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## REPORT

OF

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**THE AUDITOR-GENERAL**

ON

**MOMBASA WATER SUPPLY AND  
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**



**MOMBASA WATER SUPPLY & SANITATION COMPANY LIMITED**



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**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING**

**JUNE 30, 2020**

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

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## CORPORATE INFORMATION

### Background Information

Mombasa Water Supply and Sanitation Company Limited was established under the Water Act of 2002. This Act has since been repealed and replaced by Water Act, 2016 which aligns the legal framework in Water Sector to the Constitution of Kenya, 2010 where water services provision is a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 government under Schedule 4. The company was incorporated in Kenya on 18th March, 2011 and is licensed by Water Services Regulatory Authority to distribute water and provide sanitation services to residents of Mombasa County. At cabinet level, the company is represented by the Cabinet Secretary for Water & Sanitation and Irrigation for the general policy and strategic direction of the sector.

**Company Vision** To be a Water Service Provider of repute

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

to residents of Mombasa County.

**Registered office** Mikindani Street, Off Nkrumah Road  
P.O Box 1100 - 80100  
Mombasa  
Kenya

**Independent Auditors** Auditor- General  
Anniversary Towers, University Way  
P.O Box 30084 - 00100, GPO  
Nairobi

**Principal bankers** Equity Bank Limited  
P.O.Box 84618 - 80100  
Mombasa

Housing Finance Corporation  
P.O. BOX 84839-80100  
Moi Avenue Branch  
Mombasa

### Directors

The directors who served the company during this period of audit (July-19 to June-20) were:

1. Justus Nyarandi	Chairman	Appointed on 1st August 2018
2. Atul Patel	Director	Appointed on 1st Feb 2020
3. Christine Ockotch	Director	Re-appointed on 31st July 2018
4. Anisa Salim	Director	Re-appointed on 31st July 2018
5. Faiza Bajaber	Director	Re-appointed on 31st July 2018
6. Asha Abdi	Director	Appointed on 31st July 2018
7. Muthoni Gatherer	Director	Appointed on 31st July 2018
8. Anthony K. Njaramba	Managing Director	Appointed in February 2019

**CORPORATE INFORMATION Continued.....**

**Principal Legal Advisers**

1. The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

2. Jacqueline Waihenya Maina & CO.  
Jubilee Insurance Building  
Moi Avenue Mombasa  
P. O. Box 777-80100  
Mombasa

**Corporate Headquarters**

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

**Corporate Contacts**




Telephone: (254) 041-2222700  
E-mail: [info@mombasawater.co.ke](mailto:info@mombasawater.co.ke)  
Website: [www.mombasawater.co.ke](http://www.mombasawater.co.ke)

**MOMBASA WATER SUPPLY & SANITATION CO. LTD**





*Annual Reports and Financial Statements*

*For the year ended June 30, 2020*





**BOARD OF DIRECTORS**

1		<p>Mr. Omae Nyarandi holds an MBA (Strategic Management) from the University of Nairobi, Certified Public Accountant (CPAK), Certified Public Secretary (CPSK) and Chartered Institute of Purchasing &amp; Supply (MCIPS) with over 28 years accumulated experience in areas of Strategy, Commercial, Procurement and Finance. His experience includes 12 years at KPA up to 2016 where among others, GM Corporate Services in charge of Strategic Planning, Research, Marketing, Corporate Communication and Information Technology departments. Between 2016-2018, he was Principal Partner at Maritime Business &amp; Economic Consultants among other services in charge of consultancy in Strategy, Logistics &amp; Finance. He is currently the Executive Secretary/ CEO-NCTTCA of the Northern Corridor Transit and Transport Coordination Authority (NCTTCA), a regional Inter-Governmental Institution composed of six (06) Member States of Burundi, Democratic Republic of Congo, Kenya, Rwanda, Uganda and South Sudan</p>
2		<p>Director Catherine Muthoni Gatere was born on 5th March 1963. She is a holder of Bachelor of Laws Degree (LLB Hons) from the University of Nairobi, Diploma in Law (Legal Practice from Kenya School of Law and Masters of Laws (LL.M) from International Maritime Law Institute, Malta. She possesses over 25 years of work experience as a Legal counsel, Senior Corporate Manager, an advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public and Certified Public Secretary.</p>
3		<p>Director Christine Ockotch is the Chair of the HR Committee of the Board. She has over 24 years of work experience in Education Sector. She is the Director of Palmaeek Academic Services Ltd. She holds a Bachelors Degree in Education from Kenyatta University and Masters Degree (MiddleSex University, UK). Director Christine also holds a Certificate of Corporate Governance and is the Patron of Kenya Private Schools Association, Mombasa Branch.</p>

**BOARD OF DIRECTORS Continued.....**

4		<p>Director Faiza Bajaber was born on 7th October 1972. She has a Bachelors Degree from the University of Nairobi. She weilds over 20 yrs of work experience. She is currently the Project Development Manager at Travellers Beach Hotel.</p>
5		<p>Mrs. Anisa Salim was born on 15th October 1963. She holds Diplomas in Institutional Development and Psychology, Counselling and Guidance from Kenya Polytechnic Nairobi. She is the Regional Human Resources Officer-Coast Region, a post she has held since the year 1984.</p>
6		<p>Ms Asha Abdi is currently serving as the chief officer finance and economic planning at the county government of Mombasa where she manages revenue,planning, internal audit, accounting and procurement functions at the county treasury. She holds a bachelors degree in economics and she is currently concluding masters in project planning and management from the university of Nairobi. Ms Abdi has also undertaken advanced management programs for executives at Harvard school Boston , Lagos business school and IESE business school Barcelona. Ms Abdi has over 10 years experience in finance and banking having worked in various capacities in equity bank limited and the county government of isiolo where she served as the county executive member for finance and economic planning</p>
7		<p>Mr. Anthony Njaramba is the Managing Director and Secretary to the Board. He is a currently pursuing MBA and is graduate of Bachelors in Business Management. He has held several Top management positons both in public and Private Sector. He is the immediate past National Chairman for County Ministers Caucus and CEC lands, Housing, Agriculture and Fisheries Mombasa County. He also served as National Vice Chairman of the Kenya Hotelkeepers Association of Kenya which is the Umbrella body for all Hotel in Kenya whole he was Group General Manager of Milele Group of Hotels. He has over 20 years experience in Management having started as Finance Manager with Shell Limited</p>

