



KISUMU WATER  
AND SANITATION  
COMPANY LIMITED



ANNUAL REPORT & 2020  
FINANCIAL STATEMENTS





## OUR VISION

To be the most admired service provider



## OUR MISSION

To provide quality water and sewerage services for improved livelihoods

## CORPORATE VALUES

.....

### PROFESSIONALISM

The level of excellence or competence that is expected of all professionals at KIWASCO

### INTEGRITY

Embracing honesty and truthfulness in discharging our responsibilities

### TEAMWORK

Supporting each other and harnessing different skills to create a superior performance culture

### CUSTOMER FOCUS

Being sensitive to the needs of customers, other stakeholders, and the environment

### CREATIVE & INNOVATION

The ability to continuously look for opportunities to improve on the way things are done and providing solutions

# CONTENTS



|  |    |
|--|----|
| Notice of the Annual General Meeting   | 2  |
| Board of Directors   | 4  |
| Chairman's Statement   | 6  |
| Managing Director's Report   | 12 |
| Corporate Governance   | 20 |
| Company Information  | 22 |
| Board Committees   | 23 |
| Report of the Directors  | 24 |
| Statement of Board of Directors' Responsibilities                              | 25 |
| Report of the Independent Auditor  | 26 |
| <hr/>  |    |
| <b>Financial Statements:</b>   |    |
| Statement of Profit or Loss and other Comprehensive Income                     | 30 |
| Statement of Financial Position  | 31 |
| Statement of Changes in Equity   | 32 |
| Statement of Cash Flows  | 33 |
| Statement of Budget vs. Actual Performance                                     | 34 |
| Notes: Significant Accounting Policies   | 35 |
| <hr/>  |    |
| <b>Notes</b>   |    |
| The following pages do not form an integral part of these financial statements |    |
| Schedule of other operating income and expenditure                             | 41 |
| <hr/>  |    |
| <b>Appendices</b>  | 57 |
| <b>Proxy Form</b>  | 58 |



# NOTICE OF ANNUAL GENERAL MEETING

Ref: KWSC/MDO/BOD/4

Date: 23 March 2022

Dear

## RE: NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of the members of Kisumu Water and Sanitation Company Limited will be held on 6th May, 2022 at Ciala Resort, Kisumu from 11.00 am to transact the following business: -

1. To table duly executed proxy forms from members, receive apologies and note presence of quorum.
2. To read the notice convening the meeting and agenda.
3. To confirm the minutes of the 14th AGM held on 22nd November 2019 and consider matters arising therefrom.
4. Matters Arising/Action Status.
5. To receive Chairman's and Managing Director's report.
6. To receive and approve Financial Statements for the years 2018/19 & 2019/2020 and Auditor's report thereon.
7. To note that Auditor General shall continue in office for the year 2020/21 in accordance with Section 721(2) of the Company's Act, and to authorize Directors to fix their remuneration.
8. To discuss any other business for which Notice has been given in accordance with Article of Association.

By Order of the Board,

A handwritten signature in blue ink, appearing to read 'S.O. Awino', enclosed in a blue oval.

**S.O. Awino**

COMPANY SECRETARY

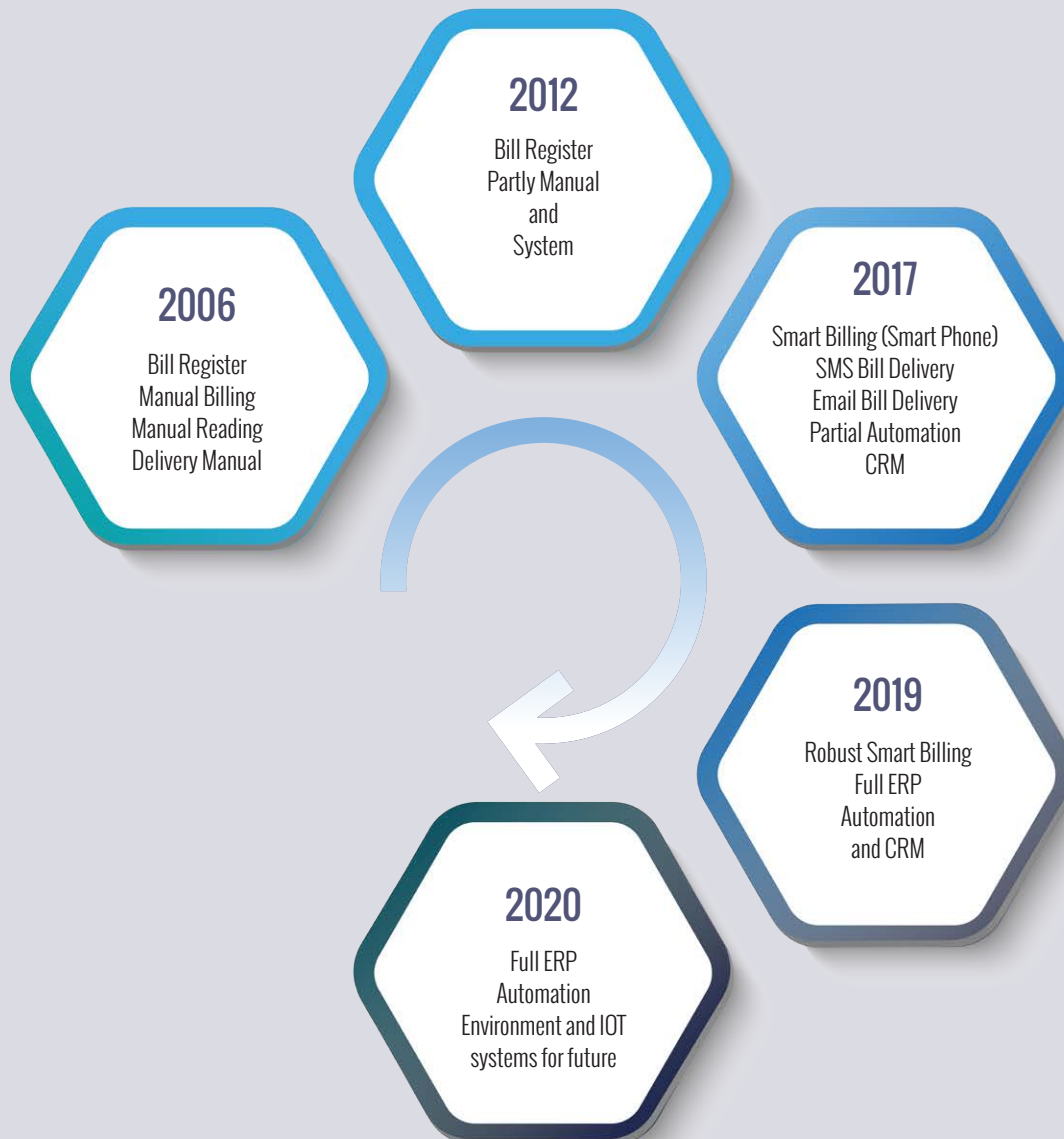
*A member entitled to attend and vote at the meeting is entitled by Sec.299 to appoint a proxy to attend and vote on his/her behalf. A proxy needs not to be a member of the company.*

*Enclosed herein, please find a proxy form for execution as appropriate.*

*The completed proxy form must be returned to the registered office of the company 48 hours before the meeting date.*



## Our Technology Journey





## BOARD OF DIRECTORS



Mr. Vinod Patel  
*Chairman*



Mr. Thomas Odongo  
*Managing Director*



Hon. Salmon Orimba



Ms. Doris Ombara



Mr. Ben Kitoto



Mrs. Janet Winnie Ogot



Mrs. Caren Aketch Oloo



Mr. Nirmal Darbar



Mr. Pollyins Ochieng



Mr. Victor Obaso



Mr. George Okong'o







## CHAIRMAN'S STATEMENT



*KIWASCO also unveiled its new name, Kisumu Water and Sanitation Company Limited from the previous Kisumu Water and sewerage Company limited. This is an expanded scope of operations that includes, provision of sanitation services in our area of operation.*

**Mr. Vinod Patel, Chairman**

Despite the effects of the Covid-19 pandemic and some macro-economic uncertainties during the year, the business remained resilient and delivered solid results. Of concern was the drought that also affected parts of the County and creeping inflation. I am however happy to report that despite these concerns, we are confident that we are well placed to weather any storm.

### International Scene

World real GDP contracted by 4.2 per cent in 2020 compared to a growth of 2.9 per cent in 2019. The contraction was mainly attributed to slowdown in economic activities due to emergence of the Corona virus Disease 2019 (COVID-19). Real GDP in Advanced Economies is estimated to have contracted by 5.8 per cent in the period under review compared to 1.7 per cent growth in 2019. This was due to accelerated collapse in economic activity driven by sharp declines in demand and supply of services. Sub Saharan Africa economies contracted by 1.9 per cent in 2020 compared to a real GDP growth of 3.2 per cent in 2019. East African Community (EAC) real GDP contracted by 0.2 per cent in 2020 compared to a growth of 6.2 per cent recorded in 2019.

Global inflation eased from 3.5 per cent in 2019 to 3.2 per cent in 2020 largely due to significant decline in oil prices. World trade volume contracted by 10.3 per cent in 2020

compared to 1.0 per cent growth in 2019, a reflection of pronounced weakness in aggregate demand. The decline in trade volume was as a result of lockdowns and restriction of movements coupled with border closures that notably constrained consumption of a wide variety of goods.

### Country's Economic Performance

Real Gross Domestic Product (GDP) is estimated to have contracted by 0.3 per cent in 2020 compared to a growth of 5.0 per cent in 2019. The contraction was spread across all sectors of the economy but was more dismal in accommodation and food serving activities, education, professional and administrative service activities. Agriculture, Forestry and Fishing activities were however more vibrant in 2020 despite a contraction in global demand in 2020. The sector grew by 4.6 per cent in 2020 compared to 2.3 per cent growth in 2019. Manufacturing sector growth slowed down from 2.8 per cent in 2019 to 0.2 per cent in 2020. Despite most sectors recording contraction in growths, the economy was somewhat supported by accelerated growths in agricultural production (4.8 per cent), construction activities (11.8 per cent), financial and insurance activities (5.6 per cent) and health services activities (6.7 per cent). During the review period, the Kenyan Shilling depreciated against major currencies exchanging at KSh 106.5, KSh 121.7 and KSh 136.7 against the US dollar, the Euro and Pound Sterling, respectively.



## Agriculture Sector

In 2020, Agriculture sector recorded mixed performance. Sector growth decelerated to 5.4 per cent compared to 3.0 per cent in 2019. The observed performance is attributed to the COVID-19 pandemic coupled with inadequate short rains during the year under review.

## Environment and Natural Resources

The share to the country's Gross Domestic Product (GDP) by the environment and natural resources sector during the review period was 4.0 per cent up from 3.7 per cent recorded in the previous period.

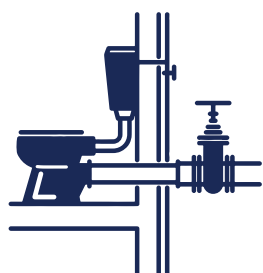
Total development expenditure on Water Supplies and Related Services is expected to increase from KSh 45.8 billion in 2019/20 to KSh 55.2 billion in 2020/21. The rainfall distribution, both in time and space, during long rains season March-April-May (MAM) 2020 was generally good over most parts of the country. The October –November-December (OND) Short Rains seasonal rainfall was below normal over most parts of the country.

## Rebranding, ISO 9001:2015 Transition

The Board ensured implementation and maintaining of a quality management system (QMS). This is a manifestation of the way we serve our customers and stakeholders. With the successful transitioning to the new ISO 9001:2015 we build a more efficient and resilient organization capable of handling risks effectively and exploiting opportunities that come our way.

KIWASCO also unveiled its new name, Kisumu Water and Sanitation Company Limited from the previous Kisumu Water and sewerage Company limited. This is an expanded scope of operations that includes, provision of sanitation services in our area of operation.

Kisumu City is Kenya's third largest City with approximately 60% of the population living in informal settlements (UN- Habitat, 2005). Sewer coverage in Kisumu is at 17%. Currently the majority of people in the informal settlements in Kisumu use pit latrines as the main sanitation facility.



The importance of water and sanitation in assisting Kenya to move from a developing stage to a middle-income stage is well covered in the Government of Kenya's vision 2030 where access to water and sanitation facilities and the quality



of water resources have been identified as key indicators for development. This is further reinforced by the fact that the SDG on sanitation is one of the least progressing of all Goals.

The Key challenges in sanitation in Kisumu County have been identified as follows:

- Low access and inadequate sanitation facilities;
- High public health risks in the fast growing urban low income settlements (high density equals high risks),
- Lack of sanitation facilities in public places and institutions,
- Increasing contamination of raw water resources,
- Missing technologies for reuse of excreta and effluents (productive sanitation), limited financial resources, insufficient capacity in planning/implementation/operation, limited participation by institutions and the private sector,



## CHAIRMAN'S STATEMENT continued

- Historical de-linking of water supply from sanitation and insufficient data base and information. It is on this background that we decided to expand our scope to include the provision of sanitation services. Our main objective is to develop and implement sanitation strategies to increase sanitation uptake within KIWASCO's area of jurisdiction.

By expanding our scope, the following are some of the expected outputs:

- To have a clear roadmap to accelerate infrastructure development for better sanitation services
- Enhanced and clear cooperation with key partners
- Clear and focused pro-poor sanitation strategy
- Active user-point sanitation monitoring tools in place
- Appropriate technologies in sanitation
- Accelerated and well-tailored Public Private Partnerships – PPPs
- A funds mobilization strategy in place and in active use
- Better understanding and delivery on sanitation among KIWASCO staff, partners and stakeholders

It is my hope and belief that we shall work together to achieve the outlined outputs.

