

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KILIFI-MARIAKANI WATER AND SEWERAGE
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2015**

OFFICE OF THE AUDITOR GENERAL
KENYA NATIONAL AUDIT OFFICE

21 JUN 2016

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KILIFI – MARIAKANI WATER AND SEWERAGE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

VISION STATEMENT

Our vision is to be Kenya's reliable water and sewerage services provider.

MISSION STATEMENT

Our mission is to provide safe water and sewerage services to all.

CORE VALUES

We are guided by the following core values:

- ✚ Customer Focus
- ✚ Integrity
- ✚ Team work
- ✚ Efficiency and Effectiveness
- ✚ Communication



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

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Corporate Information

1. Registered offices/ corporate headquarters/contacts

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@kimawasco.com

2. Bankers

Kenya Commercial Bank Limited

P.O. Box 528

Kilifi

Tel No: 041- 22093

Fax: 041-22233

3 Independent auditors

Auditor- General

Kenya National Audit Office

Anniversary Towers

P.O. Box 30084 - 00100

Nairobi

4.Principal legal advisors

i. The Attorney- General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

ii. Munyao Muthama & Kashindi Advocates




P.O BOX 2419-80100

Mombasa.



ANNUAL REPORT AND FINANCIAL STATEMENTS THE YEAR ENDED 30 JUNE, 2015

BOARD OF DIRECTORS PROFILE

S/N	NAME	PHOTO	DATE OF BIRTH
1	Benjamin Kai Chilumo		<p>D.O.B: 6 November 1973</p> <p>Qualifications: Bcomm, CPA-K</p> <p>Occupation: Accountant (Chief Officer-County Government of Kilifi)</p> <p>Work Experience: 14 years</p>
2	Charity Mapenzi Mweri		<p>D.O.B: 1 December 1969</p> <p>Qualifications: P. 1 Teacher</p> <p>Occupation: Teacher</p> <p>Working Experience:</p>
3	Zena Salim		<p>D.O.B: 12 January 1959</p> <p>Qualifications: KCE</p> <p>Occupation: Private</p> <p>Working Experience:</p>



4. Isaac Malanga Kavuu



D.O.B: 31 December 1945

Qualifications: M.A

Occupation: Teacher [Retired]

Working Experience: 42 years

5 Lucy Mwagumba



D.O.B: 17 October 1973

Qualifications: B. Sc.

Occupation: Teacher

Working Experience:

6 Mwamuye Makupe



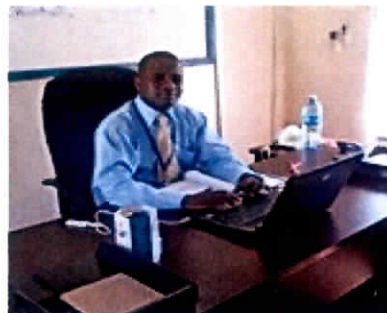
D.O.B: 20 October 1971

Designation: Managing Director

A. Qualification: B.Sc.

P. Qualification: Electrical Eng.

7 Eng. Samuel Ngari
Kombe



DOB: August 1973

Qualification: Bsc. Agric Eng.

Working Experience: 14 years



MANAGEMENT TEAM PROFILE

ENG.MWAMUYE MAKUPE CHIGUNDA



MANAGING DIRECTOR

Eng. Mwamuye is the Managing Director of the Company since 2006. He holds a Bachelor of Science in electrical and electronics engineering from the University of Nairobi. He is a member of the Engineers Board of Kenya.

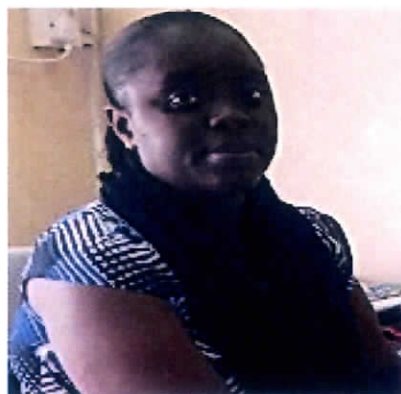
MICHAEL KINGI-TECHNICAL



TECHNICAL AND OPERATIONS MANAGER

Michael Kingi is the technical and operations manager. He joined the company in 2012 as superintendent-water. He rose through ranks to his current position of Technical & Operations Manager. Mr. Kingi holds a Bachelor of Science in Civil Engineering from the Jomo Kenyatta University of Agriculture and Technology. Prior to joining KIMAWASCO Mr. Kingi had worked as Engineer with Coast Development Authority.

FATUMA MWIDADI



HUMAN RESOURCES AND ADMINISTRATION

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



ALFRED DUME JANJI



INTERNAL AUDIT MANAGER

Alfred Janji is the Internal Audit Manager. Born in 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. Mr. Janji holds a Diploma in personnel management from technical university of Mombasa. He is a certified Public Secretary CPS (K). He is currently pursuing a bachelor business management at Moi University. He is also CPA Part II section

VALERIE MKAMBE



COMMERCIAL AND BUSINESS DEVELOPMENT MANAGER

Valerie Mkambe is the Commercial and Business Development Manager. Born on 13th November, 1980. She joined the company in 2014. She holds a bachelor of science in international business administration from United States international university (USIU). As at 30th June 2015 Valerie was Ag Finance Manager



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

CHAIRMAN'S STATEMENT

KILIFI – Mariakani water and Sewerage Company is the 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 and contracted by coast water services Board (CSWB) to provide water and sanitation services in Kilifi county area of jurisdiction outside Malindi Area. The core mandate of the company is to provide safe and adequate water to every customer efficiently in order to enhance economic growth in Kilifi, Ganze and Kaloleni districts.

