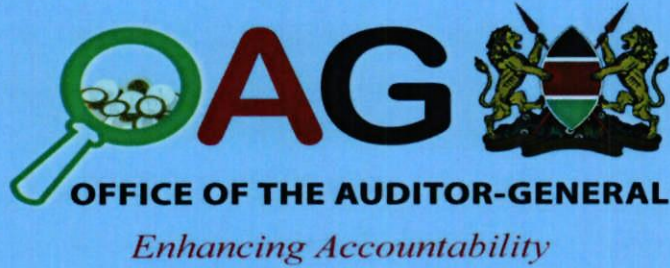


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REPORT

OF

THE AUDITOR-GENERAL

ON

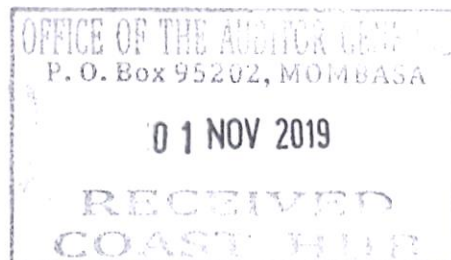
**MOMBASA WATER SUPPLY AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2019**

MOMBASA WATER SUPPLY & SANITATION CO. LTD



Maji safi maisha bora



REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019

MOMBASA WATER SUPPLY & SANITATION CO. LTD
Report and Financial Statements
FOR THE YEAR ENDED 30TH JUNE 2019

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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 This Act has since been repealed and replaced by Water Act, 2016 which aligns the legal framework in Water Sector to the Constitution of Kenya, 2010 where water services provision is a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 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-18 to June-19) were:

1. Justus Nyarandi	Chairman	Appointed on 1st August 2018
2. Francis Kombe	Director	Re-appointed on 31st July 2018
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 Gathere	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
Website: www.mombasawater.co.ke

MOMBASA WATER SUPPLY & SANITATION CO. LTD





Reports and Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2019

BOARD OF DIRECTORS

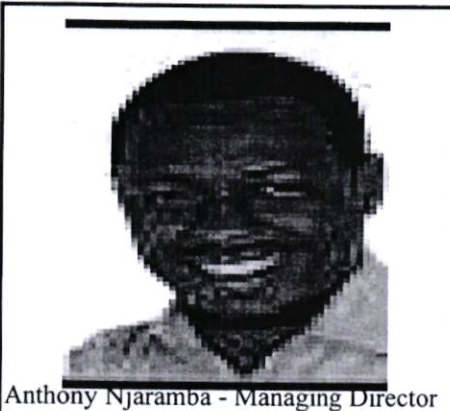
1		<p>Mr. Justus Nyarandi is the Chairman of the Board. He was born in 1969. He holds an MBA in Business Administration and is currently pursuing his PhD in Strategic Management. Besides, Mr. Nyarandi is a certified Accountant (CPA-K), Certified Secretary (CPSK) and Chartered Institute of Purchasing & Supply (MCIPS). He has over 23 years of work experience accumulated in areas of Port Strategy, Commercial, Procurement and Finance. Specifically, Mr. Nyarandi led Departments of Procurement, Commercial and Finance before rising to the Position of General Manager Corporate Services in charge of Strategic Planning, Research, Marketing, Corporate Communication and Information Technology at Kenya Ports Authority, Mombasa. He currently co-ordinates an on-going consultancy assignment with Competition Authority of Kenya studying the regional competitive aspects in Shipping, Port and Northern Corridor (Tracking and Haulage).</p>
2		<p>Director Francis Kombe was born in 1961. He is a holder of Masters of Science Degree in Public Health and Epidemiology from Kenyatta University. He is a NEMA registered Lead Expert and Safety Advisor. Currently he is the Chief Officer for the Department of Water Sanitation and Natural Resources, County Government of Mombasa. Director Kombe was appointed the Managing Director in Acting capacity during the year under review.</p>
3		<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>
4		<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 Palmaek 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.....

