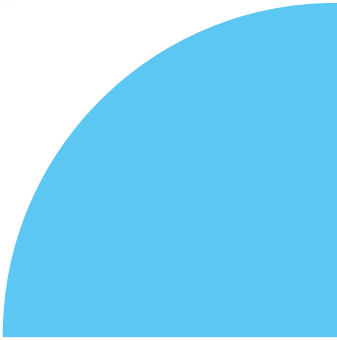




KIWASCO
RefreshLife

KISUMU WATER AND SANITATION COMPANY LIMITED



2023

ANNUAL REPORT & FINANCIAL STATEMENTS



Our Commitment

We recognize that there's need for mutual commitment from our esteemed customers and other stakeholders to ensure cordial working relationship in order to enhance customer experience. We trust that we shall together embrace these principles for improved water and sanitation services in Kisumu County and give true meaning to our slogan 'Refresh Life'



Our Vision

To be the most admired service provider



Our Mission

To provide sustainable water and sanitation services for enriched livelihoods



Integrity

Embracing Honesty, Truthfulness and Respect in discharging our responsibilities: To build trust with those we serve, both inside and outside the company, we commit to uphold high levels of integrity.



Collaboration

Working as a team, supporting each other and harnessing different skills to create a superior performance culture. To deliver our services effectively and efficiently, we shall create a team-based culture in KIWASCO.



Excellence

Commitment to Excellence is about our passion and contribution to quality products and services. We shall be creative and innovative to ensure we become the best and deliver the best.



WELCOME TO KIWASCO

Kisumu Water and Sanitation Company Limited (KIWASCO) is an ISO 9001:2015 Certified company and 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 (wastewater) within the jurisdiction of Kisumu City.



OUR SERVICES

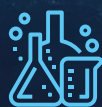
We are mandated with providing cost effective and affordable quality water and sanitation services to the residents of Kisumu County.



Water Supply



Sanitation Services



Calibration Laboratory

Contents

Key Entity Information	5
The Board of Directors	8
Management Team	10
Chairman’s Statement	11
Report of the Managing Director	23
Statement of Performance against Predetermined Objectives for FY 2022/2023	37
Corporate Governance Statement	41
Management Discussion and Analysis	42
Environmental and Sustainability Reporting	45

Financial Statements:

Report of the Directors	51
Statement of Directors’ Responsibilities	52
Report of the Independent Auditors	53
Statement of Profit or Loss & Other Comprehensive Income	57
Statement of Financial Position	58
Statement of Changes in Equity	59
Statement of Cash Flows	60
Statement of Comparison of Budget & Actual Amounts	61
Notes to the Financial Statements	62

Appendices 93



40,849

Connections



312

KIWASCO Employees

Notice Of 18th Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the members of Kisumu Water and Sanitation Company Ltd will be held on 13th December 2024 at Tom Mboya Labour College, 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 17th AGM held on 8th December 2023
4. Matters Arising/Action Status
5. To receive Chairman's and Managing Director's report
6. To receive and approve Financial Statements for the year 2022/2023 and Auditor's report thereon
7. To note that Auditor General shall continue in office for the year 2023/24 in accordance with Section 721(2) of the Company's Act, and to authorize Directors to fix their remuneration
8. To amend clause 60, 61, 66 and 72 of the Memorandum and Articles of Association
9. To note the retirement of two Directors and being eligible for re-election offer themselves for election
10. To discuss any other business for which Notice has been given in accordance with Article of Association.

By Order of the Board



S.O. Awino

COMPANY SECRETARY

Key Entity Information

Background Information

The Kisumu Water and Sanitation Company Ltd was founded in 2001 and registered under CAP 486 of the laws of Kenya and it began its operations in July 2003. At the County level, the Company is represented by the County Executive Member responsible for Water and Sanitation services who together with Board of Directors are responsible for the general policy and strategic direction of the Company. The Company is domiciled in Kenya and it has no branches outside of Kisumu County.

Principal Activities

The principle activity of the Company is to abstract, treat and supply portable water and to provide sanitation services.

Board of Directors

1.	Vinod Patel	Chairman	Appointed in October 2017
2.	Thomas Odongo	Chief Executive	Appointed on 1st July 2018
3.	George Okong'o	Director	CECM – Finance & Economic Planning
4.	Maryline Agwa	Director	CECM –Water, Environment & Natural Resources
5.	Aballa Wanga	Director	City Manager – Appointed in October 2020
6.	Phylis Chepkemboi	Director	Appointed on 23rd December 2020
7.	Albert Ojonyo	Director	Appointed on 1st October 2021
8.	Dorcas Emily Inda	Director	Appointed on 1st October 2021
9.	Dr. Benson Nyambega	Director	Appointed on 6th May 2022

Corporate Secretary

Equity Secretaries and Registrars
Certified Public Secretaries
P.O. Box 14868, 00100
NAIROBI

Registered Office

Nafaka House, Oginga Odinga Street
P.O. Box 3210, 40100
KISUMU

Corporate Contacts

Telephone: (+254) 057 5007000
E-mail: info@kiwasco.co.ke
Website: www.kiwasco.co.ke

Corporate Bankers

Co-operative Bank of Kenya Limited
P.O. Box 1511, 40100
KISUMU.
Kisumu Main Branch

Independent Auditors

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

Principal Legal Advisers

Ouma Njoga and Company Advocates
P.O. Box 2536, 40100
KISUMU

20 Years Of

Providing adequate clean portable water, collecting, treating, and disposing sewerage (wastewater) and sanitation services within the jurisdiction of **Kisumu City**.

92%

Water Coverage

18%

Sewerage Coverage

93%

Revenue Collection Efficiency

77%

Customer Satisfaction Index

37%

Non-Revenue Water

36,000 m³

Average Daily Production



KIWASCO Calibration Laboratory has enabled us to offer meter tests, calibration services, and training services to other WSP's and industries at a fee and we also allow industrial attachments from learning institutions.



Our water treatment capacity is at 80,000 m³:

44,000 m³

at Dunga treatment plant



36,000 m³

at Kajulu treatment plant

CORPORATE GOVERNANCE

Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The aim is to align as nearly as possible the interests of individuals, corporations and society.



Board of Directors



Vinod Patel
Chairman



Thomas Odongo
Managing Director



Mr. Abala Wanga
Director



Albert Ojonyo
Director



Hon. Maryline Agwa
Director



George Okong'o
Director



Ms. Phyllis Chepkemboi
Director



Dr. Benson Nyambega
Director



Ms Dorcas Emily Indah
Director



QUERY AND PAY FOR YOUR
WATER BILL THROUGH
OUR USSD CODE

***483*86#**

SOCIAL MEDIA HANDLES



0700 517 517



@KIWASCO



KISUMU WATER &
SANITATION CO.LTD



WWW.KIWASCO.CO.KE



KISUMU WATER &
SANITATION CO.LTD



KIWASCO

Management Team



Thomas Odongo
Managing Director



Eng. Moses Jura
Chief Engineer Technical Services



CPA Simon Ondigo
Head of Audit and Risk



CPA Nicholas Moseti
Head of Finance



Eldah Odongo
*Head of Corporate Affairs &
Communication*



Antony Ogwang
Supply Chain Manager



CPA Jason Ochola
Head of Commercial services



Shem Otieno
ICT Manager



Mr. Abel Kauta
*Head of Human Resources &
Administration*



Geoffrey Opiyo
*Non-Revenue Water
Manager*

Chairman's Statement



"The Board of Directors continued to lead the management team by providing guidance in developing and launch of the 4th strategic plan."

Vinod Patel
Chairman



We have some of the best people in the industry working at KIWASCO and their efforts will continue to place the company in a strong position to capture the opportunities ahead.