**MANAGEMENT**

1	 Anthony Njaramba - Managing Director	<p>Mr. Anthony Njaramba is the Managing Director. He was appointed on January 21, 2019 replacing Mr. Francis Kombe who vacated the helm of the company. He is currently pursuing MBA and is graduate of Bachelors in Business Management. He has held several Top management positions both in public and Private Sector. He is the immediate past National Chairman for County Ministers Caucus and CEC lands, Housing, Agriculture and Fisheries Mombasa County. He also served as National Vice Chairman of the Kenya Hotelkeepers Association of Kenya which is the Umbrella body for all Hotel in Kenya while he was Group General Manager of Milele Group of Hotels. He has over 20 years experience in Management having started as Finance Manager with Shell Limited</p>
2	 Timothy Ngendo Mugo - General Manager Engineering & Strategy	<p>Eng Mugo is in charge of Engineering and Technical Operations of the Company including management of water demand.</p>
3	 Mr. Emmanuel Cherop - Business Operations Manager	<p>Mr. Cherop is responsible for overall Business Development and Customer Service Operations of the Company</p>
4	 Amos Dhadho Galole - General Manager Human Capital and Administration	<p>Mr. Galole is responsible for overall Human Capital Development and Administration Services of the Company</p>
5	 CPA Ndege Juma Collistant- Chief Accountant	<p>CPA Ndege is responsible for managing the financial operations, financial accounting and reporting of the Company</p>

## REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the year ended 30th June 2020 which show the state of affairs of Mombasa Water Supply and Sanitation Company Limited

## PRINCIPAL ACTIVITIES

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

## FINANCIAL RESULTS

	<b>Ksh.</b>
Loss before taxation	(120,548,405)
Taxation charge	Nil
Loss for the year transferred to retained earnings	(120,548,405)

## DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year 2020.

## DIRECTORS

The members of the Board who served during the year are shown on pages 3 - 4

## AUDITORS

The Auditor General is responsible for the statutory audit of the company's financial statements in accordance with section 35 of the Public Audit Act, 2015 and Public Finance Management Act, 2012



Chairman

## **REPORT OF THE MANAGING DIRECTOR**

### **RESULTS**

In the year ending 30th June 2020 the company continued making losses after posting a loss of KES 120 Million occasioned by reduction in water purchases from CWWDA, high Non Revenue Water resulting from old infrastructure and general rise in cost of business operation under harsh environment of CoVID-19 Pandemic

### **COMPANY'S STRATEGIC DIRECTION**

The company has a Board of Directors appointed on 31st July, 2018 that oversees corporate governance and offer strategic leadership of the company in providing water and sanitation services to residents of Mombasa County. The company has particularly partnered with Development partners, the World Bank and Africa Development Bank, AfD in overhaul and replacement of old infrastructure aimed at reducing inefficiencies in Non Revenue Water, increase water supply and access to residents. The company is also in the process of developing its 5-Year Strategic Plan (YR 2019-2024) that will guide its continued provision of water and sanitation services to mombasa County as it seeks to achieve the overall goal of safe water to all

### **THE CHALLENGE**

The COVID-19 Pandemic, continued reduction in water volumes supplied and increase in non revenue water and rising costs of operations remained the biggest challenges during this period of the strategic plan. To address this, the company has embarked on renegotiating water supply balance with CWWDA, smart metering and replacement and overhaul of infrastructure to curb NRW

### **THE FUTURE**

Although we are in a negative position, I am glad to report that the future is bright. We have so far received development aid through the World Bank aimed at improving the financial position of the company. We have initiated several water supply improvement projects. The Board of Directors and Management, together with World Bank Consultants are engaged in Management Turnaround Programme that will see the company plug its budget deficit, attain self-sustainability following technological and infrastructural development, construction of additional water sources and fight against NRW. These will improve water flows to the County and substantially reduce the water problems experienced, consequently improving the revenues of the utility.

### **APPRECIATION**

We do not take for granted the support of our customers who have continued to support our operation through timely payment of their bills. To the Management and employees who stand with the company and offer their labour tirelessly, my recognition of your efforts is unconditionally honoured. May we not lose focus as we remain committed to changing the fortunes of Mombasa Water.



**Anthony K. Njaramba**  
*Managing Director*

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Water Act 2015 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 accept responsibility for the preparation and fair presentation of Financial Statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Financial Statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements 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 and the requirements of the Kenyan Companies Act. The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Company as at 30th June 2020 and of its operating results for the year then ended. The Directors further accept responsibility for the maintenance of accounting records which have been relied upon in the preparation of the Financial Statements, as well as on the adequacy of the systems of internal financial controls.