### Call Center Experience

KIWASCO made stride in becoming the first Water service Provider in Kenya to unveil a state-of-the-art call center. The call center was funded in partnership with Water & Sanitation for the Urban Poor (WSUP) and Unilever as an intervention towards the fight of Covid-19 and in line with the Ministry of Health protocol that encourages social distancing.

The outbreak of Covid-19 brought a shift in how businesses is conducted and sparked the idea of exploring new channels of communications that will help adhere to the new normal. As a Company we realized that the call center was the missing link that would help the Company reach and serve more customers. The call center launched is expected to help solve customer complaints and concerns without them leaving the comfort of their homes. It will also solve the problems posed by the regular mobile phones that include; dead batteries, loss of network and will also increase response time to 24 hours, more calls can also be reached at the same time.



Call us today through 057 500 7000 and experience this Magic.. 'Refresh Life'. FOR SELF SERVICE DIAL \*483\*86#



Deputy governor Dr. Owili addressing the media during the launch



Mr. Thomas Odongo displaying the new USSD CODE



## Accreditation of the Calibration Laboratory

On March 25, 2021 the Company celebrated the successful calibration of the water meter test bench laboratory. KIWASCO received the Accreditation Certificate from the Kenya Accreditation Service (KENAS) upon satisfying the requirements of ISO/IEC/ 17025:2017 for the competence of testing and calibration laboratory.

With the calibration, KIWASCO now meets the international standards which give comfort to users of water meters in East Africa to use this facility for meter testing, calibration and training. This will take our customer experience to the next level in terms of improving the billing accuracy and collection efficiency. With the accreditation of this facility in Kisumu, users from the Lake Region Economic Bloc no longer have to travel to Nairobi or Nyeri for such services but easily get it in Kisumu. Getting our meter test bench calibrated by KENAS has positioned KIWASCO on the global arena and consequently, the Company needs to strive and meet the expectations that come with it. With the competent staff we have, able leadership and commitment, we believe we are up to task.



*MD, Thomas Odongo addressing guests during the launch*

## Newly Appointed Directors Induction

Board of Directors and Senior Management went for a 3-day retreat at Sentrim hotel in Naivasha in the month of March 2021. The retreat was partly sponsored by Kenya Integrated Water, Sanitation and Hygiene Project (KIWASH). The main aim of the retreat was to take the new Directors through an induction of the company and key areas of focus was on effective Corporate Governance, update

of the current strategic plan and Board Finance and Risk Management.

Directors and senior management had the opportunity to learn the theory of The Golden Circle which addresses understanding the why's, how's and what's of KIWASCO, better summarized as 'purpose'. The team reiterated to ensure good governance and accountability in management of the company.

## Performance

Our Company achieved a turnover of **Kshs. 794,276,149.78** (Seven Hundred and Ninety Four Million, Two Hundred and Seventy Six Thousand One Hundred and Forty Nine Cents Seventy Eight) down from Kshs. 812,060,445 (Eight Hundred and Twelve Million, Sixty Thousand Four Hundred and Forty Five) in 2019 a 2.2% drop. The surplus after tax stood at Kshs. 3,973,723 (Three Million Nine Hundred and Seventy Three Thousand, Seven Hundred and Twenty-Three Shillings only). The results were largely affected by the effects of the Covid – 19 pandemic that affected the Global economy towards the last quarter of this financial year.

Total assets increased by 9.9% due to infrastructure expansion to better our production operations. The customer base increased by 1,423 number of connections from 39,318 (2019) to 40,741(2020) signifying a 3.6% increase. Water coverage which is the number of people served with potable water expressed as a percentage of the total population increased from 80% (2019) to 84% (2020). We continue to aspire to stretch this target to ensure a wider coverage so that all the Kisumu residents have access to water and sanitation.

## Dividends

In order to sustain optimum achievement of service coverage as a public utility company, the Board of Directors do not propose payment of a dividend. The reserves are to be utilized to support water development projects within the area of jurisdiction of the water Company in line with the regulators guidelines.

## The Year Ahead

Globally, most of the developing economies are projected to experience a more challenging recovery from the COVID-19 pandemic compared to their developed economies counterpart. This is largely so because of the uneven access



## CHAIRMAN'S STATEMENT continued

to COVID-19 vaccine which is therefore likely to impact negatively on the full resumption of economic activities in the developing economies. The global economic growth is expected to rebound to 5.6 per cent in 2021. The growth in the world trade is expected to boost external demand for Kenya's products and thereby likely to augment the country's economic growth.

Domestically, oil prices have been rising significantly in response to the global price rise. On average, the international oil prices are likely to be higher by over 50 per cent in 2021 compared to 2020. Effectively then, oil prices in Kenya will probably remain high and therefore counterproductive to economic growth. On average, inflation was lower in the first quarter of 2021 compared to a similar quarter of 2020. However, there was a significant rise in the inflation rate during the second quarter and it is likely that this trend will continue in the second half of 2021 partly due to higher energy and transportation prices.

The country has so far experienced below normal rainfall in the first half of 2021. However, the weather forecast points to the possibility of the short rains being better in most parts of the country later in the year. Output of the agriculture sector, which is largely rain fed, is therefore likely to be lower than the 2020 level. Full resumption of activities in the education sector and the hotel industry, that were almost halted for the better part of 2020, is likely to significantly boost the growth. To a lesser extent, other key sectors like manufacturing and transportation are likely to rebound and support the country's economic growth.

Given that most of the key macroeconomic indicators will most probably remain stable and supportive of growth in 2021, the economy is therefore expected to record a significant rebound in 2021.

### Board Activities

The company has a unitary Board Structure, with 11 Directors representing various stakeholders. The Board is regularly assisted by various committees in discharging its responsibilities. The Board currently has four standing committees namely Technical, Finance & Commercial, HR & Legal and Audit & Risk all of which are guided by clear

terms of reference. The membership and leadership of these committees is regularly reviewed by the Board. All committees report on their activities to the full Board on a regular basis. Scheduled meetings were held to discuss key activities during the year including strategic plan, budget review, regular committee reports on financial performance, investment activities, operations oversight and risk tolerance.

### Accolades

During the 2020 Impact 13 awards presided over by the regulator, the Company emerged the Top utility in Lake Victoria South region and Best in Customer Service in the entire Country.



### Gratitude

We remain steadfast in delivering on our strategy and exceeding our customers' expectations. All this cannot be realized without your close collaboration and support from the County, staff and development partners. To all of you I say a big thank you.

**Vinod Patel**  
Chairman



## Celebration of ISO/IEC 17025:2017 Accreditation







## MANAGING DIRECTOR'S STATEMENT



*As other companies, organizations, individuals slowed down or cut completely their operations, KIWASCO on the other hand became more alert now more than ever so as to fulfill our core mandate of water provision.*

**Mr. Thomas Odongo, Managing Director**

The year 2020 began on a high note with Kiwasco making tremendous progress in delivery of its objectives. Then COVID 19 pandemic caused by the novel coronavirus struck bringing untold suffering to humanity and business disruption towards the last quarter of this financial year. Nevertheless, the Company withered the storm to deliver commendable performance amid the diversity.

### Reflections on the Year

Turnover dropped by 2% from Kshs. 812,060,445.21 (Eight hundred and twelve million sixty thousand four hundred and forty five and twenty one cents) to Kshs. 794,276,149.78 (Seven hundred and ninety-four thousand two hundred and seventy-six thousand one hundred and forty nine and seventy eight cents). The surplus after tax for the year decreased to Kshs. 3,973,723 (Three million nine hundred and seventy three thousand seven hundred and twenty three) from a profit of Kshs. 9,132,560 (Nine million one hundred and thirty two thousand five hundred and sixty) in 2019. The decrease in revenue and profitability is largely attributed to loss of business as a result of the containment measures instituted by the National government to mitigate the spread and effects of the Covid-19 pandemic.

Total assets increased by 9.9% due to infrastructure expansion to better our production operations. The customer base increased by 1,423 number of connections

from 39,318 (2019) to 40,741 (2020) signifying a 3.6% increase. Water coverage which is the number of people served with potable water expressed as a percentage of the total population increased from 80% (2019) to 84% (2020). Employment expenses increased to cater for enhanced contracts and staff within the organization structure and budget.

### On Covid – 19 Pandemic

The disease affected people and businesses globally as never seen before.

'Stay at home, stay at home!' was the rallying call everywhere. We at KIWASCO are an essential service provider thus we could not afford to stay at home as the County needed us most at this time. As other companies, organizations, individuals slowed down or cut completely their operations, KIWASCO on the other hand became more alert now more than ever so as to fulfill our core mandate of water provision.

We implemented changes to our operations to minimize the Covid - 19 spread and adopted the following strategies to ensure business continuity.





Closing the front office from customers.



Canceling or postponing in person events.



Equipping field staff with protective wear.



Availing sanitizers at our offices and installations.



Giving provisions to staff who are unwell to stay home for self-isolation.



Donating and installing hand washing facilities in strategic locations in the City.



Closing some of the water lines that were serving institutions which have since closed.



Managing production.

As a management we came up with long term measures to manage the company operations should the pandemic continue. We analyzed the effects on the business environment; assessing both internal and external factors. Schools were shut down, several organizations had closed or completely shut down.

Some government operations were scaled down, citizens asked to stay home and in the process some lost their source of income. Looking at all these factors, we could not turn a blind eye and expect our billing and collection to be the same. We therefore projected a decline in both variables across the coming months as the pandemic continued to bite.

Mutahi Kagwe, CS Health once said in his speech, "all sectors should expect a financial cut during this period; it will not be business as usual." Therefore, in March, we expected a downfall in billing of upto 35% which equals to approximate Ksh 63M. Our projections for April went deeper with an estimation of approximately Ksh 46M billed with an 85% collection efficiency.

### Scenario Review

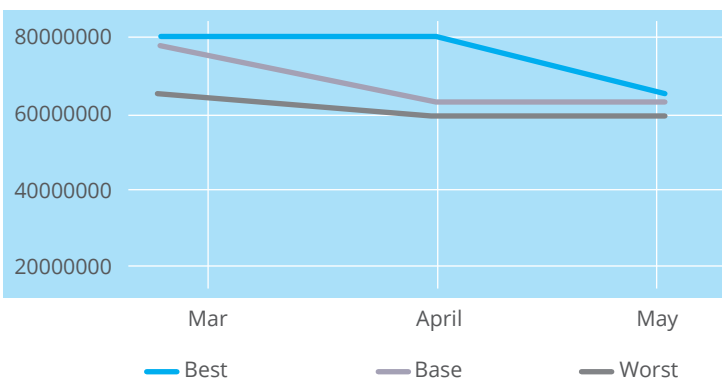


Figure 1: A line graph showing revised projections



## MANAGING DIRECTOR'S STATEMENT continued

While we very much hoped that this public health threat could be minimized and eventually eliminated, the outcomes on sustainable global development remained to be seen. In some of the more dire projections, the Ministry of Labour and Social Protection had issued an advisory to employers to effect long term strategies as follows:

1. Appreciating the tax relief measures pronounced by H.E. President Uhuru Kenyatta
2. Following directives issued by Ministry of Labour, FKE and a rejoinder by COTU.

We engaged the union on the current status of CBA and signed an MoU on the way forward as the effects of the pandemic continued to bite.

In the event of a serious economic downturn, the company considered temporary review of salaries/wages and engaging financial institutions to explore loan rescheduling for staff who had loan obligations.

Staff were encouraged to minimize costs and focus on critical things that may affect the operations of the company. Activities that had got no immediate impact could be looked into later once the economy improved.

Water service provision was gazetted as an essential service and hence staff were expected to continue working normally. KIWASCO staff on duty were exempted from the curfew had the support of security forces on this.

We continue to adapt to the changing situation as need be.

### Our Priority

Our focus as management during the last financial year was majorly on three things.

1. Safeguarding the health and safety of our employees and customers amid the pandemic.
2. Steering the company towards target achievement in these unprecedented times.
3. Safeguard all jobs and pay all staff salaries and benefits despite the challenges faced Customer

complaint resolution was at 87% and NRW improved to an average of 31%. The pandemic led us to explore the digital space and as a result the following were achieved:

- Launched a call center,
- USSD code,
- Kiwasco App
- Expanded the digital payment platforms
- Firewall deployed to our networks for safety.
- Increased customer satisfaction level to 80% and employee satisfaction level to 70%
- Improved access in the low-income areas to 90%
- Encouraged more partnerships in WASH activities

Our Meter test bench got accredited by KENAS creating a new revenue stream. Impact 13 report by WASREB rated us as the Best utility in Customer Service and the Lake Victoria South Region. The good performance by our directors also took us to position two in governance. Training and benchmarking sessions for staff were also carried out.