The year has flown by very fast and I am truly proud of our collective efforts in achieving the results before us. The year has not been easy. It started with a spate of deaths in the Company and natural attrition but we have stayed on course. The prayer day we marked gave all of us strength to carry on and I thank the Almighty that we have all been in good form and healthy. The year has also had incidences of demonstrations popularly referred to as 'maandamano' that brought in a lot of uncertainty especially in this region but we also pulled through this.

Results





The Board steered the Company to sustainable growth through various strategies premised on improving customer experience, enhancing sales growth, stepping up revenue collection, prudent cost management and reducing system losses. Despite the macro-economic uncertainty, the business remained resilient during the year. As a result, the business, despite operating in a tough macro-economic environment, **recorded a loss of Kshs.4.5 million compared to previous year profit before tax of Kshs.90.4 million.** The loss reduction in performance was mainly driven by increased cost of operations in the year and reductions in grant income realized in the previous years.

Chairman's Statement

Of concern were creeping inflation and introduction of various taxes that has significantly increased our average production costs leading to general increases in prices of the key operating supplies that in turn led to high cost of sales as well as high operating and maintenance costs.

The other key concern was in the high non-revenue water percentage and low credit rating that affects our overall rating in the WASREB Impact reports. However, I'm happy to report that despite these challenges we are confident that we will manage through the shifting economic landscape.

Some of the Board's key highlights in the financial year 2022/2023 have been as tabulated below.

Performance Indicator	Board Intervention	Impact
 <p>Enhanced Partnership with the County Government and other stakeholders</p>	The Board has created an environment that has enhanced partnership with the County Government of Kisumu, WSTF and other stakeholders	This has led to financial support and goodwill from the County government, WSTF for water infrastructure development
 <p>Enhanced Corporate Governance</p>	The Board is committed to ensure that there is increased transparency and accountability	This was reflected in the WASREB Impact ratings that put us at position 2 Countrywide
 <p>Enhanced Internal Controls</p>	The Board has enhanced internal controls in the departments including Technical, Commercial, Audit & Risk, Finance and HR & Administration departments.	This has led to operational efficiency and adherence to various statutory regulations and guidelines
 <p>Risk Management</p>	The Board has ensured approval of Risk Management Framework, Quality Management Systems (QMS) audits and necessitated risk-based audits.	This has led to compliance with the Public Financial Management Act, 2012, compliance with KEBS on re-certifications among other regulations.

Strategic Plan 2023-2028

Within the year, KIWASCO launched its 4th strategic plan. This is a futuristic and progressive document that will steer the company for the next 5 years. The process of developing this strategic plan was inclusive and all staff were involved making their contributions through an online questionnaire and through focus group discussions that were conducted.

Chairman's Statement

The Company launched the new strategic plan at an event that was presided over by the Rt. Hon. Dr. Raila Amolo Odinga who was accompanied by the Governor, County Government of Kisumu H.E. Prof. Anyang' Nyong'o.



Rt. Hon. Dr. Raila Amolo Odinga, H.E. Prof. Anyang' Nyong'o Governor Kisumu County together with Director Phyllis Chepkemoi during the launch of the Strategic Plan.



This will therefore enable the company to focus on implementing key strategic aims in the next five years.

The plan is instrumental in KIWASCO's efforts to remain futuristic, relevant and a value adding utility to the achievement of sustainable development goal 6. It outlines a bold vision for the company for the next 5-years and is centred on goals and vision that will help the company realize its full potential and better serve the residents of Kisumu City and its wider community.

It is key in cultivating collaborations and partnerships that build community and amplify KIWASCO's internal and external scope. This will therefore enable the company to focus on implementing key strategic aims in the next five years that will enable an appropriate environment in which our human resource, financial and physical resources can be evenly appropriated for a sustainable excellence as we execute our mandate.

Chairman's Statement



Board and Staff during the Strategic plan development workshop

New Office Block Building Construction

Progressed towards completion and in readiness for commissioning



New office block ongoing construction

Chairman's Statement

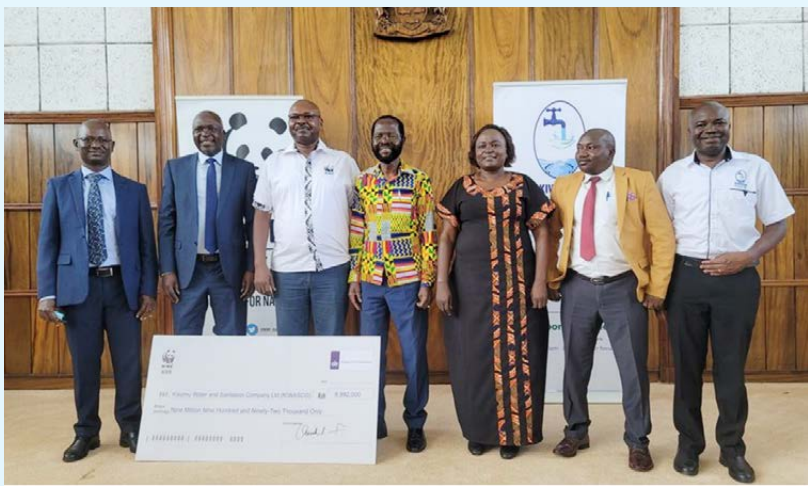


Kshs **10**

Million received from World Wide Fund for Nature (WWF)

Catchment Conservation

We are excited to announce that we received funding to a tune of Kshs. 10 Million from World Wide Fund for Nature (WWF). WWF is a non-governmental conservation organization that focuses on providing an enabling environment for the achievement of sustainable natural resource management. This fund will be used to amplify our efforts in the conservation and protection of water resource areas as mitigation measures against climate change effects. It will also contribute to the rehabilitation of the degraded forests i.e. Kajulu Hills and Nyang'ori catchment area. Further, the support will enhance our partnerships with community forest and water resource users' associations through capacity building in order to create a sustainable natural resource conservation culture in the region



World Wide Fund for Nature donation

Chairman’s Statement

USAID Deputy Mission Directors visit

In our continued efforts to foster and strengthen collaborations with our development partners, we hosted a delegation from USAID mission & Western Kenya Water Project (WKWP) during the World Environment Day. The delegation was led by the Deputy Mission Director, Ms. Sheila Roquitte and WKWP Chief of Party Mr. Japeth Mbuvi.



DG Mathew Owili and Ms. Sheila Roquitte having a chat

Contribution of USAID’s partnership to the performance of KIWASCO:

CONTRIBUTIONS

- i. **Contributed to improved performance in key KPI i.e.**
 - Reduction in Non-Revenue Water (NRW)
 - Increase in average monthly revenue billings
 - Increase in average monthly revenue collections.
- ii. **Mapped out two District Metered Areas (DMAs)** for infrastructural development to address operational efficiency and Non-Revenue Water reduction.
- iii. Facilitated **private sector linkages** (e.g., Safaricom, Smart Cloud, Maji Milele Sidian Bank with the urban water utility (KIWASCO) on smart metering, and solarization to reduce the non-revenue water and operation costs
- iv. Facilitated the review of the **KIWASCO Climate Resilient Water Safety Plan** jointly with the County Government of Kisumu, Water Resource Authority, NEMA among other partners.
- v. Supported the review of **KIWASCO’s Strategic Plan 2023-2028**
- vi. Conducted the review of the company internal policies including **the Social Connection Policy, New Connection Policy and Procedure, Metering Policy, and Non-Revenue Water (NRW) Policy and Strategy**
- vii. Aided the **customer satisfaction survey** to establish the performance of KIWASCO based on customers' perceptions.
- viii. Supported **corporate governance** training to the training of the Board of Directors (BOD) and Senior managers.
- ix. **Two urban water projects** (Katito extension and upper Korando extensions) have been prioritized for infrastructure investment in Year-2. Designs are being finalized.

Chairman's Statement



A group photo of Ms. Sheila Roquitte, ; DG Mathew Owili, representatives from WKWP, County Government and KIWASCO



Mrs. Eldah Odongo showing Ms. Sheila Roquitte the area whereby environment restoration is being carried out

Chairman's Statement



Water doesn't come from the taps; it comes from the rivers.

