

REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

REPORT

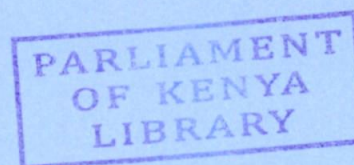
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OF

THE AUDITOR-GENERAL

ON



**MOMBASA WATER SUPPLY AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2025**

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MOMBASA WATER SUPPLY & SANITATION CO. LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2025

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



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I. ABBREVIATIONS AND ACRONYMS

ACCA	Association of Certified Chartered Accountants
AFD	Agence France de Development
BOD	Board of Directors
CPA-K	Certified public accountant- Kenya
CWWDA	Coast Water Works Development Agency
ERP	Enterprise Resource Planning
FY	Financial Year
HR	Human Resource
ICPAK	Institute of Certified Public Accountants of Kenya
ICPSK	Institute of Certified Public Secretaries of Kenya
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
KCWU	Kenya County Workers Union
Kshs	Kenya Shillings
LSK	Law society of Kenya
MCM	Municipal Council of Mombasa
M&E	Monitoring & Evaluation
MD	Managing Director
MOWASSCO	Mombasa Water Supply and Sanitation Co. Ltd
NRW	Non-Revenue Water
NT	National Treasury
OSH	Occupational safety and health
PFMA	Public Finance Management Act
RRI	Rapid Response Initiative
RRT	Rapid Response Team
SDG	Sustainable Development Goals
WASPA	Water Services Providers Association
WASREB	Water Services Regulatory Board
WSDP	Water and Sanitation Development Project
WSP	Water Service Provider
WSTF	Water Sector Trust Fund
WWTP	Waste Water Treatment Plant

II. KEY ENTITY INFORMATION

Background information

Mombasa Water Supply and Sanitation Company Limited was established under the Water Act of 2002. This Act was later repealed and replaced by Water Act, 2016 which aligns the legal framework in Water Sector to the Constitution of Kenya, 2010 where water services provision is a devolved function to the County Governments under Schedule 4. Mombasa Water was incorporated in Kenya on 18th March, 2011 under the Companies Act, Chapter 486. It is licensed by the Water Services Regulatory Board to distribute water and provide sanitation services to the residents of Mombasa County. At County level, the Company is represented by the County Executive Member responsible for water and sanitation, who together with the board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya.

Principal Activities

Mombasa Water Supply and Sanitation Co. Ltd has the mandate to providing cost effective and affordable quality water and sanitation services to the residents of Mombasa County.

In discharging the mandate, the company is expected to undertake the following responsibilities:

- 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 infrastructure.
- Ensure that standards and licensing requirements are complied with as stipulated by the Water Services Regulatory Board (WASREB).

Company Mission

To provide safe, reliable, affordable water and sewerage services in an efficient and viable manner to the residents of Mombasa County.

Company Vision

To be a water service provider of repute.

Core Values

- Professionalism
- Integrity
- Teamwork
- Customer satisfaction

Key entity information (continued)

DIRECTORS

The directors who served the company during this period of audit (July-24 to June-25) were:

1. Justus O. Nyarandi	Chairman	Left on 31 st July 2024
2. Atul Patel	Director	Left on 31 st August 2024
3. Muthoni Gathere	Director	Left on 31 st August 2024
4. Amina Osman	Director	Left on 31 st August 2024
5. Ahmed Badawy	Director	Left on 31 st August 2024
6. Said Hamid	Director	Left on 31 st August 2024
7. Edith Kwekwe	Current Chairperson	Appointed on 28 th April 2025
8. Prof. Sarah M. Kinyanjui	Director	Appointed on 20 th September 2024
9. Halima A. Hashi	Director	Appointed on 20 th September 2024
10. Taher S. Kassamali	Director	Appointed on 20 th September 2024
11. Ridhiwan Ayub Buhiri	Director	Appointed on 20 th July 2024
12. Aisha M. Maganga	Director	Appointed on 20 th September 2024
13. Eng. Peter O. Ouko	Director	Appointed on 20 th September 2024
14. Suleiman H. Mpole	Director	Appointed on 20 th September 2024
15. Eng. Albert T. Keno	Director	Appointed on 20 th July 2025
16. Abdirahim Farah	Managing Director	Left on 4 th May 2025

Company Secretary

CS Jane Mwangi Sumbeiywo
C/o Robson and Harris Co. Advocates LLP,
P. O. Box 67845, City Square
City Hall Way Building Transnational Plaza
NAIROBI

Corporate Headquarters

Mombasa Water Supply & Sanitation Co Ltd
P.O. Box 1100-80100
Mikindani Street, Off Nkrumah Road
MOMBASA, KENYA

Corporate Contacts

Telephone: (254) 0726313006
E-mail : info@mombasawater.co.ke
Website: www.mombasawater.co.ke

Key entity information (continued)

Corporate Bankers

1. Equity Bank Limited
P. O. Box 84618 – 80100
Mombasa Supreme Branch
Mombasa, Kenya
2. Housing Finance Corporation
P. O. Box 84839-80100
Moi Avenue Branch
Mombasa, Kenya
3. Co-operative Bank
P. O. Box 87771 - 80100
Nkrumah Road Branch
Mombasa, Kenya
4. Family Bank
Digo Road Branch,
Mombasa, Kenya

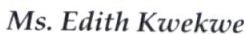
Independent Auditors

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

Principal Legal Advisers

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya
2. CS Jane Mwangi Sumbeiywo (Mrs)
Robson and Harris Co. Advocates LLP,
P. O. Box 67845, City Square
City Hall way Building Transnational Plaza
NAIROBI

III. THE BOARD OF DIRECTORS

1.	 <i>Ms. Edith Kwekwe</i>	Ms. Edith Kwekwe is a non-executive CHAIRPERSON and independent director serving as the CHAIRPERSON of the Board having been appointed on 28th April 2025.
2.	 <i>Prof. Sarah M. Kinyanjui</i>	Ms Prof. Sarah M. Kinyanjui is an independent director serving as the chairperson of Human Resource Committee, having been appointed on September 20th, 2024. She is a holder of Bachelor of Laws (LL.B) UON, Master of Laws in Development (Warwick), PhD in Law (Leicester). She is an Academic and Legal Consultant Advocate, High Court of Kenya, Accredited Assistant to Counsel, International Criminal Court. She represents the Professionals' (Advocates) stakeholder group according to the WASREB Corporate Governance requirements.
3	 Halima A. Hashi	Ms Halima A. Hashi is an independent director serving as a member of Finance Committee, having been appointed on September 20th, 2024. She is a holder of Diploma in Clinical Medicine (KMTC). She is also currently pursuing Bachelor of Science in Psychology - Kenyatta University (Ongoing). She is works as a Lecturer / Associate Dean (UON - Mombasa Campus) She represents the women group and company's director representing Low Income Consumer group.

4	 Taher S. Kassamali	Mr Taher S. Kassamali is an independent director serving as a member of Risk and Audit Committee, having been appointed on September 20th, 2024. He is a holder of Diploma in Building (KNEC) and CPA Section 1 & 2, Kenya Certificate of Accounting & Finance. He is currently working as a Business man. He represent the registered Business & Manufacturing groups as per WASREB Corporate Governance requirements.
5.	 Mr. Ridhiwan Ayub Buhiri	Mr. Ridhiwan Ayub Buhiri is an independent director serving as a Member of the Finance & Business Committee having been re-appointed as an Alternate Director to the Chief Officer – Finance & Economic Planning of the County Government of Mombasa on July 20th, 2024. Mr Ridhiwan Ayub is a holder of BBA Degree in Finance, Banking and Management from Kampala University in Uganda. He is also currently pursuing an MBA in Operations Management from the University of Nairobi. Mr Ridhiwan Ayub is an accomplished accounting and finance professional, having worked at Mewa Hospital, Mombasa Maize Millers Ltd and the Local Authority Provident Fund. He later joined the County Government of Mombasa as Head of Revenue, later Director – Accounting Services (Head of Treasury) and then Chief Officer – Finance & Economic Planning in acting capacity.
6.	 Aisha M. Maganga	Ms. Aisha M. Maganga is an independent director serving as a Member of the Finance & Business Committee having been appointed on September 20th, 2024. She is a holder of Bachelor of Laws (LL.B) - Riara University. She has Postgraduate Diploma in Law (Kenya School of Law) She represents the Youth stakeholder group according to the WASREB Corporate Governance requirements

7	 Eng. Peter O. Ouko	Engineer Peter O. Ouko is an independent director serving as a Member of Technical Committee having been appointed on September 20th , 2024. He is a holder of Bachelor of Technology (Computer Engineering) - Egerton, MBA (UON). He is a Registered Engineer - EBK and IEK and an expert in Computer engineering. He represents the Professional Stakeholder groups as per the WASREB Corporate governance requirement
8.	 Suleiman H. Mpole	Suleiman H. Mpole is an independent director serving as a Member of Finance and Business Committee having been appointed on September 20th , 2024. He is a Certified Human Resources Professional (CHRP) and a holder of Bachelor of Science in Human Resources Management - Moi University
9	 Fatma Nassir Nabhany	Fatma Nassir Nabhany is an independent director serving as the Chairperson of Finance and Business Committee having been appointed on September 20th , 2024. She is a holder of Bachelor of Science (Mathematics, Statistics & Economics) - Punjab University Lahore, Pakistan, Msc. Computer Science (Software Engineering) - Quaid-e-Azam University - Islamabad. She is an ICT Professional.
10	 Jonathan Wepukhulu	Jonathan Wepukhulu is an independent director serving as the Chairperson Risk & Audit Committee having been appointed on September 20th , 2024 He is a holder of Bachelor of Science (Hons) - Biochemistry, Kenyatta University & Masters in Project Planning & Management - University of Nairobi. He works as a Businessman and a Part-time Lecturer.

11	 Eng. Albert T. Keno	Engineer Albert Keno an independent director serving as a Member of Finance and Business Committee having been appointed on September 20th, 2024. He is a seasoned professional with a wealth of experience in civil engineering and infrastructure development. He holds a Bachelor's degree in Civil Engineering from the University of Nairobi and a Corporate Member of the Institution of Engineers of Kenya (IEK). With over 25 years of experience in the field, Engineer Keno has been instrumental in designing and implementing various water and sanitation projects across Mombasa County. His expertise spans across water resource management, drainage systems, and climate resilience initiatives. As the Chief Officer of the Department of Water, Engineer Keno is dedicated to ensuring sustainable access to clean water and sanitation services for all residents. He has led several successful projects aimed at improving water infrastructure, conserving natural resources, and enhancing the county's resilience to climate change. Engineer Keno has worked closely with local communities to develop and implement sustainable solutions to water and sanitation challenges. In his role, Engineer Keno is focused on creating a sustainable future for Mombasa County, where natural resources are preserved, and communities are equipped to adapt to the challenges posed by climate changes.
12.	 Mr. Abdirahim Farah Managing Director	Mr. Abdirahim Mohamed Farah was the Managing Director during the financial year and his contract expired on May 2nd, 2025. He is 45 years old. Mr. Farah is a holder of a Bachelor Degree in Business Management from Moi University, and a Master's in Business Administration (Strategic Management) from the University of Nairobi. He also holds professional trainings and certifications in Public Policy Management from Strathmore University, and Public Procurement and Senior Management from the Kenya School of Government (KSG). He is also an Associate Member of the Marketing Society of Kenya, membership no. A1218/MSK. Mr. Farah is an accomplished leader and executive manager with industry expertise in managing public sector projects (water and sanitation, economic development), policy development and implementation, executive board management, public relations and brand management, strategic plan development, general administrative oversight, stakeholder relationship management, corporate governance and resource mobilization & allocation. He has worked as a Management Trainee at KCB Bank, General Manager at Pro-phase Marketing & Publishing Ltd, Business Development Manager at SoftNet Technologies Ltd, and Group Finance Manager at Havard Africa Ltd. Thereafter, he transitioned into full time public service, initially as Chief Officer in the County Government of Mombasa, serving in the Departments of Youth & Gender, Land, Planning & Housing, Investments and later Water, Sanitation & Natural Resources.

13.	 CS Jane S. Mwangi (Mrs)	Jane is the managing partner of Robson Harris, and a leading name in the corporate governance, cross border transactions and commercial law circles. Prior to joining the Firm, Jane worked with the Central Bank of Kenya, the Deposit Protection Fund Board (now KDIC) and several Governmental organizations in New York and the United Nations Office of Internal Oversight Services. With a stellar career spanning over 25-years, Jane has garnered a formidable reputation in both the legal and business worlds as a reliable and knowledgeable commercial law Advocate. Jane has served on the Board of Directors in several Public and Private Boards. Jane is a Certified Governance Auditor, Certified Secretary, Notary Public, Commissioner for Oaths, Arbitrator, Legal Auditor and Certified Patent Agent. She holds a Masters of Law Degree in International Business Law (LLM) from the University of Hull (UK), Bachelors of Law University of Nairobi (LLB) and a Diploma of Laws from the Kenya School of Law. She is a member of the Law Society of Kenya (LSK) Chattered Institute of Arbitrators (UK) (Kenya Chapter) Institute of Certified Secretaries, East African Law Society, ICJ (Kenya Chapter), Women on Board Network (WOBN) women's corporate Directors (WCD) and FIDA.
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IV. MANAGEMENT TEAM

1	 Mr. Abdirahim Farah Managing Director	Mr. Abdirahim Mohamed Farah was the Managing Director during the financial year and his contract expired on May 2nd, 2025. Ms. Habiba Ali who is currently holding the position on acting capacity replaced him. Mr. Farah is a holder on a Bachelor Degree in Business Management from Moi University, and a Master's in Business Administration (Strategic Management) from the University of Nairobi. He also holds professional trainings and certifications in Public Policy Management from Strathmore University, and Public Procurement and Senior Management from the Kenya School of Government (KSG). He is also an Associate Member of the Marketing Society of Kenya, membership no. A1218/MSK. He has worked as a Management Trainee at KCB Bank, General Manager at Prophase Marketing & Publishing Ltd, Business Development Manager at SoftNet Technologies Ltd, and Group Finance Manager at Havard Africa Ltd. Thereafter, he transitioned into full time public service, initially as Chief Officer in the County Government of Mombasa, serving in the Departments of Youth & Gender, Land, Planning & Housing, Investments and later Water, Sanitation & Natural Resources.
2.	 Habiba Ali – Ag. Managing Director	Ms Habiba Ali is currently the Ag. Managing Director, also doubling up as the GM Commercial and Business development and responsible for coordinating company's business operations and ensuring adequate service delivery to the residents of Mombasa County. Ms Habiba Ali is a qualified and experienced individual with a strong academic grounding in International Development allowing her to understand the magnitude and significance of sustainable development projects. Ms Habiba Ali holds a BA Honors in International development studies with languages from the University of Portsmouth and an Msc in International development studies. She is a certified member of the Kenya Institute of Management.