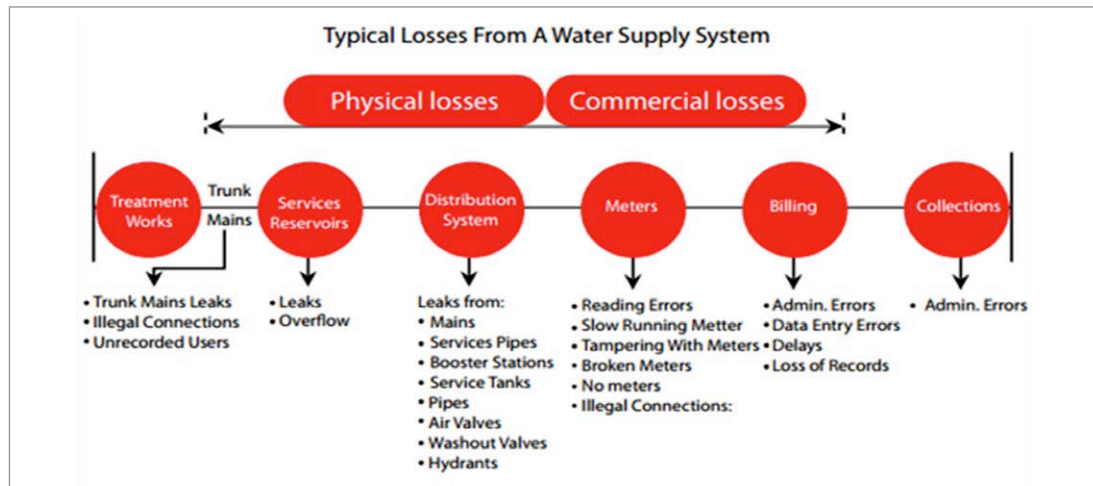
### Non Revenue Water

The Global volume of NRW is staggering! Each year more than 32 Billion m3 of treated water is lost through leakage from distribution networks. An additional 16 Billion m3 per year are delivered but not invoiced due to theft, poor metering or corrupt malpractices. In some Low-income / Developing Countries, this loss represents 50 - 60% of water supplied, with a global average estimated at 35%. Saving just half of this amount would supply water to an additional 100million people without further capital investments. Benefits of NRW reduction management are:-

- More efficient and sustainable utilities
- Improved customer service
- Access to a further income in self-generated cash flow

**Source:** *The Manager's NRW Handbook for Africa, USAID/World Bank, 2010*





In our fight to reduce NRW we have embraced use of GIS technology, in mapping out leaks and bursts. To address pressure control, pressures are being monitored hourly at the treatment plant using analogue pressure gauges. In the distribution lines we have working air valves appropriately installed.

Excessive pressures are not a major problem in most areas (average 3.6bar), however we have installed 13no. pressure gauges (Digital pressure loggers-7no.+ Analog Pressure gauges 6no.) within our network to enable us monitor the pressures. The Company has an active leakage detection and control dedicated team. We have set a target of 50km to replace old pipelines. All replacements, new connections and extensions are currently being done with HDPE pipes since 2020.

The company has invested in ERP system which was rolled out in July, 2019 to improve efficiency in all our processes including the metering data and it's management. This is meant to help mitigate data errors which lead to commercial losses.



*Digital pressure logger spot check at customers' residence*



*Active leak detection equipment (Correlator)*



*Analog pressure gauge*



*Digital pressure gauge; transmits real time pressure data (managed by service provider)*



## MANAGING DIRECTOR'S STATEMENT continued

To minimize vandalism/theft of meters, plastic meters have been introduced for all new connections & replacements. To manage static meters due to silt, multi-jet meters and additional strainers have been adopted. EMF meters are now installed on major commercial accounts to further improve on the metering accuracy.

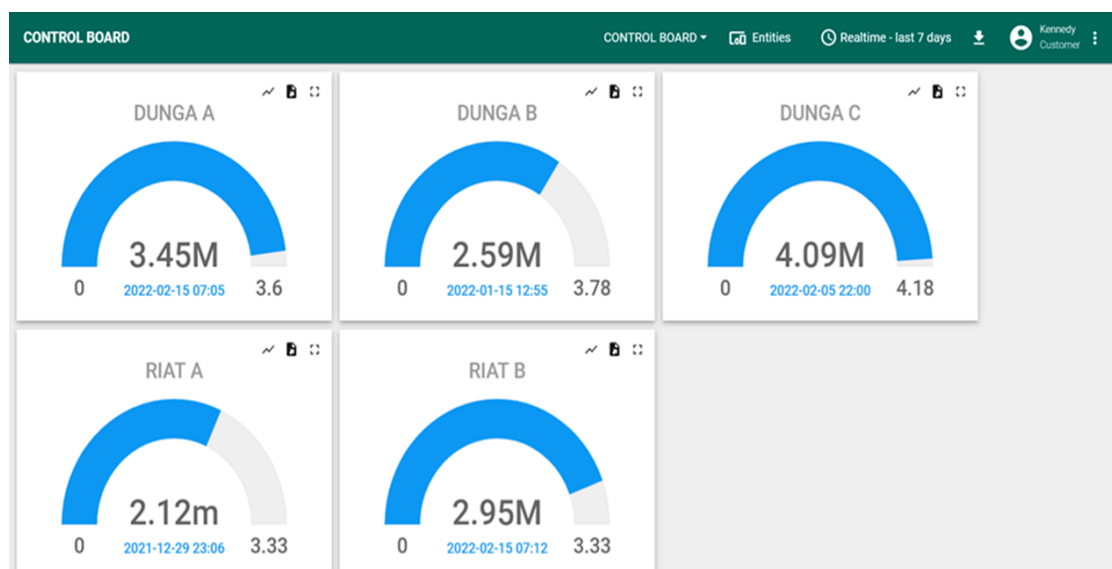
We have continued to utilize the accredited calibration laboratory to enhance our level of checking the accuracy of our meters in the system. Being accredited KIWASCO does meter calibration both at its permanent facility using a Test Bench and on site using a portable Ultrasonic flow meter.

Smart metering is being piloted in a District metered Area

(DMA) within the central business district (CBD) industrial area. The 47 number meters are being monitored real time. We continue to pilot SAFARICOM Smart meters and LIAISON Smart meters.

Illegal connections - Incentive programme for reporting illegal connections has continued with staff receiving 20% of fines paid by those found with the malpractices.

Tank level monitoring - To improve the monitoring of water supply in the reservoirs, there are tank level monitoring sensors in place. The sensors transmits data hourly via SMS and can be viewed in real time through the APP.

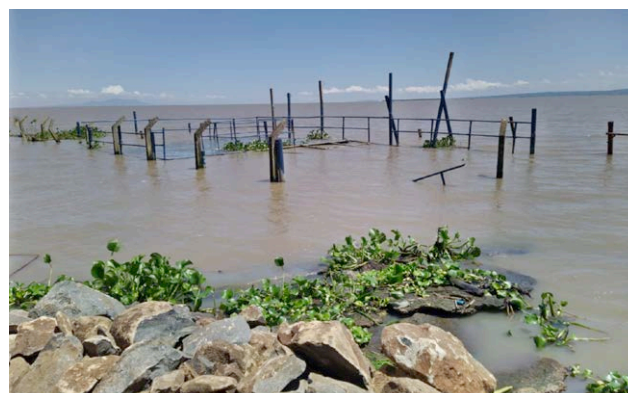


*Tank level monitoring in the water resevoirs*

## Risk Management

The Company was further threatened by the risk of rising lake levels. We put in place measures to curb the risk exposure. Agreed immediate action included identifying and classifying the risk in the risk register. Risk was assessed by our team jointly with LVSWWDA to give priorities for each institution based on capital requirements of the actions. The following mitigation strategies were agreed and executed:

1. Flooding of the pump houses at the Dunga intake as a result of rising lake levels – Gabions to control the flooding done. An improved dewatering process to deal with water flooding the pump houses recommended. Pumps procured and sumps to be improved.



*The current barrier destroyed by the violent waves and the platform is submerged.*



2. Destruction of the pumping units in particular the electrical components as a result of the flooding of the pump houses – Designs for improvement of the electrical installation to consider the threat of the flooding done.
3. Damage of the Dunga Intake barrier as a result of the rising lake levels - Proposed construction of an improved barrier.
4. Safety of staff at the intake plants threatened because the access road to the plant is marooned by the water from the lake – Proposal on raising the road levels to make the plant accessible drafted.

## Projects & Partnerships

The following are part of the projects executed in the period:

### **Water for Life - Water reticulation Chiga (Vitens Evides International)**

8.6Km of pipe network and 3No Kiosks constructed in Chiga service area. This increased area of coverage and supply water to the unserved and underserved areas within Chiga and was 95% complete as at end of the financial year. Corrections have been proposed to conclude project.

### **Mayenya - Chiga Market Pipeline Extension (Vitens Evides International)**

1.2Km of pipe network and 4No Concrete Valve Chambers constructed in Chiga service area. The line has improved water supply within Chiga market and was 90% complete. Construction of 3No. Chambers was pending as at the end of the year and has since been completed.

### **Nyatega Primary - Kunya Water Extension (Vitens Evides International)**

2.55Km of pipe network constructed in Chiga & Kunya service area. This increased water coverage & supply within Kunya and Nyatega and was 100% complete as at the end of the financial year.

### **Safe Pair of Hands Project - Extensions of Water Network within Obunga Settlement (PRACTICAL ACTION)**

Excavation, Pipelaying, Testing and construction of 4No Valve Chambers and 4.74Km of water distribution lines done which has improved water supply and increased coverage within Obunga. The works were complete and awaiting commissioning.



*Governor Prof. Anyang Nyongo launches Esuvalu Water Project in the newly unveiled Maseno Town. The project intends to serve approximately 7600 people.*

### **Sondu Project: Improvement of water supply to Nyabondo Trauma Centre (KIWASCO for) KENHA**

Works involved provision, installation and testing of 2No. Pumps (Intake & T/Works respectively), rehabilitation of Intake & T/Works pump houses, rehabilitation of chemical units, network rehabilitation and meter installations. 2No Centrifugal Pumps rehabilitated. Project improved water supply and increased coverage within Sondu Town & Nyabondo Trauma Centre. It was 60% complete as at the end of the period.

### **LVWATSAN (Underway) - The following is a breakdown of the ongoing activities in this project:**

1. Masterplan: The general objective of this project is to improve the water and sanitation services to the population of Kisumu. Specific objectives of the project are:



## MANAGING DIRECTOR'S STATEMENT continued

- a. To prepare a Water Resources Master Plan (WRMP) for Kisumu County
  - b. To prepare a Wastewater Master Plan (WWMP) for Kisumu and satellite towns
  - c. To prepare and implement a water quality monitoring plan
  - d. To develop stakeholder's capacity
2. NRW TA UNDER LVWATSAN: 5-year Technical Assistance for NRW management under LVWATSAN Program
  3. Water & Wastewater Augmentation & Overhauls (Pending works from LTAP I): Technical studies, design & supervision of works package 1 & 2 in Kisumu city and satellite towns under LVWATSAN program. The project is a short-term intervention based on the pending output from the previous LTAP project

### **OBA Project (RIAT HILLS) Water Supply Project:**

This project intended to stimulate individual water connections and hence increase water coverage in Riat parts of Kisumu city service area. The project scope included construction of water infrastructure including construction of a pump house with 3Nr. new pumps at Coptic reservoir. Also, construction of primary, secondary and tertiary water networks (30.848 km) and 229m3 Ground Level pre-stressed steel tank and a 21m high 75m3 Elevated Steel tank. The project is 100% complete and handed over .

### **Dunga Chemical mixing Room:**

Works included renovating alum mixing room and chambers with terrazzo finishing, paintworks, door and windows works and floor re-novation.

Terrazzo works were completed. Additionally, slabbing was done at the chemical receiving bay. Finishing, windows and door installation are complete. Paintwork completion was targeted for end of August 2020. The works progress stands at 90%

### **Dunga bulk water collection point:**

Due to the challenges of soaking of water collection point and degradation of the point by heavy trucks, a heavy-duty slab was constructed to contain the problems faced there.

### **Nyalenda Ponds Lighting**

Due to high level of insecurity and illegal fishing within the ponds and risk of drowning by members of the neighboring community, provision for lighting masts was done by constructing 10 Number mast stubs.

### **Water supply service levels review and priority setting:**

The network performance review was carried out to identify areas requiring focus by the company based on economic viability and infrastructure needs.

A review of the network installations (valves) especially isolation and sectional valves was carried out and overhauls/renewal/upgrading is underway.

We thank all the donors and our partners for the effort and investment they are putting in this County to resolve the water challenges.

## **Conclusion**

I want to thank all of you for your co-operation in working around the current challenges that this pandemic presents. Today, more than ever, all our efforts are needed to help build a better future for all of us.

---

**Thomas Odongo**  
*Managing Director*



## Our Assets Infrastructure





# CORPORATE GOVERNANCE STATEMENT

## Preamble

KIWASCO is committed to observing highest standards in corporate Governance in its operations. For effective governance the Board recognizes that even though it has delegated the daily running of the business to the management team, the Board is ultimately and fully responsible for the way the Company is managed. The Board is therefore actively engaged in leading the Company and is confident that there is an effective system of Corporate Governance in place.

## Board Calendar

Operations of the Board are governed by Annual Board Calendar which contains the schedule of meetings of the Board and its Committees.

## Board Composition and Appointment

The Board is composed of eleven directors, ten of whom are non executive and independent. The Board is composed of directors with good mix of skills, experience and competence in the relevant fields.

Members of the Board are appointed by various stakeholder segments and elected at the Annual General Meeting.

## Board Meetings

The Board meets at least four times a year. The Board deals with all significant matters including strategic directions, ensuring competent management of the business, internal controls, compliance with laws and regulations and reporting performance to the shareholders.

## Information to the Board

The Directors are given timely information on key activities of the business regularly.

## Conflict of Interest

The Directors are under a fiduciary duty to act honestly and in the best interest of the Company. There is a policy in place that provides that Directors, their families and Companies in which they have interest in do not transact any business with KIWASCO.

## Committees of the Board

Subject to strategic policy or formal issues reserved for its approval, the Board has delegated some of the responsibilities to Board Committees which operate within definite terms of reference laid down by the Board.

The Board has four Committees namely:

- Audit and Risk
- Finance and Commercial
- Technical
- Human Resource and Legal

## Internal Controls

The Board reviews from time to time the effectiveness of internal controls and relies on management to establish appropriate systems of control for running the business. The system of internal controls has defined procedures for operational and financial controls to ensure assets are safeguarded, transactions are properly authorized, recorded and irregularities are prevented or detected within reasonable period of time.