Journey of Water

The annual national campaign raising voices on the collective action for water catchment sources dubbed Journey of Water was held, along River Kibos. The trans-county river with tributaries in Vihiga, Nandi, and Kisumu counties serves as lifeline for Kisumu Residents since its from it that we extract water used to serve the population with clean potable water.

Spearheaded by WWF-Kenya in partnership with the Embassy of the Netherlands, KIWASCO, World Water Net (WWn), VEI, Acacia Water, Kenya Water and Sanitation Civil Society Network (KEWASNET), Centre for Integrated Water and Basin Management (CIWAB) at Egerton University, the Journey of Water campaign is an initiative that underscores the critical importance of preserving and protecting our water sources to ensure water security and sustainability is achieved. The 3-day long walk raised awareness on the need to protect and save the catchment sources for River Kibos under the tagline; Water doesn't come from the taps; it comes from the rivers.



Dignitaries plant trees during the opening ceremony

Chairman's Statement

River Kibos is a crucial transboundary water resource in the region, accounting for upto 65% of the water we supply to the residents of Kisumu City. Communities living along the catchment also use the water for various activities such as, domestic and irrigation purposes. However, River Kibos faces numerous threats. Upstream catchment encroachment due to human activities is diminishing water quality and quantity. Unsustainable sand harvesting is destabilizing the riverbanks and altering the natural flow. In the middle catchment areas, the degradation of riparian zones is harming the ecosystem, while the lower zones of the river suffers from increasing pollution levels, further impacting water quality.



Sand harvesting along Kibos River



Board members at Kajulu



1800

Number who participated in the Action4Rivers is Action4Health event. This included local communities, partners, civil society organizations, Counties, and National Government official

This significant event brought together over 1,800 participants including, local communities, partners, civil society organizations, Counties, and National Government officials to highlight the crucial role of the river in sustaining lives and businesses. Together we spreaded the message about the importance of collective action for the protection of freshness of R. Kibos and the catchment areas.



Action4Rivers is Action4Health participants

Chairman's Statement



Chief Eng. Jura displaying his call to action placard

“We commit to establish a joint water resource facility geared towards pooling resources from respective counties and development partner, and, in collaboration with other stakeholders support the establishment of the Basin Water Resource Committees in the Lake region,” read part of the joint communique.

Besides, it also committed to prioritize sensitization, empowerment, and engagement of the local communities in the sub-catchments to adopt sustainable practices, including sustainable land use, agroforestry, and the planting of indigenous and appropriate tree species. This was the third edition of the campaign and the participants walked 23-Kilometers along River Kibos and its tributary, River Nyangori, through River Nyamasaria to the mouth in Dunga Beach.

Climate Smart Utility

We are ending the year in style as KIWASCO gets yet another recognition among water service providers globally. The company was recognised as a Climate Smart Utility at the IWA Water and Development Congress & Exhibition held in Kigali - Rwanda. We are grateful for the support of all our stakeholders who enable us to continuously excel.



The company was recognised as a Climate Smart Utility at the IWA Water and Development Congress & Exhibition.

AWARDS



Chairman's Statement

Beyond Business

We strongly believe that acting responsibly and contributing to the well-being of society is integral to good business practices and value creation. Over the last year, KIWASCO has intentionally contributed to the social and economic development of the communities in which we operate by improving water supply and sanitation and better management of water resources. This has boosted the County's economic growth and contributed greatly to poverty reduction. Safe and readily available water is important for public health, whether it is used for drinking, domestic use, food production or recreational purposes.

The Company further supported programs in

- Newspaper in education to empower the schools educational programs boosting literacy among the school going children
- Graduate in training program
- Kajulu hills re afforestation
- Approved scholarship fund and
- Sensitization on menstrual health program amongst other programmes



Board leads the 17th Annual General Meeting at Tom Mboya Labour College

Appreciation

I would like to thank my fellow Board members, management and staff for their outstanding efforts and support during the year. We have some of the best people in the industry working at KIWASCO and their efforts will continue to place the company in a strong position to capture the opportunities ahead. Let us not take this positive momentum as a reason to sit back and relax. Rather, let us be energized by the progress we have made, and continue to push onward until we reach our final goal.

Let us toast to the possibility of a better year ahead!

Vinod Patel
Chairman



Report of the Managing Director



“The company has undergone immense growth both internally and across the water sector.”

Thomas Odongo
Managing Director



The company emerged position 9 overall and came fourth under the category of very large water utilities. We went ahead to bag position one in Customer Service, Pro-poor assessment and the Best in Lake Victoria South region.

Kisumu Water & Sanitation Company began operations in July 2003. Over the years, the Company has undergone immense growth both internally and across the water sector. The company has set itself apart from others over the years and now it’s time to celebrate our successes while learning from past mistakes and looking forward to the future. We are celebrating our 20 years of existence.

Strategic Priorities



Increase **water and Sanitation** Access and Coverage



Improve **Financial Sustainability**



Increase **Customer Satisfaction**



Improve **Operational Efficiency**



Low income areas initiatives



Increase **Employee Productivity**



Enhance **Corporate Governance** and Image

Report of the Managing Director



Non-Revenue water technicians installing a clamp on a water pipe.

Performance

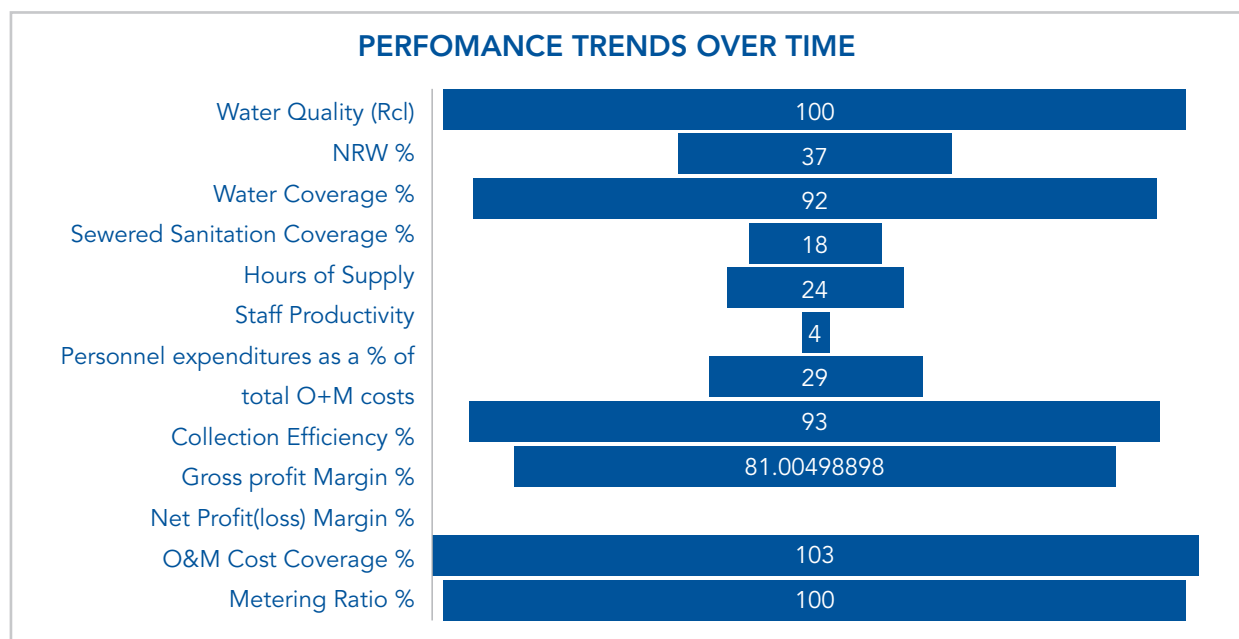
In June 2023, WASREB Impact 15 report was released, and the results were impressive. The company emerged position 9 overall and came fourth under the category of very large water utilities. We went ahead to bag position one in Customer Service, Pro-poor assessment and the Best in Lake Victoria South region. These results were announced during the WASPA Water & Sanitation International Conference and Exhibition that was held in Mombasa. KIWASCO was also ranked position 1 in the Water and Sanitation Innovation Awards 2023 under industry category. This was the best innovation dubbed 'the gold in urine.' The innovators behind this award are Carolyne Odero, Samuel Atika and Carolyne Omollo who collectively submitted the abstract and the innovation. This was a great improvement and I congratulate all who made this possible.