3	 Eng. Timothy Ngendo Mugo - General Manager Engineering & Strategy	Eng. Mugo is currently the General Manager for Engineering & strategy and has vast experience of more than 10 years in operations & maintenance of the water networks as well as working with development projects through strategic management of the projects and good leadership. Significantly he has demonstrated that he is a multi-skilled professional who has been tasked with several senior responsibilities. Timothy Mugo Ng'endo is a qualified and certified member of Engineers Regulatory Board (ERB). Engineer Timothy Mugo holds a Master's certificate in International Executive Masters in Water for all and a Bachelor's degree in Operations Management from the Jomo Kenyatta University of Agriculture & Technology which has impacted significantly his management of project planning and design management to bring sustainable development for the company.
4	 Grace Wairimu Njenga Human Resource Manager	Grace Wairimu Njenga is currently the Human Resource Manager. She holds a Master's degree in Business Management - Human Resource from Jomo Kenyatta University and a Bachelor's degree in Business Management (Accounting) Moi University. She is also a Certified Human Resource Professional (CHRP-K) and a member of Institute of Human Resource Management and Kenya Institute of Management. Grace has over 10 years' experience in Administration and Human Resources Management.
5	 CPA Wincate Kamene Musyoka Ag Finance Manager	CPA Wincate Kamene Musyoka is the Finance Manager in Acting Capacity. Wincate has rich experience of more than 10 years in Financial management, Business operations and management of donor-funded projects. She holds Bachelor's degree in Business Administration (Accounting) from Technical University of Mombasa and Certified Public Accountant (CPA - K) She is a member of Institute of Certified Public Accountants of Kenya (ICPAK).

V. CHAIRPERSON'S STATEMENT

In my capacity as the CHAIRPERSON of the Board at Mombasa Water Supply & Sanitation Company Limited, I am pleased to address you on a range of critical issues affecting our organization and the proactive steps we are taking to address them.

Enhancing Accessibility to Pure Water

Our moral duty mandates that we extend access to clean water to every resident of Mombasa County, particularly those residing in low-income areas, which constitute over 75% of the population. In our pursuit of this noble goal, we are channelling investments into fresh infrastructure development through collaborative ventures with the private sector. This initiative not only brings clean water to those in dire need but also generates employment opportunities and bolsters the local economy.

Prudent Water Conservation and Demand Management

We remain steadfast in our commitment to implement effective water conservation and demand management practices, aligning our actions with the Water Act (2016). We urge social activists, water vendors, and all stakeholders to assume leadership roles in the responsible stewardship of our precious water resources.

Elevating Customer Service and Support

Our foremost priority is the delivery of exemplary customer service and support. To this end, we are making substantial investments in these areas, aimed at elevating customer satisfaction levels, nurturing a robust reputation, and fostering unwavering customer loyalty and trust.

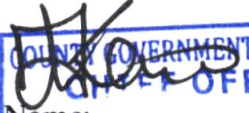
Ensuring Safety and Sustainability of Water Sources

We bear the responsibility of guaranteeing access to secure and sustainable water sources for our residents. We shall embark on a vigorous campaign to conform to national water quality standards.

Augmenting Reliability in Water Supply

Through the implementation of efficient operational and maintenance practices, we have successfully minimized water losses, resulting in a marked improvement in the reliability of our water supply. We also call upon the public to join hands in addressing non-revenue water concerns.

Our unwavering dedication lies in the enhancement of clean water accessibility, and the assurance of water source safety and sustainability. We remain confident that, with the unwavering support of our stakeholders, we will persist in our pursuit of excellence and the realization of our objectives.


COUNTY GOVERNMENT OF MOMBASA
CHIEF OFFICER
Name: **28 AUG 2025**
BOARD CHAIRPERSON
DEPARTMENT OF WATER, NATURAL RESOURCES
AND CLIMATE CHANGE RESILIENCE

VI. REPORT OF THE MANAGING DIRECTOR

RESULTS

The Company posted an increase in loss position from Kshs. 18.3 Million to Kshs. 60.7 Million. This was due to implementation of the new bulk water tariff from Kshs.20/- per cubic metre to Kshs.34/-. During the year, the company posted an increase of Kshs. 26.5million in non-cash expenditure (Depreciation costs) due to increase in Non Current Assets.

COMPANY'S STRATEGIC DIRECTION

The Management and Board of Directors will continue overseeing corporate governance and offer strategic leadership in helping the Company deliver on its four agenda of reducing NRW, growing water and related revenue streams, improving collection efficiency and containing its cost of doing business. The company has particularly partnered with Development Partners; the World Bank and Africa Development Bank in overhauling and replacement of old infrastructure aimed at reducing inefficiencies in Non-Revenue Water, increase water supply and access to residents.

THE CHALLENGE

The high cost bulk water tariff, diminishing bulk water supply, increasing non-revenue water and rising costs of operations remained the biggest challenges during this period of review. To address this, the company has embarked on renegotiating water supply balancing with CWWDA, implementation of smart metering project, replacement and overhaul of infrastructure to curb NRW.

THE FUTURE

The Company is currently implementing the infrastructural Improvement Projects funded by the World Bank & aimed at increasing water supply, I am optimistic that turn-around is realizable. The Smart metering project is currently in the 1st phase of implementation, starting with West Mainland Business Unit. This will see the company cover its operational costs as it moves towards financial sustainability. The Board of Directors and Management, together with CWWDA and AFD have engaged a Technical Assistant consultant to help in reducing the high non-revenue water that will further see the company plug its budget deficit.

We convey our appreciation to our customers who have continued to support our operations through timely payment of their bills and collaborated with us in various engagements of improving water supply levels. To the Board of Directors, Management and employees who stand with the company and offer their labour tirelessly, my recognition of your efforts is unconditionally honoured.

May we sustain the momentum of changing the fortunes of Mombasa Water.



Habiba Ali

Ag. Managing Director

VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

Mombasa Water Supply and Sanitation Co. Ltd (MOWASSCO) has Eight (8) strategic themes and objectives within the current draft Strategic Plan for the FY 2023- FY 2027. These strategic pillars/ themes/ issues are as follows:



1. Quality of Service

The Company places a strong emphasis on delivering exceptional quality of service to its customers. This focus area involves implementing measures to ensure a reliable and consistent water supply, efficient management of wastewater, and effective sanitation practices. The strategies employed include upgrading infrastructure, enhancing customer feedback mechanisms, and maintaining compliance with regulatory standards. By prioritizing the quality of service, MOWASSCO aims to enhance customer satisfaction, promote public health, and contribute to the overall well-being of the communities it serves.

2. Customer Perception

Recognizing the significance of customer satisfaction and perception, The Company is dedicated to shaping and improving how its customers perceive its services. The focus is on enhancing communication channels, responsiveness, and customer engagement to foster positive relationships.

During the year, MOWASSCO carried out a customer identification survey to identify and know its customers. In addition, an effective complaint resolution mechanism is in place through implement the Enterprise Resource Planning (ERP).

3. Economic Efficiency

Economic efficiency is a key consideration for MOWASSCO as it strives to optimize its operations in a cost-effective manner. This focus area involves maximizing resource utilization, reducing operational costs, and exploring revenue enhancement through the reduction of NRW, Effective metering among others. During the Financial year in review, the company implemented a water loss reduction programs through efficient leak detection and repair, the ERP system, which integrates all the company services hence improving economic efficiency, and ensure affordable service pricing.

4. Financial Concern

MOWASSCO places great importance on addressing financial concerns and ensuring financial stability. The company reviewed its regular tariff, approved by the regulator and ready for implementation in the next Financial Year. This will enhance the company's revenue streams, manage costs effectively, and strengthen financial planning and reporting. The Company has entered into partnership with Development partners like the World Bank (WB) and AFD for financial support to ensure long-term financial viability, maintain affordable service pricing, and allocate resources efficiently to meet operational and investment needs, ensuring the continuous provision of quality water and sanitation services.

5. Operational Efficiency

Operational efficiency is a key driver for MOWASSCO's success as a Water Service Provider (WSP). This focus area entails streamlining processes, optimizing workflows, and leveraging technology to enhance productivity and service delivery. The company has implemented an Enterprise Resource Planning (ERP) system with clear workflows. MOWASSCO aims to reduce operational costs, enhance service reliability, and improve the overall effectiveness and agility of its operations, ultimately benefiting the coastal communities through efficient and reliable water and sanitation services.

6. Internal Process Improvements

MOWASSCO recognizes the significance of internal process improvements to drive organizational effectiveness and efficiency. This focus area involves reviewing and refining organizational workflows, communication channels, and decision-making processes. MOWASSCO may implement performance management systems, foster a culture of continuous improvement, and promote knowledge sharing and learning across the organization. By prioritizing internal process improvements, MOWASSCO aims to enhance efficiency, collaboration, and organizational effectiveness, ultimately.

7. Organizational capacity

Organizational capacity refers to an organization's potential to marshal its human, financial and other resources to actualize its strategy for the benefit of the communities and clients it serves. MOWASSCO has embarked on upskilling the staff through capacity development under the WSDP project.

8. Good Governance

MOWASSCO understands that good governance helps reduce risks and enables faster and safer growth. It can also improve organizational reputation and foster trust. Good governance assures stakeholders of the corporate purpose, direction and priorities. It therefore creates an effective framework within which authority can be delegated and decisions consistent with that framework can be made throughout the organization. Consequently, MOWASSCO in appreciation of good governance as a core strategic pillar has focused on among other things, management of accumulated old debts, data cleaning and reconciliation, OSH policies development, licenses and regulatory framework, accreditation and certification, user consultation and stakeholder engagement.

VIII. CORPORATE GOVERNANCE STATEMENT

Inception

This document delineates the fundamental tenets and methodologies that underpin the corporate governance framework practiced by Mombasa Water Supply & Sanitation Company Limited. Our governance system is meticulously crafted to uphold the principles of responsible and transparent management, safeguarding the interests of a diverse array of stakeholders.

Nomination and Discharge of Directors

The onus of selecting director's rests squarely with the shareholders, who are guided by the regulations prescribed by the governing body overseeing the water sector's corporate governance. These selections are made based on the candidates' relevant expertise, skillsets, and qualifications. The process for dismissing directors due to misconduct, subpar performance, or conflicts of interest is explicitly outlined in both the company's Board Charter and the Companies Act (2015). It is noteworthy that the performance evaluations of current Board Members for the previous fiscal year did not warrant any dismissal actions.

In the course of the financial year, a notable development was the appointment of two (2) Directors with a background in Engineering to the Board for the first time. This augments our long-term objective of formulating policies and strategic directions for the management of technical services. In an effort to maintain compliance with pertinent governance guidelines for public entities and water utilities, new board of directors were appointed to replace the outgoing ones after expiry of their term.

Functions and Responsibilities of the Board

The board assumes the vital role of overseeing the company's management while ensuring that its operations maximize value for shareholders. It also shoulders the responsibility of charting the strategic course for the company, establishing policies, and ensuring compliance with all applicable legal and regulatory provisions.

Board Charter

The company maintains a Board Charter, which delineates the roles, duties, and responsibilities of the board as well as its individual members. The charter is slated for a comprehensive review and update in the upcoming fiscal year, ensuring its continued relevance in light of evolving operational and governance dynamics.

Board Meetings

The Board of Directors convenes periodically to deliberate on significant corporate matters and assess the organization's progress. The frequency of these meetings is established by the board and typically occurs no less than four times annually.

During the aforementioned financial year, additional extraordinary board meetings were convened to engage with the management and address emerging personnel issues. Rigorous documentation and periodic evaluations of board members' participation in these meetings were conducted to ensure the validity, legitimacy, and adherence to legal requirements of resolutions passed.

Corporate Governance Statement (Continuation...)

Succession Planning

The company is diligently working on various policy formulations, with particular focus on a formal succession plan. This plan aims to prepare the organization for the eventual departure of key executives or directors. It will delineate the process for identifying and grooming new leadership, ensuring a seamless transition in leadership roles. This initiative underscores our commitment to preparedness and stability, positioning us for sustained success.

Orientation and Training

Regrettably, due to financial constraints, recent additions to the board of directors have not undergone thorough orientation to familiarize themselves with the company's operations and policies. Additionally, a lack of ongoing training has hindered their preparedness to effectively discharge their duties. This includes the understanding of industry standards for corporate governance and our specific governance protocols. We are resolute in addressing this issue as a priority in the upcoming fiscal year, with comprehensive induction and training programs on the horizon, complemented by benchmarking opportunities against industry best practices.

Conflict of Interest

The company's Board has instituted a robust and obligatory protocol, mandating all directors and executives to declare potential conflicts of interest at every board and committee meeting. This requirement, implemented for this fiscal year, aims to ensure the disclosure of all interests for assessment and appropriate management or elimination. Notably, most of these interests emanated from the management staff.