5		<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>
6		<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>
7		<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>
8		<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>

MOMBASA WATER SUPPLY & SANITATION CO. LTD
Reports and Financial Statements
FOR THE YEAR ENDED 30TH JUNE 2019
MANAGEMENT

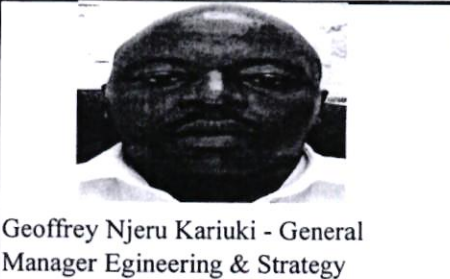
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Anthony Njaramba - Managing Director

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 to serve as a Non-Executive Director. He is a currently pursuing MBA and is graduate of Bachelors in Business Management. He has held several Top management positons both in publoc 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

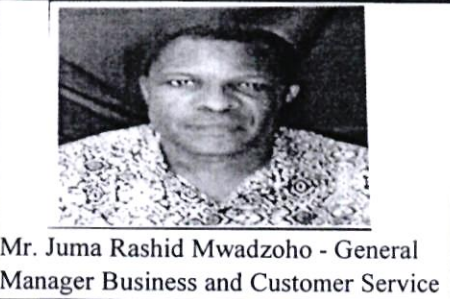
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Geoffrey Njeru Kariuki - General Manager Engineering & Strategy

Mr. Geoffrey K. Njeru was in charge of Engineering and Strategy and holds Bachelors Degree in Civil Engineering from Moi University. He also has a wealth of experience in Project Management. Engineer Kariuki left the company in July 2019 and has been succeeded by Timothy Mugo, former Operations Manager Water in acting capacity.

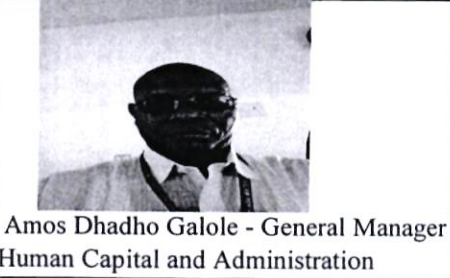
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Mr. Juma Rashid Mwadzoho - General Manager Business and Customer Service

Mr. Juma Rashid mwadzoho is in charge of Customer and Business Services Division. He assumed office in January 2019. Mr. Juma holds a Degree in Business Administration and Degree in Commerce. He has a wealth of experience in Business, Banking and Finance. He is a member of Kenya Institute of Management

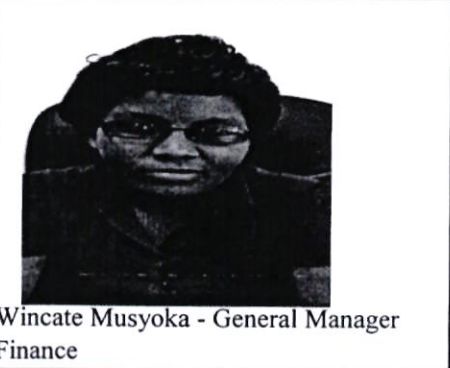
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Amos Dhadho Galole - General Manager Human Capital and Administration

Mr. Amos Galole is in charge of Human Capital and Administration. He holds a Bachelors degree in Human Resources Management and is a full member of Institute of Human Resources Management - Kenya. He boasts of 20 years of experience in Human Resources and Management gained from both private and public sectors.

5



Wincate Musyoka - General Manager Finance

Ms. Wincate Kamene Musyoka was the GM Finance in acting capacity upto January 2019. She holds a Bachelors 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). Ms. Musyoka was succeeded by Mr. Johnson Henry Randu from February 2019 to conclusion of the Financial Year. Mr. Randu is a Bachelors Degree Graduate, Certified Accountant, CPA(K) and Certified Public Secretary, CPS(K) with rich experience in Finance and Business operations

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the year ended 30th June 2019 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 sanitation services to the residents of Mombasa County

FINANCIAL RESULTS

	Ksh.
Loss before taxation	(78,986,653)
Taxation charge	Nil
Loss for the year transferred to retained earnings	(78,986,653)

DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year 2019.

DIRECTORS

The members of the Board who served during the year are shown on pages 3 - 5

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 2019 the company continued making losses after posting a loss of KES 79 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.