## Accountability and Audit

The Board recognizes its responsibility to present a balanced assessment of the Company's financial position and prospects.

Financial information is prepared using appropriate accounting policies which are consistently applied.

The Financial statements are prepared in accordance with IAS and the requirements of the Companies Act, and audited in accordance with the recognized auditing standards.

A blue ink signature of Vinod Patel.

**Vinod Patel**  
*Chairman*

A blue ink signature of Thomas Odongo.

**Thomas Odongo**  
*Managing Director*



## SENIOR MANAGEMENT



**Mr. Thomas Odongo**  
*Managing Director*



**Eng. Moses Jura**  
*Head of Technical Services*



**CPA Simon Ondigo**  
*Head of Audit & Risk*



**CPA Nicholas Moseti**  
*Head of Finance*



**Mrs. Evelyne Opiyo**  
*Head of Human Resources & Administration*



**Mr. Anthony Ogwang**  
*Supply Chain Manager*



**Jason Ochola**  
*Head of Commercial Services*



**Shem Otieno**  
*ICT Manager*



**Eldah Aketch Odongo**  
*Head of Corporate Affairs and Communication*



## COMPANY INFORMATION

### Background Information

The Kisumu Water and Sanitation Company Limited was founded in 2001 and registered under CAP 486 of the laws of Kenya. It began its operations in July 2003 to provide adequate clean potable water and to collect, treat, and dispose sewerage (waste water) within the jurisdiction of Kisumu City.

### Board of Directors

|                   |   |                   |
|-------------------|---|-------------------|
| Vinod Patel       | : | Chairman          |
| Salmon Orimba     | : | Director          |
| Janet Ogot        | : | Director          |
| Caren Aketch Oloo | : | Director          |
| Nirmal Darbar     | : | Director          |
| Nerry Achar       | : | Director          |
| Pollyins Ochieng  | : | Director          |
| Thomas Odongo     | : | Managing Director |
| Doris Ombara      | : | Director          |
| Victor Obaso      | : | Director          |
| Ben Kitoto        | : | Director          |

### Management Team

|                 |   |   |
|-----------------|---|---|
| Thomas Odongo   | : | Managing Director                             |
| Simon Ondigo    | : | Head of Audit and Risk                        |
| Evelyn Opiyo    | : | Head of Human Resources & Administration      |
| Eng. Moses Jura | : | Head of Technical Services                    |
| Nicholas Moseti | : | Head of Finance                               |
| Jason Ochola    | : | Head of Commercial Services                   |
| Anthony Ogwang  | : | Supply Chain Manager                          |
| Shem Otieno     | : | ICT Manager                                   |
| Eldah Odongo    | : | Ag. Head of Corporate Affairs & Communication |

|                          |   |                      |
|--------------------------|---|----------------------|
| <b>Registered Office</b> | : | <b>Nafaka House</b>  |
|                          | : | Oginga Odinga Street |
|                          | : | P.O. Box 3210, 40100 |
|                          | : | KISUMU               |

|                 |   |                        |
|-----------------|---|------------------------|
| <b>Auditors</b> | : | <b>Auditor General</b> |
|                 | : | P.O. Box 30084, 40100  |
|                 | : | NAIROBI                |

|                          |   |  |
|--------------------------|---|--|
| <b>Company Secretary</b> | : | <b>Equity Secretaries and Registrars</b> |
|                          | : | Certified Public Secretaries             |
|                          | : | P.O. Box 14868, 00100                    |
|                          | : | NAIROBI                                  |

|                          |   |   |
|--------------------------|---|---|
| <b>Principal Bankers</b> | : | <b>Co-operative Bank of Kenya Limited</b> |
|                          | : | P.O. Box 1511, 40100                      |
|                          | : | KISUMU                                    |

|                            |   |   |
|----------------------------|---|---|
| <b>Chief Legal Advisor</b> | : | <b>Ouma Njoga and Company Advocates</b> |
|                            | : | P.O. Box 2536, 40100                    |
|                            | : | KISUMU                                  |



### FINANCE AND COMMERCIAL COMMITTEE

Ms. Caren Aketch Oloo : Chair  
Mr. Nerry Achar  
Ms. Janet Ogot  
Mr. Salmon Orimba  
Mr. Thomas Odongo

### AUDIT AND RISK COMMITTEE

Mr. Nirmal Darbar : Chair  
Mr. Ben Kitoto  
Mr. Nerry Achar  
Ms. Janet Ogot  
Ms. Doris Ombara

### TECHNICAL COMMITTEE

Mr. Victor Obaso : Chair  
Mr. Salmon Orimba  
Ms. Caren Aketch Oloo  
Mr. Thomas Odongo  
Mr. Pollyins Ochieng

### HUMAN RESOURCE AND LEGAL COMMITTEE

Mr. Pollyins Ochieng : Chair  
Ms. Doris Ombara  
Mr. Nirmal Darbar  
Mr. Victor Obaso  
Mr. Thomas Odongo



# REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 30 June 2020 which disclose the state of affairs of the company.

## PRINCIPAL ACTIVITIES

The principal activities of the company are:

- i) To provide and distribute a constant supply of water for commercial, industrial and domestic purposes within the jurisdiction of County Government of Kisumu.
- ii) To be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of County Government of Kisumu.

| RESULTS             | 2020<br>Shs | 2019<br>Shs |
|---------------------|-------------|-------------|
| Profit before tax   | 5,655,583   | 12,021,671  |
| Tax                 | (1,681,860) | (2,889,111) |
| Profit for the year | 3,973,723   | 9,132,560   |

## DIVIDEND

The directors do not propose a dividend for the year.

## DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 22.

## AUDITORS

The company's auditor is the Auditor General and continues in office in accordance with section 159(2) of the Companies Act.

## BY ORDER OF THE BOARD

Director  
Kisumu

29<sup>th</sup> September, 2020

Director  
Kisumu

29<sup>th</sup> September, 2020



## STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES



The Companies Act 2015 requires the directors to prepare financial statements for each financial year which 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 profit and loss for that year. It also requires the directors to ensure that the company maintains proper accounting records which disclose with reasonable accuracy the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept the responsibility for the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine what is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances;

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the company as at 30 June 2020 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

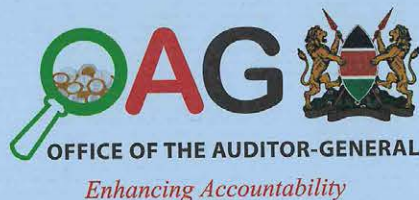
Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 29<sup>th</sup> September, 2020 and signed on its behalf by:

  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
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 KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

### REPORT ON THE FINANCIAL STATEMENTS

#### QUALIFIED OPINION

I have audited the accompanying financial statements of Kisumu Water and Sanitation Company Limited set out on pages 30 to 56, which comprise the statement of financial position as at 30 June 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cashflows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kisumu Water and Sanitation Company Limited as at 30 June 2020 and of its financial performance and its cashflows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Company's Act, 2015 and the Public Finance Management Act, 2012.

#### BASIS FOR QUALIFIED OPINION

##### Unsupported Trade and Other Receivables

As disclosed in Note 13 to the Financial statements, the statement of financial position reflects a balance of Kshs 254,915,333 under trade and other receivables which includes an amount of Kshs 8,372,163 in respect of prepayments and deposits whose supporting documents such as detailed schedules and invoices were not provided for audit review.

Consequently, the accuracy of the balance of Kshs 8,372,163 of trade and other receivables as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu Water and Sanitation Company Limited Management in accordance with ISSAI 130 on code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

##### Key Audit Matters

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

#### OTHER MATTER

##### Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs 894,431,758 and Kshs 794,276,150 respectively resulting to an under-funding of Kshs 100,155,608 or 11% of the budget. Similarly, the Company expended Kshs 684,327,419 against an approved budget of Kshs 782,601,102 resulting to an under-expenditure of Kshs 103,193,593 or 13% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.



## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### CONCLUSION

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

### BASIS FOR CONCLUSION

#### Non-Compliance with National Cohesion and Integration Commission Act, 2008.

Review of the staff establishment records of the Company revealed that the Company has three hundred and twenty-eight (328) staff members out of which two hundred and eighty-five (285) representing 87% are from the dominant ethnic community in the area. This is contrary to National Cohesion and Integration Commission Act, 2008. Section 7(1) which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and (2) no public establishment shall have more than one third of its staff from the same ethnic community.

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

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

### CONCLUSION

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Internal Controls, Risk Management and Governance section of my report, nothing else has come to my attention to cause me to

believe that internal controls, risk management and overall governance were not effective.

### BASIS FOR CONCLUSION

#### 1.0 Non-revenue water Management

Review of water production records revealed that during the year under review, the Company produced 10,525,356 m<sup>3</sup> (equivalent to Kshs 221,032,476 at a cost price of Kshs 21 per m<sup>3</sup> of water). The amounts recorded differ with the billing records which indicate that 6,666,980 m<sup>3</sup> (equivalent to Kshs 140,006,580) of water was sold during the period resulting to unaccounted for water of 3,858,376 m<sup>3</sup> equivalent to Kshs 81,025,896 which represents 37% of the total water produced. This translates to unaccounted for water (UFW) of 12% above the allowable loss of 25%. In the circumstances, the existence of an effective control to safeguard against water loss through spillage of illegal connections cannot be established.

#### 2.0 Non-Gazettement of Regular Tariff Adjustment

During the year under review, the Company achieved a turnover of Kshs 794,276,150. However, it was noted that the last time the water tariff structures for the Company were gazetted was on 24 March, 2017 which covered three (3) financial years 2016/2017, 2017/2018 and 2018/2019. The latest tariff structures approval from the Water Regulatory Management Authority (WARMA) was not provided for verification, an indication that the prevailing tariffs have not been gazetted but the old tariffs of 2016/2017 to 2018/2019 continue to be in use.

In the circumstances, the company has failed to gazette new tariff rates and continues to apply expired tariffs. The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.



## REPORT OF THE AUDITORS continued

- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from my examination of those books;
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the accounting records and;
- iv. 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 control, risk management and 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 also responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-Generals' Responsibilities for the Audit**

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

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

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



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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability 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  
01 February 2022



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

|  | Notes | 2020<br>Shs   | 2019<br>Shs   |
|--|-------|---------------|---------------|
| Revenue  | 1     | 794,276,150   | 812,060,445   |
| Cost of sales                                  | 6     | (154,760,716) | (148,009,849) |
| <b>Gross profit</b>                            |       | 639,515,433   | 664,050,596   |
| Other operating income                         | 2     | 50,467,569    | 30,119,675    |
| Employment expenses                            | 4     | (301,780,340) | (271,545,724) |
| Administrative expenses                        | 26    | (94,249,739)  | (142,986,377) |
| Establishment expenses                         | 27    | (153,182,955) | (151,859,126) |
| Maintenance expenses                           | 28    | (125,288,550) | (109,448,260) |
| <b>Operating profit</b>                        |       | 15,481,418    | 18,330,784    |
| Finance costs                                  | 5     | (9,825,835)   | (6,309,113)   |
| <b>Profit before tax</b>                       |       | 5,655,583     | 12,021,671    |
| Tax Charge                                     | 7     | (1,681,860)   | (2,889,111)   |
| <b>Profit for the year</b>                     |       | 3,973,723     | 9,132,560     |
| <b>Total comprehensive income for the year</b> |       | 3,973,723     | 9,132,560     |
| <b>Dividend:</b>                               |       |               |               |
| Proposed final dividend for the year           | 8     |               |               |
| <b>Total dividend for the year</b>             | -     |               | -             |

The significant accounting policies on pages 35 to 40 and the notes on pages 41 to 56 form an integral part of these financial statements.



# STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2020



|                                       | Notes | 2020<br>Shs        | 2019<br>Shs        |
|---------------------------------------|-------|--------------------|--------------------|
| <b>CAPITAL EMPLOYED</b>               |       |                    |                    |
| Share capital                         | 24    | 100,000            | 100,000            |
| Revaluation reserve                   |       | 1,176,114          | 1,176,114          |
| Retained earnings                     |       | 51,711,680         | 47,737,957         |
| <b>Shareholders' fund</b>             |       | <b>52,987,795</b>  | <b>49,014,071</b>  |
| <b>Non-current liabilities</b>        |       |                    |                    |
| Borrowings                            | 9     | 43,920,162         | 69,175,859         |
| Trade and other payables              | 14    | 140,872,699        | 131,632,271        |
| Grants                                | 17    | 71,631,547         | 51,297,938         |
|                                       |       | <b>256,424,408</b> | <b>252,106,067</b> |
|                                       |       | <b>309,412,203</b> | <b>301,120,138</b> |
| <b>REPRESENTED BY</b>                 |       |                    |                    |
| <b>Non current assets</b>             |       |                    |                    |
| Property, plant and equipment         | 10    | 281,180,868        | 270,713,222        |
| Intangible Asset                      |       | 20,033,650         |                    |
| Deferred tax                          | 11    | 5,014,071          | 5,014,071          |
|                                       |       | <b>306,228,589</b> | <b>275,727,293</b> |
| <b>Current assets</b>                 |       |                    |                    |
| Inventories                           | 12    | 32,394,679         | 26,918,380         |
| Trade and other receivables           | 13    | 254,915,333        | 209,655,654        |
| Cash and cash equivalents             | 29    | 30,066,592         | 21,717,375         |
|                                       |       | <b>317,376,604</b> | <b>258,291,410</b> |
| <b>Current liabilities</b>            |       |                    |                    |
| Trade and other payables              | 14    | 291,965,922        | 220,158,321        |
| Provision for liabilities and charges | 15    | 4,702,008          | 1,269,670          |
| Borrowings                            | 9     | 4,372,626          | -                  |
| Current tax                           | 7     | 13,152,434         | 11,470,573         |
|                                       |       | <b>314,192,990</b> | <b>232,898,565</b> |
| <b>Net current assets</b>             |       | <b>3,183,614</b>   | <b>25,392,845</b>  |
|                                       |       | <b>309,412,203</b> | <b>301,120,138</b> |

The financial statements on pages 30 to 56 were authorised for issue by the Board of Directors on 29<sup>th</sup> September, 2020 and were signed on its behalf by:

CPA Nicholas Moseti  
Head of Finance  
ICPAK no. 14313

Director

Director

The significant accounting policies on pages 35 to 40 and the notes on pages 41 to 56 form an integral part of these financial statements.



## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2020

|   | Notes | Share<br>capital<br>Shs | Revaluation<br>Reserve<br>Shs | Retained<br>earnings<br>Shs | Total<br>Shs      |
|---|-------|-------------------------|-------------------------------|-----------------------------|-------------------|
| <b>Year ended 30 June 2019</b>          |       |                         |                               |                             |                   |
| At start of year                        | 24    | 100,000                 | 1,176,114                     | 38,605,397                  | 39,881,511        |
|   |       | 100,000                 | 1,176,114                     | 38,605,397                  | 39,881,511        |
| Total comprehensive income for the year |       | -                       | -                             | 9,132,560                   | 9,132,560         |
| Dividends: Payable                      |       |                         |                               | -                           | -                 |
| At end of year                          |       | <b>100,000</b>          | <b>1,176,114</b>              | <b>47,737,957</b>           | <b>49,014,071</b> |
| <b>Year ended 30 June 2020</b>          |       |                         |                               |                             |                   |
| At start of year                        |       | 100,000                 | 1,176,114                     | 47,737,957                  | 49,014,071        |
| At start of year                        |       | 100,000                 | 1,176,114                     | 47,737,957                  | 49,014,071        |
| Total comprehensive income for the year |       | -                       |                               | 3,973,723                   | 3,973,723         |
| Dividends payable reversed:             |       |                         |                               |                             | -                 |
| At end of year                          |       | <b>100,000</b>          | <b>1,176,114</b>              | <b>51,711,680</b>           | <b>52,987,794</b> |

The significant accounting policies on pages 35 to 40 and the notes on pages 41 to 56 form an integral part of these financial statements.



## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2020



|  | Notes | 2020<br>Shs         | 2019<br>Shs         |
|--|-------|---------------------|---------------------|
| <b>Operating activities</b>                  |       |                     |                     |
| <b>Cash generated from operations</b>        | 16    | 70,975,950          | 61,435,253          |
| Gratuity Paid                                |       | -                   | -                   |
| Tax paid                                     |       | -                   | (7,679,361)         |
| Net cash generated from operating activities |       | 70,975,950          | 53,755,892          |
| <b>Investing activities</b>                  |       |                     |                     |
| Purchase of property, plant and equipment    | 10    | (66,208,957)        | (94,754,587)        |
| Intangible Asset                             |       | (10,991,588)        |                     |
| Disposal/Impaired                            |       | 5,475,600           | 2,879,500           |
| Net cash (used in) investing activities      |       | <b>(71,724,944)</b> | <b>(91,875,087)</b> |
| <b>Financing activities</b>                  |       |                     |                     |
| Increase in water deposits                   | 14    | 9,240,428           | 7,665,225           |
| Grant received                               | 17    | 30,566,688          | -                   |
| Borrowings Received                          | 9     | 13,845,752          | 39,343,385          |
| Borrowings Paid                              | 9     | (34,728,823)        | -                   |
| Interest paid                                | 5     | (9,825,835)         | (6,309,113)         |
| Donations received                           | 9     | -                   | -                   |
| Repayment of finance leases                  |       | -                   | -                   |
| Net cash from financing activities           |       | 9,098,210           | 40,699,497          |
| Increase in cash and cash equivalents        |       | 8,349,216           | 2,580,303           |
| Movement in cash and cash equivalents        |       |                     |                     |
| At start of year                             |       | 21,717,376          | 19,137,073          |
| Increase/(Decrease)                          |       | 8,349,216           | 2,580,303           |
| At end of year                               | 29    | 30,066,592          | 21,717,376          |

The significant accounting policies on pages 35 to 40 and the notes on pages 41 to 56 form an integral part of these financial statements.



## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

|  | Notes | ORIGINAL<br>BUDGET<br>2019/2020<br>Shs | ADJUSTMENTS<br>2019/2020<br>Shs | FINAL BUDGET<br>2019/2020<br>Shs | ACTUAL ON<br>COMPARABLE<br>2019/2020<br>Shs | PERFORMANCE/<br>DIFFERENCE<br>1.00<br>Shs |
|--|-------|--|---------------------------------|----------------------------------|---|---|
| Revenue  | 1     | 924,431,758                            | (30,000,000)                    | 894,431,758                      | 794,276,150                                 | (100,155,608.22)                          |
| Cost of sales                                  | 6     | (165,289,764)                          | 0                               | (165,289,764)                    | (154,760,716)                               | 10,529,047.52                             |
| <b>Gross profit</b>                            |       | <b>759,141,994</b>                     | <b>(30,000,000)</b>             | <b>729,141,994</b>               | <b>639,515,433</b>                          | <b>-89,626,560.70</b>                     |
| Other operating income                         | 2     | 24,624,000                             | 19,100,000                      | 43,724,000                       | 50,467,569                                  | 6,743,568.76                              |
| Employment expenses                            | 4     | (295,956,651)                          | (6,000,000)                     | (301,956,651)                    | (301,780,340)                               | 176,310.72                                |
| Administrative expenses                        | 26    | (163,684,591)                          | 0                               | (163,684,591)                    | (94,249,739)                                | 69,434,851.93                             |
| Establishment expenses                         | 27    | (154,263,045)                          | 6,000,000                       | (148,263,045)                    | (153,182,955)                               | (4,919,909.88)                            |
| Maintenance expenses                           | 28    | (135,938,328)                          | (19,100,000)                    | (155,038,328)                    | (125,288,550)                               | 29,749,777.70                             |
| <b>Operating profit</b>                        |       | <b>33,923,380</b>                      | <b>(30,000,000)</b>             | <b>3,923,380</b>                 | <b>15,481,418</b>                           | <b>11,558,038.53</b>                      |
| Finance costs                                  | 5     | (13,658,487)                           | 0                               | (13,658,487)                     | (9,825,835)                                 | 3,832,651.86                              |
| <b>Profit before tax</b>                       |       | <b>20,264,893</b>                      | <b>(30,000,000)</b>             | <b>(9,735,107)</b>               | <b>5,655,583</b>                            | <b>15,390,690.39</b>                      |
| Tax Charge                                     | 7     | (6,079,468)                            | 0                               | 0                                | (1,681,860)                                 | (1,681,860.08)                            |
| <b>Profit for the year</b>                     |       | <b>14,185,425</b>                      | <b>(30,000,000)</b>             | <b>(9,735,107)</b>               | <b>3,973,723</b>                            | <b>13,708,830.31</b>                      |
| <b>Total comprehensive income for the year</b> |       | <b>14,185,425</b>                      | <b>(30,000,000)</b>             | <b>(9,735,107)</b>               | <b>3,973,723</b>                            | <b>13,708,830.31</b>                      |

### NOTE:

- Projected revenue was adjustment downwards due to the effects of Covid-19 pandemic which affected sales.
- Other incomes were increased to cater for the donation of Kshs.19M for the Chiga project by Viten Evides International (VEI).
- Employment expenses increased to cater for enhanced contracts and omitted staff in the organisation structure & budget.
- Administrative expenses budget remained unchanged while performance was due to austerity measures instituted by the Company to mitigate the effects of Covid-19 pandemic which had affected the revenue.
- Establishment expenses were marginally above budget despite reduction in budget allocation to support employment costs. Amortisation of intangible assets and closure of the ongoing project led to increased depreciation for the year. These are non-cash items
- Maintenance expense adjusted upwards to cater for Chiga project donation by VEI but spending still within budget.
- Favourable terms with the bank led to reduction of finance costs i.e. interest only on disbursed loan amounts
- Reduction in profitability compared to last financial year due to loss/reduction of revenue.

The significant accounting policies on pages 35 to 40 and notes on pages 41 to 56 form an integral part of these financial statements.



# SIGNIFICANT ACCOUNTING POLICIES



The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## a) Basis of preparation

The financial statements are prepared under the historical cost basis except for the measurement at revalued amounts of certain items of property, plant and equipment and financial instruments at fair value, impaired assets at their estimated recoverable amounts. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act 2014 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all years presented.

### Going Concern

The financial performance of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position.

Disclosures in respect of risk management are set out in note 20.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

The financial statements comply with the requirements of the Kenyan Companies Act. The statement of comprehensive income represents the profit and loss account referred to in the Act while the statement of financial position represents the balance sheet referred to in the Act.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC).

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

### *i. New standards and amendments to published standards effective for the period ended 30 June 2016*

There were no new and revised IFRSs that were effective in the current year that had impact on the amounts reported in these financial statements.

### *ii. Impact of new and amended standards and interpretations on the financial statements for the period ended 30 June 2016 and future annual periods*

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 construction Contracts and the related interpretations when it becomes effective.

### *iii. Early adoption of standards*

The Company did not early-adopt any new or amended standards in the financial period.

## b) Critical Accounting Judgements and Key sources of estimation uncertainty

In the process of applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.



## SIGNIFICANT ACCOUNTING POLICIES *continued*

### ***i. Critical Judgements in applying accounting policies***

There are no critical judgements apart from those involving estimations (in ii below), that the directors have made in the process of applying the company's accounting policies and that are the most significant effect on amounts recognised in the financial statements.

### ***ii. Key sources of estimation uncertainty***

**Impairment losses** - At the end of each period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indications exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit which the asset belongs.

**Property, plant, equipment and intangible assets** - Management reviews the useful lives of property plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

**Contingent liabilities** - As disclosed in note 26 to these financial statements, the company is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The directors evaluate the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on directors' evaluation, a present obligation has been established.

### **c) Significant judgements made by management in applying the company's accounting policies**

#### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and/or performance of services, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the company's activities as described below.

***i) Sale of water is recognised upon delivery of water and customer acceptance.***

***ii) Sale of services are recognised upon performance of the services rendered by reference to the stage of completion of the service contract.***

#### **Operating Expenses**

Operating expenses comprise the fair value of the consideration paid or payable for the purchase of goods and services in the ordinary course of business and are stated net of Value Added Tax (VAT). The Company recognises operating expenses when the expense can be reliably measured and is probable that the it has been incurred.

#### **d) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings (the functional currency), at rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated. Assets and liabilities at reporting date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale, are included in other comprehensive income.



## e) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on buildings is provided on a straight line basis over its estimated useful life of 40 years.

Freehold land is not depreciated

Leasehold land is depreciated over the remaining period of the lease

Depreciation on other assets is calculated on the reducing balance basis to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

|                                    | Rate %                     |
|------------------------------------|----------------------------|
| <i>Buildings</i>                   | <i>2.5 (Straight line)</i> |
| <i>Plant, machinery and meters</i> | <i>12.5</i>                |
| <i>Motor vehicles and cycles</i>   | <i>25</i>                  |
| <i>Furniture and fittings</i>      | <i>12.5</i>                |
| <i>Computer equipment</i>          | <i>30</i>                  |

Capital work in progress is not depreciated.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds

with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

## f) Intangible assets Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives which are estimated to be 5 years on a straight line basis.

## g) Financial instrument

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

### Financial assets

The company's financial assets which include cash and bank balances and trade and other receivables fall into the following category:

**Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date.

All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Such



## SIGNIFICANT ACCOUNTING POLICIES continued

assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

The amount of the impairment loss for assets carried at amortised cost is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairment losses are taken into account for determining operating profit.

### Financial liabilities

The company's financial liabilities which include borrowings, current tax and trade and other payables fall into the following category:

**Other financial liabilities:** These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility. All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the direct purchase value and all costs attributable to bringing the inventory to its current location and condition and is stated on a first-in first-out (FIFO) basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expenses.

### i) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

In statement of financial position, bank overdrafts are included within borrowings in current liabilities.

### j) Share capital

Ordinary shares are classified as equity.

### k) Dividends

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as a liability in the period in which they are approved by the shareholders

## I) Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss.

### Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

### Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

No deferred tax asset/liability was recognised in the year under review.

## m) Accounting for leases

Leases of property, plant and equipment, where the company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at cost. Each lease payment is allocated between the liability and finance charges. The interest element is charged to profit or loss over the lease period and is included under finance costs. Such property, plant and equipment are depreciated over its useful life.

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

## n) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the company has present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and amount has been reliably estimated. Provisions for future operating losses are not recognised.

The amount recognised as provisions is the best estimate of the present value of expenditures expected obligation using pre-tax rate that reflects the current market assessment of time value of money and the risks specific to the obligation. Increase in provisions due to passage of time is recognised as interest expense in profit or loss under finance costs.

## o) Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

## p) Retirement benefit obligations

Employee entitlements to gratuity and long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

The company operates a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The assets of this scheme are held in a separate trustee administered fund.

The company's contributions to the defined contribution retirement benefit scheme are charged to profit or loss in the year to which they relate. The company has no further payment obligations once the contributions have been paid.





## SIGNIFICANT ACCOUNTING POLICIES continued

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

### q) Grants

Grants related to assets, including non-monetary grants at fair value are presented in the statement of financial position by setting up the grant as deferred income.

The grant is recognised as income on a systematic and rational basis over the useful life of the asset.

