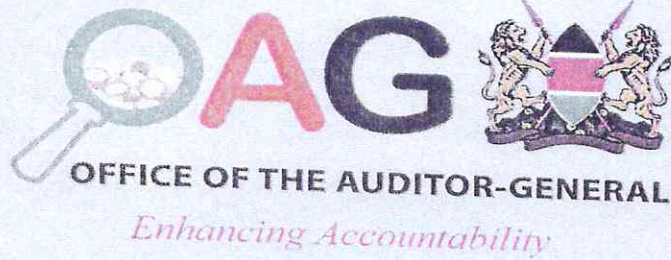


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**MOMBASA WATER SUPPLY AND
SANITATION COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



MOMBASA WATER SUPPLY & SANITATION CO. LTD
ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2022

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

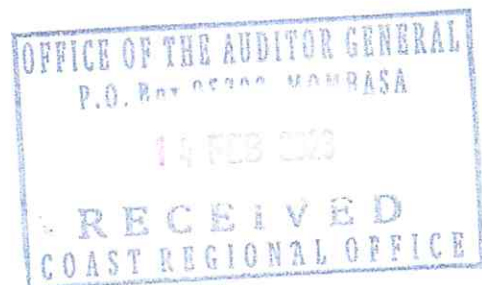


Table of Contents

Page

Contents

	KEY ENTITY INFORMATION	iv
I.	THE BOARD OF DIRECTORS	viii
II.	MANAGEMENT TEAM	xii
V.	CHAIRMAN'S STATEMENT	xv
7.	REPORT OF THE MANAGING DIRECTOR.....	xvi
/I.	CORPORATE GOVERNANCE STATEMENT	xviii
/II.	MANAGEMENT DISCUSSION AND ANALYSIS.....	xx
VIII,	REPORT OF THE DIRECTORS	xxiii
X.	STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxiii
X.	INDEPENDENT AUDITOR'S REPORT.....	xxv
CI.	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022.....	1
CI.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022	2
CI.	STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022.....	3
CI.	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022.....	4
CI.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022.....	5
CI.	NOTES TO THE FINANCIAL STATEMENTS.....	6

1. KEY ENTITY INFORMATION

Background information

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 This Act was later repealed and replaced by Water Act, 2016 which aligns the legal framework in Water Sector to the Constitution of Kenya, 2010 where water services provision is a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

Principal Activities

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

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

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

Company Mission

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

Company Vision

To be a water service provider of repute.

Core Values

- Professionalism
- Integrity
- Teamwork
- Customer satisfaction

Directors

The directors who served the company during this period of audit (July-21 to June-22) were:

1. Justus Nyarandi	Chairman	Re-appointed on 1 st August 2021
2. Atul Patel	Director	Re-appointed on 1 st Sept 2022
3. Christine Ockotch	Director	Contract ended on 31 st July 2021
4. Anisa Salim	Director	Contract ended on 31 st July 2021
5. Faiza Bajaber	Director	Contract ended on 31 st July 2021
6. Asha Abdi	Director	Re-appointed on 1 st August 2021
7. Muthoni Gatherere	Director	Re-appointed on 27 th Sept 2021
8. Amina Osman	Director	Appointed on 3 rd Sept 2021
9. Ahmed Badawy	Director	Appointed on 6 th May 2022
10. Abdirahim Farah	Managing Director	Appointed on 3 rd March 2022

Corporate Secretary

JWM LAW LLP (formerly Jacqueline Waihenya Maina & Co. Advocates)
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 Road
MOMBASA, KENYA

Corporate Contacts

Telephone: (254) 041-2222700
E-mail: info@mombasawater.co.ke
Website: www.mombasawater.co.ke

Corporate Bankers

1. Equity Bank Limited
P.O.Box 84618 - 80100
Mombasa Supreme Branch
Mombasa, Kenya

2. Housing Finance Corporation
P.O. Box 84839-80100
Moi Avenue Branch
Mombasa, Kenya

3. Co-operative Bank
P.O. Box 87771 - 80100
Nkrumah Road Branch
Mombasa, Kenya

4. Family Bank
Digo Road,
Mombasa, Kenya

Independent Auditors



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

Principal Legal Advisers

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

2. JWM LAW LLP (formerly Jacqueline Waihenya Maina & Co. Advocates)
Jubilee Insurance Building
Moi Avenue Mombasa
P. O. Box 777-80100
Mombasa, Kenya

IV. THE BOARD OF DIRECTORS

<p>1</p>  <p><i>Mr. Omae Nyarandi</i></p>	<p>Mr Omae Nyarandi is a non-executive chairman and independent director serving as the Chairman of the Board having been re-appointed on August 1st, 2021. He is 53 years old. He holds an MBA in Business Administration from the University of Nairobi (UON) and is currently pursuing his PhD in Strategic Management from the same university. Besides, Mr. Nyarandi is a Certified Public Accountant (CPA-K), a Certified Secretary (CS), and is a Member of the Chartered Institute of Purchasing & Supply (MCIPS), Institute of Supplies Management of Kenya (ISMK) and Institute of Management of Kenya (IMK). 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. He is currently heading the Permanent Secretariat, as the Executive Secretary, of the Northern Corridor Transit and Transport Coordination Authority (NCTTA) based in Mombasa. He represents the Residential Associations' stakeholder group according to the WASREB Corporate Governance requirements.</p>
<p>2</p>  <p><i>Muthoni Gatere</i></p>	<p>Ms Muthoni Gatere is an independent director serving as the Chairperson of the Human Resource Committee and a member of the Audit & Risk Committee having been re-appointed on September 27th, 2021. She is 59 years old. She is a holder of Bachelor of Laws Degree (LL. B Hons.) from the University of Nairobi (UON), Diploma in Law (Kenya School of Law), and Master of Laws (LL.M) from International Maritime Law Institute, Malta. She is an Advocate of the High Court of Kenya, Commissioner for Oaths, Notary Public and Certified Public Secretary (CS). She possesses over 25-years of work experience as a Legal Counsel, Senior Corporate Manager. Ms Muthoni led the Legal & Board Affairs Department and served as the Corporation Secretary at Kenya Ports Authority for many years. Ms Muthoni is a founder member of the Women in Maritime of Eastern & Southern Africa (WOMESA), as well as membership with the Law Society of Kenya (LSK), American Society of International Law and the Institute of Certified Public Secretaries (ICPSK). She is currently a Consultant with Keynes Consulting Services Ltd., a Director at the Coast Mediation Centre, and the Company Secretary of the Kenya Petroleum Refineries Ltd. She represents the Professionals' (Advocates) stakeholder group according to the WASREB Corporate Governance requirements.</p>