COMPANY'S STRATEGIC DIRECTION

The company now has a Board of Directors appointed on 31st July, 2018 that will oversee corporate governance and offering 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

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 balancing 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 Programe 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

The Kenyan Companies Act 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 2019 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 30-09- 2019 and signed on its behalf by:



Chairman



Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MOMBASA WATER SUPPLY AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2019

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 11 to 23, which comprise the statement of financial position as at 30 June, 2019, and the statement of 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, 2019, 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 and the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2019 availed for audit review contained the following inaccuracies:

- i. Note 10 to the financial statements for the year ended 30 June, 2019 reflects trade payables opening balance of Kshs.1,140,938,555. However, this amount differs with the audited opening balance of Kshs.1,140,952,495, resulting to an unexplained and unreconciled variance of Kshs.13,940.
- ii. Note 10 to the financial statements reflects bank overdraft opening balance of Kshs.5,214,552 which is different from the audited balance of Kshs.5,199,489 for the year 2017/2018, resulting to an unexplained and unreconciled variance of Kshs.15,063.

Consequently, the accuracy and completeness of trade payables and bank overdraft balances of Kshs.1,167,085,364 and Kshs.1,312,175 respectively as at 30 June, 2019 could not be confirmed.

2.0 Material Uncertainty Related to Going Concern

During the year under review, the Company incurred a loss of Kshs.78,986,653 (2017-2018 Loss – Kshs.78,758,246.) which brought its accumulated loss to Kshs.1,941,890,250 as at 30 June, 2019 (2017-2018 Kshs.1,862,903,597). Further, the current liabilities of Kshs.1,671,143,805 exceed current assets of Kshs.206,087,102 by Kshs.1,465,056,703 an indication that the Company is technically insolvent.

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 and its creditors.

3.0 Unsupported Bank and Cash Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.11,409,068 as at 30 June, 2019. Included in this balance is Kshs.2,862,042 in respect to Posta Pay Account whose certificate of bank balance confirmation, bank statements and cash book were not provided for audit.

Consequently, the accuracy and completeness of the bank and cash balance of Kshs.11,409,067 as at 30 June, 2019 could not be confirmed.

4.0 Inaccuracies in Property, Plant and Equipment

The statement of financial position and disclosed in Note 5 to the financial statements reflects property, plant and equipment balance of Kshs.47,597,973 as at 30 June, 2019. Included in the property, plant and equipment balance is an amount of Kshs.3,328,129 in respect of computer software which was not disclosed as an intangible asset in line with Paragraph 1.54 of International Accounting Standard 1 on presentation of financial statements. Further, However, the assets lack asset tag numbers for ease of identification and verification

Consequently, the accuracy and completeness of property, plant and equipment balance of Kshs.47,597,793 as at 30 June, 2019 could not be ascertained.

5.0 Unreconciled Trade and Other Payables

The statement of financial position and disclosed in Note 10 to the financial statements reflects trade payables balance of Kshs.1,167,085,364 as at 30 June, 2019. Included in this balance is trade payables of Kshs.1,090,623,672 which has been outstanding for more than 90 days. Further, included in the trade payables balance of is Kshs.1,043,458,982.82 which was at variance with the Agency records which had a balance of Kshs.1,381,172,143.86 resulting to an unexplained and unreconciled variance of Kshs.337,713,161.04.

Consequently, the accuracy and completeness of trade and other payables balance of Kshs.1,671,477,884 as at 30 June, 2019 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

1.0 Budget Analysis and Performance

1.1 Revenue Budget

The Company had a budgeted revenue of Kshs.867,017,909 in the year ending 30 June, 2019 but ended up collecting Kshs.706,537,975 or 81% resulting to under collection of Kshs.160,479,934 or 19% as analyzed below;

S/No	Item	Budgeted Amount (Kshs.)	Actual Income (Kshs.)	Revenue Shortfall (Kshs.)	Revenue Over Collection (Kshs.)	%
1	Water sales	739,111,895	572,631,256	166,480,639	-	23
2	Sewer Sales	127,465,678	133,272,528	-	5,806,850	5
3	Other income	440,335	634,191	-	193,856	44
Total		867,017,908	706,537,975	166,480,639	6,000,706	19

The net under collection of 166,480,639, Kshs.6,000,706 may be as a result of over budgeting or poor revenue collection by the Company. There is need for Management to come up with a strategy for meeting the revenue targets including instituting stringent internal controls on the revenue billing and collection methods.