Caroline Omollo receiving best innovation award during the WASPA water and sanitation innovation awards 2023.

Report of the Managing Director

PARTICULARS	PERFORMANCE OVER TIME				
	2023	2022	2021	2020	2019
Parameters					
Water Quality (Rcl)	100	93	93	93	93
NRW %	37	31	32	37	31
Water Coverage %	92	91	87	85	72
Sewered Sanitation Coverage %	18	18	17	16	16
Hours of Supply	24	24	24	24	24
Staff Productivity	4	5	6	6	6
Personnel expenditures as a % of total O+M costs	29	32	33	35	35
Collection Efficiency %	93	92	91	95	84
Gross profit Margin %	81	84	81	81	82
Net Profit(loss) Margin %	-0.4	10	10	1	1
O&M Cost Coverage %	103	103	102	104	110
Metering Ratio %	100	100	100	100	100
Net Profit/(loss)	97.00%	97.70%	97.70%	95.00%	98.00%



8%

Turnover growth rate.

12.3%

Total assets growth rate.

Turnover grew by 8% from Kshs. 937,597,019 (Nine hundred and thirty seven million five hundred and ninety seven thousand and nineteen shillings) to Kshs. 1,012,683,919 (One billion and twelve million, six hundred and eighty three thousand nine hundred and nineteen shillings). The Company reported an operating loss for the year of Kshs. - 4,504,476 (Four million five hundred and four thousand, four hundred and seventy six with a revised comprehensive income for the year of Kshs. 120,005,182 (One hundred and twenty million, five thousand one hundred and eighty two) arising from revaluation of property plant and equipment. The increase in cost of sales is attributed to increase in operational costs as a result in risen fuel costs impacted by the war in Ukraine/Russia and effects of Covid pandemic together with inflation. The Company's total assets grew by 12.3% and total liabilities increased by 3.5%.

Report of the Managing Director

Pillars of Corporate Social Responsibility

Environment



Tree Nursery piloted



Adopting part of Kajulu Hills for restoration



Growing trees in consultation with experts

Ethics



Free water within the city when the need arises



Repair of sewer/ water bursts as per turn around time

Education



8 Schools in Kajulu through NIE programme



Sensitization: menstrual health, Environment, tree growing, Handwashing, Water use.



600,000

Budgeted for Scholarship fund in the coming year.





By decreasing chemical usage at Kajulu Water Treatment Plant where over **60%** of water used to supply residents of Kisumu City is drawn, we automatically cut on emissions that are perverse to the environment.

Report of the Managing Director

Staff Welfare

We successfully negotiated and implemented the CBA 2023/2024. All staff had their salaries reviewed upwards. A few of the contracted staff had their contracts revised into permanent and pensionable terms. Those who were in the 1-year contract graduated to the 3-year contract terms. This whole process was based on merit and having the right academic papers.

Graduate in Training (GIT) Program

In line with the Company's 2023 - 2028 Strategic Plan initiative 6.1 on Talent Development, the company launched a Graduate in Training (GIT) Program. This 12-month graduate program will run annually and has been developed to help recent graduates learn how to apply their academic knowledge in a real workplace setting.

As part of their training, the graduates are required to undertake real projects and present the outcomes to management. Each graduate is assigned a mentor and receives a personal development plan, outlining targets and competencies to be achieved during the program. Upon completion of the programme, the graduates will receive Certificates of Completion, having been equipped with valuable experience that should significantly enhance their employment prospects in the Water Sector or other industries.

Targeting young and energetic professionals willing to work in a fast paced, dynamic and agile environment, the GIT program plays a critical role in ensuring there is a pipeline of young professionals with the skills required to plug in to KIWASCO's strategic agenda.

What does the programme offer?



Assignment

The Graduate Programme offers a unique opportunity to contribute to KIWASCO's mandate in the WASH services provision under the SDG 6.



Personal Growth

We offer participants a customised formation journey. This learning path provides an opportunity to enhance knowledge, stretch capabilities and provide them with real-world experience.



Benefits

- A one-year professional entry-level contract (renewable for a second year on demonstrating good performance)
- A competitive entry-level stipend
- Annual leave – 21 days
- Sick leave – 14 days
- Exposure to area of specialization
- Focused Mentorship – The mentors assigned to the trainees will help them navigate their career by offering advice that add value
- Job rotation – All trainees go through a beneficial program that places them in various departments which equips them with experience to manage company operations.

Report of the Managing Director

Kajulu an ECO and Pocket friendly station



Kajulu team and the management pose for a photo during an award ceremony

Kajulu Water Treatment Plant was established in the heart of Kajulu forest—the forest which is currently affected by human social and economic activities and adverse weather patterns. We made a resolve to ensure that the ecosystem is restored and protected.

In order to create an eco-friendly operation space with minimal adverse interference to the environment, it became imperative to work on optimization of chemical usage and reduction of power consumption, in hope of dipping environmental pollution, while also, enhancing plant operational efficiency. This practice has amplified our performance on various sustainability and ethical issues at the plant.

This, significantly reduced the rate of pollution in the air, water and soil within Kajulu area. This is central in the restoration of the degraded bionetwork, especially, the forest cover. Ethically, respecting the indigenous rights within the Kajulu community and promoting fairness and equity in conservation efforts has promoted peaceful co-existence between the company and the community.



By decreasing chemical usage at Kajulu Water Treatment Plant where over **60%** of water used to supply residents of Kisumu City is drawn, we automatically cut on emissions that are perverse to the environment.

Report of the Managing Director

Enhanced operational efficiency

1. We have managed to improve and maintain the quality of our product with respect to prevailing high turbidities resulting from up-stream run-offs.

2. Consistently, we have met the daily supply threshold.

3. Chemicals play a significant role in water treatment and its one of the principal expenditures of company revenue. While maintaining the quality of water produced, we have managed to reduce chemical consumption and chemical wastes to the environment.

I believe we can make Kajulu the company's pocket-friendly station by progressively reducing cost of production and at the same time transforming it to an eco- friendly station by going green and minimizing pollution for the benefit of the environment and society at large.



A section of the sewer treatment plant.

In recent years, the amount of wastewater produced from several activities have increased as a result of increased population and changes consumption behaviors of human beings.

Report of the Managing Director

Waste water treatment



Sedimentation tanks.

KIWASCO has established a wastewater treatment technology which is appropriate and sustainable, and very efficient in separating both organic matter and heavy metals. The wastewater goes through different stages of purification, from pretreatment units, primary, filtration, secondary through to tertiary treatment. Each treatment stage eliminates pollutants in the waste water, and also ensure that the final effluent comply to the standard regulations as provided before it's released back to the environment.