Amina Osman

Ms Amina Osman Jama is an independent director serving as a Member of the Human Resource Committee and the Chairperson of the Audit & Risk Committee having been re-appointed on September 3rd, 2021. She is 44 years old. She is a holder of Bachelor of Arts Degree in Equity Studies & Diaspora and Transitional Studies (Minor: African Studies) from the University of Toronto (St. Georges Campus - Toronto, Ontario). She had also undertaken a Transitional Year Programme from the same university campus. She is also a holder of Master's Degree in Adult Education and Community Development from the University of Toronto OISE. Ms Amina Osman served as a Case Manager with the Alliance for Multicultural Community Service in Toronto, Ontario, and later a Youth Care Worker with the Catholic Charities in Houston, Texas. She later worked as Seminar Facilitator at the University of Toronto, and got an opportunity to work with the Toronto Police Somali Liaison Unit as a Community Outreach Worker. Due to her experience, she served as the Vice President in the Board of Directors of Ascot Cooperative Home in Toronto. Around the same time, she has also served as a Group Leader, Facilitator, COPE Program in Yorktown Child and Family Centre in Toronto, Ontario. She is a recipient of various awards and achievements including Women Global Health, Somalia Chapter, Toronto Police Division 23 Award - Community Liaison, among certificates and scholarships. Ms Amina Osman represents the women groups and is the Company's Director representing the Low-Income Consumers' Group having been appointed in 2022.



Mr. Atul Patel

Mr Atul Patel is an independent director serving as a Member of the Risk & Audit Committee of the Board having been re-appointed on 1st September 2022. He is 62 years old. An astute businessman and a household name in manufacturing, Mr Patel holds a Diploma in Business Administration from the former Kenya Polytechnic, now Technical University of Nairobi. He possesses over 30-years of work experience in the manufacturing industry, having been the first manufacturer of all types of metal springs in Kenya. Mr Patel represents the manufacturers' stakeholder group according to the WASREB Corporate Governance requirements.



Ms. Asha Abdi

Ms Aisha Abdi is currently serving as the Chief Officer - Finance & Economic Planning of the County Government of Mombasa (CGM) having been appointed on July 31st, 2018. Ms Abdi manages the County Treasury's revenue, planning, internal audit, accounting, and procurement functions. She holds a Bachelors in Economics from the University of Nairobi and she is currently concluding her Masters in Project Planning and Management at the same university. Ms Abdi has also undertaken Advanced Management Programs for Executives at the Harvard School in Boston, USA, the Lagos Business School in Nigeria and the IESE Business School in Barcelona, Spain. Ms Abdi has over 10-years' experience in Finance and Banking having worked in various capacities with Equity Bank Limited and the County Government of Isiolo where she served as the County Executive Member for Finance and Economic Planning (2013 - 2017). She is a representative of the County Government (Shareholder) at the Board of MOWASSCO, a county government agency, according to the WASREB Corporate Governance requirements.



Mr. Ahmed Badawy

Mr Ahmed Alwy Ahmed Badawy is an independent director serving as a Member of the Human Resource Committee and the Chairperson of the Finance & Business Committee having been appointed on May 6th, 2022. He is 40 years old. Mr Badawy is a holder of Bachelor of Science in Applied Accounting from the Oxford Brookes University in the United Kingdom (UK). Prior to that, he had completed, within a record 2.5years qualifications in the Association of Certified Chartered Accountants (ACCA) from the Sunway University College in Malaysia. He is also Master of Business Administration from the Strathmore Business School, Strathmore University in Kenya. Mr Ahmed Badawy brings a wealth of experience to the Board, having dealt with senior executives of banks and law firms on various transactions including complex syndications. He possesses excellent knowledge of International Financial Reporting Standards (IFRS) and mercurial competence in transactional support, having executed numerous assignments including presentation of key findings to the board of directors. He has a wealth of extensive experience in the financial sector, general investment management, real estate, and education, construction with limited exposure to IT, Oil & Gas, utilities sector and manufacturing sector. He has worked with Ernst & Young, Abu Dhabi as an Analyst in Trasactional Advisory Services, International Pteroleum Investment Company (Sovereign Wealth Fund for the Abu Dhabi Government) as a Financial Analyst, and Managing Director of GulfCap Africa Limited / GulfCap Investments LLC. He is currently serving as the Project Chief Executive Officer of the Buxton Point Apartments, a modern and affordable housing project in Mombasa which is being done through a partnership between GulfCap Real Estate and the County Government of Mombasa. Mr Badawy represents the business community stakeholder group according to the WASREB Corporate Governance requirements



Mr. Abdirahim Farah
 Managing Director

Mr. Abdirahim Mohamed Farah is the Managing Director and secretary to the board. He was appointed on May 3rd, 2022 and is 44 years old. Mr. Farah is a holder on a Bachelor Degree in Business Management from Moi University, and a Master's in Business Administration (Strategic Management) from the University of Nairobi. He also holds professional trainings and certifications in Public Policy Management from Strathmore University, and Public Procurement and Senior Management from the Kenya School of Government (KSG). He is also an Associate Member of the Marketing Society of Kenya, membership no. A1218/MSK. Mr. Farah is an accomplished leader and executive manager with industry expertise in managing public sector projects (water and sanitation, economic development), policy development and implementation, executive board management, public relations and brand management, strategic plan development, general administrative oversight, stakeholder relationship management, corporate governance and resource mobilization & allocation. He has worked as a Management Trainee at KCB Bank, General Manager at Pro-phase Marketing & Publishing Ltd, Business Development Manager at SoftNet Technologies Ltd, and Group Finance Manager at Havard Africa Ltd. Thereafter, he transitioned into full time public service, initially as Chief Officer in the County Government of Mombasa, serving in the Departments of Youth & Gender, Land, Planning & Housing, Investments and later Water, Sanitation & Natural Resources.