1.2 Expenditure Budget

The Company had a total expenditure budget of Kshs.877,504,729 in the year ending 30 June, 2019 whereas its actual expenditure was Kshs.785,524,628 or 95%, resulting to net under-absorption of Kshs.91,980,101 or 10% of the total expenditure budget as summarized below;

S/No.	Item	Budgeted Amount (Kshs.)	Actual Expenditure (Kshs.)	Under Absorption (Kshs.)	Over Absorption (Kshs.)	Under / Over Absorption (%)
1	Purchase of Bulk Water	288,000,000	225,669,200	62,330,800	-	22
2	Operation and Maintenance	55,055,661	38,229,521	16,826,139	-	30
3	Administration Costs	57,518,025	85,147,801	-	27,629,776	48
4	Staff Costs	410,081,158	368,164,592	41,916,566	-	10
5	Legal and Professional	3,610,000	5,895,242	-	2,285,242	63
6	Transport & Travelling	25,950,164	22,359,014	3,591,150	-	14
7	Directors Expenses	7,290,000	1,359,780	5,930,220	-	81
8	Advertising & Publicity	2,700,000	5,711,486	-	3,011,486	112
9	Depreciation	7,299,721	7,482,864	-	183,143	3
10	Bad Debts	20,000,000	25,465,378	-	5,465,378	27
11	Fines and Penalties	0	39,750	-	39,750	100
Total Expenditure		877,504,729	785,524,628	130,594,875	38,614,775	10

The table above indicates that the Company incurred expenditure of Kshs.38,614,775 over and above the budget, contrary to Section 149(1) of the Public Finance Management Act, 2012 which states that an accounting officer is accountable for ensuring that the resources under which the officer is designated are used in a way that is –

- (a) lawful and authorized; and
- (b) effective, efficient, economical and transparent.

Further, the Company under absorbed the budget by Kshs.126,050,477 or 14% which may have materially affected water supply and sanitization to the residents of Mombasa. The Management needs to ensure that the budget making process is realistic by setting achievable targets.

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

1.0 Non-Revenue Water

During the year under review, the company produced a total 11,283,460 cubic meters of water, out of which 5,639,843 cubic meters or 50% were billed to customers at Kshs.572,631,256. The balance of 5,643,617 cubic meters or approximately 50% represented non-revenue which is 25% over and above the allowable limit of 25% set by Water Services Regulatory Board Guidelines. The non-revenue water of 5,643,617 cubic meters or 50% may have resulted to a loss of 2,822,752 cubic meters of water sales estimated at Kshs.286,594,010 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 water and public resources, and may negatively impact on the Company's profitability and its ability to sustain services in the long run.

2.0 Non-Remittance of Payroll Deductions

Note 10 to the financial statements for the year ended 30 June, 2019 reflects other payables (payroll payables) of Kshs.142,230,834, out of which Kshs.100,539,651 is in respect of unremitted and overdue pension deductions. This is contrary to Section 53A (1) of the Retirement Benefit Authority Act,1997 which requires an employer who has made deductions from the employee emoluments for remittance to the scheme and fails to remit the deductions within fifteen (15) days, the scheme may institute legal proceedings for recovery.

Consequently, the Management is in breach of the Law.

3.0 Acting Allowances

The Company paid acting allowances of Kshs.2,801,478 out of which Kshs.993,238.90 was paid to fourteen (14) members of staff who were in acting capacity for more than six (6) months. This was contrary to Section 5.2 of the Company's Revised Human Resource Policies and Procedures Manual, 2011 which provides that acting appointment shall automatically lapse after six (6) months.

Consequently, the Management is in breach of the human resource policies and procedures.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk Management and 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 Company's ability to continue as a going concern or to sustain its services. 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