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 \_\_\_\_\_ 2020 and signed on its behalf by:



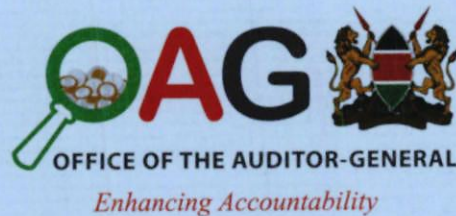
Chairman



Director

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON MOMBASA WATER SUPPLY AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020**

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### **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 10 to 23, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity 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 Mombasa Water Supply and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Water Act, 2016, the Companies Act, 2015 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Presentation of the Financial Statements**

The annual report and financial statements submitted for audit did not have the chairman's statement, management discussion and analysis on operational and financial performance of the Company, performance of the Company against predetermined objectives, corporate governance statement and environmental and sustainability reporting. Further, the progress on follow up of auditor's recommendations was omitted from the financial statements.

Consequently, the financial statements do not comply fully with the financial reporting guidelines issued by Public Sector Accounting Standards Board pursuant to the requirements of Section 194(1) of the Public Finance Management Act, 2012.

## **2. Inaccuracies of the Financial Statements**

The financial statements for year ended 30 June, 2020 submitted for audit had the following anomalies:

- i. The statement of comparison of budget and actual amounts reflects net surplus for the year of Kshs.39,571,009 while the re-casted figure is a loss of Kshs.64,256,327, resulting into a difference of Kshs.103,827,336 which has not been explained or reconciled.
- ii. Note 5 to the financial statements reflects a comparative balance of Kshs.44,269,844 for property, plant and equipment while the audited financial statements for the year ended 30 June, 2019 reflect Kshs.47,597,973, resulting into an unexplained and unreconciled variance of Kshs.3,328,129.

## **3. Failure to Disclose Material Uncertainty Related to Going Concern**

The statement of profit or loss and other comprehensive income reflects a loss before tax of Kshs.120,548,405 (2019 - a loss of Kshs.78,986,653) which brought the Company's accumulated loss to Kshs.2,062,438,655 as at 30 June, 2020 (2019 - Kshs.1,941,890,250). Further, the current liabilities of Kshs.1,933,137,511 exceeded the current assets of Kshs.276,050,124 resulting into a negative working capital of Kshs.1,657,087,387 as at 30 June, 2020. The precarious financial position is an indication of the existence of a material uncertainty on the Company's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the County Government of Mombasa, its creditors and bankers. However, the material uncertainty in relation to going concern and any mitigating measures put in place by the Company's directors to reverse the undesirable precarious financial position have not been disclosed in the financial statements.

## **4. Bank and Cash Balance**

The statement of financial position reflects cash and cash equivalents of Kshs.37,007,106 as at 30 June, 2020 which as disclosed under Note 7 to the financial statements included Kshs.5,866,494 for which supporting documents including certificate of bank balance, bank statements and cash book were not provided for audit.

Further, bank reconciliation statements for six (6) bank accounts with a total balance of Kshs.2,545,604 were not provided for audit.

Consequently, the accuracy, existence and completeness of the reported cash and cash equivalents balance of Kshs.37,007,106 as at 30 June, 2020 could not be confirmed.

## **5. Trade and Other Payables**

The statement of financial position and Note 11 to the financial statements, reflect trade and other payables balance of Kshs.1,933,137,511. However, an aged analysis for the payables was not provided for audit. Further, Kshs.1,443,346,267 of the payables related to debts owed to Coast Water Works Development Agency. Although supporting invoices for the balance were provided for audit, the Agency's records indicated an outstanding debt of Kshs.1,525,422,723 and thus, resulting in a variance of Kshs.82,076,456 which has not been explained or reconciled.

Consequently, the accuracy, validity and completeness of the trade and other payables balance of Kshs.1,933,137,511 as at 30 June, 2020 could not be confirmed.

## **6. Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.239,043,018 which as disclosed at Note 9 to the financial statements, comprised total receivables of Kshs.1,008,917,812 and a provision for bad debts amounting to Kshs.769,874,795 or 76% of total debtors. However, the Company's policy is to provide for bad and doubtful debts at the rate of 25% of debtors.

Consequently, the accuracy, validity and full recoverability of the trade and other receivables balance of Kshs.239,043,018 as at 30 June, 2020 could not be confirmed.

## **7. Share Capital**

As previously reported, Mombasa Water Supply and Sanitation Company Limited was incorporated on 18 March, 2011 to take over services of the defunct Mombasa Water and Sewerage Company Limited which had an authorized share capital of Kshs.5,000,000. However, the old Company was not liquidated and no shares had been transferred to the new Company as at 30 June, 2020.

Further, out of the new Company's authorized share capital of 5000 ordinary shares of Kshs.1000 each, only twelve (12) shares valued at Kshs.12,000 were allotted but not paid for, leaving a balance of 4,988 shares un-allotted. Further, Note 2 the financial statements reflects 5,012 ordinary shares of par value of Kshs.1000 each issued but not paid up and twelve (12) ordinary shares of par value of Kshs.20 each, which is more than the authorized ordinary shares of 5000. Further, the issued but not paid up share capital amounting to Kshs.5,000,240 and described as amount due from shareholders is also reflected as a non-current asset in the statement of financial position.

In the circumstances, the accuracy and validity of the share capital balance of Kshs.5,000,240 as 30 June, 2020 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 Code of Ethics. I have

fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

As reflected in the statement of comparison of budget and actual amounts, the Company had a budgeted revenue of Kshs.1,081,506,776 for the year ended 30 June, 2020 but collected Kshs.752,070,767 or 70% of the budgeted amount, resulting into an under-collection of Kshs.329,436,009 or 30%. Further, the Company had a total expenditure budget of Kshs.1,266,311,508 whereas actual expenditure was Kshs.872,619,172 or 69%, resulting into an under-expenditure of Kshs.393,692,336 or 31% of the budgeted expenditure.

