses and the same applies to the prior year financial year 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.0 PROPERTY, PLANT AND EQUIPMENT

DETAILS	Land	Buildings	Motor Vehicles	Computers & Accessories	Furniture and Fitting	Plant and Equipment	Water Infrastructure meters	Water Infrastructure Pipeline	Total
Bal as at 30th June 2018	3,445,000	29,070,871	7,912,043	3,867,087	3,135,342	2,577,418	15,972,725	76,099,184	**142,079,670**
Additional Assets 2019			1,970,002	3,240,000	2,376,812	752,760	12,480,249	11,606,157	**32,425,980**
Fixed Assets as 30 June 2019	3,445,000	29,070,871	9,882,045	7,107,087	5,512,154	3,330,178	28,452,974	87,705,341	**174,505,650**
Depreciation charge 2019		726,772	2,470,511	2,132,126	689,019	416,272	5,690,595	3,508,214	**15,633,509**
NBV as at 30th June 2019	3,445,000	28,344,099	7,411,534	4,974,961	4,823,135	2,913,906	22,762,379	84,197,127	**158,872,141**
WIP (Building)		4,495,730							**4,495,730**
Total									**163,367,871**
Bal as at 1st June 2019	3,445,000	28,344,099	7,411,534	4,974,961	4,823,135	2,913,906	22,762,379	84,197,127	**158,872,141**
Additional Assets 2020		2,151,646	27,851,105	3,685,561			57,765,000	26,849,092	**118,302,404**
Fixed Assets as at 30th June 2020	3,445,000	30,495,745	35,262,639	8,660,522	4,823,135	2,913,906	80,527,379	111,046,219	**277,174,545**
Depreciation charge 2020	-	762,394	8,815,660	2,598,157	602,892	364,238	16,105,476	4,441,849	**33,690,665**
NBV AS AT 30TH June 2020	3,445,000	29,733,351	26,446,979	6,062,365	4,220,243	2,549,668	64,421,903	106,604,370	**243,483,880**
WIP (Building)		4,495,730							**4,495,730**
Total									**247,979,610**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

			Annual	
		Cost or	depreciation	
		valuation	charge	NBV
		Ksh.	**Ksh.**	**Ksh.**
Land		3,445,000	-	3,445,000
Buildings		30,495,745	762,394	29,733,351
Plant and machinery		2,913,906	364,238	2,549,668
Motor vehicles, including motor cycles		35,262,639	8,815,660	26,446,979
Computers and related equipment		8,660,522	2,598,157	6,062,365
Furnitur &Fittings		4,823,135	602,892	4,220,243
Cold water meters		80,527,379	16,105,476	64,421,903
water infrustructure pipeline		111,046,219	4,441,849	106,604,370
		277,174,549	**33,690,665**	**243,483,880**

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

12.0 INTANGIBLE ASSETS COST

	2019-2020	**2018-2019**
	Kshs	**Kshs**
At1 July 2019	6,595,260	6,381,462
Additions	1,802,290	214,998
At June 30 2020	**8,397,550**	**6,596,460**

At 1 July 2019	3,526,216	2,758,655
Charge for the year	974,507	767,561
Impairment loss		
At June 30 2020	4,500,723	3,526,216
At June 30 2020	**3,898,027**	**3,070,244**

		Annual	
	Cost or	depreciation	
	valuation	charge	NBV
	Ksh.	**Ksh.**	**Ksh.**
software	4,872,534	974,507	3,898,027
	4,872,534	**974,507**	**3,898,027**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13.0 INVENTORIES		
	2019-2020	**2018-2019**
Engineering stores	4,945,615	2,906,120
Motor vehicle spare parts	157,872	111,291
Chlorine	364,500	48,600
Building materials	20,000	40,000
Water meters	8,988,664	8,484,430
Computer accessories	1,256,147	717,550
Stationery and general stores	516,718	478,622
Total	**16,249,516**	**12,786,613**

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

14.0 TRADE AND OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade receivables	303,176,773	232,145,139
Deposits and prepayments	210,990	210,990
VAT recoverable	-	-
Staff receivables	475,063	128,406
Other receivables	15,237,455	15,237,455
Gross trade and other receivables	319,100,281	247,721,990
Net trade and other receivables	**319,100,281**	**247,721,990**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14.0 (a) TRADE RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Gross trade receivables	304,529,711	236,882,795
Provision for doubtful receivables	(1,352,938)	(4,737,656)
Total	**303,176,773**	**232,145,139**

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

	2019-2020	2018-2019
	Kshs	Kshs
Less than 30 days	48,259,659	59,629,082
Between 30 and 60 days	15,127,348	19,625,589
Between 61 and 90 days	8,614,961	14,456,952
Between 91 and 120 days	18,469,504	7,644,841
Over 120 days	214,058,238	135,526,331
Total	**304,529,711**	**236,882,795**

The provision on debtors of ksh. 1,352,938 is a general provision at 2.0% based on historical estimates.