31 December, 2021

MOMBASA WATER SUPPLY & SANITATION CO. LTD
Reports and Financial Statements
FOR THE YEAR ENDED 30TH JUNE 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	2019 Kshs	2018 Kshs (Restated)
Water Sales	11	572,631,256	563,874,485
Sewerage Sales	11	133,272,528	109,865,130
Cost of sales	12	(225,669,200)	(232,527,345)
Gross Profit (Loss)		480,234,584	441,212,269
Other Income	13	634,191	440,713
		480,868,775	441,652,982
Operation and Maintenance	14	38,229,521	27,716,516
Administration Costs	15	85,147,801	94,457,217
Staff Costs	16	368,164,592	333,222,428
Legal and Professional	17	5,895,242	3,274,482
Transport & Travelling	18	22,359,014	20,522,414
Directors Expenses	19	1,359,780	1,398,000
Advertising & Publicity	20	5,711,486	7,182,297
Other Operating Expenses	21	32,987,992	32,637,875
Total Operating Expenses		559,855,428	520,411,228
Operating (Loss)/ Profit		(78,986,653)	(78,758,246)
Profit/(Loss) before tax		(78,986,653)	(78,758,246)
Balance Brought Forward		(1,862,903,597)	(1,784,145,351)
Loss Carried Forward		(1,941,890,250)	(1,862,903,597)*

MOMBASA WATER SUPPLY & SANITATION CO. LTD

Reports and Financial Statements


FOR THE YEAR ENDED 30TH JUNE 2019

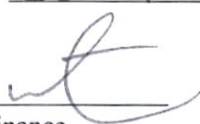
STATEMENT OF FINANCIAL POSITION

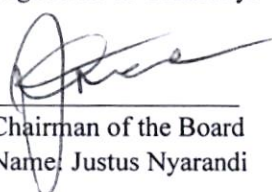
AS AT 30TH JUNE 2019

	Note	2019 Kshs	2018 Kshs (Restated)
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	47,597,973	50,550,767
Amount due from shareholders	7	5,000,240	5,000,240
Total Non-Current Assets		52,598,213	55,551,007
Current Assets			
Trade and other receivables	8	194,678,034	243,797,234
Cash and cash equivalent	6	11,409,068	19,328,639
Total Current Assets		206,087,102	263,125,873
TOTAL ASSETS		258,685,315	318,676,880
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	2	5,000,240	5,000,240
Capital reserve	4	485,003,469	485,003,469
Retained earnings	3	(1,941,890,250)	(1,862,903,597)*
Capital and Reserves		(1,451,886,541)	(1,372,899,888)
Non-Current Liabilities			
Sevice gratuity	9	39,428,051	30,377,366
Total Non-Current Liabilities		39,428,051	30,377,366
Current Liabilities			
Trade and other payables	10	1,671,143,805	1,661,199,403*
Total Current Liabilities		1,671,143,805	1,661,199,403
TOTAL EQUITY AND LIABILITIES		258,685,315	318,676,880

The financial statements were approved by the Board on 30-09- 2019 and signed on its behalf by:


 Managing Director
 Name: Anthony K. Njaramba


 Ag.GM- Finance
 Name: Wincate Musyoka
 ICPAK M/No: 12239


 Chairman of the Board
 Name: Justus Nyarandi

MOMBASA WATER SUPPLY & SANITATION CO. LTD
 Reports and Financial Statements
 FOR THE YEAR ENDED 30TH JUNE 2019

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2019

	Note	2019 Kshs	2018 Kshs
Cash flows from operating activities			
(Loss) before income tax		<u>(78,986,653)</u>	<u>(78,758,246)</u>
Adjustments for:			
Armotisation and Depreciation on property, plant	5	<u>7,482,864</u>	<u>7,943,186</u>
Operating loss before working capital changes		<u>(71,503,789)</u>	<u>(70,815,061)</u>
(Increase) / decrease in:			
Trade and other receivables	8	49,119,201	(5,203,300)
Increase /(decrease) in:			
Trade and other payables	10	9,944,402	80,892,085
Provision for leave pay	11	-	(19,540,255)
Service gratuity payable		<u>9,050,686</u>	<u>788,371</u>
Cash generated from operations		<u>(3,389,500)</u>	<u>(13,878,159)</u>
Tax Paid		-	-
Net cash (used in) operating activities		<u>(3,389,500)</u>	<u>(13,878,159)</u>
Cash flows from investing activities			
Purchase of PPE	5	<u>(4,530,070)</u>	<u>(2,479,521)</u>
Net cash (used in) investing activities		<u>(4,530,070)</u>	<u>(2,479,521)</u>
Cash flows from financing activities			
Share Capital			
Net cash (used in) financing activities		<u>-</u>	<u>-</u>
Net (decrease) in cash and cash equivalents		(7,919,570)	(16,357,680)
Cash and cash equivalents at 1st July- 18		19,328,639	35,686,318
Cash and cash equivalents at 30th June-19	6	<u>11,409,068</u>	<u>19,328,639</u>