Board Remuneration

Director compensation is determined by the board of directors, in accordance with government circulars and the principles enshrined in the Board Charter. The compensation structure is designed to be equitable and commensurate with the responsibilities and duties inherent to the positions. Our commitment to best practices includes an evaluation of the company's remuneration policy in the upcoming fiscal year to ensure its continued alignment with established standards.

Ethics and Conduct

The organization is actively crafting a comprehensive Code of Ethics and Conduct, serving as a clear and concise guide for the expected behaviour of all employees and directors. This document will undergo periodic reviews to maintain relevance and alignment with evolving industry standards.

Integration of the Code of Ethics and Conduct into the revised Human Resource Policy Manual is in progress, closely monitored by the board and set for adoption during the upcoming fiscal year.

Governance Audit

The absence of periodic assessments of governance practices and procedures during the recent financial year may have led to deviations from industry standards and hindered our ability to effectively serve all stakeholders.

Corporate Governance Statement (Continuation...)

This situation was largely influenced by resource constraints. To rectify this, comprehensive evaluations are planned for the coming fiscal year to gauge adherence to governance policies and evaluate the performance of the board and directors. This proactive approach ensures our alignment with industry best practices.

Conclusion

Mombasa Water Supply & Sanitation Company Limited is unwavering in its commitment to upholding rigorous standards of corporate governance. We pledge to conduct our operations in a transparent and responsible manner. Our governance framework remains dedicated to the welfare of all stakeholders, fostering accountability and trust.

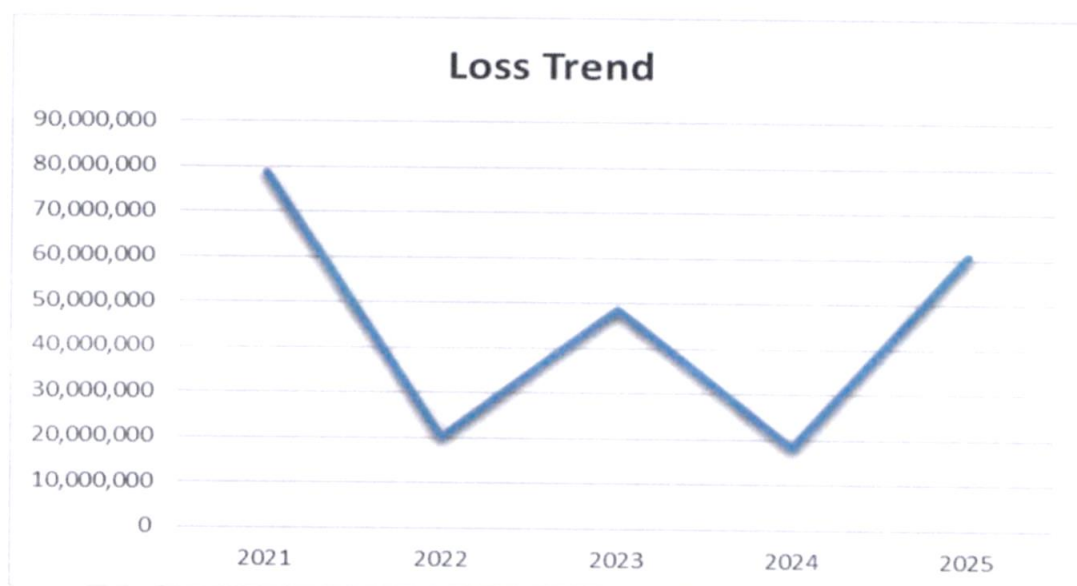
IX. MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATIONAL PERFORMANCE FOR THE YEAR

The company continued with its loss-making trend in the year under review with an increase in losses to Kshs.60.7 Million compared to previous year's loss of Kshs. 18.3 Million. The loss-making is majorly attributable to aging and dilapidated infrastructure leading to high Non-Revenue Water (60%), increase in non-cash expenditure and increasing business operating costs.

LOSS TREND FOR 5 YEARS

Years	Amount
2021	78,891,997
2022	20,165,380
2023	48,623,831
2024	18,355,388
2025	60,756,794



PRODUCTION, BILLING AND NON-REVENUE WATER (NRW) TREND

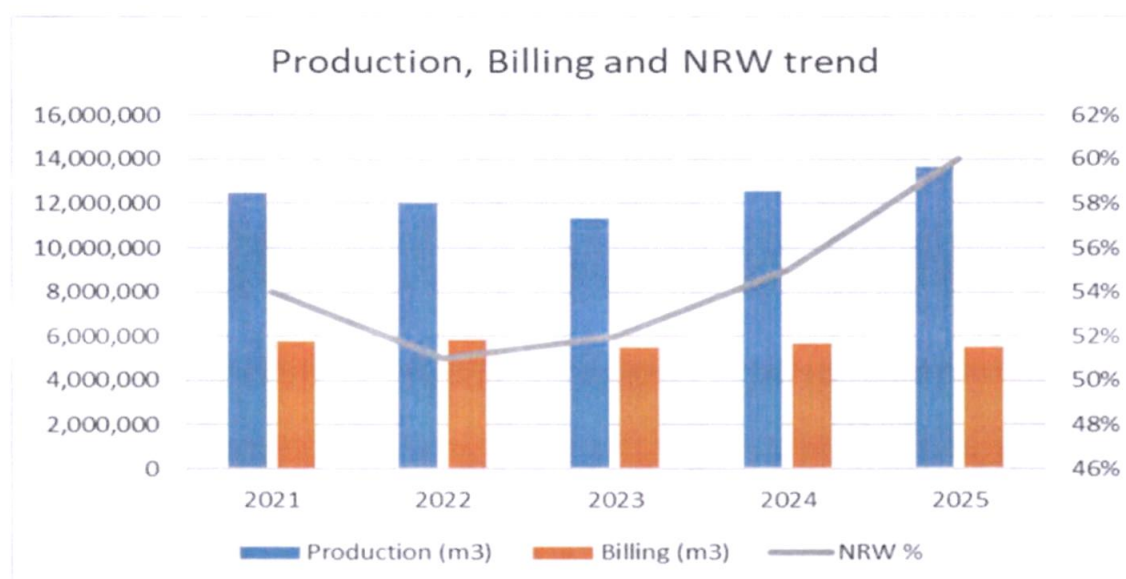
Production

The analysis of our water supply performance from July 2024 to June 2025, drawing insights from data across our key sources: Mzima, Baricho, Marere, and Tiwi B/H. Overall, total water production has shown fluctuations, with notable peaks in September 2024 and January 2025, and a dip in March 2025. Our water supply operations from July 2024 to June 2025 demonstrate the critical role of Baricho and the fluctuating, yet significant, contribution of Mzima and Marere. The overall trends highlight the need for continued vigilance, strategic investment in infrastructure, and a proactive approach. Baricho remains our dominant source,

Management Discussion and Analysis (Continued)

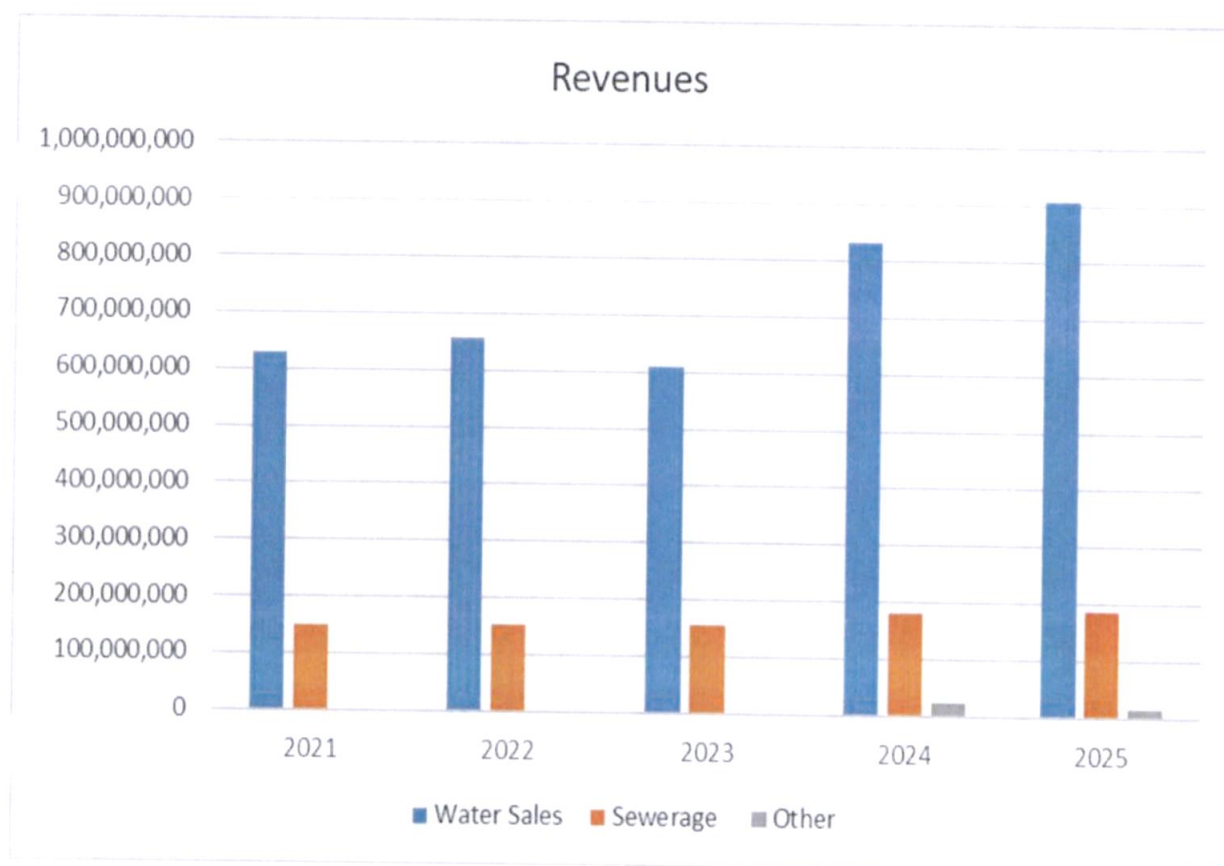
consistently contributing the largest volume of water. While Mzima and Marere provide significant supplementary volumes, Tiwi B/H remains a minor contributor. This report will delve into specific source performance, identify trends, highlight areas of concern, and propose strategic recommendations for ensuring sustainable and reliable water supply to our customers.

Years	Production (m3)	Billing (m3)	NRW %
2021	12,495,475	5,784,580	54%
2022	12,055,112	5,856,333	51%
2023	11,310,975	5,469,406	52%
2024	12,542,707	5,647,757	55%
2025	13,653,154	5,511,448	60%



REVENUES TREND AND ANALYSIS

Year	Water Sales	Sewerage	Other
2021	629,204,556	149,312,813	456,847
2022	656,413,235	152,010,136	972,180
2023	609,717,571	155,084,852	2,588,689
2024	834,739,408	180,151,562	25,060,345
2025	908,143,081	185,505,043	17,495,051

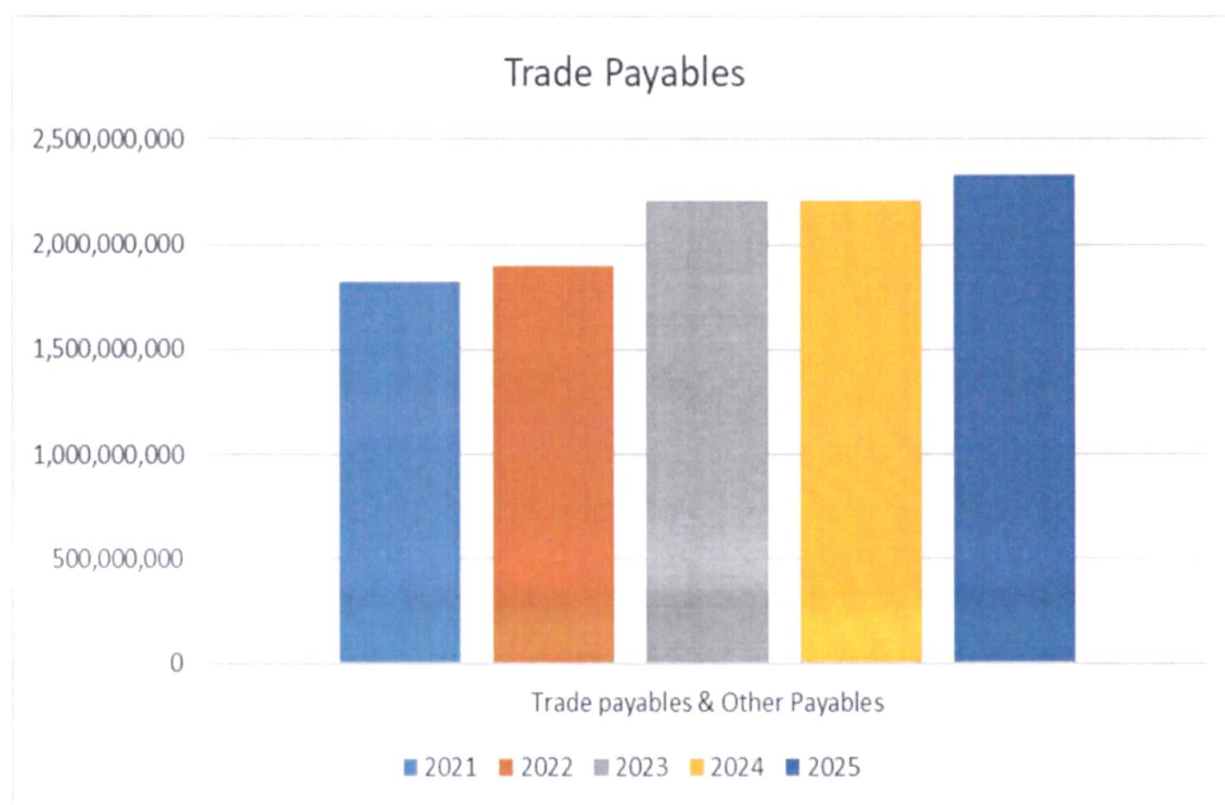


The data indicates a generally stable but fluctuating billing performance, with an average Yearly billed amount of approximately KES 901.4 million.