In the year ended June 30th 2015, the company witnessed familiar challenges reminiscent across all the water utilities in the region key among them in the high level of non- Revenue water (NRW) Closing at 47%. Notorious areas reeling under the burden on this monster is Mtwapa, Kilifi and Ganze /Bamba areas at 63%, 74% and 71 respectively. The county Government of Kilifi has ambitiously invested in several water projects within our area of operation and this has improved coverage and access to water services to many residents across the entire area of operation. It should however be pointed out that a lot need to be done to rehabilitate the old infrastructure which has contributed to the high operational costs and water losses thus impacting negatively in service provision. The company enjoys a very willing customer base and all efforts need to be directed in ensuring and inculcating a culture of customer centric entity so as to win their confidence in our services. Due to the rising cost of living occasioned by high inflation rate and cost of energy/fuel, we shall soon engage our stakeholders in an exercise of reviewing the current tariff so as to be able meet the full cost of offering our services based on justified costs. This process of tariff reviewing process as enshrined in the constitution on stakeholders engagement.



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The production of water in the year rose to 7,842,795M³ from 6,891, 121M³ in the previous year. Amount billed in the year was 4,119,700M³ up from 3,793,667M³ in the previous year which brings out the Non-Revenue Water to 3,723,095M³ which is 47%, a rise from the previous figure of 44.9%. The sector benchmark is 25% as set by WASREB. This call for deliberate efforts in putting Measures to address these high loss of water produced and which heavily threatens the financial sustainability of the company. The NRW Strategies as spelt out by the ministry of water and irrigation, state Department of water provides the road map towards reduction of the same, however some interventions would require heavy investments when it comes to schematizing the entire water supply network with the aim of introducing District Meeting Areas (DMA's) digital mapping of infrastructure and modern asset management techniques. Within our small means, the company has embarked on a strategy to replace all the stalled and nonfunctional meters to reduce water losses through estimated readings. Equally, we have formed a Non-Revenue Water/Inspection team to do inspections of customer's accounts on long cut off to deter water theft. We are also considering partnering with local police in carrying out door to door inspections of households to unearth water thieves.

We are very grateful for the considerable support we have received from our most deserved customers and all the stakeholders and we promise to be more accountable in our pursuit to offer them better services. While being faced by these challenges, our resolve shall not waver in ensuring that these challenges shall embolden our resilience and proactiveness in ensuring all efforts are directed at addressing the same for the sustainability of our company and looking up to a better coming year.

J. M. Karu

CHAIRMAN



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

REPORT OF THE MANAGING DIRECTOR

KIMAWASCO operates in Kilifi north and south sub counties and Kaloleni and entirely encompassing an area of 4998 square kilometers. The water coverage is almost 68%, however most parts still lack access to water services due to absences of piped networks. CWSB, through World Bank funding has lined up several water projects in our area of operation, key among them is the Kakuyuni –Kilifi pipeline which will greatly improve the water supply in Kilifi town. CWSB has also funded projects in Mariakani and Kaloleni and commissioning is set to be done soon. This would greatly improve water supply in these areas and minimize water rationing which has been the order of the day.

The Common familiar challenge of high levels of Non-Revenue Water is still a mind boggling challenge which requires a wide mix of stakeholder involvement in addressing it. In the year ended June 30th, 2015 the Company registered an average of 50% NRW a significant rise from 44.9% in the previous year against the benchmark of 25%. It should also be made clear that that the rise in the NRW is due to 100% metering of the bulk water produced by CWSB as opposed to the situation last year about 200 connections along the Baricho and Mzima pipelines were billed on estimated readings. This exercise should not be construed as punitive but has given us a wakeup call to interrogate our efficiencies in managing the water balance. This therefore calls for institutionalizing interventions meant to reduce these losses. This percentage translates to huge amount of revenue lost by the Company in hundreds of million shillings in the year! High electricity costs and fuel for pump stations pose a great challenge in operations since the company operates around 13 pumping units in the entire area of operation.

During the period under review, water sales grew from 366,187,401 million shillings to 391,107,401 and correspondingly, cost of water rose from 229,323,531 million shillings to 232,306,876 million shillings.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

This phenomenon is due to the 100% metering by CWSB. Unwittingly, revenue dropped from 202,597,069 million shillings to 177,920,763 million shillings. This position was attributed to the high water losses.

Administrative costs dropped from 221,410,989 million shillings to 188,050,586 due to reduction of expenses.