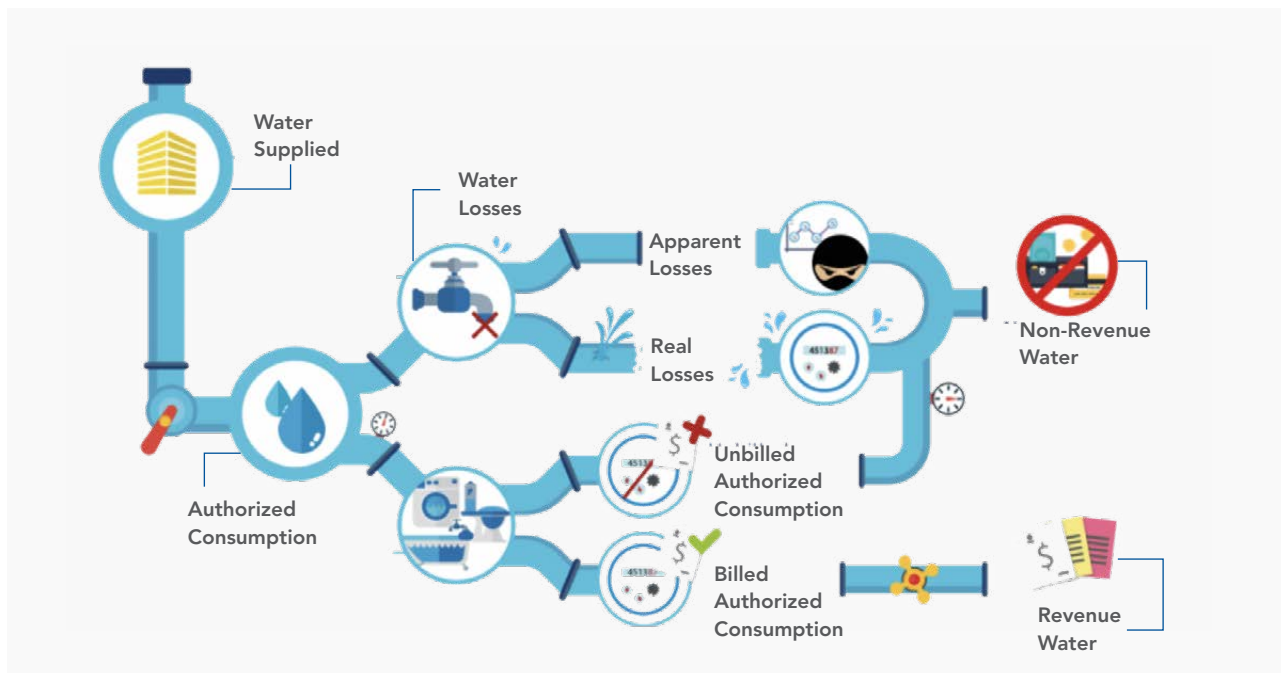


The Lagoons

Each household within Kisumu city and its environs is encouraged to connect to existing sewer lines to ensure that the environment, both lentic and lotic ecosystem is protected. For on onsite sanitation, the company is providing affordable exhauster services. This has changed immensely leading to improved waste disposal.

Report of the Managing Director

Non-Revenue Water



The Company has put in place the following intervention measures to ensure the reduction of NRW

1. Flow Meters

To ensure accuracy of the data of the volume of water distributed, we are installing Flow Meters at most suitable locations where we can obtain actual volumes supplied to each zones.

2. Pipeline network mapping

We are updating the pipeline network map for ease of pipe location. We have conducted a survey of the supply area on foot to identify the location of pipes and types, pipe material, pipe diameter and also the length.

3. Customer Metering

The accuracy of customer water meters is equally important. It depends on various factors such as meter type, brand, replacement policy and maintenance.

The company aims to reduce water wastages and therefore enforces a 100% meter reading policy.

4. Reduction of Physical Losses

Physical Losses can be divided into visible leakage (surface leakage) and non-visible leakage (underground leakage). Surface leakages occur in areas with high water pressure, whereas underground leakages occur in areas with low water pressure and therefore difficult to detect.

Some leakages may remain underground unidentified. This depends on the surrounding conditions of the laid pipes such as the condition or type of soil, presence of underground structures, and pipe material used.

Extending the area of repair around the point of leakage helps decrease recurring leakages around the same area. Besides, planning for replacement of pipes we take into consideration the number of leakage repairs in the pipe and the age of pipes.



Report of the Managing Director

Management of Physical Losses



Pipeline Network Works

- Pipe Mapping
- Zoning
- Leak Detection
- Leak Repair



Pipe replacement

- Establishment of pipe replacement plan based on statistical analysis of the Pipeline network.



Water Pressure Control

- Zoning of distribution network
- Installation of PRVs
- Installation of Flow Meters and Pressure Meters
- Pressure control by controlling pump flow and number of pump rotation

5. Reduction of Commercial/ Apparent Losses

Reducing commercial losses is a key factor in the management of NRW.

a) Meter Errors

Inaccurate meters will have the tendency to under register water consumption and rarely over register consumption thereby contributing to reduced revenue. Large volume consumers expose the company to greater loss and the constant call for daily monitoring of such accounts.

b) Water theft and illegal connections

Management of Illegal connections

As soon as an illegal connection is detected, appropriate action is taken to avoid further losses. It is equally important to restore the water supply once the connection is legalized. Where high volume of water has been used illegally for activities such as irrigation, this connection is never reconnected until all the dues are settled and the right procedure adhered to.



Report of the Managing Director

Licensing

We went in the book of history as the second water service provider in Kenya to acquire an 8-years operation license. This was a very momentous achievement for us considering how vigorous the process of acquisition is. Having such a license now presents us with an opportunity to operate up to the year 2030 without further renewal. It also positions the Company as a commercially viable entity hence increases the chances of access to commercial financing, public private partnerships (PPP) and donor partnerships. In addition, the company can now have an ample time to fully implement its long-term water supply and sanitation projects for improved service delivery to the residents of Kisumu City

FKE Awards



Human Resources Manager Mr. Abel Kauta receives awards from FKE officials.

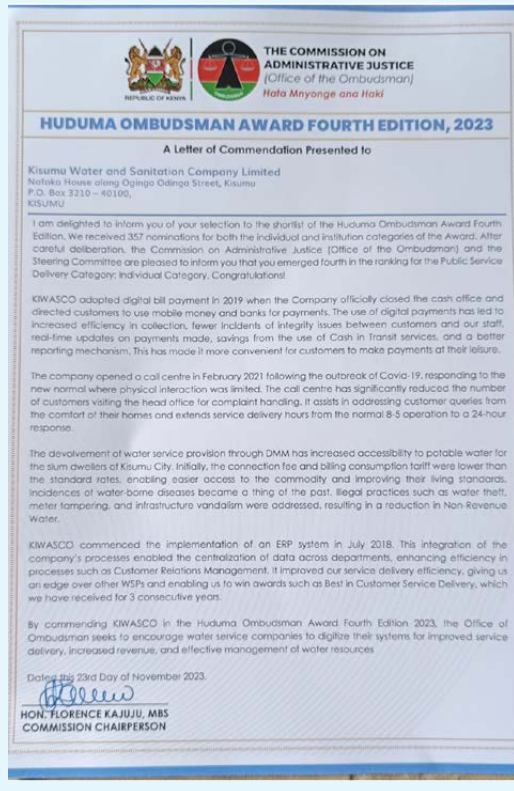
Report of the Managing Director

4th edition of Huduma Ombudsman Awards

It was an honour to be recognised during the 4th edition of Huduma Ombudsman Awards held at KICC. KIWASCO was recognised for outstanding performance as a public institution. By this commendation, the Ombudsman seeks to encourage other water service providers to adopt technology for improved service delivery.



4th edition of Huduma Ombudsman Awards held at KICC.



Appreciation

We have had a solid year. The outlook is positive, the conditions are favourable and the business is well positioned to continue to prosper into the future. I look forward to the years ahead with confidence. Special recognition to our staff, Board, development partners and financiers who continue to strengthen our partnerships through financial support, which has ensured we remain in business to deliver on our promise to the people of Kisumu City

Thomas Odongo
Managing Director



LICENCE CERTIFICATE

Issued under section 85 and 86 of the Water Act 2016

This is to certify that **KISUMU WATER AND SANITATION COMPANY** has been issued with a License **[WASREB/LSA/1LIC/80]** to operate as a Licensee providing water services under the provisions of the Water Act 2016 and any regulations and guidelines made thereunder. This License provides exclusive rights and obligations to the Licensee as provided by the Water Act 2016 and the License conditions issued under section 90 of the Water Act 2016 in the service area of the Licensee. This includes the powers of enforcement against third parties as prescribed by section 146 of the Water Act 2016.