TRADE PAYABLES

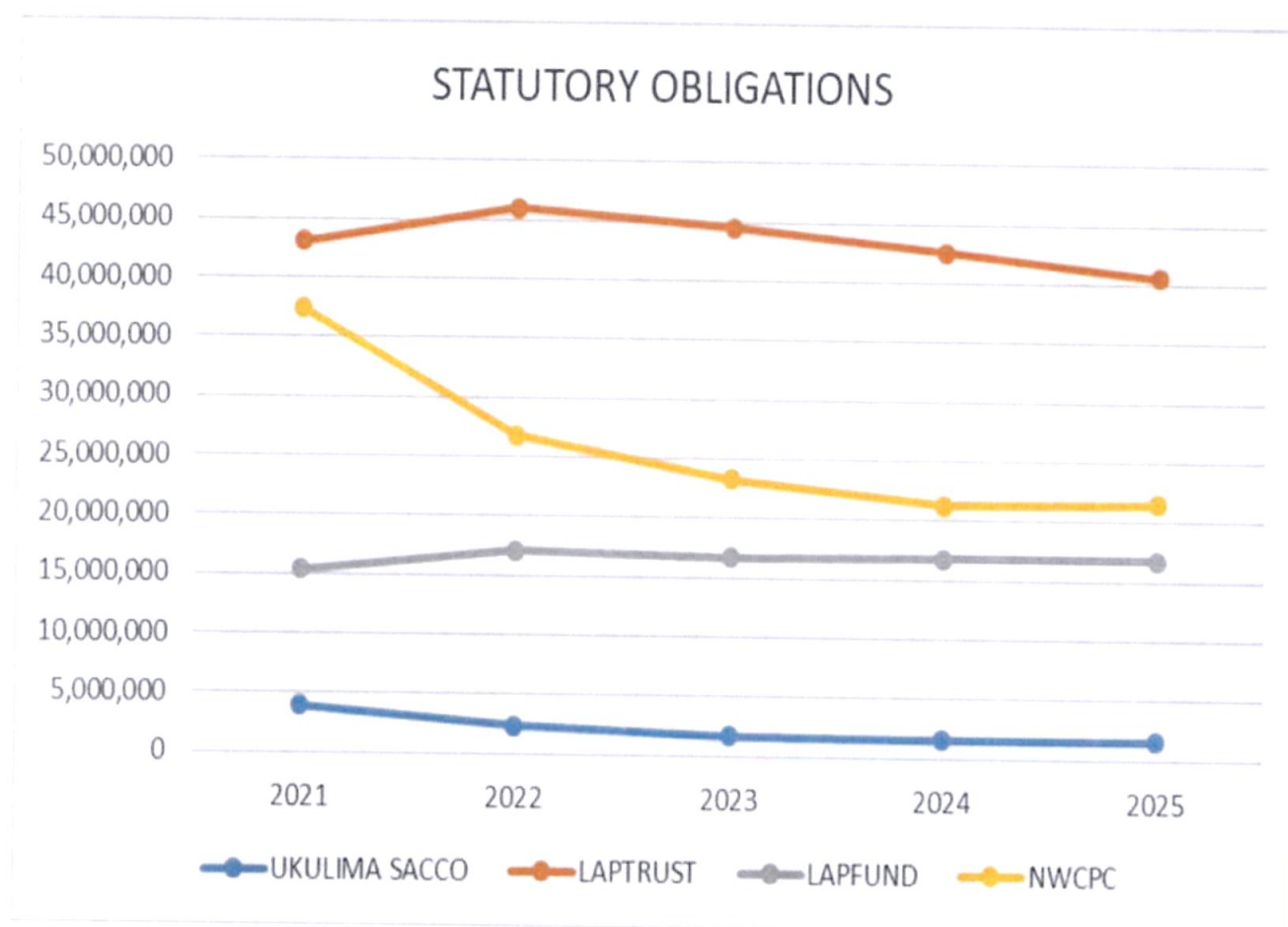
With the high NRW, the company faces cash flow challenges that threaten its operations. The company has up to June 2025 accumulated more than Kshs.2.3 Billion in accounts payable (unpaid suppliers and unremitted staff deductions). The cash flow constraints experienced by the company is a huge exposure with the debts crystalizing.

Year	Trade payables & Other Payables
2021	1,819,429,214
2022	1,900,432,450
2023	2,205,892,534
2024	2,209,904,790
2025	2,326,736,526



STATUTORY OBLIGATIONS

Year	UKULIMA SACCO	LAPTRUST	LAPFUND	NWCPC
2021	3,941,916	43,144,131	15,363,078	37,393,888
2022	2,374,045	46,053,609	17,072,215	26,821,440
2023	1,741,914	44,520,415	16,691,877	23,297,678
2024	1,604,484	42,585,594	16,780,172	21,327,729
2025	1,556,979	40,544,299	16,806,708	21,509,779

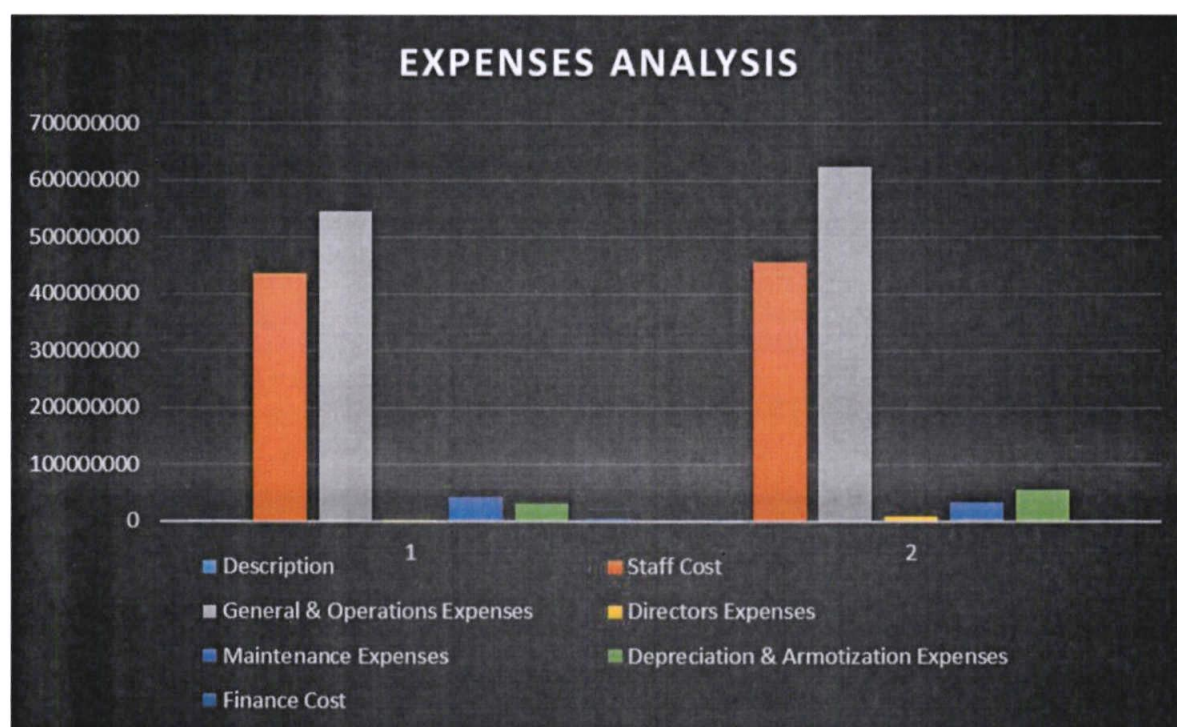


Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2025
Management Discussion and Analysis (Continued)

EXPENSES ANALYSIS

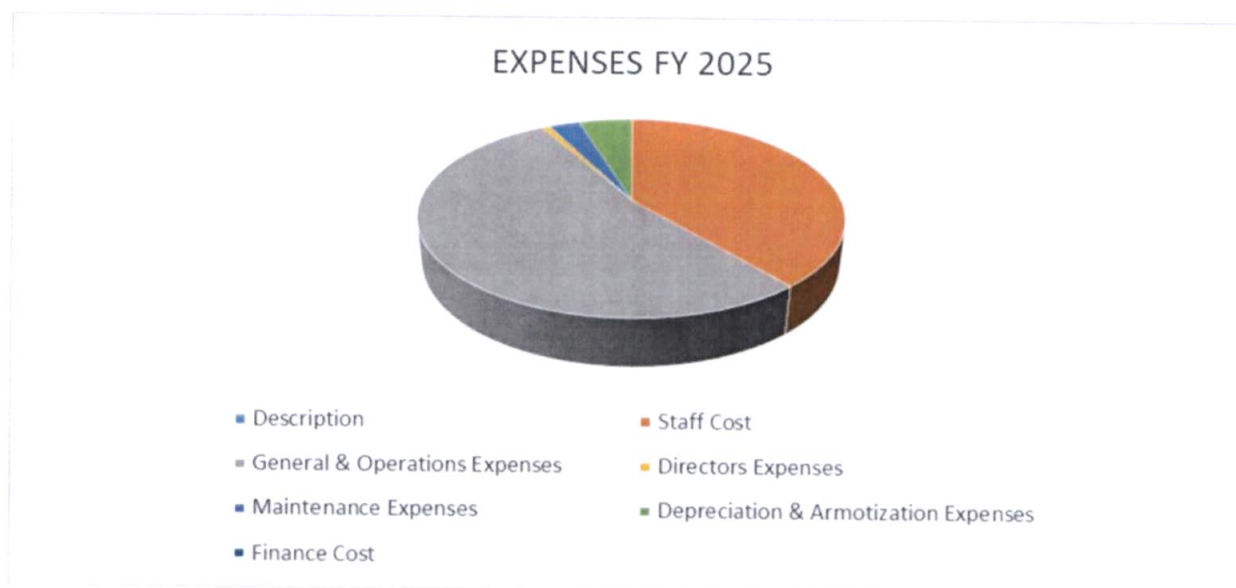
Expenses FY 2024

Description	2024	2025
Staff Cost	436,399,273	455,735,722
General & Operations Expenses	545,775,964	623,884,069
Directors Expenses	1,924,700	7,791,732
Maintenance Expenses	42,100,055	32,820,758
Depreciation & Amortization Expenses	29,973,599	55,644,004
Finance Cost	3,441,587	658,470



Expenses 2025

Description	2025
Staff Cost	455,735,722
General & Operations Expenses	623,884,069
Directors Expenses	7,791,732
Maintenance Expenses	32,820,758
Depreciation & Armotization Expenses	55,644,004
Finance Cost	658,470



PROJECTS IMPLEMENTED IN THE YEAR

The Board and management have embarked on a recovery path of the company by implementing strategies aimed at reducing NRW and general company improvement. To address NRW, the company is in the process of overhauling its water and sanitation distribution network and or rehabilitation funded by the World Bank under Water and Sanitation Development Project. The company through CWWDA has also engaged a Consultant for Technical Assistant in curbing NRW.

The main objective of the project is to support Mombasa Water Company in construction of and rehabilitation of water distribution and sanitation systems and Capacity-building and institutional strengthening activities including CIS, improving billing & collection and NRW to support improved water and sanitation performance of Mombasa Water. The project management aims to achieve the goals through the following means:

- (i) Rehabilitating selected existing water distribution networks including selected extensions to underserved areas;
- (ii) Improving storm water outlets and combined sewer overflows in selected Mombasa County areas.
- (iii) Rehabilitating existing Waste Water Treatment Plant and Pump Stations .

- (iv) Supporting the company in capacity-building through need informed trainings and fleet acquisition to support operations.

Water Services Development Plan (WSDP)

The following are the five contracted works under the projects funded by the World Bank and their current progress status:

1. Construction of 11No. Ablution Blocks and one yet to be constructed in Mombasa Water office (Contract No. KE-MOWASCO-228804-CW-RFB) – 78.64% complete
2. Improvement of Storm Water Outlets & Combined Sewer Overflows in Mombasa Island (Contract No. KE-MOWASCO-16772-CW-RFB) – 68.17% complete
3. Rehabilitation & Extension of Mombasa Water Supply Distribution (Contract No. KE-MOWASCO-16769-CW-RFB) – 76.98% complete
4. Rehabilitation of Kipevu Waste Water Treatment Plant: WWTP and Pump Station (Contract No. KE-MOWASCO-16771-CW-RFB) – 65.17% complete
5. Rehabilitation and Extension of Sewer Networks in West mainland and Island (KE-MOWASCO-113723-CW-RFB) 100% complete. Under defects liability period

Other Projects

S/No	Project Name	Area	Scope of works	Status
1	Chamunyu Mwamlai water pipeline extension project	Chamunyu & Mwamlai in Jomvu Sub-county	5.5 km line	Completed and commissioned by Governor. 130 customers connected so far.
2	Smart Metering	West mainland	5,000 Smart Meters	815 No. installed
PROJECT NAME		STATUS		IMPACT/Remarks
Rehabilitation of sewer lines in West mainland and Island		The works have been completed and 1000 connections have been connected and re-connected		These project will improve hygiene, reduce waterborne diseases, and enhance public health.
Construction of decentralized Treatment Facility.(DTF)		Was launched and construction commenced where the project is now at 90% complete		Will Improve sanitation in North mainland, Revenue generation for the company and reduce environmental pollution
Construction/ Rehabilitation of toilets in Magongo/Soweto		326 number of toilets completed		This will improve hygiene, reduce waterborne diseases, and enhance public health
Rehabilitation of the Kipevu wastewater treatment system and pumping stations		Ongoing. Works at 65% complete		Contractor has submitted quotations for the varied works which have been recommended to the client. The financier gave No Objection to variations.