Eng. Mwamuye Makupe

MANAGING DIRECTOR




ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

STATEMENT OF CORPORATE GOVERNANCE


The Company has a Board of Directors in place comprised of six members. Three slots are yet to be filled competitively to make the number to nine as required by WASREB owing to the size of KIMAWAACO. The Board of Directors established key committees. These are the Finance and Administration and the Audit and Risk Management Committees. 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 M&A of the company is set to be registered anytime now by the Registrar of Companies to reflect the new shareholding portfolio as stated hereunder;

County Government	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



CHAIRMAN



Eng. Mwamuye Makupe
MANAGING DIRECTOR



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KIMAWASCO has been taking part in some activities geared at giving back to the community under CSR initiative which is anchored in a Policy adopted by the Board. The company has taken part in tree planting initiatives in several schools and other institutions namely Godoma Secondary school in Bamba, Kiwandani Primary school in Kilifi, Kararacha Primary school in Chumani, Moi Kadzonzo Girls in Mariakani, Pwani University in Kilifi, Mariakani water station, KIMAWASCO Headquarters, Manarani Secondary school and Ganze Secondary school. During the year, the company donated 25 two-seater desks to Mabathani Primary School in Ganze. We have also assisted several schools in drought stricken areas with truck loads of water. We hope that in the coming financial year, we shall revise our CSR budget to cater for the growing number of requests we receive from schools with respect to provision water storage tanks.

We take 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 ensuring 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 which impede sustainable delivery of our services for the betterment of the Kilifi resident and all stakeholders.

1. m. Kany

CHAIRMAN

[Signature]

Eng. Mwamuye Makupe

MANAGING DIRECTOR



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

REPORT OF THE DIRECTORS

The directors submit their report together with the financial statements for the year ended 30 June, 2015 which show the state of the company's affairs.

Results of operations

The results of the company for the year ended 30 June, 2015 as set out on page fifteen (15)

Directors

The members of the Board of Directors who served during the year are shown on page 2&3. In accordance with the entity's Articles and Memorandum of Association, the number is suppose to be nine implying that three slots are yet to bring the number to nine.

Auditors

The Auditor General is responsible for the statutory audit of the Accounts in accordance to the Public Audit Act, 2003 which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board

Munyao Muthama & Kashindi Advocates

Mombasa

Date.....

A. K. B. MUTHAMA
ADVOCATE
P. O. Box 2419 - 80100
MOMBASA - KENYA



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and section of the State Corporations Act, require the Directors to prepare financial statements in respect to that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year 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 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 ended on June 30, 2015. 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;
- (vi) Making accounting estimates that are reasonable in the circumstances.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 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 the entity's transactions during the financial year ended June 30, 2015, 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 30.06 2015 and signed on its behalf by:

I. M. Kariuki

CHAIRMAN

[Signature]

Eng. Mwamuye Makupe

MANAGING DIRECTOR

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KILIFI-MARIAKANI WATER AND SEWERAGE COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENT

I have audited the accompanying financial statements of the Kilifi-Mariakani Water and Sewerage Company Limited set out on pages 15 to 38, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit, 2003.

Management's Responsibility for the Financial Statement

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provision of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statement based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

Kilifi-Mariakani Water and Sewerage Company Limited – Annual Report and Financial Statements for the year ended 30 June 2015

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

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1.0 Property, Plant and Equipment

As previously reported, included in the, property plant and equipment figure of Kshs.93,451,369 as at 30 June 2015 (2013/2014 Kshs.106,134,949) is an amount of Kshs.34,256,900 representing leased assets from Coast Water Service Board in accordance with clause 3 and 4 and schedules F and G of the unsigned Service Provision Agreement (SPA). The company neither availed ownership documents for these assets nor professional valuation report in support of the values attached to them. Further, analysis of the accuracy of balance of property, plant and equipment as at 30 June 2015 indicated that the total of the valuation of the cost of the motor vehicles as at 30 June 2015 was Kshs.23,725,927 while the balance indicated under note 6 to the financial statements was Kshs.22,786,527, thus understating the motor vehicles balance by Kshs.939,400. In addition, the confirmation of the accuracy of the total depreciation for plant and equipment as at 30 June 2015 indicated a balance of Kshs.1,830,538, while the assets movement schedule under note 6 indicated a balance of Kshs.1,820,191, thus understating the depreciation by Kshs.10,347.

Consequently, it has not been possible to ascertain the validity, ownership and valuation status of property and equipment totaling Kshs.93,451,369 as at 30 June 2015.

2.0 Trade and Other Receivable

2.1 Trade Debtors

The trade and other receivables balance of Kshs.181,017,407 as at 30 June 2015 includes trade debtors of Kshs.166,560,030. Included in this figure is an amount of Kshs.23,267,457 whose supporting schedules and documentation were not availed for audit review. Under the circumstances, the validity and accuracy of trade and other receivables amount of Kshs.23,267,457 as at 30 June 2015 could not be confirmed.

2.2 Staff debtors

Included in the trade and other receivables balance of Kshs.181,017,407 as at 30 June 2015 is a staff debtor's balance of Kshs.1,283,335. A review of the general ledgers maintained by the Company revealed that the closing balance for staff debtors as at 30 June 2015 was Kshs.1,263,233, resulting in an unexplained difference of Kshs.20,102. As a result, the accuracy and completeness of trade and other receivables of staff debtors' balance of Kshs.1,283,335 as at 30 June 2015 could not be confirmed.

2.3 Other Debtors

Included in the trade and other receivables balance of Kshs.181,017,407 as at 30 June 2015 is other debtors balance of Kshs.15,237,455. However, a review of the general ledger maintained by the company revealed that the closing balance for other debtors as at 30 June 2015 was Kshs.3,917,317, resulting in an unexplained or reconciled difference of Kshs.11,320,138. As such, the accuracy and completeness of other debtors' balance of Kshs.15,237,455 as at 30 June 2015 could not be confirmed.