8






FCS Jacqueline Waihenya

Jacqueline Waihenya is currently the company secretary. She is an Advocate of the High Court of Kenya having been admitted to the bar in 1998 and she is the Managing Partner of JWM LAW LLP (formerly Jacqueline Waihenya Maina & Co. Advocates) which she founded in 2012. She holds an LLM from the University of Nairobi's pioneer LLM class at Mombasa specializing in Public Finance & Financial Services Law. She is currently pursuing an LLM in International Dispute Resolution at Queen Mary University of London. Jacqueline is also a Governance Practitioner. She is a Fellow of the Institute of Certified Secretaries of Kenya (ICS) and was recently elected to the governing council of ICS where she chairs the Membership Committee as well as the Research & Publications Committee. She is also an Accredited Governance Auditor, a Legal & Compliance Auditor and Governance Trainer. She is a Fellow of the Chartered Institute of Arbitrators - Kenya Branch and holds a diploma in International Arbitration.

iii. MANAGEMENT TEAM

1	 <p>Mr. Abdirahim Farah Managing Director</p>	<p>Mr. Abdirahim Mohamed Farah is the Managing Director. He was appointed on May 3rd, 2022, replacing Eng. Timothy Ngendo Mugo who held the position on acting capacity. Mr. Farah is a holder on a Bachelor Degree in Business Management from Moi University, and a Master's in Business Administration (Strategic Management) from the University of Nairobi. He also holds professional trainings and certifications in Public Policy Management from Strathmore University, and Public Procurement and Senior Management from the Kenya School of Government (KSG). He is also an Associate Member of the Marketing Society of Kenya membership no. A1218/MSK. He has worked as a Management Trainee at KCB Bank, General Manager at Pro-phase Marketing & Publishing Ltd, Business Development Manager at SoftNet Technologies Ltd, and Group Finance Manager at Havard Africa Ltd. Thereafter, he transitioned into full time public service, initially as Chief Officer in the County Government of Mombasa, serving in the Departments of Youth & Gender, Land, Planning & Housing, Investments and later Water Sanitation & Natural Resources.</p>
2.	 <p>Habiba Ali - Business Operations Manager</p>	<p>Ms Habiba Ali is currently the Ag.GM Commercial and Business development and responsible for coordinating company's business operations and ensuring adequate service delivery to the residents of Mombasa County. Ms Habiba Ali is a qualified and experienced individual with a strong academic grounding in International Development allowing her to understand the magnitude and significance of sustainable development projects. Ms Habiba Ali holds a BA Honor in International development studies with languages from the University of Portsmouth and an Msc in International development studies. She is a certified member of the Kenya Institute of Management.</p>

3	 <p>Eng. Timothy Ngendo Mugo - General Manager Engineering & Strategy</p>	<p>Eng. Mugo is currently the General Manager for Engineering & strategy and has vast experience of more than 10 years in operations & maintenance of the water networks as well as working with developer projects through strategic management of the projects and good leadership. Significantly he has acted as the Managing Director for the company and demonstrated that he is a multi-skilled professional who has been tasked with several senior responsibilities. Timothy Mugo Ng'endo is a qualified and certified member of the Civil engineering graduate engineer(ERB).</p> <p>Engineer Timothy Mugo holds a Master's certificate in International Executive Masters in Water for all and a Bachelor's degree in Operations Management from the Jomo Kenyatta University of Agriculture & Technology which has impacted significantly his management of project planning and design management to bring sustainable development for the company.</p>
4	 <p>Amos Dhadho Galole - General Manager Human Resource Management</p>	<p>Mr. Amos Galole is in charge of Human Resource Management. Mr Galole is a certified Human Resources Management practitioner with the professional body of the Institute of Human Resource Management with a valid practicing license. He holds a Diploma in personnel management and is a qualified practitioner with Vast knowledge on industrial labour laws which has significantly Influenced his professional growth and interactions with the workforce at the organization. Mr. Amos has continuously gained vast knowledge through trainings that steer career development in the emerging trends in the industry.</p>

	<p>CPA Mbelenga is responsible for strategic financial planning and management, financial advisory, resource mobilization, control and reporting for the Company. He holds Master's in Business Administration (MBA)-Finance from University of Nairobi and bachelor of Commerce (Accounting) from University of Nairobi. He is a Certified Public Accountant (CPA-K) and Certified Investment and Financial Analyst (CISA II). CPA Mbelenga is a full member of Institute of Certified Public Accountants of Kenya (ICPAK).</p>
<p>CPA Laban Kinyai Mbelenga- General Manager Finance</p>	

7. CHAIRMAN'S STATEMENT

As the Board Chairman of Mombasa Water Supply & Sanitation Company Limited, I have the pleasure of addressing you on the various issues facing our organization and the measures we are taking to address them.

1) Improving Access to Clean Water

It is our moral obligation to provide access to clean water to all residents of Mombasa County, where over 75% of the population lives in low-income areas. To achieve this, we are investing in new infrastructure development through public-private partnerships, which will bring clean water to those in need, create new jobs, and boost the local economy.

2) Effective Water Conservation and Demand Management

We are committed to implementing effective water conservation and demand management practices to ensure sustainable water supply, in line with the Water Act (2016). We call upon social activists, water vendors, and other stakeholders to lead the way in responsible water management.

3) Customer Service and Support

Providing exceptional customer service and support is our top priority, and we are investing in these areas to improve customer satisfaction, build a strong reputation, and increase customer loyalty and trust.

4) Safety and Sustainability of Water Sources

It is our responsibility to ensure that residents have access to safe and sustainable water sources, and we will undertake an aggressive campaign to meet national standards for water quality.

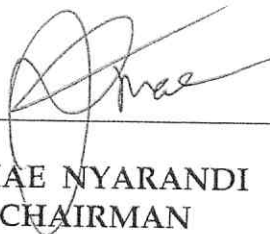
5) Improved Water Supply Reliability

Through efficient operations and maintenance, we have reduced water losses, resulting in improved water supply reliability. We also call upon the public to help tackle non-revenue water.

6) Challenges Being Faced

Limited resources for infrastructure development and maintenance and inadequate access to financing for large-scale projects are the primary challenges facing our organization. However, our dedicated team is working tirelessly to overcome these challenges and ensure that we continue to provide safe and reliable water services to our community.

In conclusion, we are committed to improving access to clean water, ensuring the safety and sustainability of water sources, and providing exceptional customer service and support. Our efforts have already yielded impressive results, with customer satisfaction rates at an all-time high. We are confident that with the support of our stakeholders, we will continue to strive for excellence and achieve our goals.



CPA OMAE NYARANDI
BOARD CHAIRMAN

7. REPORT OF THE MANAGING DIRECTOR

RESULTS

The Company posted a 73% reduction in loss position to Kshs. 20 Million compared to the previous year. This was majorly occasioned by the Conditional Liquidity Grant (CLSG) from the World Bank through the Water Sector Trust Fund (WSTF) aimed at easing the negative effects of Covid-19 Pandemic on the business in water sector.

COMPANY'S STRATEGIC DIRECTION

The Management and Board of Directors will continue overseeing corporate governance and offer strategic leadership in helping the Company deliver on its four agenda of reducing NRW, growing water and related revenue streams, improving collection efficiency and containing its cost of doing business. The company has particularly partnered with Development Partners; the World Bank and Africa Development Bank in overhauling and replacement of old infrastructure aimed at reducing inefficiencies in Non Revenue Water, increase water supply and access to residents. The company is also in the process of reviewing its water tariff to match cost of distributing water to consumers as it seeks to achieve its overall goal of providing safe water for all.