MOMBASA WATER SUPPLY & SANITATION CO. LTD

Reports and Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2019

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2019**

	Share Capital Kshs	Retained Earnings Kshs	Capital Reserve Kshs	Total Kshs
At 1st July 2018	5,000,240	(1,862,903,597)	485,003,469	(1,372,899,888)
Net profit for the year		(78,986,653)		(78,986,653)
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>

	Share Capital Kshs	Retained Earnings Kshs	Capital Reserve Kshs	Total Kshs
At 1st July 2017	5,000,240	(1,784,145,351)	485,003,469	(1,294,141,642)
Net profit for the year		(78,758,246)		(78,758,246)
At 30th June 2018	<u>5,000,240</u>	<u>(1,862,903,597)</u>	<u>485,003,469</u>	<u>(1,372,899,888)</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30TH JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Water sales	739,111,895	-	739,111,895	572,631,256	(166,480,639)
Sewer Sales	127,465,678	-	127,465,678	133,272,528	5,806,850
Other income	440,335	-	440,335	634,191	193,856
Total income	867,017,909	-	867,017,909	706,537,975	(160,479,934)
Expenses					
Purchase of Bulk Water	288,000,000	-	288,000,000	225,669,200	62,330,800
Operation and Maintenance	55,055,661	-	55,055,661	38,229,521	16,826,139
Administration Costs	57,518,025	-	57,518,025	85,147,801	(27,629,776)
Staff Costs	410,081,158	-	410,081,158	368,164,592	41,916,566
Legal and Professional	3,610,000	-	3,610,000	5,895,242	(2,285,242)
Transport & Travelling	25,950,164	-	25,950,164	22,359,014	3,591,150
Directors Expenses	7,290,000	-	7,290,000	1,359,780	5,930,220
Advertising & Publicity	2,700,000	-	2,700,000	5,711,486	(3,011,486)
Finance Costs	-	-	-	-	-
Depreciation	7,299,721	-	7,299,721	7,482,864	(183,143)
Bad Debts	20,000,000	-	20,000,000	25,465,378	(5,465,378)
Fines and Penalties	-	-	-	39,750	(39,750)
Bad debts Written off	-	-	-	-	-
Total expenditure	877,504,729	-	877,504,729	785,524,628	91,980,101
Surplus (loss) for the period	(10,486,820)	-	(10,486,820)	(78,986,653)	39,571,009

Summary of significant Accounting Policies

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 assessed 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

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 prorata basis in the year of acquisition. The annual rates in use are:

PPE	Depreciation Rate, %
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

	2019	2018
	Kshs	Kshs
2 Share Capital		
Authorised number of ordinary shares 5,000 per value of Kshs 1,000 each and 12 number of ordinary shares per value of Issued but not paid up 5,012 Ordinary Shares	5,000,240	5,000,240
	5,000,240	5,000,240
3 Retained Earnings		
As at 1st July	(1,862,903,597)	(1,784,145,351)
Net Profit /(Loss) as at 30th June	(78,986,653)	(78,758,246)
	(1,941,890,250)	(1,862,903,597)
4 Capital Reserves		
As at 30th June	485,003,469	485,003,469
	485,003,469	485,003,469

MOMBASA WATER SUPPLY & SANITATION CO. LTD
 Reports and Financial Statements
 FOR THE YEAR ENDED 30TH JUNE 2019

Notes to Financial Statements (Cont'd)

5 Property, Plant & Equipment as at 30th June 2019

	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Computer Software	Bicycles	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
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	27,194,641	12,241	187,105,379
Additions	909,800	0	269,000	1,504,340	0	446,730	1,400,200	0	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	27,194,641	12,241	191,635,449
Depreciation										
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	22,684,971	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	1,181,541	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	23,866,512	11,297	144,037,476
Net Book Value										
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	3,328,129	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	4,509,670	1,216	50,550,767