X. ENVIRONMENTAL AND SUSTAINABILITY REPORT

1. Introduction

Mombasa Water Supply and Sanitation Company (MOWASSCO) is a public utility mandated with the responsibility of providing reliable, safe, and affordable water supply and sanitation services to the residents of Mombasa County. Operating under the oversight of the County Government and in compliance with national water sector regulations, MOWASSCO plays a critical role in enhancing the quality of life and promoting public health within the coastal region of Kenya.

As urban populations continue to grow, climate variability intensifies, and natural resources become more stressed, MOWASSCO has adopted a long-term sustainability strategy aimed at ensuring continuous service delivery to all citizens. This strategy emphasizes water resource conservation, environmental stewardship, infrastructure resilience, climate adaptation, and community engagement. Sustainability, in this context, is defined as the Company's capacity to maintain and improve water and sanitation services over the long term, without compromising the needs of future generations or degrading the ecosystems upon which these services depend.

2. Environmental performance

MOWASSCO recognizes that sustainable water and sanitation services is intrinsically tied to the health of the environment. In 2024/2025, several initiatives were undertaken to improve environmental outcomes:

- **Water Resource Protection:** Collaborated with the Coast Water Works Development Agency (CWWDA) and Water Resources Authority (WRA) and community-based organizations to protect catchment areas in Marere, Mzima Springs and Baricho well fields.
- **Mombasa County** has been steadily investing in infrastructure improvements—such as the WSDP project and Mwache water treatment plant and dam project funded by the AFD and World Bank—to enhance the supply of potable water (projected to meet needs through 2030).
- **Effluent Management:** Upgraded sewage treatment facilities in Kizingo and Kipevu to minimize discharge of untreated waste into the Indian Ocean is ongoing, aligning with NEMA (National Environment Management Authority) standards.

3. Sustainable Operations and Infrastructure

To ensure long-term operational sustainability, MOWASSCO continues to invest in infrastructure modernization, efficiency improvements, and innovative service delivery models:

- **Non-Revenue Water (NRW) Reduction:** Implemented active leak detection, pipeline and water meters replacement programs.
- **Smart Metering:** Rolled out digital water meters in selected areas to improve billing accuracy, reduce losses, and empower consumers with usage data.

4. Community Engagement

MOWASSCO believes that sustainable service delivery must be inclusive and people-centred. As such, community participation is integral to its sustainability approach:

- **Public Awareness Campaigns:** Conducted environmental education programs in schools and community centres focusing on water conservation and hygiene.
- **Stakeholder Forums:** Regularly engaged with residents, businesses, and civil society through town halls and feedback platforms to shape service delivery priorities.



Stakeholders engagement on Sanitation Services

5. Employee welfare

- **Capacity Building:** Capacity-building programs were done where staff attended trainings and workshops at KEWI in Nairobi and Kitui Campus. Welfare initiatives through sports participation have also improved employee satisfaction. However, staff shortages in key technical areas remain a concern.
- **Monitoring, Evaluation and Reporting:** To track progress and remain accountable, MOWASSCO has established key sustainability indicators and integrated them into its performance framework.

Annual audits, environmental impact assessments, and customer satisfaction surveys are used to guide continuous improvement.

6. Market place practices

Responsible Supply Chain & Supplier Relations

MOWASSCO's infrastructure expansion and operations depends on partnerships with local and international financiers and contractors (e.g., AFD, World Bank). These procurement processes must prioritize transparency, value, environmental compliance, and responsiveness to community needs. Ensuring procurement aligns with sustainability objectives is key to long-term supply chain resilience. The Company participated in the ASK show 2024 where it emerged first position in the Waste water and Waste Management Services.



. MOWASSCO receiving a Trophy on Best stand on Waste water and Waste Management Services

7. Corporate Social Responsibility (CSR)

- MOWASSCO's broader operations tie into Mombasa County's environmental and sustainability agenda, including ongoing efforts in storm water management & building public ablution blocks through the WSDP project, wetland restoration, solarisation of water facilities, and climate resilience initiatives.

- Beach and river rehabilitation and waste clean-up in projects like the Mtopanga restoration reflect collaborations with NGOs (e.g., Blue Ventures, COMRED), showcasing the company's role in CSR through environmental and community health restoration.

8. Conclusion and Way Forward

MOWASSCO remains committed to its sustainability vision—providing water and sanitation services that are not only reliable today but resilient and accessible for future generations. Continued investment in innovation, environmental protection, infrastructure modernization, and stakeholder collaboration will be critical in achieving this goal. As we look forward, MOWASSCO will intensify efforts in climate adaptation, water source diversification, and inclusive service delivery to ensure that the residents of Mombasa County are sustainably served, today and tomorrow.

XI. REPORT OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2025, which show the state of company's affairs.

i) Principal activities

The principal activity of the company is that of distributing water and providing sanitation services to the residents of Mombasa County

ii) Results

Below is a summary of the profit or loss made during the year.

	Ksh.
Loss before taxation	(60,756,794)
Taxation charge	Nil
Loss for the year transferred to retained earnings	(60,756,794)

iii) Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 30th June 2025.

iv) Directors

The members of the Board of Directors who served during the year are shown on page viii to x.

v) 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



.....
Name:

Secretary to the Board

Date:

XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the Public Finance Management Act, 2012, the companies Act 2015 and Water Act 2016 require the Directors to prepare Financial Statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Mombasa Water Supply and Sanitation Co. Ltd financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2025. 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 company.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the company.
- (v) Selecting and applying appropriate accounting policies; and,
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the 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, water act 2016 and companies Act 2015). The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Company as at 30th June 2025 and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company which have been relied upon in the preparation of the Company'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 Company 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 Mombasa Water Supply and Sanitation Company Ltd financial statements were approved by the Board on 28-8 2025 and signed on its behalf by:


Name : Ms. Edith Kwekwe
Chairperson of the Board
COUNTY GOVERNMENT OF MOMBASA
CHIEF OFFICER
DEPARTMENT OF WATER, NATURAL RESOURCES
AND CLIMATE CHANGE RESILIENCE
28 AUG 2025


Name: Ms. Habiba Ali
Ag. Managing Director
COUNTY GOVERNMENT OF MOMBASA
CHIEF OFFICER
DEPARTMENT OF WATER, NATURAL RESOURCES
AND CLIMATE CHANGE RESILIENCE
28 AUG 2025

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MOMBASA WATER SUPPLY AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mombasa Water Supply and Sanitation Company Limited set out on pages 1 to 45, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial of profit or loss and other comprehensive income, statement of changes in equity, statement of cash

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mombasa Water Supply and Sanitation Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Water Services Development Plan Loan Balance

The statement of financial position and Note 24 to the financial statement reflects Water Services Development Plan (WSDP) loan of Kshs.1,301,444,266. Review of the non-current liability ledger in respect to WSDP loan provided for audit in support of the financial statements indicated loan amount received from external borrowing during the year (World Bank / IDA) of Kshs.234,539,000 which differs with the increase of Kshs.138,448,372 between the opening balance and the reported balance resulting in an unexplained variance of Kshs.96,090,628.

In the circumstances, the accuracy and completeness of the WSDP loan of Kshs.1,301,444,266 could not be confirmed.

2. Long Outstanding Trade and Other Receivables

The statement of financial position and Note 16 to the financial statements reflect trade and other receivables balance of Kshs.501,954,618. The net receivables balance increased from Kshs.433,140,949 to Kshs.501,954,618 by Kshs.68,813,669 or 16%. Management has not provided evidence of effort or strategies initiated to collect the overdue debts. Further, the Management did disclose ageing analysis of provision for bad and doubtful debts.

In the circumstances, the accuracy and valuation of trade and other receivables of Kshs.501,954,618 could not be confirmed.

3. Long Outstanding and Unsupported Trade and Other Payables

The statement of financial position and Note 25 to the financial statements reflect trade and other payables balance of Kshs.2,326,736,526. Included in the balance is Kshs.2,083,447,586 relating to trade payables, out of which Kshs.1,980,944,754 was outstanding for a duration of more than 120 days. Further, the balance was not supported by a schedule.

In the circumstances, the accuracy and completeness of trade and other payables balance of Kshs.2,326,736,526 could not be confirmed.

4. Grounded Motor Vehicles

The statement of financial position and Note 14 to the financial statements reflects property, plant and equipment of Kshs.261,977,793. Included in the balance are motor vehicles valued at Kshs.66,095,974 as disclosed in Note 14a. Review of the asset register and physical verification of assets revealed that the Company had thirty-three (33) motor vehicles which included eight (8) grounded motor vehicles while three (3) were held by auctioneers. Further, inspection reports on the extent of damage which led to grounding of the transport equipment and action taken by Management to safeguard against further deterioration of value were not provided for audit confirmation.

In the circumstances, the accuracy, completeness and valuation of the motor vehicles balance of Kshs.66,095,974 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mombasa Water Supply and Sanitation Company Limited Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget and actual amounts on comparable basis of Kshs.1,259,880,769 and Kshs.1,115,777,961 respectively resulting in under collection of Kshs.144,102,808 or 11 % of the budget.

The under realization of revenue may have affected implementation of planned activities and impacted negatively of service delivery to the public.

My opinion is not modified in respect to this matter.

2. Material Uncertainty Related to Going Concern

The statement of financial position reflects a negative working capital of Kshs.1,990,688,908 (2023/2024 Kshs.1,978,182,400) resulting from its total current liabilities of Kshs.2,637,966,311 (2023/2024 Kshs.2,513,692,755) exceeding its total current assets of Kshs.647,277,403 (2023/2024 Kshs.535,510,355) as at 30 June, 2025. In addition, the Company had accumulated losses totalling to Kshs.2,261,624,175 as at 30 June, 2025 (2023/2024 Kshs.2,200,867,381). Management and Directors have expressed their confidence that the Company will remain a going concern over the next twelve (12) months by disclosing that this unsatisfactory situation is being addressed through implementation of infrastructural

improvement projects funded by the World Bank aimed at increasing water supply, which they feel optimistic will lead to turn-around.

These conditions indicate the existence of a material uncertainty that casts doubt on the Company's ability to meet its financial obligations as they fall due, and to continue as a going concern.

In the circumstances, the Company's existence as a going concern is depended upon continued support from the County Government of Mombasa, its bankers and creditors.

My opinion is not modified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Company in 2024/2025 revealed that the following nine (9) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023/2024	Long outstanding trade and other payables
2	2023/2024	Long outstanding trade and other receivables
3	2023/2024	Grounded and obsolete motor vehicles and motor cycles
4	2023/2024	Material uncertainty related to going concern
5	2023/2024	Excessive non-revenue water
6	2023/2024	Officers earning below a third of basic pay
7	2023/2024	Direct discharge of raw sewer to the Indian ocean
8	2023/2024	Stalled project - Kipevu waste Water Treatment Plant
9	2023/2024	Abandoned and unapproved contract extension period (Rehabilitation and Extension of Sewer Networks West Mainland and Island)

Other Information

The Management is responsible for the Other Information set out on page iv to xxxiv which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairperson's Statement, Report of the Chief Executive Officer, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, Statement of

Directors Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company's 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Excessive Non-Revenue Water

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects operating revenue of Kshs.1,111,143,175 which includes water sales of Kshs.908,143,081. Records provided for audit review indicated that the Company produced 13,194,018 cubic meters of water, out of which 5,079,420 cubic meters of water was billed to customers. The balance of 8,114,598 cubic meters of water, or 62% represents Non-Revenue Water which is more than the maximum allowable loss of 25% by the Water Services Regulatory Board (WASREB) Guidelines. The unbilled water of 8,114,598 cubic meters may have resulted into loss of sales estimated at Kshs.1,217,189,700 at the rate of Kshs.150 per cubic meter.

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

2. Staff Earning Below a Third of Basic Pay

Review of payroll records during the year under review revealed that some staff members earned less than a third (1/3) of their basic salary after deductions contrary to Section 19 (3) of the Employment Act, 2007 which stipulates that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.

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

3. Operations Without a Valid License

Review of records provided for audit revealed that the Company has been operating without a license from the Water Services Regulatory Board (WASREB). The last license was issued to the Company for a period of two (2) years beginning 1 August, 2022 to 1 August, 2024 contrary to Section 72 (1) (c-d) of the Water Act, 2016 which gives the Water Services Regulatory Board (WASREB) powers and functions to set license, conditions and accredit water services providers, monitor and regulate licenses and enforce license conditions.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management 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 for maintaining effective internal controls 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 effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2025

XIV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE 2025.