THE CHALLENGE

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

THE FUTURE

The Company's future continues to brighten. With losses decreasing and the Company currently implementing the infrastructural Improvement Projects funded by the World Bank & aimed at increasing water supply, I am optimistic that turn-around is realizable. The process of repricing our water and sanitation services (water and sewerage tariff) for the next 5 years is also underway and expected to be approved in the FY 2022-2023. This will see the company cover its operational costs as it moves towards financial sustainability. The Board of Directors and Management, together with World Bank Consultants are engaged in Management Turnaround Programmes that will further see the company plug its budget deficit.

REPORT OF THE MANAGING DIRECTOR (Continued...)

APPRECIATION

We convey our appreciation to our customers who have continued to support our operations through timely payment of their bills and partnered with us in various engagements of improving water supply levels. 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 sustain the momentum of changing the fortunes of Mombasa Water.



Abdirahim Farah
Managing Director

CORPORATE GOVERNANCE STATEMENT

Introduction

This statement outlines the key principles and practices of corporate governance followed by Mombasa Water Supply & Sanitation Company Limited. Our governance framework is designed to ensure that the company is managed in a responsible and transparent manner and that the interests of all stakeholders are protected.

Appointment and Removal of Directors

The shareholders, guided by the regulations set forth by the water sector's governing body on corporate governance, have the responsibility of selecting directors based on their relevant experience, skills, and qualifications.

As outlined by the company's Board Charter and the Companies Act (2015), the process for dismissing directors due to misconduct, poor performance, or a conflict of interest is established. During the previous financial year, the performance of the current Board Members did not warrant any removal actions.

However, the terms of seven directors came to an end, with three of them reaching their mandatory two-term limit and being ineligible for reappointment. The other four directors were eligible for reappointment and were subsequently extended their service for an additional three years, preserving the board's focus and strategic direction.

To replace the three outgoing directors, the shareholders appointed two new directors during the financial year, and we anticipate making additional appointments to ensure compliance with relevant governance guidelines for public entities and water utilities.

Roles and Functions of the Board

The board is responsible for overseeing the management of the company and ensuring that its business is conducted in a manner that maximizes value for shareholders. The board is also responsible for setting the company's strategic direction, establishing policies, and ensuring that the company complies with all applicable laws and regulations.

Board Charter

The company has a board charter that outlines the roles, responsibilities, and duties of the board and its individual members. The charter is set for review and updating in the upcoming financial year to ensure that it remains relevant and reflects changes in the company's operations and governance practices.

Board Meetings

The Board of Directors regularly convened to deliberate on significant corporate matters and assess the organization's progress. The frequency of these meetings was established by the board and typically occurred no less than four times annually.

CORPORATE GOVERNANCE STATEMENT (continued....)

During the specified financial year, additional, three extraordinary board meetings were conducted to interact with management and tackle emerging personnel concerns.

To ensure accountability, the participation of board members in these meetings was meticulously documented and periodically evaluated. The presence of a sufficient number of board members at each meeting ensured that all resolutions passed were valid, legitimate and compliant with legal requirements.

Succession Plan

The company is working on several policy formulations, key among them being the formal succession plan in place to ensure that it is prepared for the departure of key executives or directors. The plan will outline the process for identifying and developing new leaders, and the steps that will be taken to ensure a smooth transition of leadership.

This initiative demonstrates the company's commitment to preparedness and stability, and positions it for continued success in the future.

Induction and Training

It is unfortunate that, owing to financial constraints, the recent additions to the board of directors have not undergone a thorough orientation to familiarize themselves with the company's operations and policies.

Additionally, a lack of ongoing training has resulted in insufficient preparedness for them to effectively execute their duties. This includes familiarization with industry standards for corporate governance and the company's specific governance protocols.

Rest assured that rectifying this situation is a priority in the upcoming fiscal year. A comprehensive induction and training program is planned, along with opportunities to benchmark against the leading practices in the industry, both operationally and with regards to governance..

Conflict of Interest

The company's Board has established a steadfast and mandatory protocol, requiring all directors and executives to declare any potential conflicts of interest at every single board and committee meeting.

This requirement, which has been mandated for this financial year, was aimed at ensuring that all interests are disclosed to the board for assessment and appropriate action to be taken towards their management or elimination. It is notable that the majority of these interests originated from management staff.

Board Remuneration

The compensation of directors is established by the board of directors, in accordance with the regulations outlined in government circulars and enshrined in the Board Charter. The compensation is structured to be equitable and appropriate, taking into account the obligations and duties inherent

CORPORATE GOVERNANCE STATEMENT (continued....)

to the position. In keeping with the commitment to best practices, the company's remuneration policy will be evaluated during the upcoming fiscal year to ensure its continued alignment with established standards.

Ethics and Conduct

The organization has embarked on the creation of a comprehensive Code of Ethics and Conduct, which will serve as a clear and concise guide to the expected behavior of all employees and directors. This document will undergo periodic review to ensure its continued relevance and alignment with evolving industry standards.

The Code of Ethics and Conduct will be integrated into the revised Human Resource Policy Manual, a process that is closely overseen by the board and targeted for adoption during the upcoming fiscal year.

Governance Audit

The lack of periodic evaluations of governance practices and procedures in the recent financial year may have resulted in the company falling short of industry standards and not adequately serving the needs of all stakeholders. This is due to constraints in financial resource allocation.

To rectify this situation, the company plans to conduct comprehensive evaluations in the coming fiscal year to assess adherence to governance policies and evaluate the performance of the board and directors. This proactive measure will ensure that the company operates in line with the best practices available in the industry.

Conclusion

Mombasa Water Supply & Sanitation Company Limited is committed to maintaining high standards of corporate governance and to ensuring that its operations are conducted in a transparent and responsible manner. Our governance framework is designed to serve the interests of all.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATIONAL PERFORMANCE FOR THE YEAR

The company continued with its loss making trend in the year under review with, however, a more than threefold recorded improvement in its bottom line to Kshs. 20 Million compared to previous year's loss of Kshs. 78 Million. The loss making is majorly attributable to aging and dilapidated infrastructure leading to high Non Revenue Water (50%), increasing business operating costs due to inflation and reduction in water purchases from the bulk supplier, Coast Water Works Development Agency.

Against the backdrop of reduced water supply from sources coupled with high NRW, the company faces cash flow challenges that threaten its operations. The company has up to June 2022 accumulated more than Kshs. 1.5 Billion in unremitted staff deductions and unpaid suppliers. The cash flow constraints experienced by the company is a huge exposure with the debts crystalizing.