The revenue under-collection and the under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

### **Other Information**

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

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

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

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

## **Conclusion**

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

## **Basis for Conclusion**

### **1. Unaccounted for Water**

The statement of profit or loss and other comprehensive income for the year ended 30 June, 2020 reflects water sales of Kshs.600,460,067. However, records provided for audit review indicated that during the year under review, the Company purchased 11,022,337 cubic meters of water, out of which only 5,912,194 cubic meters or 54% were billed to customers at Kshs.600,460,067. The balance of 5,110,143 cubic meters or approximately 46% of the total volume represented Unaccounted for Water (UFW).

Given the normal allowable loss of 25% or 2,755,584 cubic meters of water produced, the UFW of 5,110,143 cubic meters or 46% may have resulted to a loss of 2,354,559 cubic meters of water sales estimated at Kshs. 239,058,375 based on an estimated distribution rate of Kshs.101.53 per cubic meter.

The significant level of non-revenue water is an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services

### **2. Property, Plant and Equipment**

Disclosed in Note 5(a) to the financial statements are various classes of property, plant and equipment with a net book value of Kshs.118,018,456 as at 30 June, 2020. However, the assets had not been tagged for ease of identification and verification.

Management had therefore not complied with Regulation 132(1) of Public Finance Management (County Governments) Regulations, 2016 which requires the Accounting Officer of a county government entity to take full responsibility and ensure that proper control systems exist for assets and that preventative mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse and movement and conditions of assets can be tracked.

### **3. Payroll Deductions**

Included under Note 11 to the financial statements for the year ended 30 June, 2020 are other payables (payroll payables) of Kshs.146,728,684, out of which an amount of Kshs.100,539,651 relate to unremitted and overdue pension deductions.

This is contrary to Section 53A(1) of the Retirement Benefits Authority Act, 1997 which requires an employer who has made deductions from the employees' emoluments to remit to the scheme within fifteen (15) days.

#### **4. Procurement of Goods and Services**

During the year under review, Mombasa Water and Sanitation Co. Ltd procured goods and services worth Kshs.61,046,344 out of which, an amount of Kshs.2,723,636 or 4.5% of the total procurements related to contracts awarded to youth, women and persons with disabilities under affirmative action. However, the procurements awarded to youth, women and persons with disabilities was below the recommended threshold of 30%, as per the Treasury Circular No. 1/2015 dated 15 January, 2015.

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

#### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

##### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;

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

### **Responsibilities of Directors and the Board of Directors**

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

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

The Management are 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, the Management are also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date

of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

08 February, 2022

MOMBASA WATER SUPPLY & SANITATION CO. LTD

Annual Reports and Financial Statements

For the year ended June 30, 2020

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 Kshs	2019 Kshs
Water Sales	12	600,460,067	572,631,256
Sewerage Sales	12	151,379,514	133,272,528
Cost of sales	13	(244,005,660)	(225,669,200)
<b>Gross Profit (Loss)</b>		507,833,921	480,234,584
Other Income	14	231,186	634,191
<b>TOTAL REVENUES</b>		508,065,107	480,868,775
<b>OPERATING EXPENSES</b>			
Operation and Maintenance	15	62,086,829	38,229,521
Administration Costs	16	85,493,158	85,147,801
Staff Costs	17	384,601,278	368,164,592
Legal and Professional	18	10,713,752	5,895,242
Transport & Travelling	19	25,515,746	22,359,014
Directors Expenses	20	3,618,800	1,359,780
Advertising & Publicity	21	2,168,018	5,711,486
Other Operating Expenses	22	54,415,931	32,987,992
<b>TOTAL OPERATING EXPENSES</b>		628,613,512	559,855,428
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>		(120,548,405)	(78,986,653)
Profit/(Loss) before tax		(120,548,405)	(78,986,653)
Balance Brought Forward		(1,941,890,250)	(1,862,903,597)
<b>Loss Carried Forward</b>		(2,062,438,655)	(1,941,890,250)

MOMBASA WATER SUPPLY & SANITATION CO. LTD  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs (Restated)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	5(a)	118,018,456	44,269,844
Intangible assets	5(b)	2,456,154	3,328,129
Amount due from shareholders	8	5,000,240	5,000,240
Work in Progress plant & machinery-WSDP	6	217,337,324	0
<b>Total Non-Current Assets</b>		<b>342,812,174</b>	<b>52,598,213</b>
<b>Current Assets</b>			
Trade and other receivables	9	239,043,018	194,678,034
Cash and cash equivalent	7	37,007,106	11,409,068
<b>Total Current Assets</b>		<b>276,050,124</b>	<b>206,087,102</b>
<b>TOTAL ASSETS</b>		<b>618,862,298</b>	<b>258,685,315</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	2	5,000,240	5,000,240
Capital reserve	4	485,003,469	485,003,469
Retained earnings	3	(2,062,438,655)	(1,941,890,250)
<b>Capital and Reserves</b>		<b>(1,572,434,946)</b>	<b>(1,451,886,541)</b>
<b>Non-Current Liabilities</b>			
WSDP Loan	10	247,584,920	
Sevice gratuity	10	10,574,813	39,428,051
<b>Total Non-Current Liabilities</b>		<b>258,159,733</b>	<b>39,428,051</b>
<b>Current Liabilities</b>			
Trade and other payables	11	1,933,137,511	1,671,143,805
<b>Total Current Liabilities</b>		<b>1,933,137,511</b>	<b>1,671,143,805</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>618,862,298</b>	<b>258,685,315</b>

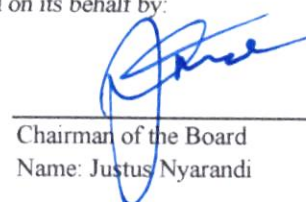
The PPE Balances for Financial Year 2018/19 have been restated following reclassification of computer software from general PPE class to intangible assets