3.0 Cash and Bank Balances

Included in the figure of the cash and bank balances of Kshs.5,409,917 as at 30 June 2015 is an amount of cash in bank of Kshs.5,023,550.71 which is at variance with the bank certificates total of Kshs.4,150,906 resulting to unexplained or reconciled variance of Kshs.872,644.71. In addition, the two cash books reflected overdrawn balances amounting to Kshs.2,251,145. The cause of the overdrawn balances has not been explained. Further, the company reported cash and bank balances as at 30 June 2015 as per the bank certificates and not as per cash book. As a result, the bank balance of Kshs.5,409,917 was at variance with the overdrawn cash book balance of Kshs.2,251,145 as at 30 June 2015, again resulting to an unexplained or reconciled variance of Kshs.7,661,062.

Consequently, the validity and accuracy of the bank balances of Kshs.5,409,917 as at 30 June 2015 could not be confirmed.

4.0 Trade and Other Payables

4.1 Trade and Other Payables

Trade and other payables balance of Kshs.97,374,571 as at 30 June 2015 includes trade creditors' balance of Kshs.67,224,870 whose supporting schedules indicated a balance of Kshs.306,959,167, resulting to unreconciled and explained variance of Kshs.239,734,297.

Under the circumstances, the validity and accuracy of trade and other payables balance of Kshs.97,374,571 as at 30 June 2015 could not be ascertained.

4.2 Long-term Customers' Deposits

As previously reported, the trade and other payables balance of Kshs.97,374,571 as at 30 June 2015 (2013/2014 Kshs.146,973,083) includes long-term customer deposits balance of Kshs.25,491,515 which had no supporting schedules and documents.

Under the circumstances, the validity and accuracy of trade and other payables amount of Kshs.25,491,515 as at 30 June 2015 could not be confirmed.

4.3 Bulk Water

As previously reported, included in the non-current liabilities balance of Kshs.214,382,049 as at 30 June 2015 (2013/2014 Kshs.116,840,481) is bulk water balance of Kshs.120,887,311, whose general ledger maintained by the Company revealed that the closing balance for bulk water as at 30 June 2015 was Kshs.146,606,836, resulting in an unexplained difference of Kshs.25,719,525. As a result, the validity and accuracy of bulk water balance of Kshs.120,887,311 as at 30 June 2015 could not be confirmed.

4.4 Lease Fees

As previously reported, included in the non-current liabilities balance of Kshs.214,382,049 as at 30 June 2015 (2013/2014-Kshs.116,840,481) is lease fees balance of Kshs.68,825,802. However, a review of the general ledger maintained by the Company revealed that the closing balance for lease fees as at 30 June 2015 was Kshs.135,886,226, resulting in an unexplained difference of Kshs.67,060,424. As such, the accuracy and validity of lease fees balance of Kshs.68,825,802 as at 30 June 2015 could not be confirmed.

5.0 Retirement Benefit Obligations (Lap trust)

As reported in the year 2013/2014, included in the statement of financial position as at 30 June 2015 is an amount of Kshs.14,520,005 (2013/2014 Kshs.17,515,178) indicated as retirement benefit obligations (Lap trust) whose supporting schedules and documentation were not availed for audit review. In the circumstances, the validity and accuracy of retirement benefit obligation (Lap trust) balance of Kshs.14,520,005 as at 30 June 2015 could not be confirmed.

6.0 Legal Fees

Disclosed under Note 4f to the financial statements is the amount of legal fees balance of Kshs.1,744,020. The budgeted amount for the year ended 30 June 2015 was Kshs.750,000 reflecting an over expenditure of Kshs.994,020 (133%). No explanation was given for the over expenditure. In addition, Kshs.1,369,420 was paid to two law firms who represented the Company in various cases during the year. However, it was

not clear and management has not explained how these firms were identified to provide services to the company since they were not prequalified during the year under review. Further, no contract agreements were availed to indicate the nature and extend of the legal services to be provided and the fees to be charged.

Consequently, the accuracy and validity of the legal fees balance of Kshs.1,744,020 for the year ended 30 June 2015 could not be confirmed.

7.0 Board Expenses

Disclosed under Note 4b to the financial statements is board expenses of Kshs.4,506,246 of which Kshs.3,404,000 was paid as committee sitting allowance. Examination of the documents availed for audit indicated that four directors were paid Kshs.2,047,000 as sitting allowances for attending board meetings. According to the Memorandum and Articles of Association of the company, Section 58(1) (i) and (ii), one third of the directors are supposed to retire in every annual general meeting and new directors appointed. The directors to retire in every year shall be those who have been longest since their last election, provided they have served as Directors in the Company for not less than three (3) years. Four (4) directors had served for more than two terms and as such they were in the office illegally.

In addition, the Company had only six (6) Directors in the office as at 30 June 2015, thus failing to adhere to WASREB requirement of having a minimum of nine (9) Directors. The three slots have not been filled to date.

As a consequence, the propriety and validity of payment of sitting allowances of Kshs.2,047,000 during the year ended 30 June 2015 could not be ascertained and the Company was in breach of the Law on the constitution of the board of directors.