14.0 (b) STAFF RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Gross staff loans and advances	475,063	128,406
Provision for impairment loss	-	-
Total	**475,063**	**128,406**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15.0 BANK AND CASH BALANCES

	2019-2020	2018-2019
	Kshs	Kshs
Cash at bank	38,170,766	28,360,589
Cash in hand		8,346
Total	**38,170,766**	**28,368,935**

		2019-2020	2018-2019
Financial institution	**Account number**	**Kshs**	**Kshs**
a) **Current account**			
Kenya Commercial bank	1101877731	839,691	542,409
Kenya Commercial bank	1102227366	877,973	57,825
Kenya Commercial bank	1102227595	(1,711,891)	7,184,477
Kenya Commercial bank	1101877553	4,442,622	4,461,400
Kenya Commercial bank	1102225444	2,890,816	8,750,554
Co-operative Bank	1136465628000	47,748	52,320
Post Bank	744130000183	5,582,986	4,104,973
WSTF Bamba midoina/covid	1262035279	16,028,703	
WSTF Bamba community	1270638718	336,022	
WSTF PSAN BAMBA	1270638343	3,826,673	
UBSUP WSTF	1266702717	2,636,275	
WSDP	1239146469	1,018,932	

Sub- total		**36,816,550**	**25,153,958**
Cash in Hand		-	8,346
M-PESA	522100	62,637	45,316
M-PESA	841961	-	
M-PESA	825995	-	42,400
Postal Corporation		1,291,580	3,118,915
Sub- total		**1,354,217**	**3,214,977**
Grand total		**38,170,766**	**28,368,935**

16.0 ORDINARY SHARE CAPITAL

	2019-2020	2018-2019
Authorised:	**Kshs**	**Kshs**
5,000 ordinary shares of Kshs. 1,000 par value each	5,000,000	5,000,000
	5,000,000	**5,000,000**
Issued and fully paid:		
100 ordinary shares of Kshs. 1,000 par value each	**100,000**	100,000
Total		**100,000**

17.0 REVALUATION RESERVE

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

18.0 FAIR VALUE ADJUSTMENT RESERVE

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

19.0 RETAINED EARNINGS

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

	2019-2020	**2018-2019**
Retained Earnings	**Kshs**	**Kshs**
As at 1 July 2019	(351,878,636)	(296,088,450)
Net loss for the year	(2,250,424)	(55,790,186)
Total as at June 30 2020	**(354,129,060)**	**(351,878,636)**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20.0 BORROWINGS

	2019-20120	2018-2019
	Kshs	Kshs
Balance at beginning of the year	-	-
Domestic borrowings during the year	-	-
Repayments of domestics borrowings during the year	-	-
Balance at end of the year	-	-
Less: Amounts due within one year (current portion)	-	
Amounts due after one year (non-current portion)	-	-

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

21.0 DEFFERED TAX LIABILITY

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

	2019-2020	2018-2019
	Kshs	Kshs
Accelerated capital allowances	16,859,750	16,859,750
Unrealised exchange gains/(losses)	-	-
Revaluation surplus	-	-
Tax losses carried forward	(299,849,958)	(299,849,958)
Provisions for liabilities and charges		-

Net deferred tax liability	**(282,990,208)**	**(282,990,208)**

The movement on the deferred tax account is as follows:

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

22.0 TRADE AND OTHER PAYABLES

	2019-2020	**2018-2019**
	Kshs	**Kshs**
Trade Creditors	74,462,794	75,324,187
Other Liabilities	13,116,274	9,041,771
Long Term Customer Deposit	56,178,671	49,208,661
Water Service Regulatory Services Levy	30,028,468	14,334,353
Tax Liability (Prior years Assessment)	18,300,794	18,300,794
Audit Fees	3,289,200	3,289,200
Lease fees(licensee fees)	19,568,703	35,967,839
Bulk water liabilities	114,231,760	50,342,040
Total	**329,176,664**	**255,808,845**

23.0 LICENCEE FEES

Licencee fees is levied by Coast Water Works Development Agency for the use as the agent of the regulator offering administrative services of Ksh.1,630 725.75 monthly. The current accumulated amount is ksh. 305,084,418 being ksh. 19,568,703 classified as current and ksh. 285,515,715 classified as non-current. The Water Regulatory Levy is payable to Water Regulator Board (WASREB) at a rate of 4% of water sale as from November 2018.