The financial statements were approved by the Board on \_\_\_\_\_ 2020 and signed on its behalf by:



Managing Director  
 Name: Anthony K. Njaramba

Chief Accountant  
 Name: CPA Ndege Juma Collistant  
 ICPAK M/No: 11499



Chairman of the Board  
 Name: Justus Nyarandi

**STATEMENT OF CASH FLOWS**

**For the year ended June 30, 2020**

	Note	2020 Kshs	2019 Kshs
<b>Cash flows from operating activities</b>			
<b>(Loss) before income tax</b>		<u>(120,548,405)</u>	<u>(78,986,653)</u>
<b>Adjustments for:</b>			
Armotisation and Depreciation on property, plant	5(a)	<u>10,306,470</u>	<u>7,482,864</u>
<b>Operating loss before working capital changes</b>		<u>(110,241,934)</u>	<u>(71,503,789)</u>
(Increase) / decrease in:			
Trade and other receivables	9	(44,364,984)	49,119,201
Increase /(decrease) in:			
Trade and other payables	11	261,993,706	9,944,402
Non-Current Liabilities	10	<u>218,731,681</u>	<u>9,050,686</u>
<b>Cash generated from operations</b>		<u>326,118,469</u>	<u>(3,389,500)</u>
Tax Paid		-	-
<b>Net cash (used in) operating activities</b>		<u>326,118,469</u>	<u>(3,389,500)</u>
<b>Cash flows from investing activities</b>			
Work in Progress plant & machinery-WSDP	6	(217,337,324)	-
Purchase of PPE	5(a)	<u>(83,183,107)</u>	<u>(4,530,070)</u>
<b>Net cash (used in) investing activities</b>		<u>(300,520,432)</u>	<u>(4,530,070)</u>
<b>Cash flows from financing activities</b>			
Share Capital			
<b>Net cash (used in) financing activities</b>		<u>-</u>	<u>-</u>
<b>Net (decrease) in cash and cash equivalents</b>		25,598,037	(7,919,570)
<b>Cash and cash equivalents at 1st July- 19</b>		11,409,068	19,328,639
<b>Cash and cash equivalents at 30th June-20</b>	7	<u><u>37,007,106</u></u>	<u><u>11,409,068</u></u>

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

	<b>Share Capital Kshs</b>	<b>Retained Earnings Kshs</b>	<b>Capital Reserve Kshs</b>	<b>Total Kshs</b>
At 1st July 2019	5,000,240	(1,941,890,250)	485,003,469	(1,451,886,541)
Net profit for the year	<u>                    </u>	<u>(120,548,405)</u>	<u>                    </u>	<u>(120,548,405)</u>
At 30th June 2020	<u>5,000,240</u>	<u>(2,062,438,655)</u>	<u>485,003,469</u>	<u>(1,572,434,946)</u>

	<b>Share Capital Kshs</b>	<b>Retained Earnings Kshs</b>	<b>Capital Reserve Kshs</b>	<b>Total Kshs</b>
At 1st July 2018	5,000,240	(1,862,903,597)	485,003,469	(1,372,899,888)
Net profit for the year	<u>                    </u>	<u>(78,986,653)</u>	<u>                    </u>	<u>(78,986,653)</u>
At 30th June 2019	<u>5,000,240</u>	<u>(1,941,890,250)</u>	<u>485,003,469</u>	<u>(1,451,886,541)</u>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

For the year ended June 30, 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Water sales	851,000,618	-	851,000,618	600,460,067	(250,540,551)
Sewer Sales	229,556,158	-	229,556,158	151,379,514	(78,176,644)
Other income	950,000	-	950,000	231,186	(718,814)
<b>Total income</b>	<b>1,081,506,776</b>	<b>-</b>	<b>1,081,506,776</b>	<b>752,070,767</b>	<b>(329,436,009)</b>
<b>Expenses</b>					
Purchase of Bulk Water	277,929,287	-	277,929,287	244,005,660	33,923,627
Operation and Maintenance WSDP	7,035,994	-	7,035,994	4,839,003	2,196,991
Operation and Maintenance	339,618,817	-	339,618,817	57,247,826.59	282,370,990
Administration Costs	65,711,912	-	65,711,912	85,493,158	(19,781,246)
Staff Costs	437,920,974	-	437,920,974	384,601,278	53,319,696
Legal and Professional	12,550,000	-	12,550,000	10,713,752	1,836,248
Transport & Travelling	34,640,355	-	34,640,355	25,515,746	9,124,609
Directors Expenses	10,186,000	-	10,186,000	3,618,800	6,567,200
Advertising & Publicity	12,200,000	-	12,200,000	2,168,018	10,031,982
Finance Costs	-	-	-	-	-
Depreciation	8,025,349	-	8,025,349	10,306,470	(2,281,121)
Bad Debts	20,000,000	-	20,000,000	43,434,706	(23,434,706)
Fines and Penalties	40,492,820	-	40,492,820	674,755	39,818,065
Bad debts Written off	-	-	-	-	-
<b>Total expenditure</b>	<b>1,266,311,508</b>	<b>-</b>	<b>1,266,311,508</b>	<b>872,619,172</b>	<b>393,692,336</b>
<b>Surplus (loss) for the period</b>	<b>(184,804,732)</b>	<b>-</b>	<b>(184,804,732)</b>	<b>(120,548,405)</b>	<b>39,571,009</b>

### Summary of significant Accounting Policies

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

#### a) Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis for property, plant and equipment, financial instruments at fair value and liabilities at their fair value. The preparation of financial statements in conformity to International Financial Reporting Standards (IFRS) allows use of estimates and assumptions. It requires management to exercise judgement in the process of reporting applying the entity's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of this entity and all values are rounded to the nearest shilling. In addition, the financial statements have been prepared in accordance with PFM Act, 2012, The Companies Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