### r) Borrowing costs

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset based on either on actual cost on specific borrowing or in the case of general borrowings, based on a weighted average cost.

Capitalisation of borrowing costs ceases when all activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are recognised in profit or loss.

### s) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

# NOTES TO THE FINANCIAL STATEMENTS



|  | 2020<br>Shs        | 2019<br>Shs        |
|--|--------------------|--------------------|
| <b>1. Revenue</b>  |                    |                    |
| Sale of Water/Sewerage and services                                    | 794,276,150        | 812,060,445        |
| <b>2. Other operating income</b>                                       |                    |                    |
| Illegal connections  | 824,295            | 2,172,486          |
| New water connections  | 5,378,926          | 7,634,270          |
| Reconnection fees  | 46,302             | 1,033,151          |
| Sewer agreement forms  | 0                  | 94,200             |
| Sewer connection   | 582,887            | 408,490            |
| Tender income  | 0                  | 51,000             |
| Water connection forms   | 0                  | 249,096            |
| Surcharge on meter loss  | 2,313,135          | 2,146,320          |
| Other miscellaneous income   | 6,204,934          | 535,198            |
| Other Income - Donations   | 23,239,942         | 9,318,339          |
| Exhauster Services   | 1,644,070          | 1,754,330          |
| Write back of grants   | 10,233,078         | 4,722,796          |
| <b>Total other operating income</b>                                    | <b>50,467,569</b>  | <b>30,119,675</b>  |
| <b>3. Operating profit</b>   |                    |                    |
| The following items have been charged in arriving at operating profit: |                    |                    |
| Establishment expenses (Note.27)                                       | 111,274,856        | 125,925,782        |
| Depreciation on property, plant and equipment (Note 10)                | 41,908,099         | 25,933,344         |
| Administrative costs (Note. 26)  | 88,308,718         | 115,101,405        |
| Admin Expenses - Auditors' remuneration                                |                    |                    |
| - Current year   | 580,000            | 580,000            |
| Trade receivables - impairment   | -                  | -                  |
| Repairs and maintenance (Note. 28)                                     | 125,288,550        | 109,448,260        |
| Staff costs (Note 4)   | 301,780,340        | 271,545,724        |
| <b>4. EMPLOYMENT EXPENSES</b>  |                    |                    |
| Salaries and wages   | 238,307,340        | 207,059,886        |
| Other staff costs  | 23,745,990         | 27,636,553         |
| Gratuity (Note 15)   | 3,432,338          | 1,269,670          |
| Allowances in lieu of leave  | 1,318,303          | 445,181            |
| Pension costs:   |                    |                    |
| - Defined contribution scheme  | 13,738,646         | 13,648,739         |
| - National Social Security Fund  | 796,200            | 697,200            |
| Staff medical expense  | 20,046,650         | 19,412,771         |
| Staff welfare  | 195,823            | 1,178,825          |
| DIT Levy   | 199,050            | 196,900            |
|  | <b>301,780,340</b> | <b>271,545,724</b> |



# NOTES TO THE FINANCIAL STATEMENTS continued

|  | 2020<br>Shs        | 2019<br>Shs        |
|--|--------------------|--------------------|
| <b>5. FINANCE COSTS</b>                                  |                    |                    |
| Interest on Bank loan - Co-op Bank (OBA Project)         | 9,035,103          | 5,518,381          |
| Interest on IPF - Medical Insurance                      | 790,732            | 790,732            |
|  | <b>9,825,835</b>   | <b>6,309,113</b>   |
| <b>6. COST OF SALES</b>                                  |                    |                    |
| Opening inventories of chemicals                         | 3,864,390          | 2,185,908          |
| Water chemicals  | 92,163,347         | 90,543,199         |
| Electricity  | 62,128,380         | 59,145,132         |
| Closing inventories of chemicals                         | (3,395,401)        | (3,864,390)        |
| <b>Total cost of sales</b>                               | <b>154,760,716</b> | <b>148,009,849</b> |
| <b>7. TAX</b>  |                    |                    |
| Brought forward  | 11,470,573         | 16,260,823         |
| Current tax  | 1,681,860          | 2,889,111          |
| Tax paid   | 0                  | (7,679,361)        |
|  | <b>13,152,434</b>  | <b>11,470,573</b>  |
| Amount that would arise using the basic rate as follows: |                    |                    |
| Profit before tax  | 5,655,583          | 12,021,671         |
| Tax calculated at a tax rate of 30% (2020: 30%)          | 1,696,675          | 3,606,501          |
| Tax effect of:   |                    |                    |
| - expenses not deductible for tax purposes               | 16,230,739         | 9,082,161          |
| - income not subject to tax                              | (16,245,554)       | (9,799,551)        |
| - overprovision of current tax in prior years            | -                  | -                  |
| <b>Tax charge</b>  | <b>1,681,860</b>   | <b>2,889,111</b>   |
| <b>Tax charge for the year</b>                           | <b>1,681,860</b>   | <b>2,889,111</b>   |



## 8. DIVIDENDS

Payment of dividend is subject to a withholding tax at the rate of 5% for residents and 10% for non-residents or 0% where holding is by a resident company holding more than 12.5%.  
There was no Dividends declared in the year under review.

## 9. BORROWINGS

|                               | 2020<br>Shs       | 2019<br>Shs       |
|-------------------------------|-------------------|-------------------|
| Co-op Bank - OBA Project Loan | 48,292,788        | 69,175,859        |
|                               | 48,292,788        | 69,175,859        |
| Maturity Analysis:            |                   |                   |
| <b>Non-current</b>            |                   |                   |
| Co-op Bank - OBA Project Loan | 43,920,162        | 69,175,859        |
|                               | 43,920,162        | 69,175,859        |
| <b>Current</b>                |                   |                   |
| Co-op Bank - OBA Project Loan | 4,372,626         | -                 |
| Asset Finance                 | -                 | -                 |
|                               | 4,372,626         | -                 |
| <b>Total borrowings</b>       | <b>48,292,788</b> | <b>69,175,859</b> |

Finance leases are secured by a right over the leased assets i.e. an All Asset Debentures.

Weighted average effective interest rates at the year end was 13%.

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the weighted average rates mentioned above.

In the opinion of the directors, it is impracticable to assign fair values to the company's long-term liabilities due to inability to forecast interest rate.

The carrying amounts of the company's borrowings are denominated in the Kenya Shillings.

The entire loan amount is classified as longterm due to a moratorium on interest payment in the first year of the loan.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 10.(a) PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2020

|  | Leasehold<br>improve-<br>ments<br>Shs | Plant,<br>machinery<br>and meters<br>Shs | Motor<br>vehicles<br>and cycles<br>Shs | Furniture<br>and fittings<br>Shs | Computer<br>equipment<br>Shs | Capital<br>work-in-<br>progress<br>Shs | Project<br>Assets     | Real Assets<br>Total<br>Shs |
|--|---------------------------------------|--|--|----------------------------------|------------------------------|--|-----------------------|-----------------------------|
| <b>Cost or Valuation</b>               | <b>2.50%</b>                          | <b>12.5%</b>                             | <b>25%</b>                             | <b>12.5%</b>                     | <b>30%</b>                   |  | <b>12.5%</b>          |                             |
| As at 1st July 2019                    | 1,138,554                             | 212,475,807                              | 20,933,683                             | 12,104,275                       | 12,357,430                   | 100,118,574                            | 69,351,882            | 428,480,205                 |
| Additions                              | -                                     | 29,750,540                               | -                                      | 1,090,848                        | 3,730,590                    | 31,636,979                             | -                     | 66,208,957                  |
| Impairment                             | -                                     | (5,475,600)                              | -                                      | -                                | -                            | -                                      | -                     | (5,475,600)                 |
| Transfers to Finished Assets           |                                       |  |  |                                  |                              | (122,713,490)                          | 122,713,490           | -                           |
| Reclassification to Intangible Assets  | -                                     | -  | -                                      | -                                | -                            | (9,042,062)                            | -                     | (9,042,062)                 |
| <b>As at 30th June 2020</b>            | <b>1,138,554.12</b>                   | <b>236,750,746.72</b>                    | <b>20,933,683.20</b>                   | <b>13,195,122.87</b>             | <b>16,088,019.54</b>         | <b>0.00</b>                            | <b>192,065,372.50</b> | <b>480,171,498.95</b>       |
| <b>Depreciation</b>                    |                                       |  |  |                                  |                              |  |                       |                             |
| As at 1st July 2019                    | 375,641                               | 90,381,097                               | 15,938,685                             | 7,294,315                        | 9,545,121                    | -                                      | 34,232,122            | 157,766,982                 |
| Reversal on impairment/Acc. Dep        | -                                     | (684,450)                                | -                                      | -                                | -                            | -                                      | -                     | (684,450)                   |
| Charge for the year                    | 19,073                                | 18,210,650                               | 1,248,750                              | 737,601                          | 1,962,870                    | -                                      | 19,729,156            | 41,908,099                  |
| <b>As at 30th June 2020</b>            | <b>394,714</b>                        | <b>107,907,297</b>                       | <b>17,187,435</b>                      | <b>8,031,916</b>                 | <b>11,507,991</b>            | <b>-</b>                               | <b>53,961,279</b>     | <b>198,990,631</b>          |
| <b>Net book value - 30th June 2020</b> | <b>743,840</b>                        | <b>128,843,449</b>                       | <b>3,746,249</b>                       | <b>5,163,207</b>                 | <b>4,580,029</b>             | <b>-</b>                               | <b>138,104,094</b>    | <b>281,180,868</b>          |



## NOTES TO THE FINANCIAL STATEMENTS continued

### 10.(B) PROPERTY, PLANT AND EQUIPMENT Year ended 30 June 2019

|  | Leasehold<br>improve-<br>ments<br>Shs | Plant,<br>machinery<br>and meters<br>Shs | Motor<br>vehicles<br>and cycles<br>Shs | Furniture<br>and fittings<br>Shs | Computer<br>equipment<br>Shs | Capital<br>work-in-<br>progress<br>Shs | Project<br>Assets<br>Shs | Total<br>Shs       |
|--|---------------------------------------|--|--|----------------------------------|------------------------------|--|--------------------------|--------------------|
| <b>Cost</b>                            | <b>2.50%</b>                          | <b>12.5%</b>                             | <b>25%</b>                             | <b>12.5%</b>                     | <b>30%</b>                   |  | <b>12.5%</b>             |                    |
| As at 1st July 2018                    | 1,138,554                             | 183,180,721                              | 19,916,183                             | 10,970,257                       | 10,422,224                   | 41,625,298                             | 69,351,882               | 336,605,118        |
| Additions                              | 0                                     | 32,174,586                               | 1,017,500                              | 1,134,018                        | 1,935,206                    | 58,493,277                             |                          | 94,754,587         |
| Transfers/Disposal/Impairment          |                                       | (2,879,500)                              |  |                                  |                              |  | -                        | (2,879,500)        |
| <b>As at 30th June 2019</b>            | <b>1,138,554</b>                      | <b>212,475,807</b>                       | <b>20,933,683</b>                      | <b>12,104,275</b>                | <b>12,357,430</b>            | <b>100,118,574</b>                     | <b>69,351,882</b>        | <b>428,480,205</b> |
| <b>Depreciation</b>                    |                                       |  |  |                                  |                              |  |                          |                    |
| As at 1st July 2018                    | 356,079                               | 73,401,774                               | 14,273,686                             | 6,607,178                        | 8,339,846                    | -                                      | 29,215,014               | 132,193,576        |
| Reversal on impairment                 |                                       | (359,938)                                | -                                      |                                  |                              |  |                          | (359,938)          |
| Charge for the year                    | 19,562                                | 17,339,262                               | 1,664,999                              | 687,137                          | 1,205,275                    | -                                      | 5,017,109                | 25,933,344         |
| <b>As at 30th June 2019</b>            | <b>375,641</b>                        | <b>90,381,097</b>                        | <b>15,938,685</b>                      | <b>7,294,315</b>                 | <b>9,545,121</b>             | <b>-</b>                               | <b>34,232,122</b>        | <b>157,766,982</b> |
| <b>Net book value - 30th June 2019</b> | <b>762,913</b>                        | <b>122,094,709</b>                       | <b>4,994,998</b>                       | <b>4,809,960</b>                 | <b>2,812,308</b>             | <b>100,118,574</b>                     | <b>35,119,760</b>        | <b>270,713,223</b> |





# NOTES TO THE FINANCIAL STATEMENTS continued

## 11. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30%. (2020:30%). There was no movement in the year under review as shown below:

|  | 2020<br>Shs | 2019<br>Shs |
|--|-------------|-------------|
| At start of year                           | (5,014,071) | (5,014,071) |
| (Credit)/charge to profit or loss (Note 7) | -           | -           |
| At end of year                             | (5,014,071) | (5,014,071) |

Deferred tax (assets) and liabilities, deferred tax charge/(credit) to other comprehensive income and deferred tax charge/(credit) to equity, deferred tax charge/(credit) in profit or loss are attributable to the following items:

|                          | At<br>start of<br>year<br>Shs | (Credit) to<br>profit or loss<br>Shs | At<br>end of<br>year<br>Shs |
|--------------------------|-------------------------------|--------------------------------------|-----------------------------|
| Deferred tax (assets)    |                               |                                      |                             |
| Provisions               | (5,014,071)                   | 0                                    | (5,014,071)                 |
| Net deferred tax (asset) | (5,014,071)                   | -                                    | (5,014,071)                 |

## 12 INVENTORIES

|             | 2020<br>Shs   | 2019<br>Shs |
|-------------|---------------|-------------|
| Chemicals   | 3,395,401.00  | 3,864,390   |
| Consumables | 28,999,278.00 | 23,053,990  |
|             | 32,394,679    | 26,918,380  |

# NOTES TO THE FINANCIAL STATEMENTS continued



|  | 2020<br>Shs | 2019<br>Shs |
|--|-------------|-------------|
| <b>13 TRADE AND OTHER RECEIVABLES</b>                  |             |             |
| Trade receivables                                      | 201,375,910 | 167,745,803 |
| Less: Offset of Inherited County Government bills      | 0           | 0           |
| Less: provision for impairment/Credits awarded         | -           | (6,961,778) |
| Net trade receivables                                  | 201,375,910 | 160,784,025 |
| Prepayments and deposits (Appendix c)                  | 8,372,163   | 6,861,257   |
| Other receivables (Appendix d)                         | 29,394,510  | 29,529,531  |
| Receivable from related parties (Note 13 on movements) | 15,772,751  | 12,480,841  |
|  | 254,915,333 | 209,655,655 |
| <b>Movement in related parties balances</b>            |             |             |
| At start of year                                       | 12,480,841  | 7,054,961   |
| Additions in the year - Bills                          | 9,347,159   | 12,197,183  |
| Bills paid by the County government                    | (6,055,249) | (6,771,303) |
| At end of year   | 15,772,751  | 12,480,841  |
| <b>Movement in impairment provisions</b>               |             |             |
| At start of year                                       | -           | 32,282,563  |
| Additions  | -           | -           |
| At end of year   | -           | 32,282,563  |

Related party referred to here is the County Government of Kisumu formerly Municipal Council of Kisumu (MCK). KIWASCO is a wholly owned subsidiary of the County Government of Kisumu and supplies water to various institutions and premises owned and operated by the County Government of Kisumu.