8.0 Share Capital

As previously reported, the company is registered as a limited company with an authorized share capital of Kshs.5,000,000. According to the Memorandum and Articles of Association, share capital worth Kshs.100,000 had been fully subscribed and issued as at 30 June 2015 to the Kilifi County Government. Available information and documentation indicate that as at 30 June 2015 the County Government had not paid for the shareholding and that in accordance with the statement of corporate governance, the Company has not updated its new shareholding portfolio to the Registrar of Companies.

Under the circumstances, the accuracy of the share capital figure of Kshs.100,000 as at 30 June 2015 could not be confirmed.

9.0 Long Term Liabilities

As previously reported, the long term liability balance of Kshs.18,335,502 as at 30 June 2015 (2013/2014 Kshs.18,335,502) as disclosed in note 17 to the financial statements, relates to invoices for supply of water from Coast Water Services Board which dates back to 30 June 2009 and was rescheduled for payment on 23 January, 2013. However, no documentary evidence was availed to support the balance.

Consequently, it was not possible to verify the completeness and valuation of long term liabilities of Kshs.18,335,502 as at 30 June 2015.

10.0 Unaccounted for Water

The chairman's statement indicated that during the year, the company produced 7,842,795 cubic meters (m3) of water compared to previous year's 6,891,121 cubic meters (m3) out of which 4,119,700 cubic meters (m3) or about 53% of water was billed to customers. The balance of 3,723,095 cubic meters (m3) approximately 47% of the water produced represents Unaccounted For Water (UFW) which is 22% over and above the allowable loss of 25% in accordance with the Water Service Regulatory Board guidelines. The UFW of 22% may have resulted to loss of water sales estimated at Kshs.171,657,395 given the fact the loss per cubic meter is estimated at Kshs.97.4.

The significant level of UFW may negatively impact on the company profitability and long term sustainability.

11.0 Financial Performance

During the year under review, the Company realized an operating loss of Kshs.39,424,623 (2013/2014 Kshs.46,413,792) resulting to accumulated loss of Kshs.98,191,950 as at 30 June 2015.

If strategies are not put in place to reverse the trend, the Company may in future face financial challenges in settling its obligations as and when they fall due.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- i. I have not obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. In my opinion, proper books of account have not been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position and statement of comprehensive income are not in agreement with the books of account.



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

Nairobi

24 May 2016



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2015

	Notes	2015 Kshs	2014 Kshs
REVENUES			
Sale of water	1	391,107,402	366,187,963
		391,107,402	366,187,963
Cost of sales	2	232,306,876	229,323,531
Gross Profit		158,800,525	136,864,432
Other Income	3	18,966,238	65,732,637
Total Revenue		177,766,763	202,597,069
OPERATING EXPENSES			
Administrative costs	4	188,050,586	221,410,989
Repairs and Maintenance	5	5,216,864	8,036,103
Depreciation expenses	6	24,323,936	19,563,769
Gain due to Motor Veh. comp	6(b)	(400,000)	
Total Cost		217,191,386	249,010,861
Total Operating Loss		(39,424,623)	(46,413,792)

The financial position on pages 15 to 18 were approved for issues by board of directors on.....30.06.....2015 and were signed on its behalf by:

I. M. Kariuki

CHAIRMAN

Eng. Mwamuye Makupe

Eng. Mwamuye Makupe



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2015

		2015	2014
		Kshs	Kshs
NON-CURRENT ASSETS	Notes		
Land, Property, plant and Equipment	6	90,916,180	106,134,949
Work in progress (Mariakani)		2,535,189	
		93,451,369	106,134,949
CURRENT ASSETS			
Trade and other Receivables	7	181,017,407	160,723,959
Cash and Bank Balances	8	5,409,917	6,589,228
		186,427,324	167,313,187
CURRENT LIABILITIES			
Trade and other Payables	9	97,374,571	146,973,083
Overdraft	10		692,703
Retirement benefit obligation (Laptrust)	11	14,520,005	17,515,178
TOTAL CURRENT LIABILITIES		111,894,576	165,180,964
NET CURRENT ASSETS		74,532,748	2,132,223
NET ASSETS		167,984,117	108,267,172
EQUITY AND LIABILITIES			
MV revaluation Reserve		1,600,000	-
Share Capital	12	100,000	100,000.00
Retained Earnings	13	(98,191,950)	(58,767,328)
Capital Reserves	14	50,094,019	50,094,019
		(46,397,931)	(8,573,309)
NON-CURRENT LIABILITIES			
Borrowings (K-rep Bank)	15	6,333,434	7,782,736
Bulk Water	16	120,887,311	53,638,074
CWSB Debt	17	18,335,502	18,335,502
Lease Fees	18	68,825,802	37,084,169
Total Non Current Liabilities		214,382,049	116,840,481
TOTAL EQUITY AND LIABILITIES		167,984,118	108,267,172

The financial position on pages 15 to 18 were approved for issues by board of directors on 30.06 2015 and were signed on its behalf by:


Managing Director


Director



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JUNE 2015

	NOTES	2015 Kshs.	2014 Kshs.
Cash flows from operating activities			
Loss for the year		(39,424,623)	(46,413,792)
Add back depreciation:		24,323,936	19,563,769
Add back provision for bad debts/doubtful debts		2,063,413	2,117,845
Add back provision for Audit cost		672,800	
Less profit from sale of MV		(400,000)	
Total from Operating Activities		(12,764,474)	(24,732,178)
Working capital Changes			
Decrease / (increase) in Trade & Other Receivables		(20,293,448)	(33,611,583)
Decrease in Trade and Other Payables		(49,598,512)	125,258,690
Increase in Bulk Water liability		67,213,141	(13,575,067)
Increase in Lease Fees		31,741,633	5,342,536
decrease in retirement benefit obligation		(2,995,173)	17,515,178
Net Cash generated from operating activities		13,303,167	76,197,576
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,232,180)	(83,443,069)
Compensation for loss of MV		1,200,000	
WIP (Building under construction)		(2,535,189)	
Net cash from investing activities (b)		(9,567,369)	(83,443,069)
Cash flows from Financing Activities			
Acquisition of K-rep Loan			7,782,736
Loan Repayment		(4,915,109)	
Net Cash from financing activities ©		(4,915,109)	7,782,736
Total (a+b+c)		(1,179,311)	
Net (decrease)increase in cash and cash equivalents			537,243
Add: Increase/ (decrease) in Overdraft			684,560
Cash and cash equivalents at the start of the year		6,589,228	5,367,425
Cash and cash equivalent at the end of the year		5,409,917	6,589,228
Reconciliation			
Cash at the end of the period		5,409,917	6,589,228
Cash and cash equivalent at the end of the year		5,409,917	6,589,228

The Financial position on pages 15 to 18 were approved for issues by Board of Directors on 30.09 2015

and were signed on its behalf by :

Managing Director

Director




ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

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

	Share Capital	Retained Earnings	Capital Reserves	Total
	Kshs	Kshs	Kshs	Ksh
As at 1st July 2012	100,000	13,833,453	50,094,019	64,027,472
Net Loss for the year		(26,186,989)		(26,186,989)
Prior year adjustments			-	-
At 30th June 2013	100,000	(14,472,181)	50,094,019	35,721,838
As at 1st July 2013	100,000	(14,472,181)	50,094,019	35,721,838
Net Loss for the year		(46,413,792)		(46,413,792)
Prior year adjustments		2,118,645		
At 30th June 2014	100,000	(58,767,328)	50,094,019	(8,573,309)
At 1st July 2014	100,000	(58,767,328)	50,094,019	(8,573,309)
Net loss for the year		(39,424,623)		(39,424,623)
Prior year Adjustment		2,063,413		
At 30th June 2015	100,000	(98,191,950)	51,694,019	(46,497,931)

The Financial position on pages 15 to 18 were approved for issues by Board of Directors on 30.06 2015

and were signed on its behalf by :


Managing Director


Director



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1. Basis for Preparation

The financial statements have been prepared on a historical cost basis except for the measurement of revenue as is in accordance and in compliance with the International Financial Reporting Standards (IFRS) with an exception of the application of International Accounting Standards (IAS 12), Income Taxes.

The financial statements are prepared under the historical cost convention except for certain property, plant and equipment which are on lease from Coast Water Services Board. These Assets are stated at their estimated Service Provision Agreement (SPA) agreed values.

2. 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 on the ordinary course of the company's activities or when specific criteria have been met for each of the company's activities as described below;

i) Revenue from sale of water

Revenue from sale of water is recognized in the year in which the company delivers the water to the customer.

ii) Grants

Grants are recognized in the year in which the company actually receives such grants.

iii) **Finance Income** Finance Income comprises of Interest receivable from Bank deposits. This is recognized in the profit and Loss statement.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

SUMMARY OF ACCOUNTING POLICIES (CONT'D)

iv) Other Income

Other income is recognized as it accrues

3. Property Plant And Equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. The land and buildings are leased to the company by the Coast Water Service Board thus held in trust and are not depreciated. The other categories of Assets are

depreciated on the reducing balance basic to the write down the cost of each asset to their residual values over their estimated useful life. the annual rates used are as follows;

Computers & Accessories	-	30%
Furniture and fittings	-	12.5%
Motor vehicles & Motor Cycles-		25%
Water infrastructure	-	20%
Buildings	-	2.5%
Property, Plant & Equipment	-	12.5%
Computer software	-	30.0%

Impairment

At each reporting date, the Company is expected to reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. *The company has not been able to test its assets for impairment loss.*

Any impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income

immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. Leased Property, Plant and Equipment

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company as a lessee. All other leases are classified as operating leases.

The company operates on leased land, property and equipment from Coast Water Services Board. The capitalized values are as estimated in the service provision Agreement.

5. Trade Receivables

These are stated at the anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end.

6. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at all bank Accounts held by the Company.

7. Financial Risks Management Objectives and Policies

The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effects of such risks on its performance by setting acceptable level of risks.

Liquidity risk is current or prospective risk to earnings and capital arising from the Company's failure to meet its maturing obligations when they fall due without incurring unacceptable losses. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.