This certificate is evidence that the License is valid for **eight (8) years** from the **16th December 2022** and shall expire on the **15th December 2030** unless earlier terminated under section 74 and 103 of the Water Act 2016 for material breach of the License conditions.

IN THE EVENT that the License expires and is not renewed or is terminated for breach, the water service provider shall be providing water services without authorization and shall have committed an offence under section 85 of the Water Act 2016 and the key officers of the water service provider shall be prosecuted for the offence.

Issued under the authority of the Water Services Regulatory Board

Dr. Julius Itunga
Ag. Chief Executive Officer

Signature

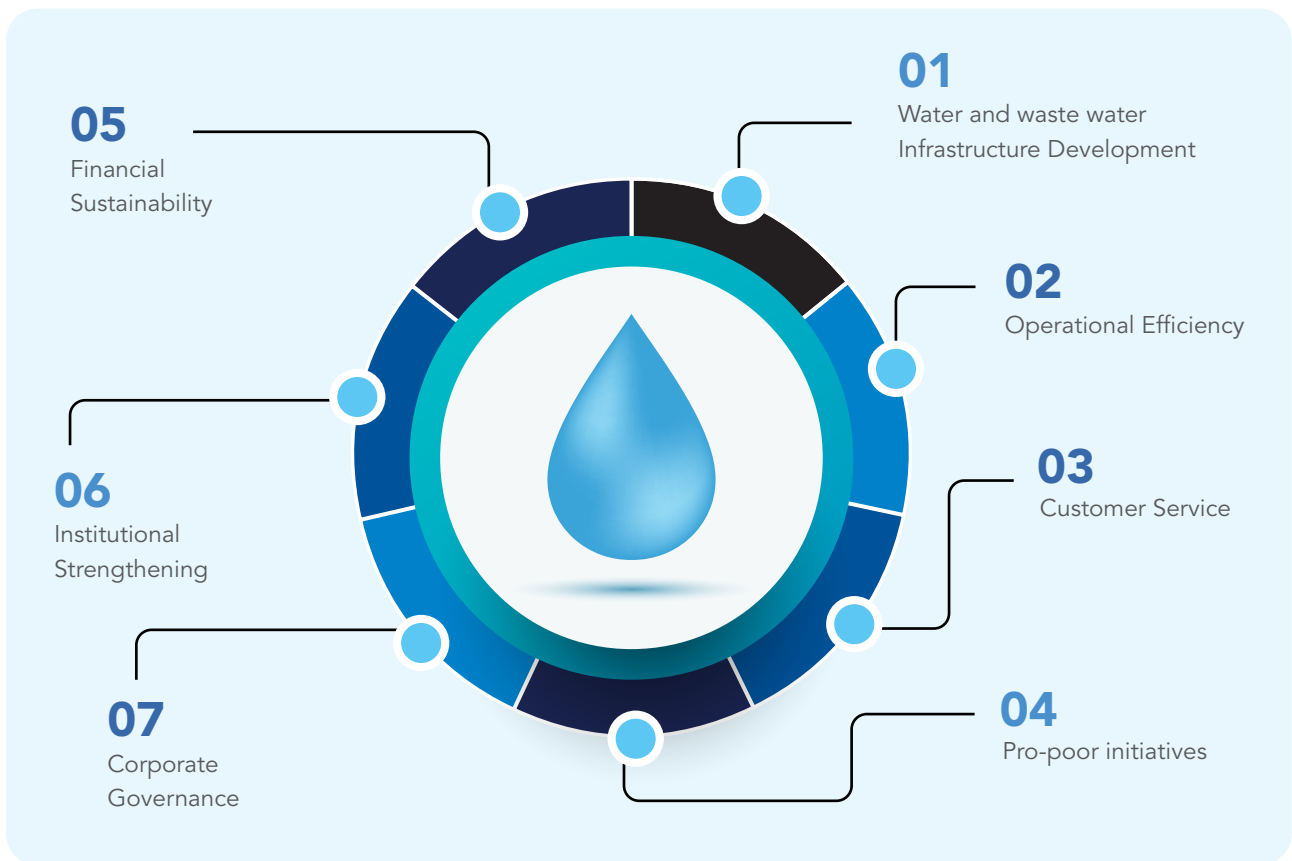
Date: 16th December 2022



WASREB/LSA/LIC/21022

Statement of Performance against Predetermined Objectives for FY 2022/2023

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity’s performance against predetermined objectives. Kisumu Water and Sanitation Co. Ltd (KIWASCO) has 7 strategic pillars and objectives within its Strategic Plan for the FY 2017/2018- 2021/2022 plus a transitional Strategic Plan 2022-2023. These strategic pillars are as follows:



KIWASCO develops its annual work plans based on the above 7 pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the strategic plan period of 2017-2022 and 2022-2023 for most of its strategic pillars partly hampered by the Covid-19 Pandemic as indicated in the table below:

Strategic Objective	Performance indicator	Strategic Activities	Achievement
Water and waste water Infrastructure Development	Increased water coverage from 73% to 85%	Improve the water treatment facilities for Kajulu and Dunga plants.	92% water Coverage 23% sewerage coverage
		Improve the water distribution network.	
		Increase water service coverage through network expansion	
	Increased sewer coverage from 16% to 30%	Improvement of the waste water treatment facilities.	
		Expansion of the sewer network	

Statement of Performance against Predetermined Objectives for FY 2022/2023

Strategic Objective	Performance indicator	Strategic Activities	Achievement	
Operational Efficiency	Reduced NRW from 37% to 25%	Active leak detection	37% NRW (average for the year)	
		Eliminate illegal connections		
		Pressure management		
		Improve meter accuracy		
		Develop NRW reduction framework		
	Improved operational efficiencies	Modernize and automate all operations in water treatment plants	Improve the operations of the water distribution network	Dosing process already automated
			Improve the operations at the waste water plants and pumping station	99% efficiency in sewer distribution
			Improve operations of the sewer network	
	100% safety and optimal utilization of resources	Strengthen internal controls	96% water quality	
		Ensure effective asset protection		
	100% adherence to drinking water and waste water standards and regulations	Improve water quality assurance infrastructure	93 % compliance to standards. Equipment for microbiology testing acquired.	
Implement water safety plan - WSPs		WSP Developed & Implementation ongoing		
Implement waste water standards				
Customer Service	Increased customer satisfaction level from 71% to 80%	Strengthen customer service management systems	77% Customer satisfaction achieved and call centre established	
		Entrench a customer focus culture among all employees		
		Establish a customer care centre		
		Improve on the levels of customer satisfaction		
		Improve customer engagements and loyalty		
		Develop and implement a customer focused Marketing Strategy		
Pro-poor initiatives	Improve access in the low income area from 78% to 90%	Increase access in the low income areas	88% achievement	
		Develop policies and strategies aimed at Pro-poor sector		
		Reduce NRW in LIAs		
		Adopt appropriate technologies		
	Sustain Pro poor initiatives	Enhance Community participation	Continuous exercise	
		Develop partnerships		
		Implement sustainable initiatives		