Property, Plant & Equipment as at 30th June 2018

	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Computer Software	Bicycles	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2017	6,316,820	30,118,779	6,457,649	21,883,868	3,969,803	15,011,029	75,761,029	25,094,641	12,241	184,625,859
Additions	41,412	0	0	276,207	0	61,902	0	2,100,000	0	2,479,521
As at 30th June 2018	6,358,232	30,118,779	6,457,649	22,160,075	3,969,803	15,072,931	75,761,029	27,194,641	12,241	187,105,379
Depreciation										
As at 1st July 2017	4,489,531	25,376,609	3,953,521	17,527,547	224,707	9,264,756	46,005,720	21,758,359	10,676	128,611,426
Charge for the year	220,275	1,058,705	295,691	1,155,001	92,562	680,441	3,513,551	926,611	349	7,943,186
As at 30th June 2018	4,709,806	26,435,313	4,249,212	18,682,548	317,269	9,945,197	49,519,271	22,684,971	11,025	136,554,612
Net Book Value										
As at 30th June 2018	1,648,426	3,683,465	2,208,437	3,477,527	3,652,533	5,127,734	26,241,758	4,509,670	1,216	50,550,767
As at 01st July 2017	1,827,289	4,742,170	2,504,128	4,356,321	3,745,095	5,746,273	29,755,309	3,336,282	1,566	56,014,432

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.

MOMBASA WATER SUPPLY & SANITATION CO. LTD
 Reports and Financial Statements
 FOR THE YEAR ENDED 30TH JUNE 2019

Notes for financial statements (Cont'd)

	2019 Kshs	2018 Kshs
6 Cash and cash Equivalent		
For the purpose of the cash flow statement, cash and cash equivalent comprise the following:		
Cash at Bank	6,927,465	14,722,968
Cash in hand	-	330,000
Posta Pay	2,862,042	3,148,598
Mpesa	1,619,562	1,127,073
Cash and cash equivalent	<u>11,409,068</u>	<u>19,328,639</u>
7 Amount due from shareholders	<u>5,000,240</u>	<u>5,000,240</u>
8 Trade and other Receivables		
Water Debtors	849,451,364	872,071,785
Prepayments	16,422,976	17,662,859
Provision for Bad Debts	(726,440,089)	(727,429,113)
VAT	51,861,040	78,272,695
Prepaid Salary-advance	2,882,742	2,719,008
Deposit & Sundries	500,000	500,000
	<u>194,678,034</u>	<u>243,797,234</u>
9 Service Gratuity Payable	<u>39,428,051</u>	<u>30,377,366</u>
10 Trade and other payables		
Trade Payables	1,167,085,364	1,140,938,555
Bank	1,312,175	5,214,552*
Receipts Refundable	27,000,088	27,000,088
General provision	239,432,949	246,669,686
Audit Fees (provision)	3,369,388	2,069,388
Customer Deposits	88,189,612	83,361,562
Other Payables (Payroll Payables)	142,230,835	153,422,179
MCM - Bin/Refuse	2,523,393	2,523,393
	<u>1,671,143,805</u>	<u>1,661,199,403</u>

MOMBASA WATER SUPPLY & SANITATION CO. LTD
 Reports and Financial Statements
 FOR THE YEAR ENDED 30TH JUNE 2019

Notes to Financial Statements (Cont'd)

	2019 Kshs	2018 Kshs
11 Revenues		
Water Sales	572,631,256	563,874,485
Sewerage Sales	133,272,528	109,865,130
	<u>705,903,784</u>	<u>673,739,614</u>
12 Cost of sales:		
Purchase of Bulk Water	225,669,200	232,527,345
	<u>225,669,200</u>	<u>232,527,345</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>		
13 Other Incomes		
Commission on employees' insurance premiums	143,669	110,929
Interest income	490,522	319,784
Entry fee-Kipevu	-	10,000
	<u>634,191</u>	<u>440,713</u>
14 Operation and Maintenance		
Electricity , Offices and Kipevu Plant	3,667,847	3,044,221
Maintenance of water supply	8,249,774	7,006,385
Maintenance - Sewerage	4,546,941	1,857,333
Repair and Maintenance of Equipment	2,698,676	881,106
Repair and Maintenance - Buildings	587,966	194,832
Security & Surveillance	18,430,153	14,222,844
Laboratory Expenses	48,166	509,795
	<u>38,229,521</u>	<u>27,716,516</u>
15 Administration expenses:		
Postal and Telegrams	19,278	11,030
Internet Connection	6,925,139	5,983,588
Telephone Expenses	2,901,364	2,224,591
Licences	2,757,389	3,652,906
Bank Charges	667,822	965,057
Mpesa Transfer chrges	0	1,197,929
Withheld Interest Expense	73,578	654,293
Posta transfer charges	3,850	5,500
Cash shortages	0	1,000
Administration fees	43,445,048	64,524,468
Levy Fees - WASREB	23,836,115	11,260,475
Cleaning Costs	2,045,563	1,639,799
Newspapers & Periodicals	116,075	89,120
Subscription fees	928,880	93,660
Printing & Stationery	1,409,389	2,135,525
Courier Expenses	18,311	18,276
	<u>85,147,801</u>	<u>94,457,217</u>