#### Adoption of new and revised International Financial Reporting Standards (IFRS) and interpretations

In 2007 new and revised standards and interpretations became effective for the first time and have been adopted by the Company where relevant to its operations. This only resulted in changes in presentation and disclosures as follows:

Sales are the aggregate invoiced value of the residential rental services rendered

##### IFRS 7 *Financial Instruments : Disclosures*

This standard requires disclosures that enable users of the Financial Statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the Financial Statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

##### IAS 1 *Presentation of Financial Statements*

This amendment requires the Company to make new disclosures to enable users of the Financial Statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in note 1 (a)

The following amendment to an existing standard will be mandatory for the Company's accounting periods beginning on or after 1 January 2008, but which the Company has not early adopted:

IFRIC 11 - Group and Treasury Share Transactions - from 01 January 2008

IFRIC 12 - Service Concession Arrangements - from 01 January 2008

IFRS 8 - Operating Segments - from 01 January 2009

IAS 23 - Borrowing costs ( revised) - from 01 January 2009

#### b) Revenue Recognition

Sale of goods are recognised in the period in which the Company delivers products to the customer, the customer has accepted the products and the collectability of the related receivables are reasonably assured.

Sale of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assesses on the basis of the actual service provided as apportionment of the total services provided.

Revenue represents the fair value of the consideration received or receivable for the sales of goods and services and is stated net of adjustments.

#### c) Trade Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate. A provision for impairment is recognised in the profit and loss account in the year when the recovery of the amount due as per the original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at effective interest rate. Receivables not collectable are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

## Summary of significant Accounting Policies(Cont'd)

### d) Provision for liabilities and charges

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

### g) Retirement benefit obligations

The company and the employees contribute to the National Social Security Fund, a national defined contribution scheme. Contributions are determined by local statute and the partnership's contributions are charged to the profit and loss account in the year to which they relate.

### h) Taxation

Current tax is provided on the basis of the results for the year in accordance with the fiscal laws of Kenya.

### i) Financial Liabilities

All financial liabilities including borrowings are recognised initially at fair value.

### j) Cash and cash equivalent

Cash and cash equivalents include cash in hand, short term and call deposits with banking institutions and other short term highly liquid investments in money market instruments with maturities of three months or less from the date of acquisition net of bank overdrafts.

### h) Property, Plant and Equipment & Depreciation

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation. Depreciation on PPE is recognised in the income statement on a reducing balance and on a prorata basis in the year of acquisition. The annual rates in use are:

<b>PPE</b>	<b>Depreciation Rate, %</b>
Buildings	2.5%
Plant and equipment	12.5%
Motor vehicle	25.0%
Furniture and fittings	12.5%
Computer and accessories	30.0%
Office Equipment	12.5%
Water Meters	12.5%
Computer software	30.0%
Bicycles	25.0%

**Notes to Financial Statements**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>2 Share Capital</b>		
Authorised number of ordinary shares 5,000 per value of Kshs 1,000 each and 12 number of ordinary shares per value of Kshs 20.	5,000,240	5,000,240
Issued but not paid up 5,012 Ordinary Shares	<u>5,000,240</u>	<u>5,000,240</u>
<b>3 Retained Earnings</b>		
As at 1st July	(1,941,890,250)	(1,862,903,597)
Net Profit /(Loss) as at 30th June	<u>(120,548,405)</u>	<u>(78,986,653)</u>
	<u>(2,062,438,655)</u>	<u>(1,941,890,250)</u>
<b>4 Capital Reserves</b>		
As at 30th June	<u>485,003,469</u>	<u>485,003,469</u>
	<u>485,003,469</u>	<u>485,003,469</u>

MOMBASA WATER SUPPLY & SANITATION CO. LTD  
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Notes to Financial Statements (Cont'd)  
5(a) Property, Plant & Equipment as at 30th June 2020

	Plant and Equipment		Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Bicycles	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Cost</b>										
As at 1st July 2019	7,268,032	30,118,779	6,726,649	23,664,415	3,969,803	15,519,661	77,161,229	12,241	164,440,808	
Additions	1,555,410	76,000,000	147,300	710,500	0	393,198	4,376,699	0	83,183,107	
As at 30th June 2020	8,823,442	#######	6,873,949	24,374,915	3,969,803	15,912,859	81,537,928	12,241	247,623,915	
<b>Depreciation</b>										
As at 1st July 2019	4,950,697	27,257,659	4,522,350	19,773,319	407,544	10,562,778	52,685,322	11,297	120,170,965	
Charge for the year	410,956	3,772,435	266,539	1,148,810	88,043	608,523	3,138,978	211	9,434,495	
As at 30th June 2020	5,361,653	31,030,094	4,788,889	20,922,129	495,587	11,171,300	55,824,300	11,507	129,605,459	
<b>Net Book Value</b>										
As at 30th June 2020	3,461,789	75,088,685	2,085,060	3,452,786	3,474,216	4,741,559	25,713,628	734	118,018,456	
As at 1st July 2019	2,317,335	2,861,120	2,204,299	3,891,096	3,562,259	4,956,883	24,475,907	945	44,269,844	
<b>Property, Plant &amp; Equipment as at 30th June 2018</b>										
	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Bicycles	Total	
<b>Cost</b>										
As at 1st July 2018	6,358,232	30,118,779	6,457,649	22,160,075	3,969,803	15,072,931	75,761,029	12,241	187,105,379	
Additions	909,800	0	269,000	1,504,340	0	446,730	1,400,200	0	4,530,070	
As at 30th June 2019	7,268,032	30,118,779	6,726,649	23,664,415	3,969,803	15,519,661	77,161,229	12,241	191,635,449	
<b>Depreciation</b>										
As at 1st July 2018	4,709,806	26,435,313	4,249,212	18,682,548	317,269	9,945,197	49,519,271	11,025	136,554,612	
Charge for the year	240,891	822,346	273,138	1,090,771	90,274	617,581	3,166,051	271	7,482,864	
As at 30th June 2019	4,950,697	27,257,659	4,522,350	19,773,319	407,544	10,562,778	52,685,322	11,297	144,037,476	
<b>Net Book Value</b>										
As at 30th June 2019	2,317,335	2,861,120	2,204,299	3,891,096	3,562,259	4,956,883	24,475,907	945	47,597,973	
As at 1st July 2018	1,648,426	3,683,465	2,208,437	3,477,527	3,652,533	5,127,734	26,241,758	1,216	50,550,767	