Statement of Performance against Predetermined Objectives for FY 2022/2023

Strategic Objective	Performance Indicator	Strategic Activities	Achievement
Financial Sustainability	Improve revenues by 10% (From 52M per month to 85M per month)	Improve revenue collection efficiency	8% achieved over the period. ERP system implemented to improve efficiency.
		Improve billing efficiency	
		Increase number of water and sewer connections	
		Enhance alternative revenue streams	
	Improve cost efficiency from 90% to 95% (cost management)	Automation of operations	95% achieved. ERP system in place
		Ensure efficient supply chain management process	Continuous exercise
		Manage staff costs	
		Reduce operational costs	
	Improve Financial Management and Accountability	Ensure effective budgeting process	Continuous exercise
		Adopt financial best practices	Continuous exercise in addition to new ERP system
		Adhere to regulatory and statutory obligations	
		Ensure effective audit and reporting practices	
		Strengthen financial management system	
	Reduce accounts receivables by 50% (From 180M to 90M by 2022)	Develop a Debt Management Structure	Debt policy approved by the Board
Develop a debt management policy framework			
Provide for bad and doubtful debts			
Mobilize required resources	Improve credit rating	Grants & donations received from various partners	
	Develop a resource mobilization strategy		
	Develop funding proposals		
	Develop sustainable partnerships		
Institutional Strengthening	Improve employee productivity from 79% to 85%	Attract and retain competent staff	81% achievement (Continuous exercise)
		Undertake a staff rationalization exercise	
		Implement a responsive organization structure	
		Develop employee training and development plan	
		Implement a robust performance management system	
	Increased employee satisfaction levels from 61% to 70%	Improve employee motivation	Currently at 83% satisfaction
		Improve staff welfare	
		Improved working environment	
		Provide adequate office infrastructure	
		Provide employees with working tools	
	Strengthened human resources function	Develop, review and implement institutional policies and procedures	ERP system implemented
		Develop integrated human resources information management system	
	Improved institutional visibility and branding	Implement the organization core values	Continuous exercise
		Undertake a culture change programme	
		Improve employee branding	
		Improve company branding	

Statement of Performance against Predetermined Objectives for FY 2022/2023

Strategic Objective	Performance indicator	Strategic Activities	Achievement
Effective Corporate governance	Enhanced board capacity in good governance	Strengthen the capacity of the Board on corporate governance	Training and evaluation conducted
		Reinforce the structures and instruments of good corporate governance	
		Undertake annual board evaluations	
	Reduced exposure to risks	Implement enterprise wide risk management framework	Continuous exercise
		Protect company assets	
		Develop a business continuity plan	BCP and Emergency response plan implemented
		Develop a COVID-19 Management Framework	
	Improved stakeholder relations	Ensure effective Audits	Continuous exercise
		Undertake stakeholder engagements	Done annually
		Ensure annual reporting to stakeholders	
Ensure fulfilment of external/statutory requirements			
Increased Lobbying	Develop sustainable partnerships	Continuous exercise	
	Lobby for increased resources		
	Lobby for supportive legislation and regulations	Ongoing with the County assembly	



Corporate Governance Statement

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 Nine (9) directors, eight 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.

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 International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, and audited in accordance with the recognized auditing standards.

During the past year, there has been a renewed focus on corporate governance and the Board has spent a significant proportion of its time examining and strengthening processes throughout the organization. Having a solid governance framework is key to rebuilding trust and transparency among stakeholders.

The Board and I feel we have the right balance of skills, experience and backgrounds to support and challenge the Management team to spur the company to grow further.



Vinod Patel
Chairman



Thomas Odongo
Managing Director

Management Discussion and Analysis

DESCRIPTION	BUDGETS 2022/2023	ACTUAL 2022/2023	% ABSORPTION
Total Revenue	1,112,581,869	1,065,699,528	96
Total costs	1,109,805,917	1,070,204,003	96

The absorption rate of the estimated revenue budget compared to the actuals for the year was 96% against the expenditure absorption of 96.2%.

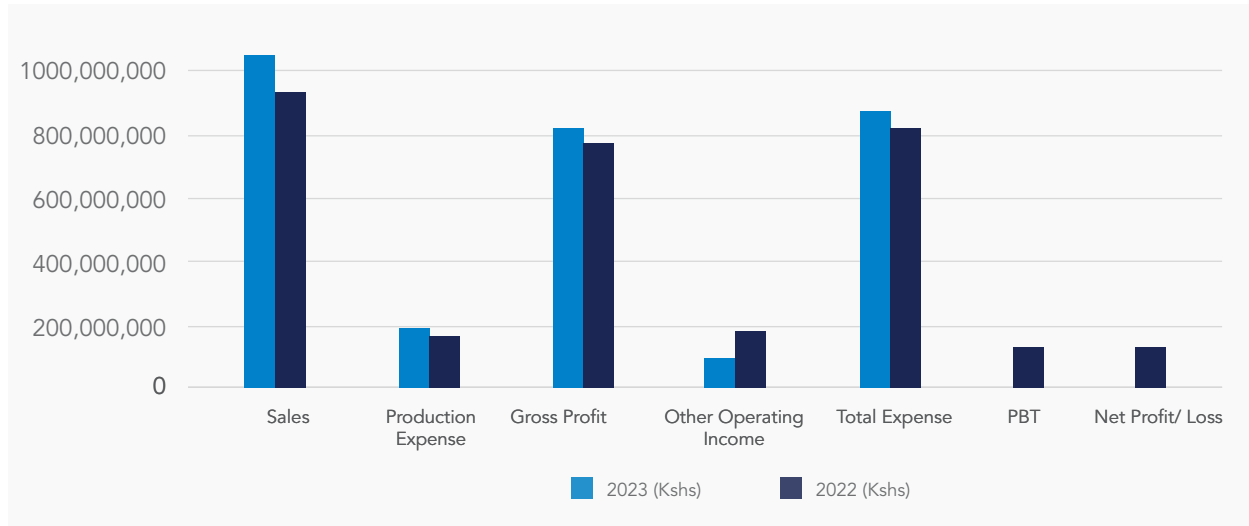
DESCRIPTION	2023 (Kshs)	2022 (Kshs)	VARIANCE (Kshs)	PERCENTAGE
Sales	1,012,683,919	937,597,019	75,086,900	8%
Production expenses	(192,359,422)	(151,113,984)	41,245,438	27%
Gross Profit	820,324,497	786,483,035	33,841,462	4.3%
Other Operating Income	53,015,609	151,797,768	(98,782,159)	65%
Total Expense	(877,844,581)	(847,824,099)	30,020,482	3.5%
PBT	(4,504,476)	90,456,704	(94,961,180)	105%
Net Profit/(loss)	(4,504,476)	90,456,704	(94,961,180)	105%
Fixed assets	527,066,524	322,939,062	204,127,462	63%
Long-Term Liabilities	356,594,452	265,436,586	91,157,866	34%
Current Assets	338,682,259	447,920,005	(109,237,746)	24%
Current liabilities	172,540,293	284,306,150	(111,765,857)	39%
Total Assets	865,748,783	770,859,067	94,889,716	12.3%
Total Liabilities	529,134,745	549,742,737	(20,607,992)	3.5%

Notes;