Notes to Financial Statements (Cont'd)

	2019 Kshs	2018 Kshs
16 Staff Costs		
Acting Allowance	2,801,478	2,461,775
Basic Salaries	166,082,653	143,971,459
Leave Allowance	6,712,500	6,327,867
Entertainment Allowance	480,000	600,000
Casual Wages	1,824,568	1,937,646
Pension - Employers Contribution	18,239,544	16,885,272
House Allowances	67,858,500	63,482,500
Uniform and Protective Clothing	115,351	698,738
Staff Welfare Expenses	6,112,889	5,610,044
Workmen Compensation Insurance	609,773	282,459
Medical Expenses	33,894,961	36,999,685
Supervisory Allowance	286,000	369,000
Meter reading allowance	1,765,500	1,366,000
Training	794,330	540,583
Retirement Token	4,172,247	1,161,205
Gratuity	15,378,175	16,932,418
Extraneous duties allowance	3,396,000	2,892,500
Commute Allowance	28,156,000	22,636,000
Group Life Insurance	1,624,100	1,869,329
Daily Subsistence Allowance	6,739,672	4,863,310
Insurance - General	745,349	1,334,637
Sports Expenses	375,000	0
	<u>368,164,592</u>	<u>333,222,428</u>
17 Legal and Professional		
Audit Fees	2,050,000	1,500,000
Contracted Professional Services	510,400	430,948
Legal Costs	3,334,842	1,343,533
	<u>5,895,242</u>	<u>3,274,482</u>
18 Transport & Travelling		
Fuels & Oils	9,808,516	10,160,641
Tyres & Tubes	1,616,491	516,862
Insurance - Motor Vehicle	1,155,189	1,632,369
Air Travel	2,142,418	1,509,365
Repair & Maintenance Motor Vehicle	6,270,320	5,545,897
Bus Fares , Taxi	1,259,903	1,116,025
Parking fees, Tolls	106,177	41,255
	<u>22,359,014</u>	<u>20,522,414</u>
19 Directors Expenses		
Daily subsistence allowance (perdiem)	14,000	-
Travelling	15,540	0
Sitting Allowances	1,200,000	1,278,000
Lunches	1,400	0
Personal Assistant Allowance	0	120,000
Honorarium	128,840	-
Training	-	-
	<u>1,359,780</u>	<u>1,398,000</u>
20 Advertising & Publicity		
Newspaper Advertisement	1,930,517	5,330,759
Radio & TV Advertisements	-	0
Other advertising expenses/CSR	1,994,750	1,347,593
Show Expenses	1,786,219	503,944
	<u>5,711,486</u>	<u>7,182,297</u>

MOMBASA WATER SUPPLY & SANITATION CO. LTD
 Reports and Financial Statements
 FOR THE YEAR ENDED 30TH JUNE 2019

Notes to Financial Statements (Cont'd)

	2019	2018
	Kshs	Kshs
21 Other Operating Expenses		
Depreciation	7,482,864	7,943,186
Bad Debts	25,465,378	24,683,940
Fines and Penalties	39,750	10,750
Bad debts written off	-	-
	<u>32,987,992</u>	<u>32,637,875</u>

22 Operating Loss

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

Staff Costs (Note 17 above)	368,164,592	333,222,428
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23 Business Segments

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

24 Country of Incorporation

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

25 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 11,283,460M³ 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.

26 Restatement

The audited Financial Statements for the financial year 2017/18 have been restated to affect balances of trade payables, retained earnings carried forward and bank overdraft. This followed retrospective correction of casting error that overstated losses for FY 2017/18.