DESCRIPTION		2025	2024
	Notes	Kshs	Kshs
REVENUE			
Operating Revenue	6	1,111,143,175	1,039,951,315
Finance Income	7	4,452,306	2,178,953
Other Income	7	182,480	181,148
TOTAL REVENUES		1,115,777,961	1,042,311,416
OPERATING EXPENSES			
Staff Costs	8	455,735,722	436,399,273
General and Operation Expenses	9	623,884,069	545,919,602
Directors Expenses	10	7,791,732	2,358,700
Maintenance Expenses	11	32,820,758	42,580,875
Depreciation and Amortization Expenses	12	55,644,004	29,966,767
Finance Costs	13	658,470	3,441,587
TOTAL EXPENSES		1,176,534,755	1,060,666,804
Profit/(Loss) before tax		(60,756,794)	(18,355,388)
Income Tax Expense		-	-
PROFIT/ (LOSS) AFTER TAXATION		(60,756,794)	(18,355,388)
OTHER COMPREHENSIVE INCOME			
PROFIT/ (LOSS) AFTER TAXATION		(60,756,794)	(18,355,388)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(60,756,794)	(18,355,388)

XV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2025

Description	Note	2025 Kshs	2024 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	261,977,793	256,834,540
Intangible assets	15	133,572,812	3,219,654
Amount due from shareholders	22	5,000,240	5,000,240
Work in Progress plant & machinery-WSDP	23	1,125,760,030	1,175,418,057
Total Non-Current Assets		1,526,310,875	1,440,472,491
Current Assets			
Trade and other receivables	16	501,954,618	433,140,949
Inventories	17	45,325,868	27,673,943
Bank and cash balances	18	99,996,917	74,695,463
Total Current Assets		647,277,403	535,510,355
TOTAL ASSETS		2,173,588,278	1,975,982,846
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	19	5,000,240	5,000,240
Capital reserve	20	485,003,469	485,003,469
Retained earnings	21	(2,261,624,175)	(2,200,867,381)
Capital and Reserves		(1,771,620,466)	(1,710,863,672)
Non-Current Liabilities			
WSDP Loan	24	1,301,444,266	1,162,995,894
Sevice gratuity	24	5,798,167	10,157,869
Total Non-Current Liabilities		1,307,242,433	1,173,153,763
Current Liabilities			
Trade and other payables	25	2,326,736,526	2,209,904,790
Provisions	26	194,246,716	193,815,601
Customer Deposits	27	116,983,069	109,972,364
Total Current Liabilities		2,637,966,311	2,513,692,755
TOTAL EQUITY AND LIABILITIES		2,173,588,278	1,975,982,846

The financial statements were approved by the Board on 28-8- 2025 and signed on its behalf by:

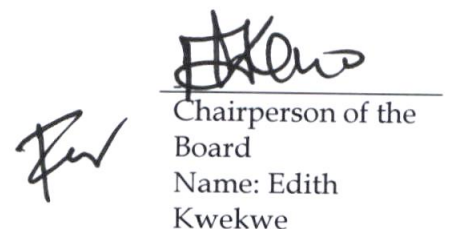


Ag. Managing Director

Name: Habiba Ali



Finance Manager
Name: CPA Wincate
Musyoka
ICPAK M/No: 12239



Chairperson of the
Board
Name: Edith
Kwekwe

XVI. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2025

Description		Share Capital	Retained Earnings	Capital Reserve	Total
	Notes	Kshs	Kshs	Kshs	Kshs
At 1st July 2023	19	5,000,240	(2,182,511,997)	485,003,469	(1,692,508,288)
Prior year Adjustments	21		5		5
Net profit for the year			(18,355,388)		(18,355,388)
At 30th June 2024		5,000,240	(2,200,867,381)	485,003,469	(1,710,863,672)
At 1st July 2024	19	5,000,240	(2,200,867,381)	485,003,469	(1,710,863,672)
Prior year Adjustments	21		-		-
Net profit for the year			(60,756,794)		(60,756,794)
At 30th June 2025		5,000,240	(2,261,624,175)	485,003,469	(1,771,620,466)

XVII. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

Description	Note	2025	2024
		Kshs	Kshs
Cash flows from operating activities			
Revenue			
Operating Revenue	6	1,111,143,175	1,039,951,315
Finance Income	7	4,452,306	2,178,953
Other Income	7	182,480	181,148
Total Revenue		1,115,777,961	1,042,311,416
Expenses			
Staff Costs	8	455,735,722	436,399,273
General and Operation Expenses	9	623,884,069	545,919,602
Directors Expenses	10	7,791,732	2,358,700
Maintenance Expenses	11	32,820,758	42,580,875
Finance Costs	13	658,470	3,441,587
Prior year Adjustments		-	(5)
Total Expenses		1,120,890,751	1,030,700,032
Change in trade and other receivables	16	(68,813,669)	(69,254,808)
Change in Inventories	17	(17,651,925)	(26,377,418)
Change in trade and other payables	25	116,831,736	307,922,144
Provisions	26	431,115	(5,640,527)
Customer Deposits	27	7,010,705	5,518,605
Net Cash From/(Used In) Operating Activities		32,695,173	223,779,378
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	14	(49,590,666)	(183,373,814)
Work in Progress plant & machinery-WSDP	23	(91,891,723)	(514,900,976)
Net cash (used in) investing activities		(141,482,389)	(698,274,790)
Cash flows from financing activities			
Share Capital		-	-
Borrowings	24	134,088,670	421,912,732
Net cash (used in) financing activities		134,088,670	421,912,732
Net (decrease) in cash and cash equivalents		25,301,454	(52,582,681)
Cash and cash equivalents at Beginning of Year		74,695,463	127,278,144
Cash and cash equivalents at End of the Year	18	99,996,917	74,695,463

XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	1,265,726,069	(8,530,500)	1,257,195,569	1,111,143,175	(146,052,394)	-12%
Finance Income	2,500,000	-	2,500,000	4,452,306	1,952,306	78%
Other Income	185,200	-	185,200	182,480	(2,720)	-1%
Total income	1,268,411,269	(8,530,500)	1,259,880,769	1,115,777,961	(144,102,808)	-11%
Expenses						
Staff Costs	516,116,260	(10,000,000)	506,116,260	455,735,722	50,380,538	10%
General and Operation Expenses	670,535,109	4,500,000	675,035,109	623,884,069	51,151,040	8%
Directors Expenses	6,320,000	5,500,000	11,820,000	7,791,732	4,028,268	34%
Maintenance Expenses	50,670,500	(11,000,000)	39,670,500	32,820,758	6,849,742	17%
Finance Costs	450,000	-	450,000	658,470	(208,470)	0%
Depreciation and Amortization Expenses	21,634,199	11,000,000	32,634,199	55,644,04	(23,009,805)	-71%
Total Recurrent Expenditure	1,265,726,068	-	1,265,726,068	1,176,534,755	89,191,313	7%
Profit or (Loss)	2,685,201	-	(5,845,299)	(60,756,794)	54,911,495	
Capital Expenditure	60,068,757	-	60,068,757	49,590,666	10,478,091	17%
Total Expenditure	1,325,794,825	-	1,325,794,825	1,226,125,421	99,669,404	8%

XIX. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Mombasa Water Supply & Sanitation Co. Ltd is established by and derives its authority and accountability from Water Act 2016. The Company is wholly owned by the County Government of Mombasa and is domiciled in Kenya. The Company's principal activity is to provide water and sanitation services to the residents of Mombasa County.

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

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company. The figures are rounded to the nearest Kenyan shilling.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016 and the Company's Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

During the year the company reported a loss of Kshs. 60,756,794 (2024: Kshs.18,355,388), resulting to the Company's accumulated loss of Kshs.2,261,624,175 as at 30th June 2025 (2024: Kshs. 2,200,867,382. Further current liabilities of Kshs. 2,637,966,311/- exceeded the current assets of Kshs. 647,277,403/- as at June 2025. The Directors remain confident that the company will remain a going concern over the next 12 months. In making this assessment, the directors have considered in detail all pertinent facts as outlined in page xvi (Report of managing Director).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. *New and amended standards and interpretations*

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

Mombasa Water Supply & Sanitation Co. Ltd
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Title	Description	Effective Date
part of the Annual Improvements to IFRS Standards 2018-2020)	IFRS	

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Title	Description	Effective Date
IAS 1— Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 – Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

Mombasa Water Supply & Sanitation Co. Ltd
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Title	Description	Effective Date
	'probable profits' test.	
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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*

iv. The entity did not early – adopt any new or amended standards in year 2021/2022

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

- i) Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Grants from Government Entities** are recognised in the year in which the Company actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
During the year under review the company received capital grant under WSDP project which has been accounted for as provided in IAS 20.
- iii) Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) Rental income** is recognised in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) Other income** is recognised as it accrues.

b) 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, utilities 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 but disclosed.

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of 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:

Summary of Significant Accounting Policies

Item	Rates
Buildings and civil works	2.5%
Plant and machinery	12.5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%
Water Meters	12.5%
Computer software	30%
Bicycles	25%

Depreciation charge is recognised in prorata basis both in the year of asset purchase and in the year of asset disposal.

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Investment property

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

Summary of Significant Accounting Policies

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

Summary of Significant Accounting Policies

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

o) Deferred tax

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

Summary of Significant Accounting Policies

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.

p) Borrowing costs

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

q) Cash and cash equivalents

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

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable on 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.

s) Trade and other payables

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

Summary of Significant Accounting Policies

t) Retirement benefit obligations

The Company does not have an in-house pension scheme and has allowed its employees on permanent & pensionable terms to join pension scheme of their choice and contribute 7.5% of their basic pay and the company doubles the contribution (15% of the basic pay). 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. 1,080.00 Per employee per month.

u) Exchange rate differences

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

v) Budget information

The original budget for FY 2023-2024 was approved by the Board of Directors on 20th June 2023. Subsequent revisions or additional appropriations 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 Company recorded inter vote budget re-allocation on the 2023-2024 budget following the governing body's approval on 1st March, 2024. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

w) Service concession arrangements

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

Summary of Significant Accounting Policies

x) Comparative figures

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

y) 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, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company 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 Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. 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 (Continues)

6. Operating Revenue

Description	2025	2024
	Kshs	Kshs
Operating Revenues		
Water Sales	908,143,081	834,739,408
Sewerage Sales	185,505,043	180,151,562
Billing for other services*	17,495,051	25,060,345
Total	1,111,143,175	1,039,951,315

* Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water surcharge, tenant allocation etc.

7. Other Income

Description	2025	2024
	Kshs	Kshs
Other Income		
Commission on employees' insurance premiums	182,480	181,148
Finance income	4,452,306	2,178,953
Total	4,634,786	2,360,101

8. Staff Costs

Description	2025	2024
	Kshs	Kshs
Staff Costs		
Gross Salary and Allowances	338,428,213	325,503,825
Service Gratuity	3,266,666	2,770,160
Casual employee wages	2,619,537	3,254,444
Other allowances	2,781,178	2,035,564
Payment in lieu of Leave days	0	0
Employer's Pension Contribution	39,420,224	34,085,522
Staff welfare	17,202,914	14,764,097
Affordable Housing Levy	4,665,479	3,895,192
Medical Expenses & Premiums	47,351,511	50,090,469
Total	455,735,722	436,399,273

*The Gross Salary and allowance comprise of Basic salaries, House allowances, Commute allowances, leave allowance & other payroll allowances paid during the year.

*Other allowances include the meal and Bonus allowances paid to employees during the year

*Staff Welfare - includes Group life, WIBA, Funeral, office tea, Daily subsistence and terminal benefit.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. General and Operations Expenses

Description	2025	2024
	Kshs	Kshs
Bulk Water Purchases	464,207,236	393,238,732
Operation and maintenance - Water network	22,067,290	35,207,033
Operations and Maintenance - sewer network	13,962,120	6,687,939
Office Cleaning & Maintenance	1,918,711	2,605,624
Newspapers and Periodicals	0	0
Laboratory Expenses	1,340,980	1,941,555
Bad Debts- Water Receivables Expense	24,000,000	24,000,000
Penalties and Fines	880,060	0
Regulatory Levy-WASREB	43,592,306	40,595,639
Corporate Membership Fee-WASPA	423,050	225,400
Bank Charges & Commissions	1,418,825	2,248,897
Office Electricity	2,970,571	3,648,058
Staff Training and Development	4,624,042	1,088,360
Insurance General	99,727	99,727
Air Travel	1,710,380	1,250,910
Bus/Rail Travel & Outsourced services	1,610,392	1,570,210
Security -Guards	9,119,095	9,213,920
Security - Alarms	420,000	402,179
Consultancy expenses	4,811,300	1,174,740
Legal Fees	1,488,947	2,770,395
Audit Fees	750,000	750,000
Operating Systems-Support and Licence Fees	1,636,037	1,392,783
Postage and Courier Services	24,110	19,269
Airtime-Mobile telephones	4,263,690	4,251,700
Bulk SMS bundles	1,060,000	1,430,000
Printing and Stationery	2,370,730	1,974,516
Internet Provision, connectivity and data bundles	2,254,622	3,064,723
Newspaper Advertising	903,790	1,851,518
Radio & TV Advertising	0	52,200
Trade Show Exhibition Expenses	629,500	0
Inter-Company Sports Expenses	4,920,700	0
Corporate Social Responsibility (CSR)	4,405,858	3,163,575
Total	623,884,069	545,919,602

10. Board Expenses

Description	2025	2024
	Kshs	Kshs
Directors' Travelling (Daily Subsistence Allow.	2,832,580	28,200
Sitting Allowance	2,301,000	1,370,500
Training and Development	1,698,152	-
Chairman's Honorarium	960,000	960,000
Company Secretary Services	-	-
Total	7,791,732	2,358,700

11. Maintenance Expenses

Description	2025	2024
	Kshs	Kshs
Repairs & Maintenance - Motor vehicles	29,160,322	37,747,534
Repairs & Maintenance of Buildings	1,260,190	508,765
Repairs & Maintenance of Equipment	2,400,246	4,324,576
Total	32,820,758	42,580,875

12. Depreciation and Amortization Expenses

Description	2025	2024
	Kshs	Kshs
Property, plant, and equipment	44,447,412	28,823,737
Intangible assets	11,196,592	1,143,030
Total	55,644,004	29,966,767

13. Finance Cost

Description	2025	2024
	Kshs	Kshs
WHT Interest Expense	658,470	3,441,587

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Property, Plant and Equipment