PROJECTS IMPLEMENTED IN THE YEAR

The Board and management have embarked on a recovery path of the company by implementing strategies aimed at reducing NRW and general company improvement. To address NRW, the company is in the process of overhauling its water and sanitation distribution network and or rehabilitation funded by the World Bank under Water and Sanitation Development Project. The main objective of the project is To support Mombasa Water Company in construction of and rehabilitation of water distribution and sanitation systems and Capacity-building and institutional strengthening activities including CIS, Improving billing and collection and NRW to support improved water and sanitation performance of Mombasa Water. The project management aims to achieve the goals through the following means:

- (i) Rehabilitating selected existing water distribution networks including selected extensions to underserved areas;
- (ii) Improving storm water outlets and combined sewer overflows in selected Mombasa County areas.
- (iii) Rehabilitating existing Waste Water Treatment Plant and Pump Stations .
- (iv) Supporting the company in capacity-building through need informed trainings and fleet acquisition to support operations.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30th, 2022, which show the state of Mombasa Water Supply and Sanitation Company Limited.

i) Principal activities

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

ii) Results

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

	Ksh.
Loss before taxation	(20,165,380)
Taxation charge	Nil
Loss for the year transferred to retained earnings	(20,165,380)

iii) Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 30th June 2022.

iv) Directors

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

v) Auditors

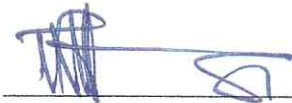
The Auditor General is responsible for the statutory audit of the Company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board

MUNYI MUGO, ADVOCATE

Name

Secretary to the Board



Signature

27 Feb 2023

Date

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Mombasa Water Supply and Sanitation Co. Ltd financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the company.
- (v) Selecting and applying appropriate accounting policies; and,
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015). The Directors are of the opinion that the Financial Statements give a true and fair view of the state of the financial affairs of the Company as at 30th June 2022 and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.


STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)


The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

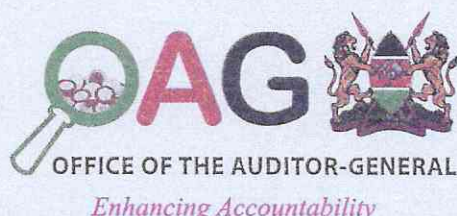
The Mombasa Water Supply and Sanitation Company Ltd financial statements were approved by the Board on 27 Feb 2023 ~~2022~~ and signed on its behalf by:

Signature: 
Name: Isaac NYARAKA
Chairman of the Board

Signature: 
Name: ABDIRAHIM M. KARAH
Managing 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, 2022

PREAMBLE

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

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

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mombasa Water Supply and Sanitation Company Limited set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and

Report of the Auditor-General on Mombasa Water Supply and Sanitation Company Limited for the year ended 30 June, 2022

3. Unconfirmed Share Capital

As previously reported, the Company was incorporated on 18 March, 2011 to take over services of the defunct Mombasa Water Supply and Sanitation 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, 2022. Further, out of the new Company's authorized share capital of 5,000 ordinary shares of Kshs.1,000 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 18 to the financial statements reflects issued but not paid 5,000 ordinary shares of par value of Kshs.1000 each and twelve (12) ordinary shares of par value of Kshs.20 each, which is more than the authorized ordinary shares of 5000.

In the circumstances, the accuracy and completeness of the share capital balance of Kshs.5,000,240 as at 30 June, 2022 could not be confirmed.

4. Trade and Other Payables - Long Outstanding Payables

The statement of financial position and as disclosed under Note 24 to the financial statements reflect trade and other payables balance of Kshs.1,900,432,450. Included in this balance is an amount of Kshs.1,359,931,219 relating to trade payables, out of which Kshs.1,320,840,700 was outstanding for more than ninety (90) days. Further, Kshs.123,304,711 of the payables related to debts owed to Coast Water Services Board. Although supporting invoices for the balance were provided for audit review, the Agency's records indicated an outstanding debt of Ksh.1,615,500,114, resulting in an unreconciled variance of Kshs.1,492,195,403.

In the circumstances, the accuracy of trade and other payables balance of Kshs.1,900,432,450 could not be confirmed. In addition, the Company may be exposed to penalties, fines and unquantified litigation costs due to late payments.

5. Irregular Engagement of Casuals

The statement of profit or loss and other comprehensive income reflects general and operation expenses of Kshs.428,418,764 and as disclosed in Note 10 to the financial statements, which includes operation and maintenance for Water and Sanitation Development Project expenditure of Kshs.31,544,536 out of which Kshs.3,350,701 was spent on casual wages. However, approval by the Mombasa Water Board was not provided for audit review. Further, the casual workers were engaged for more than three months and without signed contracts. This was contrary to Section 37(b) of the employment Act, 2007 that provides that where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to be equivalent of three months or more, the contract of services of the casual employee shall be deemed to be one where, wages are paid monthly and section 34(1)(c) shall apply of that contract of services.

In the circumstances, the propriety, validity and completeness of Kshs.3,350,701 spent on casual wages for the year ended 30 June, 2022 could not be confirmed.

transported waste from customers who were not connected to its sewer networks using exhausters without a license from the National Environment Management Authority to carry out the service. In addition, raw sewerage from Mombasa Island and West Mainland was emptied into the ocean due to lack of sewer treatment plants.

Further, the sewer treatment plants at Kizingo and Kipevu were not operational for the last twenty (20) and seven (7) years respectively. Also, nine sewer networks collapsed (five in old town, two in Mambwe and two in West Mainland) while all the eight pump stations (four in West Mainland and four on the Island) were not working.

In the circumstances, Management was in breach of Regulations 10 and 11 of the Environmental Management and Co-ordination (Waste Management) Regulations, 2006 which requires an operator to have a license for the transportation of waste and to operate a waste disposal site or plant among others. Further, the untreated waste posed health hazard to the residents of Mombasa City.

2. Non-Compliance with a One Third (1/3) of Basic Pay Rule

During the year under review, payroll records for nine (9) months sampled indicated that members of staff earned net salaries that were less than one third of their basic pay.

This was contrary to Section 19(3) of the Employment Act, 2007 which stipulates that, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages.

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

3. Irregular Procurement of Laptops Computers, Printers and LCD Projector

The statement of profit or loss and other comprehensive income reflects general and operation expenses of Kshs.428,418,764 and as disclosed in Note 10 to the financial statements includes Water and Sanitation Development Project expenditure of Kshs.31,544,536, out of which Kshs.4,912,602 was paid to a supplier for supply of eleven laptop computers, printers and LCD projector. However, the evaluation report indicated that three firms were evaluated, out of which two firms shared postal addresses.