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value. The company's credit risk arises primarily from trade receivables. The directors have not made a provision for the portion of the receivable whose recovery is in doubt this year.

The carrying amounts of the company's trade and other receivables are all denominated in Kenya Shillings. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.



## NOTES TO THE FINANCIAL STATEMENTS continued

| 14. TRADE AND OTHER PAYABLES                | 2020<br>Shs        | 2019<br>Shs        |
|---|--------------------|--------------------|
| <b>Non current</b>                          |                    |                    |
| Water deposits                              | 114,212,303        | 104,971,875        |
| County Government of Kisumu - Contributions | 26,660,396         | 26,660,396         |
| Offset of Contributions by KIWASCO debts    | 0                  | 0                  |
|   | <b>140,872,699</b> | <b>131,632,271</b> |

Non-current liabilities above include water deposits received from customers to mitigate the company against losses which may arise from non payment of water consumed and bills raised. The deposits are refundable on demand by the customers incase of transfer or movement from the premises. An annual provision of Ksh.1,200,000 (Current liability) is estimated to be refunded within one financial year of operations.

|  |                    |                    |
|--|--------------------|--------------------|
| <b>Current</b>                                     |                    |                    |
| Trade payables                                     | 110,209,140        | 76,653,178         |
| County Government of Kisumu - Conservancy fee      | 59,370,419         | 35,668,570         |
| Accruals (Appendix a)                              | 35,369,553         | 17,953,351         |
| Other payables (Appendix b)                        | 14,220,229         | 12,586,640         |
| County Government Lease Fees                       | 35,496,044         | 35,496,044         |
| Lake Victoria South Water Services Board Levy      | 36,100,538         | 40,600,538         |
| Water deposits                                     | 1,200,000          | 1,200,000          |
| Offset of County Government liabilities with debts | 0                  | 0                  |
|  | <b>291,965,922</b> | <b>220,158,321</b> |
| <b>Total trade and other payables</b>              | <b>432,838,621</b> | <b>351,790,592</b> |

### Movement in County Governemnt of Kisumu (formerly MCK)- Contributions

|   |                   |                   |
|---|-------------------|-------------------|
| At start of year and as previously stated         | 26,660,396        | 26,660,396        |
| Prior year adjustment:                            |                   |                   |
| Water deposit                                     | -                 | -                 |
| As restated                                       | 26,660,396        | 26,660,396        |
| Amount offset against irrecoverable water debtors | 0                 | 0                 |
| taken over at inception                           | -                 | -                 |
| At end of year                                    | <b>26,660,396</b> | <b>26,660,396</b> |

In the opinion of the directors, the carrying amount of trade and other payables approximate to their fair value. The carrying amounts of the company's trade and other payables are all denominated in Kenya Shillings.

The maturity analysis of trade and other payables is as follows:

|                        |                    |                    |
|------------------------|--------------------|--------------------|
| Within three months    | 115,609,140        | 82,053,178         |
| Three to twelve months | 176,356,782        | 138,105,143        |
| Over one year          | 140,872,699        | 131,632,271        |
|                        | <b>432,838,621</b> | <b>351,790,592</b> |



# NOTES TO THE FINANCIAL STATEMENTS continued



|  | 2020<br>Shs       | 2019<br>Shs       |
|--|-------------------|-------------------|
| <b>15. PROVISIONS FOR LIABILITIES AND CHARGES</b>                      |                   |                   |
| At start of year   | 1,269,670         | 0                 |
| Charge to profit or loss (Note 4)                                      | 3,432,338         | 1,269,670         |
|  | 4,702,008         | 1,269,670         |
| Utilised during the year   | -                 | -                 |
| <b>At end of year</b>  | <b>4,702,008</b>  | <b>1,269,670</b>  |
| <b>16 CASH GENERATED FROM OPERATIONS</b>                               |                   |                   |
| Reconciliation of profit before tax to cash generated from operations: |                   |                   |
| Profit before tax  | 5,655,583         | 12,021,671        |
| Adjustments for:   |                   |                   |
| Depreciation on property, plant and equipment (Note 10)                | 41,908,099        | 25,933,344        |
| Amortisation of intangible assets (Note 10)                            |                   |                   |
| Depreciation reversal - Impairment loss on meters (Note 10)            | (684,450)         | (359,938)         |
| Interest expense (Note 5 )   | 9,825,835         | 6,309,113         |
| Increase/(decrease) provision for liabilities and charges (Note 15)    | 3,432,338         | 1,269,670         |
| Grants written back (Note 17)  | (10,233,078)      | (4,722,795)       |
| Changes in working capital:  |                   |                   |
| - Increase in Inventories (Note 12)                                    | (5,476,299)       | (10,491,296)      |
| - Increase in trade and other receivables (Note 13)                    | (45,259,679)      | 17,490,358        |
| - Increase in trade and other payables (Note 14)                       | 71,807,601        | 13,985,126        |
| Prior year adjustment - Trade payables                                 |                   |                   |
| <b>Cash generated from operations</b>                                  | <b>70,975,951</b> | <b>61,435,253</b> |



# NOTES TO THE FINANCIAL STATEMENTS continued

## 17. GRANTS

|  | At<br>start of<br>year | Advance<br>during<br>the year | write<br>back to<br>income | At end<br>of year |
|--|------------------------|-------------------------------|----------------------------|-------------------|
| <b>Year ended 30 June 2020</b>           |                        |                               |                            |                   |
| Nyalenda project                         | 1,005,636              |                               | (125,704.46)               | 879,931           |
| Lake Victoria South Water Services Board | 129,686                |                               | (16,210.77)                | 113,475           |
| Water Service Trust Fund & Others        | 31,924,246             | 12,464,047                    | (5,548,536.66)             | 38,839,757        |
| RIAT OBA Project                         | 5,774,322              | 30,566,688                    | (4,542,626.28)             | 31,798,384        |
| Other Grants - WIP                       | 12,464,047             | (12,464,047)                  | -                          | 0.00              |
|  | <b>51,297,938</b>      | <b>30,566,688</b>             | <b>(10,233,078)</b>        | <b>71,631,547</b> |
| <b>Year ended 30 June 2019</b>           |                        |                               |                            |                   |
| Nyalenda project                         | 1,149,298              | -                             | (143,662)                  | 1,005,636         |
| Lake Victoria South Water Services Board | 148,212                | -                             | (18,526)                   | 129,686           |
| Water Service Trust Fund                 | 36,484,853             | -                             | (4,560,607)                | 31,924,246        |
| Other Grants                             | 18,238,370             | -                             | -                          | 18,238,370        |
|  | <b>56,020,733</b>      | <b>0</b>                      | <b>(4,722,795)</b>         | <b>51,297,938</b> |

## 18 Related party transactions and balances

|  | 2020<br>Shs       | 2019<br>Shs       |
|--|-------------------|-------------------|
| i) Sale of goods and services  |                   |                   |
| Sale of water to related parties - county of Kisumu  | 9,347,159         | 12,197,183        |
| ii) Purchase of goods and services   |                   |                   |
| Lease charges and levy from related parties - County of Kisumu   | 0                 | 36,047,578        |
| iii) Outstanding balances arising from sale and purchase of goods/service and other contractual agreements |                   |                   |
| Receivable from related parties (Note 13)  | 15,772,751        | 12,480,841        |
| Payable to related parties (Note 14)   | 59,370,419        | 35,668,570        |
| Key Management personnel compensation  |                   |                   |
| Short term employee benefits   | 33,604,128        | 26,889,348        |
| Post employment benefits (Ref: Employment benefits)  | 4,686,589         | 3,408,498         |
|  | <b>38,290,717</b> | <b>30,297,846</b> |

## 19 RISK MANAGEMENT OBJECTIVES AND POLICIES

### Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including interest rate risk) credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management under policies approved by the board of directors Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

#### (a) Market risk - Interest rate risk

The company has no interest bearing assets and as a result its cashflows are substantially independent of changes in market interest rates.

The company's exposure to interest rate risk arises from current borrowings. Borrowings obtained at different rates expose the company to interest rate risk. Borrowings obtained at fixed rates expose the company to fair value interest rate risk except where the instruments are carried at amortised cost

|                             | 2020<br>Shs | 2019<br>Shs |
|-----------------------------|-------------|-------------|
| Effect on profit-(decrease) | (9,825,835) | (6,309,113) |

The table above summarises the effect on post-tax profit had interest rates been 1 percentage point higher, with all other variables held constant. If the interest rates were lower by 1% point, the effect would have been the opposite.

#### (b) Credit risk

Credit risk arises mainly from cash and cash equivalents and trade and other receivables. Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors, when determining credit limits.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

None of the financial assets that are fully performing has been renegotiated in the last year. Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.





# NOTES TO THE FINANCIAL STATEMENTS continued

## 19 RISK MANAGEMENT OBJECTIVES AND POLICIES continued

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Notes 9 and 16 discloses the maturity analysis of borrowings and trade and other payables.

## 20 CAPITAL MANAGEMENT/COMMITMENT

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing services commensurately with the level of risk;
  - to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
  - to maintain a strong asset base to support the development of business.
- to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

As at the reporting date, the company had sufficient cash and cash equivalents to adequately cover its borrowings.

## 21 COMMITMENTS

|   | 2020<br>Shs | 2019<br>Shs |
|---|-------------|-------------|
| Operating lease commitments             |             |             |
| Operating lease payable within one year | -           | 20,365,348  |

## 22 INCORPORATION

Kisumu Water and Sewerage Company Limited is incorporated in Kenya under the Companies Act as a private limited liability company and is domiciled in Kenya.

## 23 PRESENTATION CURRENCY

The financial statements are presented in Kenya Shillings (Shs).

# NOTES TO THE FINANCIAL STATEMENTS continued



## 24 SHARE CAPITAL

### Authorised:

5,000 (2020: 5,000) ordinary shares of Shs. 20 each

### Issued and fully paid:

5,000 (2020: 5,000) ordinary shares of Shs. 20 each

### Total cost of sales

**2020  
Shs**

**2019  
Shs**

100,000

100,000

100,000

100,000

The company is owned by County Government of Kisumu who hold 99.9% of the total shares.

## 25 CONTINGENT LIABILITIES

The Company has contingent liabilities in respect of legal claims arising in the Ordinary course of business.

There were active litigations against the company as the reporting date are being handled by the company's legal team.