	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Bicycles	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2023	18,183,822	129,118,779	12,120,944	32,681,519	3,969,803	17,131,303	87,796,729	12,241	301,015,140
Additions	1,160,000	0	0	3,391,000	0	29,914,916	148,907,898	0	183,373,814
Disposals	0	0	0	0	0	0	0	0	0
As at 30th June 2024	19,343,822	129,118,779	12,120,944	36,072,519	3,969,803	47,046,219	236,704,627	12,241	484,388,954
Depreciation									
As at 1st July 2023	6,557,163	80,810,473	6,371,080	26,510,407	746,874	12,749,769	64,973,014	11,897	198,730,677
Charge for the year	1,420,476	10,784,986	678,952	2,038,241	79,656	1,751,071	12,070,278	77	28,823,737
Disposals	0	0	0	0	0	0	0	0	0
As at 30th June 2024	7,977,639	91,595,459	7,050,032	28,548,648	826,530	14,500,840	77,043,292	11,974	227,554,414
Net Book Value									
As at 30th June 2024	11,366,183	37,523,320	5,070,912	7,523,871	3,143,273	32,545,379	159,661,335	267	256,834,540
As at 1st July 2023	11,626,659	48,308,305	5,749,863	6,171,112	3,222,929	4,381,534	22,823,715	344.14	102,284,462

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	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Bicycles	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2024	19,343,822	129,118,779	12,120,944	36,072,519	3,969,803	47,046,219	236,704,627	12,241	484,388,954
Additions	-	45,608,580	-	2,375,000	-	-	1,607,086	-	49,590,666
Disposals	-	-	-	-	-	-	-	-	-
As at 30th June 2025	19,343,822	174,727,359	12,120,944	38,447,519	3,969,803	47,046,219	238,311,713	12,241	533,979,620
Depreciation									
As at 1st July 2024	7,977,639	91,595,459	7,050,032	28,548,648	826,530	14,500,840	77,043,293	11,974	227,554,415
Charge for the year	1,342,136	17,035,926	598,781	2,593,521	77,688	3,849,586	18,949,714	60	44,447,412
Disposals	-	-	-	-	-	-	-	-	-
As at 30th June 2025	9,319,775	108,631,385	7,648,813	31,142,169	904,218	18,350,426	95,993,007	12,034	272,001,827
Net Book Value									
As at 30th June 2025	10,024,047	66,095,974	4,472,131	7,305,350	3,065,585	28,695,793	142,318,706	207	261,977,793
As at 1st July 2024	11,626,659	48,308,305	5,749,863	6,171,112	3,222,929	4,381,534	22,823,715	344	102,284,462

The Company uses assets inherited from Coast Water Works Development Agency (CWWDA). The transfer of Assets and Liabilities by the National Government to the devolved units including the counties is still pending to date. As per the Water Act 2016 section 131(2) we are not supposed to pay any fee for the use of public assets.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 14(b): Property, Plant & Equipment at Cost

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Plant and Equipment	19,343,822	9,319,775	10,024,047
Motor Vehicles	174,727,359	108,631,385	66,095,974
Furniture & Fittings	12,120,944	7,648,813	4,472,131
Computer & Accessories	38,447,519	31,142,169	7,305,350
Land and Building	3,969,803	904,218	3,065,585
Office Equipment	47,046,219	18,350,426	28,695,793
Water Meters	238,311,713	95,993,007	142,318,706
Bicycles	12,241	12,034	207
Total	533,979,620	272,001,827	261,977,793

15. Intangible Assets

Description	Computer Software	Total
Cost	Kshs	Kshs
As at 1st July 2023	34,044,571	34,044,571
Additions	-	-
Disposals	-	-
As at 30th June 2024	34,044,571	34,044,571
AMORTISATION		
As at 1st July 2023	29,681,887	29,681,887
Charge for the year	1,143,030	1,143,030
Disposals	-	-
As at 30th June 2024	30,824,917	30,824,917
Net Book Value		
As at 30th June 2024	3,219,654	3,219,654
As at 1st July 2023	4,362,683	4,362,683

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Description	Computer Software	Total
Cost	Kshs	Kshs
As at 1st July 2024	34,044,571	34,044,571
Additions	141,549,750	141,549,750
Disposals	-	-
As at 30th June 2025	175,594,321	175,594,321
AMORTISATION		
As at 1st July 2024	30,824,917	30,824,917
Charge for the year	11,196,592	11,196,592
Disposals	-	-
As at 30th June 2025	42,021,509	42,021,509
Net Book Value		
As at 30th June 2025	133,572,812	133,572,812
As at 1st July 2024	3,219,654	3,219,654

The intangible assets include the financial system software, payroll software and other computer software.

16. Trade and Other Receivables

Trade and other Receivables		
	2025	2024
	Kshs	Kshs
Water Debtors	1,353,466,137	1,254,560,811
Prepayments	45,009,921	47,904,725
Escrow account-WASREB performance guarantee at HFC bank	1,547,280	5,500,000
VAT	51,861,040	51,861,040
Prepaid Salary-advance	3,898,696	3,142,829
Gross trade and other receivables	1,455,783,074	1,362,969,405
Provision for bad and doubtful receivable	(953,828,456)	(929,828,456)
Net trade and other receivables	501,954,618	433,140,949

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Inventories

Description	2025	2024
	Kshs	Kshs
Stocks-Office Stationery	3,814,649	3,981,437
Meter Accessories & fittings	41,511,219	23,692,506
Total	45,325,868	27,673,943

18. Bank and Cash Balances

For the purpose of the cash flow statement, cash and cash equivalent comprise of the following:

Description	2025	2024
	Kshs	Kshs
Cash at Bank	83,303,098	65,273,308
Cash in hand	-	-
Posta Pay	3,474,898	2,955,958
Mpesa	11,918,531	4,528,049
Airtel Money	1,300,390	1,938,148
Cash and cash equivalent	99,996,917	74,695,463

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

		2025	2024
Financial institution	Account number	KShs	KShs
a) Current account			
1. Equity Bank			
Revenue collection Account	0250297917649	16,993,052	2,898,363
Expenditure/Payment Account	0250297917827	(13,645,057)	(7,284,462)
Customer Deposits	0250297917844	885,990	908,548
Project Account-Vitens Evides Int.	0250261056619	200,495	200,495
WSDP Project	1560276782381	457,149	4,442,280
2. Cooperative Bank			
Project Retention Account	01136447378302	1,299,165	1,201,042
3. Family Bank			
WSTF- Conditional Liquidity Support Grant(CLSG)	92000018704	0	0
WSTF- Chamunyu-Mwamlai project	092000021411	1,872,862	1,777,554
4. KCB			
Magongo -Soweto UBSUP & Shimo la Tewa DTF Project	1317431499	6,511,988	1,100,700
5. Housing Finance			
Customer Deposit Collection Account	130029320-2	4,977,179	1,997,788
Sub- total		19,552,823	7,242,308
b) Fixed deposits account			
Housing Finance			
Fixed Customer Deposits Account	300-0012398	63,750,275	58,031,000
Mobile money account			
Mpesa	Paybill no. 895500	11,918,531	4,528,049
Airtel Money	Paybill no. 895500	1,300,390	1,938,148
Posta Pay		3,474,898	2,955,958
Sub- total		16,693,819	9,422,155
Grand total		99,996,917	74,695,463

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Ordinary Share Capital

Description	2024	2023
	Kshs	Kshs
Share Capital		
Authorized number of ordinary shares 5,000 per value of Kshs 1,000 each and 12 number of ordinary shares per value of Kshs 20. Issued but not paid up 5,012 Ordinary Shares	5,000,240	5,000,240
Total	5,000,240	5,000,240

20. Capital Reserves

Description	2024	2023
	Kshs	Kshs
As at 30th June	485,003,469	485,003,469
Total	485,003,469	485,003,469

21. Retained Earnings

Description	2025	2024
As at 1st July	(2,200,867,381)	(2,182,511,997)
Prior year adjustments	-	5
Net Profit / (Loss) as at 30th June	(60,756,794)	(18,355,388)
	(2,261,624,175)	(2,200,867,381)

22. Amount due from shareholders

Description	2023-2024	2022-2023
	Kshs	Kshs
Amount due from shareholders	5,000,240.00	5,000,240.00

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Work in progress

Description	2025	2024
	Kshs	Kshs
Rehabilitation & Extension of Mombasa Water Supply Distribution	658,814,266	566,922,543
Rehabilitation of Kipevu Wastewater Treatment Plant (WWTP and Pumping Stations):	142,579,933	142,579,933
Rehabilitation & Extension of Sewer Networks in Mombasa West Mainland and Island	324,365,832	324,365,832
ERP System	-	141,549,750
Total	1,125,760,030	1,175,418,057

The work in progress relates to the on-going civil works under the WSDP project. The opening Balances have been re-stated.

24. Non-Current Liabilities

Description	2025	2024
	Kshs	Kshs
WSDP Loan	1,301,444,266	1,162,995,894
Service Gratuity Payable	5,798,167	10,157,869
Total	1,307,242,433	1,173,153,763

Description	2025	2024
	KShs	KShs
a) External Borrowings		
Balance at beginning of the year	1,162,995,894	736,762,591
External borrowings during the year(From World Bank/IDA)	138,448,372	426,233,303
Repayments of during the year	-	-
Balance at end of the year	1,301,444,266	1,162,995,894

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. Trade and other payables

Description	2025	2024
	Kshs	Kshs
Trade Payables	2,083,447,586	1,971,056,662
Grant-WSDP	125,550,788	124,994,832
Grant-WSTF	4,884,525	(1,270,754)
Other Payables (Payroll Payables)	110,330,234	112,600,657
MCM - Bin/Refuse	2,523,393	2,523,393
Total	2,326,736,526	2,209,904,790

26. Provisions

Description	2025	2024
	Kshs	Kshs
General provision	189,245,728	188,814,613
Audit Fees (provision)	5,000,988	5,000,988
Total	194,246,716	193,815,601

27. Customer Deposit

Description	2025	2024
	Kshs	Kshs
Opening Balance	109,972,364	104,453,759
Add: deposits received during the year	7,035,705	5,812,405
Less: Refunded deposits during the year	(25,000)	(293,800)
Closing balance	116,983,069	109,972,364

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Notes to the Statement of Cash flow

Description	2025	2024
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Profit or loss before tax	(60,756,794)	(18,355,388)
Depreciation and Amortization Expenses	55,644,004	29,966,767
Operating profit/(loss) before working capital changes	(5,112,790)	11,611,379
Change in trade and other receivables	(68,813,669)	(69,254,808)
Change in Inventories	(17,651,925)	(26,377,418)
Change in trade and other payables	116,831,736	307,922,144
Provisions	431,115	(5,640,527)
Customer Deposits	7,010,705	5,518,605
Cash generated from/(used in) operations	32,695,172	223,779,377.62
Cash Flows from Investing Activities		
Purchase Of Property, Plant And Equipment (PPE)	(49,590,666)	(183,373,814)
Work in Progress plant & machinery-WSDP	(91,891,723)	(514,900,975)
Cash (used in) investing activities	(141,482,389)	(698,274,789)
Borrowings	134,088,670	421,912,732
Cash (used in) financing activities	134,088,670	421,912,732
Net (decrease) in cash and cash equivalents	25,301,453	(52,582,681)
Balance at beginning of the year	74,695,463	127,278,144
Balance at end of the year	99,996,916	74,695,463

Other Disclosures

29. Related Party Disclosures

The County Government of Mombasa is the principal shareholder of the Company, holding 100% of the Company's equity interest. The County of Government of Mombasa has provided full guarantees to all long-term lenders of the Company, both domestic and external.

Other related parties include:

- The County Department in charge of Water
- Coast Water Works Development Agency (CWWDA).
- Water Services Regulatory Board (WASREB)
- Water Sector Trust Fund (WSTF)
- Board of Directors

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

- Mombasa Water Company is licensed by Water Services Regulatory Authority to distribute water and offer sanitation services to the residents of Mombasa County in line with the Service Provision Agreement (SPA). The overall Water Sector regulator is Water Services Regulatory Board (WASREB) that charged the company a total of Kshs. 43,592,306.00 in regulatory levies.
- During the year, the company procured 13.653,154m³ of bulk water from CWWDA at a total of Kshs. 464,207,236.00
- The Directors emoluments for the year was Kshs.7,791,732.00

30. Incorporation

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

31. Events after the reporting period

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

32. Currency

The Financial Statement are presented in Kenya Shillings (Kshs.)