A letter referenced MWSSC/MD/019/VOL IV/14 indicated that the Management accepted a request made by the supplier for change of the laptop computer brand from HP450 ProBook Corei7 originally quoted in the bid document to Dell lat-3520-004 black corei7. However, Management did not provide evidence to confirm that the process was taken back to the Evaluation and Negotiations Committee for consideration.

In the circumstances, the Company may not have achieved value for money spent in the procurement of the equipment at a cost of Kshs.4,912,602.

4. Irregular Procurement of Maintenance of Sewerage Services

The statement of profit or loss and other comprehensive income reflects general and operation expenses of Kshs.428,418,764 and as disclosed in Note 10 to the financial statements which includes maintenance of sewerage services expenditure of

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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan 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 the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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 controls, 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.

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.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

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. 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

26 April, 2023

**XI. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2022.**


	Notes	2022 Kshs	2021 Kshs
REVENUE			
Operating Revenue	6	808,423,371	778,517,369
Grant Income	7	88,851,556	71,894,175
Other Income	8	972,180	456,847
TOTAL REVENUES		898,247,106	850,868,391
OPERATING EXPENSES			
Staff Costs	9	443,116,042	401,073,437
General and Operation Expenses	10	428,418,764	461,028,229
Directors Expenses	11	2,194,000	5,051,400
Maintenance Expenses	12	19,064,980	36,051,156
Depreciation and Amortization Expenses	13	25,618,700	26,556,166
TOTAL EXPENSES		918,412,486	679,850,887
Profit/(Loss) before tax		(20,165,380)	(78,891,997)
Income Tax Expense		-	-
PROFIT/ (LOSS) AFTER TAXATION		(20,165,380)	(78,891,997)
OTHER COMPREHENSIVE INCOME			
PROFIT/ (LOSS) AFTER TAXATION		(20,165,380)	(78,891,997)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(20,165,380)	(78,891,997)

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2,022 Kshs	2,021 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	14	107,611,521	112,568,597
Intangible assets	15	5,911,508	8,003,301
Amount due from shareholders	21	5,000,240	5,000,240
Work in Progress plant & machinery-WSDP	22	423,981,471	237,429,093
Total Non-Current Assets		542,504,740	363,001,232
Current Assets			
Trade and other receivables	16	154,002,188	170,752,957
Bank and cash balances	17	145,146,852	184,078,579
Total Current Assets		299,149,040	354,831,536
TOTAL ASSETS		841,653,780	717,832,768
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	18	5,000,240	5,000,240
Capital reserve	19	485,003,469	485,003,469
Retained earnings	20	(2,097,527,856)	(2,077,362,476)
Capital and Reserves		(1,607,524,147)	(1,587,358,767)
Non-Current Liabilities			
WSDP Loan		538,593,751	475,806,074
Service gratuity	23	10,151,725	9,956,247
Total Non-Current Liabilities		548,745,476	485,762,321
Current Liabilities			
Trade and other payables	24	1,900,432,450	1,819,429,214
Total Current Liabilities		1,900,432,450	1,819,429,214
TOTAL EQUITY AND LIABILITIES		841,653,780	717,832,768

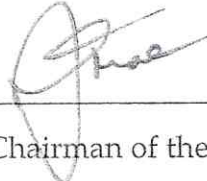
The financial statements were approved by the Board on _____ 2022 and signed on its behalf by:



Managing Director
Name: Abdirahim Farah



GM-Finance & Admin
Name: CPA Laban Kinyai
ICPAK M/No: 18867



Chairman of the Board
Name: Justus Nyarandi

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022

XIII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Share Capital Kshs	Retained Earnings Kshs	Capital Reserve Kshs	Total Kshs
At 1st July 2020	18	5,000,240	(2,062,438,655)	485,003,469	(1,572,434,946)
Prior year Adjustments			63,968,175		63,968,175
Net profit for the year			(78,891,997)		(78,891,997)
At 30th June 2021		5,000,240	(2,077,362,476)	485,003,469	(1,587,358,767)
At 1st July 2021	18	5,000,240	(2,077,362,476)	485,003,469	(1,587,358,767)
Prior year Adjustments			-		-
Net profit for the year			(20,165,380)		(20,165,380)
At 30th June 2022		5,000,240	(2,097,527,856)	485,003,469	(1,607,524,147)

XIV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 Kshs	2021 Kshs
Cash flows from operating activities			
Revenue			
Operating Revenue	6	808,423,371	778,517,369
Grant Income	7	88,851,556	71,894,175
Other Income	8	972,180	456,847
Total Revenue		898,247,106	850,868,391
Expenses			
Staff Costs	9	443,116,042	401,073,437
General and Operation Expenses	10	428,418,764	461,028,229
Directors Expenses	11	2,194,000	5,051,400
Maintenance Expenses	12	19,064,980	36,051,156
Prior year Adjustments		-	(63,968,175)
Total Expenses		892,793,786	839,236,046
Change in trade and other receivables	16	16,750,769	68,290,061
Change in trade and other payables	24	81,003,236	(113,708,297)
Net Cash From/(Used In) Operating Activities		102,658,480	103,207,325
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	14	(18,569,830)	(20,091,769)
Work in Progress plant & machinery-WSDP	22	(186,552,376)	(26,653,455)
Net cash (used in) investing activities		(205,122,206)	(46,745,224)
Cash flows from financing activities			
Share Capital		-	-
Borrowings	23	62,983,156	227,602,588
Net cash (used in) financing activities		62,983,156	227,602,588
Net (decrease) in cash and cash equivalents		(38,931,726)	(38,931,726)
Cash and cash equivalents at Beginning of Year		184,078,578	184,078,578
Cash and cash equivalents at End of the Year		145,146,852	145,146,852

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

	Original budget 2021-2022 Kshs	Adjustments 2021-2022 Kshs	Final budget 2021-2022 Kshs	Actual on comparable basis 2021-2022 Kshs	Performance difference 2021-2022 Kshs	% Utilization 2021-2022 %
Revenue						
Operating Revenue	895,642,090	-	895,642,090	808,423,371	(87,218,719)	-10%
Grant Income	111,894,175	-	111,894,175	88,851,556	(23,042,619)	-21%
Other Income	405,937	-	405,937	972,180	566,243	139%
Total income	1,007,942,202	-	1,007,942,202	898,247,106	(109,695,096)	-11%
Expenses						
Staff Costs	450,647,919	16,023,273	466,671,192	443,116,042	23,555,150	5%
General and Operation Expenses	437,664,423	(13,381,000)	424,283,423	428,418,764	(4,135,341)	-1%
Directors Expenses	8,753,000	-	8,753,000	2,194,000.00	6,559,000	75%
Maintenance Expenses	32,500,000	(251,806)	32,248,194	19,064,980	13,183,214	41%
Depreciation and Amortization Expenses	29,118,647	(2,390,467)	26,728,180	25,618,700	1,109,480	4%
Total Recurrent Expenditure	958,683,989	-	958,683,989	918,412,486	40,271,503	4%
Profit or (Loss)	49,258,213	-	49,258,213	(20,165,380)	69,423,593	141%
Capital Expenditure	26,775,400	-	26,775,400	18,569,830	8,205,570	31%
Total Expenditure	985,459,389	-	985,459,389	936,982,316	48,477,073	5%