The Company uses assets inherited from Coast Water Services Board for which administration fees approved by the Regulator, Water Services Regulatory Board (WASREB) and incorporated in the approved water tariff is payable to Coast Water Services Board and the Regulator. This administration fee is recognised in the income statement. Further balance of KES 3,328,129 relating to software has been reclassified to Intangible assets

MOMBASA WATER SUPPLY & SANITATION CO. LTD  
 Annual Reports and Financial Statements  
 For the year ended June 30, 2020  
 Notes to Financial Statements (Cont'd)

5(b) INTANGIBLE ASSETS

Cost	Computer Software	Total
	Kshs	Kshs
As at 1st July 2019	27,194,641	27,194,641
Additions	0	0
Disposals	0	0
As at 30th June 2020	<u>27,194,641</u>	<u>27,194,641</u>
<b>AMORTISATION</b>		
As at 1st July 2019	23,866,512	23,866,512
Disposals	0	0
Charge for the year	871,975	871,975
As at 30th June 2020	<u>24,738,487</u>	<u>24,738,487</u>
<b>Net Book Value</b>		
As at 30th June 2020	<u>2,456,154</u>	<u>2,456,154</u>
As at 1st July 2019	<u>3,328,129</u>	<u>3,328,129</u>

Cost	Computer Software	Total
	Kshs	Kshs
As at 1st July 2018	27,194,641	27,194,641
Additions	0	0
As at 30th June 2019	<u>27,194,641</u>	<u>27,194,641</u>
<b>AMORTISATION</b>		
As at 1st July 2018	22,684,971	22,684,971
Charge for the year	1,181,541	1,181,541
As at 30th June 2019	<u>23,866,512</u>	<u>23,866,512</u>
<b>Net Book Value</b>		
As at 30th June 2019	<u>3,328,129</u>	<u>3,328,129</u>
As at 1st July 2018	<u>4,509,670</u>	<u>4,509,670</u>

Notes for financial statements (Cont'd)

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>6 Work in Progress Plant &amp; Machinery - WSDP</b>		
Rehabilitation and extension of pipelines	112,380,081	-
Rehabilitation of Kipevu Waste water treatment plant	36,093,531	-
Rehabilitation and improvement of storm water outlets and combined sewer overflows	68,863,712	-
	<u>217,337,324</u>	<u>-</u>
<b>7 Cash and cash Equivalent</b>		
For the purpose of the cash flow statement, cash and cash equivalent comprise the following:		
Cash at Bank	24,833,176	6,927,465
Cash in hand	-	-
Posta Pay	5,866,494	2,862,042
Mpesa	6,247,722	1,619,562
Airtel Money	59,714	-
Cash and cash equivalent	<u>37,007,106</u>	<u>11,409,068</u>
<b>8 Amount due from shareholders</b>	<u>5,000,240</u>	<u>5,000,240</u>
<b>9 Trade and other Receivables</b>		
Water Debtors	904,490,072	849,451,364
Prepayments	50,591,229	16,422,976
Provision for Bad Debts	(769,874,795)	(726,440,089)
VAT	51,861,040	51,861,040
Prepaid Salary-advance	1,475,471	2,882,742
Deposit & Sundries	500,000	500,000
	<u>239,043,018</u>	<u>194,678,034</u>
<b>10 Non-Current Liabilities</b>		
WSDP Loan	247,584,920	0
Service Gratuity Payable	10,574,813	39,428,051
	<u>258,159,733</u>	<u>39,428,051</u>
<b>11 Trade and other payables</b>		
Trade Payables	1,443,346,267	1,167,085,364
Bank	0	1,312,175
Receipts Refundable	27,000,088	27,000,088
General provision	218,726,082	239,432,949
Audit Fees (provision)	2,825,988	3,369,388
Customer Deposits	91,978,430	88,189,612
WSTF Grant	8,579	-
Other Payables ( Payroll Payables)	146,728,684	142,230,835
MCM - Bin/Refuse	2,523,393	2,523,393
	<u>1,933,137,511</u>	<u>1,671,143,805</u>

MOMBASA WATER SUPPLY & SANITATION CO. LTD  
Annual Reports and Financial Statements  
For the year ended June 30, 2020

Notes to Financial Statements (Cont'd)