ANNUAL REPORT AND ACCCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

EXPLANATORY	NOTES	
	2015 Kshs	2014 Kshs
1 Revenues		
Sale of water		
Mariakani	188,869,761	179,065,851
Kilifi	123,205,778	131,091,830
Mtwapa	44,897,678	45,712,742
Baricho	34,012,604	9,547,520
Water Bowser	121,580	770,020
Total	391,107,401	366,187,963



ANNUAL REPORT AND ACCCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

Notes to the accounts (continued)

	2015 Kshs	2014 Kshs
2. Cost of Sales		
Cost of Water	158,200,580	157,019,500
Lease Fees	35,182,243	32,996,366
Chemicals	102,389	245,450
Water infrastructure service	17,724,758	39,062,215
Electricity Booster pumping	21,096,905	
Total	<u>232,306,876</u>	<u>229,323,531</u>



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 Kshs	2014 Kshs
3. Other Income		
Government Subsidy		-
Miscellaneous Revenue	8,450,011	7,916,693
New Connection Charges	5,905,765	7,639,718
Re-connection charges	3,410,462	2,041,027
Interest Income		175
Water Services Trust Fund Grant		12,109,832
Coast Water Services Board Grant		36,025,191
Compensation loss MV	1,200,000	
Total	18,966,238	65,732,636



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

4 ADMINISTRATIVE COSTS

		2015	2014
	Notes	Kshs	Kshs
Staff Costs	4a	143,714,690	161,265,611
Directors Emoluments	4b	4,506,246	5,535,800
Electricity		562,465	925,577
Communication services		4,716,879	5,992,452
Conference and Meetings		1,245,590	1,647,840
Travelling & Accommodations	4c	2,807,978	6,268,737
Fuel & Lubricants		6,459,826	11,180,516
Entertainment		78,000	-
Advertising, printing and Stationary	4d	3,459,862	1,789,229
Licenses		9,850	19,400
Subscriptions		148,800	150,763
Water Services regulatory Board levy		3,909,138	3,660,909
Rent		1,759,140	1,831,850
Staff Training		1,218,200	1,735,479
Insurance		493,359	974,624
Security		4,260,919	5,273,393
Bank Charges		1,719,806	2,562,991
Office Expenses	4e	1,573,776	2,135,365
Legal fees	4f	1,744,020	1,221,578
Consultancy		15,000	2,981,000
Donations		75,000	45,380
Provision for Bad & Doubtful Debts		2,063,413	2,117,845
provision for audit cost		680,000	580,000
Commercial Expenses	4g	828,630	1,514,650
Total		188,050,586	221,410,989



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 kshs	2014 Kshs
4a STAFF COSTS		
Salaries & Allowances to Permanent Staff	90,813,999	91,730,249
Wages of Contract Employees	18,933,252	17,522,034
Company National Social Security Fund	502,400	495,800
Pension	6,994,146	7,330,251
Staff Welfare	498,290	1,908,067
Staff Medical	6,531,008	4,567,115
Gratuity	617,329	2,194,915
Staff Bonus	1,150,000	1,185,000
O&M Field allowance	17,674,266	16,817,002
Retirement benefits expense		17,515,178
Total	143,714,690	161,265,611



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 Kshs	2014 Kshs
4b. Board of Directors Expenses		
Workshop & Seminars	455,200	60,000
Travel & Accommodation	50,000	0
Committee Allowances	3,404,000	4,949,300
Annual General Meeting	177,046	286,500
Chairman Honorarium	420,000	240,000
Total	4,506,246	5,535,800
4c. Travelling & Accommodation		
Transport	1,514,328	1,460,861
Travel and Accommodation	598,050	2,467,476
Hire of Equipment	695,600	2,340,400
Total	2,807,978	6,268,737
4d. Advertising, Printing & Stationary		
Billing comp accessories	820,303	48,000
Printing and stationary general	1,468,659	992,652
Publicity Expenses	869,680	493,516
Printing and stationary rev	3,900	10,000
Billing stationary	297,320	245,061
Total	3,459,862	1,789,229
4d. Office Expenses		
Office expenses	1,314,727	1,869,274
Office Cleaning	172,288	195,771
Newspaper and Periodicals	86,760	70,320
Total	1,573,775	2,135,365



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 Kshs	2014 Kshs
4f Legal Fees		
Legal Fees	1,736,520	1,151,578
Fines and Penalties	7,500	70,000
Total	1,744,020	1,221,578
 4g. Commercial Expenses		
Disconnection expenses	357,300	773,400
Disconnection Fittings	459,330	87,000
Disconnection Allowances	12,000	654,250
Total	828,630	1,514,650
 5 Repairs & Maintenance		
Buildings	1,024,230	1,152,311
Computers	91,964	226,500
Furniture & Equipment	14,610	21,650
Motor Cycles	302,186	452,396
Motor Vehicles	2,687,321	5,080,872
Generator	605,960	1,102,374
Other Costs -R & O	490,592	0
Total	5,216,863	8,036,103.00