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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

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

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Application of New and Revised International Financial Reporting Standards (IFRS)
i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022*

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

**Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022**

Title	Description	Effective Date
cent' Test for Derecognition of Financial Liabilities	includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

Mombasa Water Supply & Sanitation Co. Ltd
 Annual Reports and Financial Statements for the year ended June 30, 2022
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

Title	Description	Effective Date
IAS 1 – Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material	The amendments are effective for annual periods beginning on or after

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022

Title	Description	Effective Date
(issued in February 2021)	accounting policy information rather than their significant accounting policies	January 1, 2023. Earlier application is permitted.
IAS 12 – Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) **Revenue recognition**

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

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

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Summary of Significant Accounting Policies

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

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

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

Summary of Significant Accounting Policies

g) Investment property

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

h) Right of Use Asset

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

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the

Summary of Significant Accounting Policies

intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company operates and generates

Summary of Significant Accounting Policies

taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

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

o) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized

Summary of Significant Accounting Policies

deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

p) **Borrowing costs**

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

q) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less,

Summary of Significant Accounting Policies

which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year

r) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

s) Trade and other payables

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

t) Retirement benefit obligations

The Company does not have an in-house pension scheme and has allowed its employees on permanent & pensionable terms to join pension scheme of their choice and contribute 7.5% of their basic pay and the company doubles the contribution(15% of the basic pay). The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200.00 Per employee per month.

Summary of Significant Accounting Policies

u) Exchange rate differences

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

v) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded inter vote budget re-allocation on the 2021-2022 budget following the governing body's approval on March 2022. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

Summary of Significant Accounting Policies

w) Service concession arrangements

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

x) Comparative figures

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

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions

Summary of Significant Accounting Policies

about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

	2021-2022	2020-2021
	Kshs	Kshs
Water Sales	656,413,235	629,204,556
Sewerage Sales	146,392,208	149,312,813
Billing for other services*	5,617,928	-
Total	808,423,371	778,517,369

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

7. Grants Income

	2021-2022	2020-2021
	Kshs	Kshs
Grant - WSTF CLSG	88,851,556	71,894,175
Total	88,851,556	71,894,175

8. Other Income

	2021-2022	2020-2021
	Kshs	Kshs
Commission on employees' insurance premiums	224,939	188,760
Interest income	747,241	268,087
Total	972,180	456,847

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Staff Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Acting Allowance	31,208	290,213
Basic Salaries	209,470,680	184,512,234
Leave Allowance	8,197,500	5,387,965
Entertainment Allowance	40,000	480,000
Casual Wages	-	1,165,591
Pension - Employers Contribution	35,016,088	26,775,606
House Allowances	77,634,000	70,612,000
Uniform and Protective Clothing	364,960	737,275
Staff Welfare Expenses	7,046,824	7,572,386
Workmen Compensation Insurance	266,192	355,031
Medical Expenses	49,090,983	50,528,585
Supervisory Allowance	300,000	210,000
Meter reading allowance	1,290,000	1,469,500
Training	1,645,980	1,752,847
Retirement Token	1,486,198	4,129,370
Gratuity	2,948,638	2,801,809
Extraneous duties allowance	9,140,040	9,106,637
Commute Allowance	32,814,361	27,310,000
Leave-days Equivalent Pay	668,834	-
Group Life Insurance	2,683,500	1,991,598
Daily Subsistence Allowance	2,105,350	2,710,962
Insurance - General	874,707	1,173,828
Sports Expenses	-	-
Total	443,116,042	401,073,437
The average number of employees during the year	352	374

10. General and Operations Expenses

	2021-2022	2020-2021
Description	Kshs	Kshs
Purchase of Bulk Water	241,102,240	249,909,500
O&M WSDP Project	31,544,536	15,700,991
Electricity , Offices and Kipevu Plant	2,481,534	3,694,583
Maintenance of water supply	18,596,883	28,868,036
Maintenance - Sewerage	7,709,782	3,843,098
Security & Surveillance	15,966,115	17,852,827
Laboratory Expenses	361,688	619,722
Internet Connection	8,259,521	8,756,393
Telephone Expenses	5,401,000	5,366,626
Licences	3,025,823	3,854,765
Bank Charges	994,194	744,195
Withheld Interest Expense	32,380	86,483
Administration fees	-	-
Levy Fees - WASREB	32,112,218	30,883,944
Cleaning Costs	2,343,282	2,425,279
Newspapers & Periodicals	19,200	43,440
Subscription fees	799,829	882,150
Printing & Stationery	1,895,233	2,387,929
Courier Expenses	12,490	16,950
Audit Fees	1,500,000	750,000
Contracted Professional Services	474,000	6,659,230
Legal Costs	2,108,935	7,612,300
Newspaper/Radio/TV Advertisement	1,330,150	1,126,522
Other advertising expenses/CSR	5,730	687,900
Show Expenses	-	-
Bad Debts	50,158,128	68,175,034
Fines and Penalties	183,873	80,332
Bad debts written off	-	-
Total	428,418,764	461,028,229

11. Board Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Daily subsistence allowance (per diem)	-	126,900
Travelling	-	-
Sitting Allowances	1,234,000	1,512,300
Lunches	-	4,200
Personal Assistant Allowance	-	-
Honorarium	960,000	960,000
Training	-	100,000
Company Secretary Services	-	2,348,000
Total Board Expenses	2,194,000	5,051,400

12. Maintenance Expenses

Description	2021-2022	2020-2021
	Kshs	Kshs
Plant and Equipment	1,010,242	3,614,392
Buildings	592,521	1,409,925
Motor Vehicles	17,462,217	31,026,839
Total Maintenance Expenses	19,064,980	36,051,156

13. Depreciation and Amortization Expenses

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant, and equipment	23,526,907	26,556,166
Intangible assets	2,091,793	-
Total Depreciation and Amortization	25,618,700	26,556,166