	2020 Kshs	2019 Kshs
<b>12 Revenues</b>		
Water Sales	600,460,067	572,631,256
Sewerage Sales	151,379,514	133,272,528
	<u>751,839,581</u>	<u>705,903,784</u>
<b>13 Cost of sales:</b>		
Purchase of Bulk Water	244,005,660	225,669,200
	<u>244,005,660</u>	<u>225,669,200</u>
<p>This comprises bulky water supplies by Coast Water Services Board to the Company at a cost of Kshs 20 per cubic meter. No rebates have been granted for unaccounted water as Coast Water Services Board charges are based on actual sales by the Company.</p>		
<b>14 Other Incomes</b>		
Commission on employees' insurance premiums	184,006	143,669
Interest income	47,181	490,522
Entry fee-Kipevu	-	-
	<u>231,186</u>	<u>634,191</u>
<b>15 Operation and Maintenance</b>		
O&M WSDP Project	4,839,003	0
Electricity , Offices and Kipevu Plant	4,014,885	3,667,847
Maintenance of water supply	24,691,318	8,249,774
Maintenance - Sewerage	7,881,670	4,546,941
Repair and Maintenance of Equipment	811,221	2,698,676
Repair and Maintenance - Buildings	1,638,724	587,966
Security & Surveillance	17,931,259	18,430,153
Laboratory Expenses	278,750	48,166
	<u>62,086,829</u>	<u>38,229,521</u>
<b>16 Administration expenses:</b>		
Postal and Telegrams	0	19,278
Internet Connection	8,374,213	6,925,139
Telephone Expenses	4,625,500	2,901,364
Licences	2,370,016	2,757,389
Bank Charges	722,885	667,822
Mpesa Transfer chrges	0	0
Withheld Interest Expense	7,077	73,578
Posta transfer charges	0	3,850
Cash shortages	0	0
Administration fees	34,042,254	43,445,048
Levy Fees - WASREB	29,748,242	23,836,115
Cleaning Costs	2,257,140	2,045,563
Newspapers & Periodicals	182,450	116,075
Subscription fees	378,620	928,880
Printing & Stationery	2,765,112	1,409,389
Courier Expenses	19,649	18,311
	<u>85,493,158</u>	<u>85,147,801</u>

**Notes to Financial Statements (Cont'd)**

	2020 Kshs	2019 Kshs
<b>17 Staff Costs</b>		
Acting Allowance	2,179,175	2,801,478
Basic Salaries	175,304,345	166,082,653
Leave Allowance	9,449,544	6,712,500
Entertainment Allowance	480,000	480,000
Casual Wages	3,143,097	1,824,568
Pension - Employers Contribution	25,269,616	18,239,544
House Allowances	70,645,000	67,858,500
Uniform and Protective Clothing	2,088,485	115,351
Staff Welfare Expenses	9,884,283	6,112,889
Workmen Compensation Insurance	453,027	609,773
Medical Expenses	23,573,179	33,894,961
Supervisory Allowance	216,000	286,000
Meter reading allowance	1,575,000	1,765,500
Training	4,961,226	794,330
Retirement Token	4,237,694	4,172,247
Gratuity	2,923,001	15,378,175
Extraneous duties allowance	5,567,225	3,396,000
Commute Allowance	27,360,000	28,156,000
Group Life Insurance	1,692,606	1,624,100
Daily Subsistence Allowance	6,288,822	6,739,672
Insurance - General	1,016,759	745,349
Sports Expenses	6,293,195	375,000
	<u>384,601,278</u>	<u>368,164,592</u>
<b>18 Legal and Professional</b>		
Audit Fees	750,000	2,050,000
Contracted Professional Services	585,000	510,400
Legal Costs	9,378,752	3,334,842
	<u>10,713,752</u>	<u>5,895,242</u>
<b>19 Transport &amp; Travelling</b>		
Fuels & Oils	10,187,570	9,808,516
Tyres & Tubes	537,687	1,616,491
Insurance - Motor Vehicle	1,707,403	1,155,189
Air Travel	3,021,483	2,142,418
Repair & Maintenance Motor Vehicle	7,926,705	6,270,320
Bus Fares , Taxi	2,009,470	1,259,903
Parking fees, Tolls	125,428	106,177
	<u>25,515,746</u>	<u>22,359,014</u>
<b>20 Directors Expenses</b>		
Daily subsistence allowance (perdiem)	426,160	14,000
Travelling	55,640	15,540
Sitting Allowances	1,595,000	1,200,000
Lunches	200,000	1,400
Personal Assistant Allowance	0	0
Honorarium	960,000	128,840
Training	382,000	-
	<u>3,618,800</u>	<u>1,359,780</u>
<b>21 Advertising &amp; Publicity</b>		
Newspaper Advertisement	77,527	1,930,517
Radio & TV Advertisements	-	0
Other advertising expenses/CSR	260,388	1,994,750
Show Expenses	1,830,102	1,786,219
	<u>2,168,018</u>	<u>5,711,486</u>

*Notes to Financial Statements (Cont'd)*

	2020 Kshs	2019 Kshs	Budget - 2020 Kshs
<b>22 Other Operating Expenses</b>			
Depreciation	10,306,470	7,482,864	8,025,349
Bad Debts	43,434,706	25,465,378	20,000,000
Fines and Penalties	674,755	39,750	40,492,820
Bad debts written off	-	-	-
	<u>54,415,931</u>	<u>32,987,992</u>	<u>68,518,169</u>

**23 Operating Loss**

The following items have been charged in arriving at operating profit:-

Staff Costs ( Note 17 above)	384,601,278	368,164,592	-
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**24 Business Segments**

The major part the Company falls under the category of provision of quality and sufficient water and sewerage services.

**25 Country of Incorporation**

Mombasa Water Supply & Sanitation Company is incorporated in Kenya under the Companies Act. The Company is domiciled in Kenya

**26 Related Party Transactions**

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). During the year, the company procured 11,283,460M<sup>3</sup> of bulk water from CWSB at a total of Kshs.225,669,200 and also incurred Kshs. 43,445,048 in administration fees to CWSB bringing the total transaction with CWSB to Kshs. 269,114,248 for the year under review.

The overall Water Sector regulator is Water Services Regulatory Board (WASREB) that charged the company a total of Kshs. 23,836,115 in regulatory levies.