XX. APPENDICES

Appendix 1: Progress on follow up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Long Outstanding Trade and Other Payables	The statement of financial position and Note 25 to the financial statements reflect trade and other payables balance of Kshs. 2,209,904,790. Included in the balance is an amount of Kshs. 1,971,056,662 relating to trade payables, out of which Kshs. 1,764,793,299 was outstanding for more than 90 days. Further, the balance includes bin/refuse payables of Kshs. 2,523,393 to the defunct Mombasa Municipal Council which have been outstanding for a long period and were not supported with relevant documents. In the circumstances, the accuracy and completeness trade and other receivables balance of Kshs. 1,764,793,299 could not be confirmed	(i) The company has faced cash flow challenges during the year due to high cost of operations and inflation changes and also the implementation of bulk water tariff has also doubled the cost of purchase of bulk water and Regulatory Levy fees. However, with the revenue boosting measure highlighted in the response to Going concern the management is optimistic that they will see a progressive improvement in revenue generation hence meet its financial obligation as and when due. (ii) Assets and liabilities for defunct municipal council have not been handed over to the county, once handed over and get a demand from Mombasa county then we will be able to pay.	Resolved	Immediately

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Long Outstanding Trade and Other Receivables	The statement of financial position and note 16 to the financial statements reflect trade and other receivables balance of Kshs.433,140,949. The aging analysis provided for audit revealed that receivables totalling Kshs. 1,174,686,902 or 86% of the total receivables was outstanding for more than 180 days. However, no evidence was provided to show that Management has made efforts to collect these debts. In the circumstances, the accuracy and valuation of the trade and other receivables balance of Kshs.433,140,949 could not be confirmed.	The long outstanding debts mainly comprises of disputed debts and an adjustment committee is in place to investigate, review and approve all cases of disputed customer bills. The company has further developed the debt policy which is the managerial review, once approved it will be put into implementation.	Resolved	Immediately

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Grounded and Obsolete Motor Vehicles and Motor Cycles	The statement of financial position and Note 14 to the financial statements reflects property, plant and equipment of Kshs. 256,834,540. Included in the balance are motor vehicles of Kshs. 37,523,320. Review of the asset report and physical verification of assets revealed that 12 out of 28 vehicles are grounded. Further, included in the balance are 40 grounded motor cycles. Further, all nine (9) tuk-tuks were not in use. In the circumstances, the accuracy and completeness of the motor vehicles balance of Kshs. 37,523,320 could not be confirmed	The Management has appointed a disposal committee in accordance with the Public Procurement and Asset Disposal Act, 2015. The company has also proceeded to conduct asset verification and valuation of all the assets with intention of tagging and possible disposal of obsolete and unserviceable assets.	Resolved	Immediately

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Material Uncertainty Related to Going Concern	The Financial statements under section 2 statement of compliance and basis of preparation reflects that the company is facing liquidity risk due to its negative working capital of Kshs. 1,978,182,400 resulting from its total current liabilities Kshs. 2,513,692,755 exceeding its total current assets of Kshs. 535,510,355 as at 30 June 2024. In addition the Company had accumulated losses totalling to Kshs.2,200,867,376 as at 30 June 2024. (2023- Kshs 2,182,511,997). Management and Directors have expressed their confidence that the company will remain a going concern over the next twelve (12) months by disclosing that this unsatisfactory situation is being addressed through implementation of infrastructural improvement projects funded by the World Bank aimed at increasing water supply which they feel optimistic will lead to turn around. In addition, Management indicates that the Company will continue to receive financial support from the County Government of Mombasa and implementation of the new tariff in the 2nd quarter of the financial year 2023/2024 will increase revenue and ensure continuity. These conditions indicate existence of a	The following are some of the strategies; • In the financial year 2023/2024 the company implemented the new tariff as per WASREB guidelines, we are focusing to be in profit making position in the next three years. • The company has partnered with Development partners for infrastructure development and capacity building to improve efficiency and increase water supply. The company is currently being funded by the world through WSDP project to expand and rehabilitate water pipelines. On completion of these projects in October 2025 there will be increase of water supply which in turn will increase revenue. • The company has recently implemented ERP system, this will improve Meter management system, cost of operation and NRW. • The management has procured a NRW Expert through the CWWDA, to come and design DMAs, and increase capacity of the NRW Team, Improving customer data base. • The ministry of water through their ongoing World Bank projects under Coast Water, the company is has received 7,900 meters to activate dormant accounts and replace non-functional meters. • The company has adopted performance contracting with set targets based on 2024/2028 strategic plan.	Resolved	Immediately

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	material uncertainty that casts doubt on the company's ability to meet its financial obligations as they fall due, and to continue as a going concern. In the circumstances, the Company's existence as a going concern is depended upon continued support from the County Government of Mombasa, its bankers and creditors. My opinion is not modified in respect to this matter.	- Further through funding from the development partners, World Bank (WB) and French Development Agency (AFD) water supply to Mombasa will drastically improve in more than three folds after the completion of Mwache Dam and Mwache Water Treatment Plant by 2029. The designed volume to Mombasa is 180,000m3 consequently increasing the revenue. - The company initiated smart metering project whose main objective was to transform saved volumes of water into billed volumes by increasing meter registration efficiency (accuracy) and billing accurately. The total scope is to cover a total 24,357, as being a phased out program, has started with the West Mainland Area, targeting to replace and reactivating a total number of 10,000 Customer and installation of about 52 monitoring meters, purposely to monitor how different zones are consuming water as it gets billed. Over 200, smart meters have been installed and another consignment of 200 meters has been delivered ready for connection.		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Budget Control and Performance	The statement of comparison of budget and actual amounts reflects final income budget and actual on comparable basis of Kshs. 1,164,609,617 and Kshs. 1,042,311,416 respectively, resulting to under collection of Kshs. 122,319,255 or 11% of the budget. Similarly, the Company spent Kshs. 1,244,066,009 against approved budget of Kshs. 1,403,175,705 resulting to under expenditure of Kshs. 159,109,696 or 11% of the budget. The under-performance and under-expenditure might have impacted negatively on implementation of planned activities and service delivery to the stakeholders. My opinion is not modified in respect to this matter.	The under billing was due to continuous pipe burst of dilapidated pipes within our jurisdiction which led to high NRW. The Company finances its project and operations from own revenue generation. With revenue generated below budget, the company did not execute some of its planned program of activities for the year. Further, prudent cost reduction measures implemented and matching costs to revenue realized amount to savings of operations budget/expenditure.	Resolved	Ongoing

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. Excessive Non-Revenue Water	The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects operating revenue of Kshs. 1,039,951,315, which includes water sales of Kshs. 834,739,408. Records provided for audit review indicated that the company produced 12,234,118 cubic meters of water, out of which 6,950,217 cubic meters of water, or 57% representing Non- Revenue Water which is more than the maximum allowable loss of 25% by the Water Services Regulatory Board Guidelines. The unbilled water of 6,950,217, cubic meters may have resulted into loss of sales estimated at Kshs 1, 042, 532,550 at the rate of Kshs. 150 per cubic meter. In the circumstances, Management was in breach of the law.	- The management, formed a NRW STRATEGY COMMITTEE as one of the requirement of implementation of NRW Strategies, there mandate being working with Non-Revenue Water Manager to make sure strategies are implemented and evaluated for best results. - The management started, replacement of non-functioning meters to address issues of inaccurate billing. - The Management Started, active inspection of illegal usage of water, arresting and surcharging of such customers. - The Management has introduced Smart meter installation, this is to increase billing efficiencies by minimizing human – meter interactions, there by reduced human induced errors and manipulations. - The management has increased the rate of leaks and bursts repairs, to eradicate visible leaks and bursts so as to practice preventive methods of leaks and bursts management. - The management has procured a NRW Expert through the CWWDA, to come and design DMAs, and increase capacity of the NRW Team, Improving customer data base. - Has improved Monitoring of supply lines by installation of smart meters that submit data accurately hence increasing monitoring of water into our area of service. - The management has divided the distribution area into business units that are Monitored and ranked, to increase	Resolve	ongoing

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		efficiencies. - Has increased meter servicing, reactivations to increase absorption to increase active ratio, billing and collection. - Is in the process to increase the use of GIS, to allow it to update all the network, geo-re-fencing of customers, for accurate easy customer locations. - Developed a draft NRW Policy -that will provide procedures and enforcement. - Installed a ERP system and now is in the process of customizing it for best result		

Mombasa Water Supply & Sanitation Co. Ltd
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2. Officers Earning Below a Third of Basic Pay	The statement of profit or loss and other comprehensive income and Note 8 to financial statements reflects staff costs of Kshs. 436,399,273 incurred during the year. Review of the payroll revealed that some members of staff earned less than a third (1/3) of their basic salary after deductions contrary to Section 19 (3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions made by an employer from the wages of his employee at any one time shall not exceed two thirds of such wages.	Compliance with Section 19(3) of the Employment Act, 2007, has been prioritized as an ongoing commitment over the past two financial years, in alignment with the auditors' recommendations. Management has implemented several mitigation measures, resulting in a significant reduction in the number of employees exceeding the one-third basic pay threshold, from 86 to the current 10. The remaining 10 employees are undergoing further compliance adjustments. However, recent increases in mandatory statutory deductions, including NSSF, House Levy, and SHIF, have posed challenges to full compliance, as they have significantly impacted the salaries of employees who were previously compliant but on the borderline before these deductions were introduced.	Resolved	In the Process

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3. Stalled Water and Sanitation development Projects (WSDP)	The statement of financial position and Note 23 to the financial statements reflects work in progress plant and machinery WSDP balance of Kshs. 1,175,418,057. The balance relates to four projects as analyzed in Note 23 to the financial statements out of which three projects relate to rehabilitation and construction work on water and sewerage network. The balance constitutes 59% of the total assets of the company as reported in the statement of financial position. Review of sampled projects for audit inspection revealed the following: 3.1. Direct discharge of Raw Sewer to the Indian Ocean The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects operating revenue of Kshs. 1,039,930,261. The revenue includes Kshs. 180,151,161 received from sewerage sales during the year. However, during field verification carried out on 14 December, 2024, it was noted that Kipevu Sewerage Treatment Plant was not functioning and the raw effluent is discharged directly to the Indian ocean, hence posing environmental safety concerns. Further Kizingo Sewerage Treatment Plant which was under	i. The Kipevu plant was officially handed over to Contractor for rehabilitation upon contract sign and site handover. However, it was appreciated that rehabilitation will not solve the problem since the electro-mechanical items require totally new items installed. Since these were not in the original contract a variation was required. The request for buying brand new electro-mechanical items was made to the financier (World Bank) and a NO OBJECTION was given in December 2024. Instructions have since been given	Resolved	Projects ongoing

Mombasa Water Supply & Sanitation Co. Ltd
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	construction is abandoned, vandalized and not functioning. At the time of visit, there were no security officers at the plant and management informed the audit team that some of the sewer lines were still connected to the non-functional treatment plant which discharge directly to the Indian Ocean. 3.2. Stalled Project (Kipevu Waste Water Treatment Plant) The Company entered into a Contract with a contractor for rehabilitation of the Kipevu Wastewater Treatment Plant (WWTP) and four (4) pumping stations at a contract sum of Kshs. 240,623,534 for a period of thirty-six (36) months commencing from 9 September, 2019 to 9 December, 2022. However field inspection carried out on 14 December, 2024 revealed that no visible work could be confirmed, there is overgrowth of vegetation in the plant and around the plant, the motors were in the store and not yet installed , the project appears to have been abandoned, the pumping stations are not functioning and the raw sewer is discharged to the indian ocean.	to the Contractor. ii. The Kizingo Treatment plant was de-scoped from the WSDP Project as it requires studies to establish the revival of the plant due to its old technology used then. The County Government of Mombasa issued RFQs for consultants to Build Operate and Transfer (BOT). The procurement of this activity is ongoing. - The Kipevu plant was officially handed over to Contractor for rehabilitation upon contract sign and site handover. As explained above a variation was required for a permanent solution for the plant unlike done before. - The Contractor had done most civil works including desludging and purchase of the motors and cleaning of the systems. However, the asbestos removal, desilting of tank no. 1, rehabilitation of the plant building had to wait for the No Objection by the financier. - The NO OBJECTION having been granted by the Bank in December 2024 the contractor has since applied for Extension of Time under Consultants review to complete the works by April 2025.		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	.3. Abandoned and Unapproved Contract Extension Period (Rehabilitation and Extension of Sewer Networks West mainland & Island) The Company on 11 June, 2021 entered into a Contract with a contractor for rehabilitations & Extension of Sewer Networks in West Mainland at a contract sum of Kshs. 339,307,348 for a period of eighteen months (18) commencing from 11 June, 2021 to 11 December, 2022. Field inspection carried out on 14 December, 2024 revealed that the sewer pumping station is not operational and raw sewer is drained to the ocean and the project was incomplete with no contractor on site. 3.4 . Unapproved Contract Extension Period (Construction of Fifteen (15) Ablution Blocks and Ancillary Facilities) The Company entered into a contract with a contractor on 10 December, 2021 for Construction of 15 Ablution Blocks in Mombasa County at a contract sum of Kshs. 196,530,589 for a period of nine months (9) including three (3) months Defects Liability Period (DLP) commencing 10 September, 2021 to 10 June, 2022. The contractor so far has been paid Kshs. 110,214,947. However, physical	The pumping Stations are not under this Contract. The sewer system in the Island runs gravitational, requiring minimum pumping. The sewer rehabilitation project was completed in September 2024. The contract is under Defects Liability Period. After final inspection the project will now be officially handed over back to Client (MOWASSCO). The Contractors extension of time application was with the Consultants for analysis before sent to Client for approval.		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	verification carried out on 14 December 2024 revealed that the ablution block was incomplete and the contractor was not on site. No request or approval of contract extension period was provided for audit confirmation an indication that the project had stalled two years after expiry of the contract duration.			


 Habiba Ali
Managing Director

Mombasa Water Supply & Sanitation Co. Ltd**Annual Reports and Financial Statements for the year ended June 30, 2025****Appendix 2: PROJECTS IMPLEMENTED BY THE COMPANY**

Project Title	Project no	Donor	Period/D uration(Months)	Donor commitment	Separate Donor reporting requirement as per the donor Agreement (YES/NO)	Disclosed in this Financial Statement (YES/NO)
Rehabilitation & Extension of Mombasa Water Supply Distribution Works:	Contract No. KE- MOWASCO- 16769-CW-RFB	WORLD BANK/IDA	18	749,200,539.34	YES	YES
Improvement of Storm water Outlets and Combined Sewer Overflows in Mombasa Island:	CONTRACT NO. KE- MOWASCO- 16772-CW-RFB	WORLD BANK/IDA	18	459,091,414.80	YES	YES
Rehabilitation of Kipevu Wastewater Treatment Plant (WWTP and Pumping Stations):	CONTRACT NO. KE- MOWASCO- 16771-CW-RFB	WORLD BANK/IDA	18	240,623,354	YES	YES
Rehabilitation & Extension of Sewer Networks in	Contract No: KE- MOWASCO-	WORLD BANK/IDA	12	339,307,348	YES	YES

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Mombasa West Mainland and Island:	113723-CW-RFB					
Construction of 15No. Ablution Blocks in Mombasa County:	CONTRACT NO. KE-MOWASCO-228804-CW-RFB	WORLD BANK/IDA	6	196,530,589.80	YES	YES
Construction of decentralized Treatment Facility.(DTF)& Construction/Rehabilitation of Toilets in Magongo/Soweto		WATER SECTOR TRUST FUND (WSTF)		18,104,757.00	YES	YES