Mombasa Water Supply & Sanitation Co. Ltd
 Annual Reports and Financial Statements for the year ended June 30, 2022
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Property, Plant and Equipment

2021-2022	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
Cost Or Valuation									
At July 1, 2020	8,823,442	106,118,779	6,873,949	24,374,915	3,969,803	15,912,859	81,537,928	12,241	247,623,915
Additions	-	11,800,000	-	5,764,604	-	(198,000)	2,436,921	-	19,803,525
Disposals	-	-	-	-	-	-	-	-	-
At June 30, 2021	8,823,442	117,918,779	6,873,949	30,139,519	3,969,803	15,714,859	83,974,849	12,241	267,427,440
Depreciation									
At July 1, 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
Charge For The Year	408,773	19,004,006	246,207	1,872,143	85,867	559,890	3,076,334	164	25,253,384
Eliminated									
Disposal	-	-	-	-	-	-	-	-	-
At June 30, 2021	5,770,426	50,034,100	5,035,096	22,794,272	581,454	11,731,191	58,900,634	11,671	154,858,843
Net Book Value At									
June 30, 2021	3,053,016	67,884,679	1,838,853	7,345,247	3,388,349	3,983,669	25,074,215	570	112,568,597

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2022	Plant and Equipment	Motor Vehicles	Furniture & Fittings	Computer & Accessories	Land and Building	Office Equipment	Water Meters	Bicycles	Total
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 July 2021	8,823,442	117,918,779	6,873,949	30,139,519	3,969,803	15,714,859	83,974,849	12,241	267,427,440
Additions	162,980	11,200,000	4,621,095	433,000	-	218,020	1,934,735	-	18,569,830
Disposals	-	-	-	-	-	-	-	-	-
As at 30 th June 2022	8,986,422	129,118,779	11,495,044	30,572,519	3,969,803	15,932,879	85,909,584	12,241	285,997,270
DEPRECIATION									
At July 1, 2021	5,770,426	50,034,100	5,035,096	22,794,272	581,454	11,731,191	58,900,634	11,671	154,858,843
Charge for the year	352,845	16,891,557	618,268	1,970,782	83,745	505,706	3,103,877	127	23,526,907
Eliminated on disposal	-	-	-	-	-	-	-	-	-
As at 30 th June 2022	6,123,271	66,925,656	5,653,364	24,765,054	665,199	12,236,897	62,004,511	11,798	178,385,750
NET BOOK VALUE									
At June 30, 2022	2,863,150	62,193,122	5,841,680	5,807,465	3,304,604	3,695,983	23,905,073	443	107,611,521

The Company uses assets inherited from Coast Water Works Development Agency for which administration fees approved by the Regulator, Water Services Regulatory Board (WASREB) and incorporated in the approved water tariff is payable to it (WASREB). This administration fee is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Intangible Assets

	2021-2022	2020-2021
	Kshs	Kshs
COST		
At July 1, 2021	34,044,571	34,044,571
Additions	-	-
Disposals	-	-
At June 30, 2022	34,044,571	34,044,571
AMORTISATION		
At July 1, 2021	26,041,269	26,041,269
Charge for the year	-	-
Disposals	2,091,793	2,091,793
At June 30, 2022	28,133,062	28,133,062
NET BOOK VALUE		
At June 30, 2022	5,911,508	5,911,508

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

16. Trade and Other Receivables

	2021-2022	2020-2021
	KShs	KShs
Water Debtors	943,060,090	907,409,222
Prepayments	38,935,653	41,434,574
Escrow account-WASREB performance guarantee at HFC bank	5,500,000	5,500,000
VAT	51,861,040	51,861,040
Prepaid Salary-advance	2,853,362	2,597,949
Gross trade and other receivables	1,042,210,144	1,008,802,785
Provision for bad and doubtful receivable	(888,207,956)	(838,049,828)
Net trade and other receivables	154,002,188	170,752,957

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 (a) Trade Receivables

	2021-2022	2020-2021
	Kshs	Kshs
Gross trade receivables	943,060,090	907,409,222
Provision for doubtful receivables	(888,207,956)	(838,049,828)
Net trade receivables	54,852,133	69,359,393
at June 30, the ageing analysis of the gross trade receivables was as follows:		
Period outstanding	Balance	%
<30 days	1,366,242	0.1%
>30 -<60	40,913,567	4.3%
>60-<90	22,613,148	2.4%
>90 -<120	13,941,755	1.5%
>120-<150	11,921,605	1.3%
>150-<180	13,179,742	1.4%
>180-<1year	49,762,814	5.3%
1yr	81,218,974	8.6%
2yrs	65,803,136	7.0%
3yrs	61,897,959	6.6%
4yrs	64,692,132	6.9%
5yrs	48,699,006	5.2%
> 5yrs	467,050,010	49.5%
Total as at June 30 2022	943,060,090	100%

Mombasa Water Supply & Sanitation Co. Ltd
Annual Reports and Financial Statements for the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Bank and Cash Balances

	2021-2022	2020-2021
	Kshs	Kshs
Cash at Bank	139,515,445	178,810,108
Cash in hand	-	-
Posta Pay	4,273,251	4,493,344
Mpesa	174,160	211,736
Airtel Money	1,183,996	563,391
Cash and cash equivalent	145,146,852	184,078,579

18. Ordinary Share Capital

	2021-2022	2020-2021
	Kshs	Kshs
Authorized 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 Kshs 20.	5,000,240	5,000,240
Issued but not paid up 5,012 Ordinary Shares	5,000,240	5,000,240

19. Capital Reserves

	2021-2022	2020-2021
	Kshs	Kshs
Capital Reserves		
As at 30th June	485,003,469	485,003,469
	485,003,469	485,003,469

20. Retained Earnings

	2021-2022	2020-2021
	Kshs	Kshs
As at 1st July	(2,077,362,476)	(2,062,438,655)
Prior year adjustments	-	63,968,175
Net Profit / (Loss) as at 30th June	(20,165,380)	(78,891,997)
	(2,097,527,856)	(2,077,362,476)

Retained earning is adjusted by Kshs. 63,968,175 being administration fees that had overstated the previous year's loss. The Sector Regulator suspended its continued charge.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

25. Related Party Disclosures

County Government of Mombasa

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

Other related parties include:

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

Transactions with related parties

- Mombasa Water Company is licensed by Water Services Regulatory Authority to distribute water and offer sanitation services to the residents of Mombasa County in line with the Service Provision Agreement (SPA). During the year, the company procured 12,055,112 M³ of bulk water from CWSB at a total of Kshs.241,102,240 for the year under review. The overall Water Sector regulator is Water Services Regulatory Board (WASREB) that charged the company a total of Kshs. 32,112,218 in regulatory levies.