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015



6.0 PROPERTY PLANT & EQUIPMENT

	Land	Buildings	Motor Vehicles	Computers and Accessories	Furniture and Fittings	Plant and Equipment	Water Infrastructure Grant	Water Infrastructure	Total
Cost or Valuation	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2014	3,445,000	30,791,750	19,248,327	5,553,533	4,350,464	3,591,071	36,025,191	36,125,246	139,130,582
Additional Assets	-	324,050	4,477,600	1,850,994	999,800	642,376	-	-	8,294,820
As at 30 June 2015	3,445,000	31,115,800	22,786,527	7,404,527	5,350,264	4,233,447	36,025,191	36,125,246	146,486,002
Depreciation									
As at 1 July 2014	-	769,771	8,935,541	3,050,632	1,652,135	1,301,357	7,205,038	8,341,759	31,256,233
Charge for the year	-	777,895	5,696,632	2,221,358	668,783	529,181	7,205,038	7,225,049	24,323,936
As at 30 June 2015	-	1,547,666	14,632,173	5,271,990	2,320,918	1,820,191	14,410,076	15,566,808	55,569,822
NBV as at 30 June 2014	3,445,000	30,021,979	8,573,386	2,502,901	2,698,329	2,289,714	28,820,153	27,783,487	106,134,949
NBV as at 1st July 2015	3,445,000	29,568,134	8,154,354	2,132,537	3,029,346	2,413,256	21,615,115	20,558,438	90,916,180
WIP (Building)		2,535,159							2,535,159
Total	3,445,000	32,103,293	8,154,354	2,132,537	3,029,346	2,413,256	21,615,115	20,558,438	93,451,339



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

6 (b) Motor Vehicle Revaluation

		Ksh
Revaluation		1,600,000
jul-12/jun-13	Depreciation @25%	(400,000)
jul-13/jun-14	Depreciation @25%	(400,000)
1st jul-2015	Total Accum dep	(800,000)
MV compensation		1,200,000
Gain		400,000

The motor vehicle was revalued in the year 2012/2013 at ksh 1,600,000, but in the third year of its use the vehicle was stolen and insurance company compensated the KIMAWASCO at ksh. 1,200,000.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

	2015 Kshs	2014 Kshs
7. Trade and Other Receivables		
Trade Debtors	166,560,030	146,405,736
Less provision for bad debts	(2,063,413)	(2,117,845)
Staff Debtors	1,283,335	1,198,613
Other Debtors	15,237,455	15,237,455
Total	181,017,407.00	160,723,959



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

	2015	2014
8. Cash and Bank	Kshs	Kshs
Cash in hand	386,365.86	1,526,163.00
Cash in Bank	5,023,550.71	5,063,065.00
Total	<u>5,409,916.57</u>	<u>6,589,228.00</u>



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

	2015	2014
	Kshs	Kshs
9. Trade and Other Payables		
Trade Creditors	67,224,870	132,885,005
Other Liabilities	3,028,002	617,352
Long Term Customer Deposit	25,491,515	11,349,680
Water Service Regulatory Services Levy	950,184	1,041,046
Audit Fees Provision	680,000	1,080,000
Total	97,374,571	146,973,083
10. Bank Draft		Kshs
Cash at Bank	-	692,703
Cash in hand	-	-
Total	-	692,703
11. Retirement benefit Obligations		Kshs
Lap trust	14,520,005	17,515,178
Total	14,520,005	17,515,178
12. Share Capital	Kshs	Kshs
Share Capital Receivable	100,000	100,000



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

	2015	2014
	Kshs	Kshs
13. Retained Earnings		
As at 1st July 2013	(58,767,328)	(12,353,536)
Net loss for the year	(39,424,623)	(46,413,792)
Total as at June 30 2014	(98,191,950)	(58,767,328)
	2015	2,014
	Kshs	Kshs
14. Capital Reserves		
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 Jul.	521,875	521,875
Statutory deduction 2006 Aug.	411,423	411,423
Transfer on reconcilliation	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



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

Notes continued

15 Borrowings

This is a loan facility that was awarded to the company by K-REP Bank at an interest rate of 21% per annum on reducing balance. The principal balance as at 30 June 2015 is kshs 6,333,434. The interest rate is payable on reducing balance based on the terms of the Loan agreement.

16. Bulk Water (Debt)

The long term liabilities relates to Coast Water Service Board invoices for supply of water and which have been rescheduled for payment after the next financial year have been classified as long term liabilities. The outstanding amount beyond one financial year is kshs 120,887,311

17. Coast Water Service Board Debt (Historical)

A separate amount of kshs 18,335,502 is also classified under Long term liabilities for Coast Water Service Board debt relating to supply of water bills.

18 Lease Fees

A Lease fees is levied by Coast Water Services Board for the use of Land, property and equipment leased to the company. The rate is 9% of the water sale. The balance gone beyond one financial year that is categorized as noncurrent liability is kshs 68,825,802. The Water Regulatory Levy is payable to Water Regulator Board (WASREB) at a rate of 1% of water sale. There is no balance that has gone beyond one financial year other than the current liability.

19. Functional and Presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kenyan Shillings which is the Company's functional currency.



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2015

20. The financial statement for the year ended 30 June 2015 have been prepared in conformity with International Public Sector Accounting Standards (IPSAS) and the requirements of the companies Act from the previously IFRS format.



Notes to the accounts(continued)

For the year Ended 30 June 2015

21

Share Capital

The par value per share : Kshs 1,000.00
Total authorized share capital

Names

The County council of Kilifi
The town Council of Kilifi
The Town Council of Mariakani
Clerk Kilifi County Council
Chairman, Kilifi County Council
Clerk, Kilifi Town Council
Chairman, Kilifi Town Council
Clerk, Mariakani Town Council
Chairman, Mariakani Town Council

No. of shares
5000

5,000,000

Issued shares

Total 5,000

100

32
31
31
1
1
1
1
1
1
1

Issued & fully paid