24.0 BULK WATER (DEBT)

The Bulk water debt relates to Coast Water Works Development Agency invoices for supply of water, which has been rescheduled for payment in future. The outstanding amount as at 30 June 2020 is ksh. 429,903,708 being ksh. 114,231,760 classified as current and ksh. 315,671,948 classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25.0 RETIREMENT BENEFIT OBLIGATIONS

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

	2019-2020	2018-2019
	Kshs	Kshs
Laptrust	16,720,830	3,234,365
Total	**16,720,830**	**3,234,365**

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

26.0 COAST WATER WORKS DEVELOPMENT AGENCY LIABILITY

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

Total current & non-current liabilities Ksh. 958,311,683

Less total Assets Ksh. 625,398,199

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Less Capital and Reserve	Ksh. 303,935,041
CWWDA Liability	**Ksh. 28,978,443**

27.0 CAPITAL RESERVES FUND

	2019-2020	2018-2019
	Kshs	Kshs
Land	2,745,000	2,745,000
Buildings	29,821,900	29,821,900
Motor vehicles	1,690,000	1,690,000
Subtotal	**34,256,900**	**34,256,900**
Management salary at formation	521,875	521,875
Payroll deduction on Ex- Nwc	411,423	411,423
Ex-New payroll on formation	418,332	418,332
Management salary at 2006 July	521,875	521,875
Statutory deduction 2006 August	411,423	411,423
Transfer on reconciliation	220,184	220,184
Sub Total	**2,505,112**	**2,505,112**
Adjustment for cost of bills	13,332,007	13,332,007
Total	**50,094,019**	**50,094,019**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28.0 PROVISION FOR LEAVE PAY

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

29.0 DIVIDENDS PAYABLE

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

30.0 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2019-2020	2018-2019
	Kshs	Kshs
Operating profit/(loss)	(2,250,424)	(55,790,186)
Depreciation/amortisation	33,690,665	16,401,070
Provision for bad debts	1,352,938	4,737,656
Provision (CWWDA liability)		
Provision for audit fees	672,800	1,960,400
WSTF GRANT	534,597	534,597
Operating profit/(loss) before working capital changes	**34,000,576**	**(33,444,063)**

Stock of consumables	3,478,903	2,548,796
(Increase)/decrease in trade and other receivables	(91,378,291)	(59,860,469)
Increase/(decrease) in trade and other payables	13,573,492	63,066,846
Increase/(decrease)in cwwda liability	12,925,673	6,794,462
Increase/(decrease) in retirement benefit obligations	13,486,465	1,738,751
Increase/(decrease) in Bulk liability	43,173,350	17,543,960
Increase/(decrease) in licensee remuneration	57,366,175	41,914,570
Owners equity	52,625,767	73,746,916
	86,626,343	**40,302,853**
Operating Activities		
Donations	(35,937)	(68,199)
Cash generated from/(used in) operations	**86,590,406**	**40,234,654**

31.0 RELATED PARTY DISCLOSURES

(a)Government of Kenya

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

Other related parties include:

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

b) Grants

	2019-2020	2018-2019
	Kshs	Kshs
Water Services Trust Fund	10,850,717	-
County Government	13,000,000	-
Total	**23,850,717**	**-**

c) Key management compensation

	2019-2020	2018-2019
	Kshs	Kshs
Directors' emoluments	6,456,898	10,457,040
Compensation to the CEO	-	-
Compensation to key management	17,076,000	15,390,400
Total	**23,532,898**	**25,847,440**

32.0 FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

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

(ii) Liquidity risk management

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

1. Related Party Balances

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

2. Segment information

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

3. Contingent assets and contingent liabilities

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

4. Capital Commitments

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

5. Events after the reporting period

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

6. Ultimate and Holding Entity

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

7. Currency

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

Guidance

(i) References used or numbers are as contained in the external audit report;

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Managing Director

Date: 22:3:2021

Chairman of the Board

Date: 22:3:2021