## 26. ADMINISTRATIVE EXPENSES

Staff uniform and protective clothing

Board Expenses

Board retreat and annual general meeting

Advertising and publicity

Tenders

Bank charges and commissions

Training

Postages and telephones

Vehicle running expenses

Travels and subsistence

Printing and stationery

Sporting Activities

Audit fees

- Current year

ICT expenses

Debt collection

Bad debts Provision

Legal and professional fees an subscriptions

Consultancy

Office expenses

Donations

**2020  
Shs**

**2019  
Shs**

2,355,746

2,169,785

6,749,124

11,920,204

4,258,852

2,429,460

3,910,935

8,457,376

641,718

331,476

2,912,057

3,124,888

3,672,634

6,665,542

11,431,564

8,115,805

20,468,552

22,964,954

8,931,964

11,536,486

4,454,230

5,793,394

5,148,501

0

0

0

580,000

580,000

5,734,494

869,860

709,200

858,200

0

32,282,563

3,365,683

3,893,999

2,559,500

14,565,642

6,084,285

6,421,745

280,700

5,000

**Total administrative expenses**

**94,249,739**

**142,986,377**



## NOTES TO THE FINANCIAL STATEMENTS continued

| <b>27. ESTABLISHMENT EXPENSES</b>             | <b>2020<br/>Shs</b> | <b>2019<br/>Shs</b> |
|---|---------------------|---------------------|
| Lease fees                                    | 0                   | 20,365,348          |
| Conservancy fee                               | 26,503,490          | 19,869,080          |
| LVSWSB Levy                                   | 0                   | 15,682,230          |
| LTAP - operating Lease                        | 4,000,000           | 5,000,000           |
| WASREB levy                                   | 31,334,513          | 23,160,198          |
| WRA levy                                      | 8,463,423           | 7,130,905           |
| NEMA  | 10,000              | 420,000             |
| KEBS levy                                     | 400,000             | 411,760             |
| WASPA   | 225,000             | 225,000             |
| Office rent                                   | 2,751,091           | 2,718,284           |
| Office Repairs and maintenance                | 4,270,111           | 2,891,250           |
| Electricity                                   | 548,916             | 649,415             |
| General insurance                             | 1,360,481           | 1,460,820           |
| Security expenses                             | 17,885,990          | 16,841,820          |
| Impairment loss on meters                     | 4,791,150           | 2,519,562           |
| Depreciation on property, plant and equipment | 41,908,100          | 25,933,244          |
| Amortisation of Intangible assets             | 5,008,412           | 0                   |
| Water Bills                                   | 3,722,278           | 6,580,111           |
| <b>Total establishment expenses</b>           | <b>153,182,955</b>  | <b>151,859,026</b>  |
| <b>28. MAINTENANCE EXPENSES</b>               | <b>2020<br/>Shs</b> | <b>2019<br/>Shs</b> |
| Opening inventories of consumables            | 23,053,990          | 14,241,177          |
| Network maintenance                           | 108,306,138         | 93,513,400          |
| Sewerage maintenance                          | 6,093,446           | 5,998,406           |
| Sanitation                                    | 3,749,575           |                     |
| Laboratory reagent                            | 3,448,405           | 2,937,298           |
| Water pump maintenance                        | 1,144,209           | 8,240,208           |
| Electrical items                              | 8,492,066           | 7,571,761           |
| Closing inventories of consumables            | (28,999,278)        | (23,053,990)        |
| <b>Total maintenance expenses</b>             | <b>125,288,550</b>  | <b>109,448,260</b>  |
| <b>29 CASH AND CASH EQUIVALENTS</b>           | <b>2020<br/>Shs</b> | <b>2019<br/>Shs</b> |
| Cash in hand                                  | 433,264             | 1,297,184           |
| Cash at bank                                  | 29,633,328          | 20,420,192          |
|   | <b>30,066,592</b>   | <b>21,717,375</b>   |

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the above. Details of bank accounts, account numbers and year end balances for every account comprising the above totals are annexed in page 56 of these financial statements.



## 30 INTANGIBLE ASSET Year ended 30 June 2020

|  | work-in-progress<br>Shs | Intangible<br>Assets<br>5 Years | Total<br>Shs      |
|--|-------------------------|---------------------------------|-------------------|
| <b>Cost</b>                            |                         |                                 |                   |
| As at 1st July 2019                    | 9,042,062               | -                               | 9,042,062         |
| Transfers to finished project          | (9,042,062)             | 9,042,062                       | -                 |
| Additions                              | -                       | 16,000,000                      | 16,000,000        |
| Disposal                               | -                       | -                               | -                 |
| <b>As at 30th June 2020</b>            | <b>-</b>                | <b>25,042,062</b>               | <b>25,042,062</b> |
| <b>Depreciation</b>                    |                         |                                 |                   |
| As at 1st July 2019                    | -                       | -                               | -                 |
| Charge for the year                    | -                       | 5,008,412.48                    | 5,008,412         |
| <b>As at 30th June 2020</b>            | <b>-</b>                | <b>5,008,412</b>                | <b>5,008,412</b>  |
| <b>Net book value - 30th June 2020</b> | <b>-</b>                | <b>20,033,650</b>               | <b>20,033,650</b> |



## NOTES TO THE FINANCIAL STATEMENTS continued

### 31 BANK REGISTER FOR CASH & CASH EQUIVALENT (NOTE 14) As at Year ended 30 June 2020

| NAME OF THE CORPORATION           | NAME OF BANK (BANKERS)    | BANK ACCOUNT NUMBERS | BANK-BRANCH | CURRENCY | CASH BOOK BALANCE | BANK BALANCE     |
|-----------------------------------|---------------------------|----------------------|-------------|----------|-------------------|------------------|
|                                   |                           |                      |             | KSH      | AS AT 30/06/2020  | AS AT 30/06/2020 |
| Kisumu Water and Sewerage Company | Cash on Hand              | N/A                  | N/A         | KSH      | 0.00              | N/A              |
| Kisumu Water and Sewerage Company | Cooperative Bank of Kenya | 01100012931300       | KISUMU      | KSH      | 24,646,215.72     | 24,646,215.72    |
| Kisumu Water and Sewerage Company | Cooperative Bank of Kenya | 01136012931300       | KISUMU      | KSH      | 1,838,133.08      | 1,838,133.08     |
| Kisumu Water and Sewerage Company | Cooperative Bank of Kenya | 01136012931301       | KISUMU      | KSH      | 1,791,999.50      | 4,749,162.36     |
| Kisumu Water and Sewerage Company | Petty Cash                | N/A                  | N/A         | KSH      | 22,546.00         | N/A              |
| Kisumu Water and Sewerage Company | Cash on Hand - Mpesa      | N/A                  | N/A         | KSH      | 410,718.00        | N/A              |
| Kisumu Water and Sewerage Company | NIC Bank - Pamoja Trust   | 1001789399           | KISUMU      | KSH      | 440,592.98        | 440,592.98       |
| Kisumu Water and Sewerage Company | Post bank                 | 0744130005547        | KISUMU      | KSH      | 9,300.00          | 9,300.00         |
| Kisumu Water and Sewerage Company | Equity Bank               | 0290265172985        | KISUMU      | KSH      | 86,261.69         | 86,261.69        |
| Kisumu Water and Sewerage Company | Cash on Hand - Airtel     | N/A                  | N/A         | KSH      | 0.00              | N/A              |
| Kisumu Water and Sewerage Company | Cash on Hand - Jambopay   | N/A                  | N/A         | KSH      | 0.00              | N/A              |
| Kisumu Water and Sewerage Company | NCBA UBSUP Project        |                      | KISUMU      | KSH      | 820,824.85        | 820,824.85       |

# APPENDICES



| a. ACCRUALS                       |                   |                   |
|-----------------------------------|-------------------|-------------------|
|                                   | 2020<br>Shs       | 2019<br>Shs       |
| PAYE outstanding                  | 1,884,887         | 2,643,492         |
| NSSF outstanding                  | 722,474           | 719,694           |
| NHIF outstanding                  | 317,250           | 267,200           |
| Special PAYE                      | 178,266           | 442,099           |
| WASREB Levy                       | 21,334,563        | 4,965,898         |
| Accrued Salaries & Wages          | 1,530,658         | 1,349,677         |
| WRMA                              | 5,073,212         | 3,802,179         |
| WASPA                             | 0                 | 0                 |
| NITA                              | 16,500            | 16,250            |
| IPF Medical & General Insurance   | 2,471,744         | 2,006,862         |
| KEBS                              | 100,000           | 0                 |
| KENAO                             | 1,740,000         | 1,740,000         |
|                                   | <b>35,369,553</b> | <b>17,953,351</b> |
| <b>b. OTHER PAYABLES</b>          |                   |                   |
| Voluntary contribution            | 4,378,998         | 3,272,494         |
| Union dues outstanding            | 487,470           | 1,111,449         |
| Pension outstanding               | 9,277,154         | 6,612,540         |
| NUWASE                            | 76,607            | 78,457            |
| Suspense Account                  | 0                 | 1,511,700         |
|                                   | <b>14,220,229</b> | <b>12,586,640</b> |
| <b>c. PREPAYMENTS</b>             |                   |                   |
| Telephone deposits                | 57,000            | 57,000            |
| Electricity deposits              | 848,859           | 892,900           |
| Internet                          | 17,400            | 17,400            |
| Creditors with Debit balances     | 0                 | 876,801           |
| Staff medical & General insurance | 7,448,904         | 5,017,156         |
|                                   | <b>8,372,163</b>  | <b>6,861,257</b>  |
| <b>d. OTHER RECEIVABLES</b>       |                   |                   |
| VAT                               | 28,761,122        | 28,761,122        |
| Staff advances                    | 633,388           | 768,409           |
|                                   | <b>29,394,510</b> | <b>29,529,531</b> |





## PROXY FORM

**The Company Secretary**  
**Kisumu Water & Sanitation Company Limited**  
**P.O. Box 3210**  
**Kisumu**

I/We \_\_\_\_\_  
of \_\_\_\_\_  
\_\_\_\_\_ being a \*member/members of Kisumu Water & Sanitation Company Limited:  
of (address) \_\_\_\_\_  
\_\_\_\_\_ hereby appoint: \_\_\_\_\_  
to be \*my/our proxy, to vote on \*my/our behalf at the **15th Annual General Meeting** of the Company to be  
held on **6th May 2022** at **Ciala Resort** or any adjournment thereof.

**\*(Strike out as appropriate).**

Signed this \_\_\_\_\_ day of \_\_\_\_\_ (Month) 2022.

### **Notes:**

1. A proxy need not be a member.
2. In the case of a corporate body, the proxy must be under its Common Seal.
3. This proxy form should be completed and returned not later than 48 hours before the meeting or any adjournment thereof.

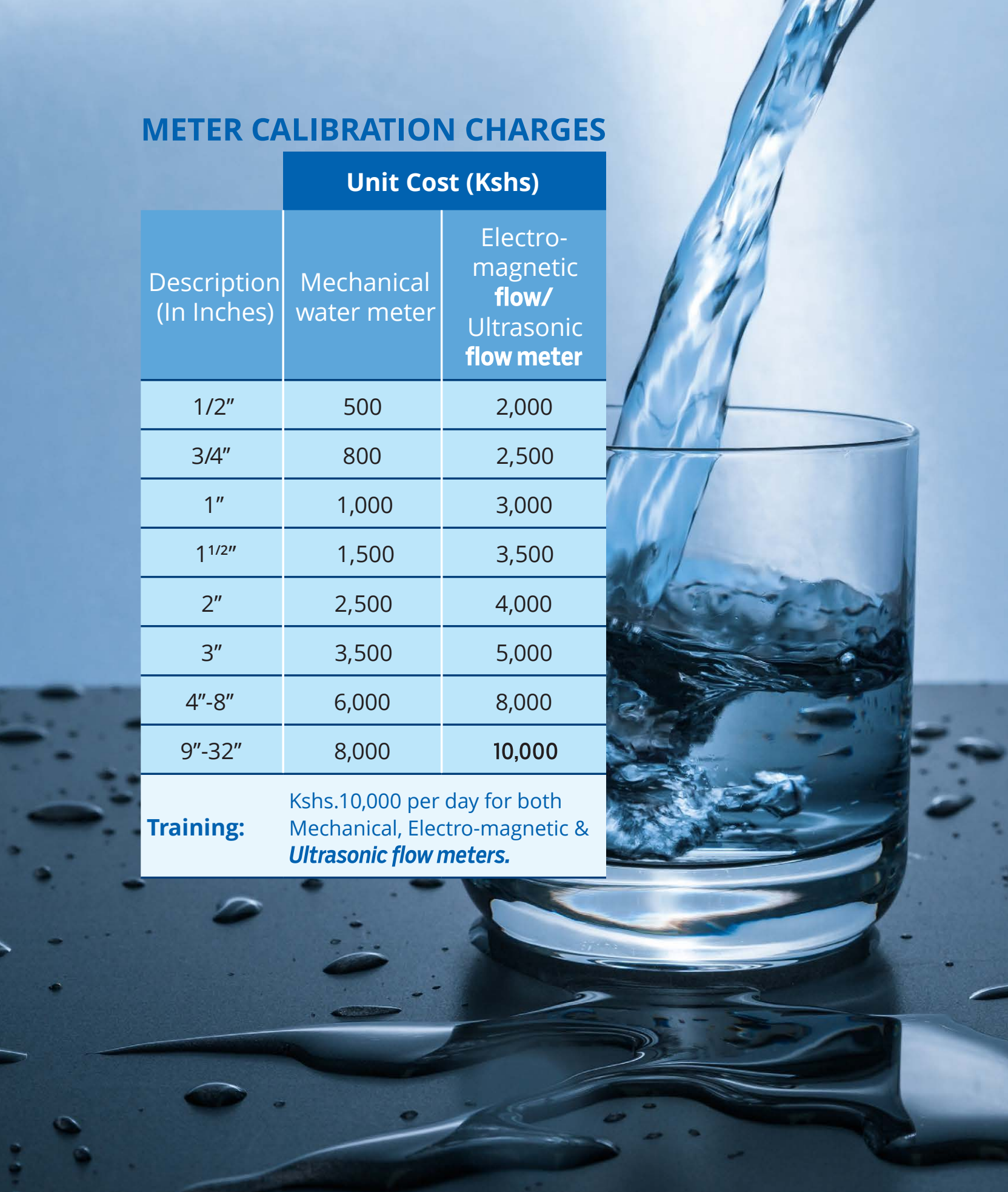


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# METER CALIBRATION CHARGES

|   | Unit Cost (Kshs)          |   |
|---|---------------------------|---|
| Description<br>(In Inches)  | Mechanical<br>water meter | Electro-<br>magnetic<br><b>flow/</b><br>Ultrasonic<br><b>flow meter</b> |
| 1/2"  | 500                       | 2,000   |
| 3/4"  | 800                       | 2,500   |
| 1"  | 1,000                     | 3,000   |
| 1 1/2"  | 1,500                     | 3,500   |
| 2"  | 2,500                     | 4,000   |
| 3"  | 3,500                     | 5,000   |
| 4"-8"   | 6,000                     | 8,000   |
| 9"-32"  | 8,000                     | 10,000  |
| <b>Training:</b> Kshs.10,000 per day for both Mechanical, Electro-magnetic & <i>Ultrasonic flow meters.</i> |                           |   |





**KIWASCO**  
*Refresh Life*

**Kisumu Water and Sanitation Company**

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Along Oginga Odinga Street, Kisumu

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