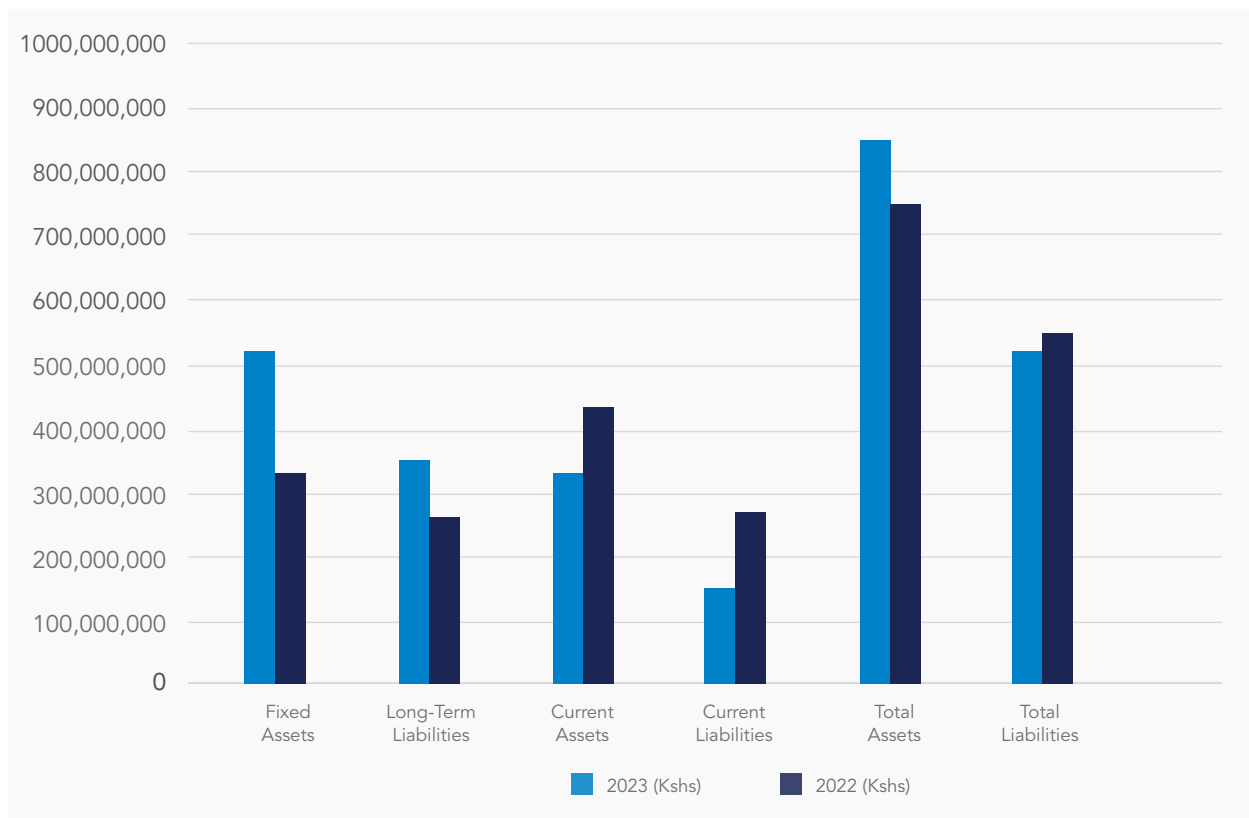
- There was growth in sales revenues by 8% and a decline in other income by 65% attributed to declines in grants funding.
- The increase in cost of sales is attributed to increase in operational costs and prolonged drought that affected River Kajulu
- The Company's total assets grew by 12.3%.
- Total Liabilities equally increased by 3.5%.

Management Discussion and Analysis

Income Statement Analysis



Assets Growth Analysis



Management Discussion and Analysis

DESCRIPTION	2023 (Kshs)	2022 (Kshs)	2021 (Kshs)	2020 (Kshs)
Sales	1,012,683,919	937,597,019	797,099,981	794,276,150
Production expenses	(192,359,422)	(151,113,984)	(148,377,800)	(154,760,716)
Gross Profit	820,324,497	786,483,035	648,722,181	639,515,433
Other Operating Income	53,015,609	151,797,768	224,389,950	50,467,569
Total Expense	(877,844,581)	(847,824,099)	(795,440,300)	(684,327,419)
PBT	(4,504,476)	90,456,704	77,671,832	5,655,583
Net Profit/(loss)	(4,504,476)	90,456,704	77,671,832	3,973,723
Fixed assets	527,066,524	322,939,062	286,548,337	306,228,589
Long-Term Liabilities	356,594,452	265,436,586	249,394,060	309,412,203
Current Assets	338,682,259	447,920,005	356,904,686	317,376,604
Current liabilities	172,540,293	284,306,150	263,399,336	314,192,990
Total Assets	865,748,783	770,859,067	643,453,023	623,605,192
Total Liabilities	529,134,745	549,742,737	512,793,396	623,605,192

ENVIRONMENTAL & SUSTAINABILITY REPORTING

The 3 pillars of sustainability: environmental, social and economic. Sustainability is an essential part of facing current and future global challenges, not only those related to the environment.



Environmental and Sustainability Reporting

KIWASCO exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.



Sustainability strategy and profile

Increasingly, businesses of all sizes have been recognizing the importance of incorporating Environment, Social and Governance (ESG) principles in their strategic decision making. Employees, customers, investors, lenders and government regulators are demanding that organizations consider how their operations are combating issues such as climate change, workplace safety and equal opportunities. ESG has the power to build trust with stakeholders and achieve long term success.

KIWASCO has started the journey of sustainability and with time it shall get better. We have partnered with most of our suppliers to support most climate change initiatives such as world water days and tree planting exercise in all our installations as part of achieving the bigger government agenda of planting trees. We have also brought on board many partners on the sanitation front in order to promote the circular economy of use and re-use for both water and solid waste.



Environmental performance

We are working on a level approach to assessing our suppliers on environmental issues such as climate change, waste water management frameworks and water use and re-use.

We are currently in the process of developing an environmental policy for the organization, all the same we are guided by existing environmental laws that we adhere to in terms of water and waste water treatment .We conduct annual environmental audits that benefits us through identification of hazards and activities that may affect the environment during our operations .We also perform Environmental Social Impact Assessment before any project is implemented. Protection of biodiversity is our key priority as it plays a vital role in the reliable supply of water to Kisumu residents, we continuous hold tree planting activities and wetlands protection in our organization to emphasize on the culture of biodiversity protection.



Employee welfare

KIWASCO is committed to ensuring that the health, safety, and welfare of all our employees, contractors and visitors while in any of our sites and office facilities and going home safe remains our number one priority. All these are achieved by enforcing occupational health and safety policies, compliance to all applicable occupational health and safety policies.

Our occupational health and safety strategy aim to create a culture free of work-related injury illness for workers and happier, healthier and more engaged workforce.

Environmental and Sustainability Reporting



Training and education are central to our approach to developing our people. We have tremendous talent and we want to be known for creating an environment where our people bring their best self to work.

Our people strategy lays out the pillars on how to have an engaged people, in that we provide learning opportunities that promote speed of performance, experimentation and deliver growth for the individual and the business.

We accelerate the growth of our key talent, we drive inclusion in our business and society, inject speed and simplicity and focus our resources on the biggest growth opportunities that delight our customers and consumers, as well as fuelling fulfilling employee experience.



Market place practices

a) Responsible competition practice.

Elaborate tariff to help handle social/ income imbalances- KIWASCO tariff structure is tailored in a way that the low-income category pays less compared to the upper class in the society. Consumers of 1-6 pay 75/- per m³ compared to consumers of >300m³ who pay 160/- per m³. Further, domestic tariff per m³ is less than commercial tariff per m³.

b) Responsible Supply chain and supplier relations

The company has in place a sustainable procurement policy which outlines responsibilities of both the company and its suppliers towards environmental sustainability and responsible production and consumption. This is as per SDG No. 12 on responsible production and consumption. The contracts spells out acceptable credit terms which are honoured by the company.

c) Responsible marketing and advertisement

We practice ethical marketing and advertisement through disclosing information on our products and services.

For example during the review of the water tariff or license review, the company engaged the public for their views through public participation forums. We advise customers on appropriate use of our products such as sludge manure.

The company also regularly engages the customers by giving them tips on how to minimize their consumption and save water thereby helping them save cost on their water bills.

d) Product stewardship

The company has maintained the drinking water quality that is supplied to customers hence we have been aggressively running the campaign on drinking of water direct from the tap to reduce plastic waste disposal which is one of the environmental polluters.

Further, we recycle and reuse faecal waste into manure that's suitable for growing trees and flowers thus conserving the environment.

Environmental and Sustainability Reporting



d) Product stewardship

The company has maintained the drinking water quality that is supplied to customers hence we have been aggressively running the campaign on drinking of water direct from the tap to reduce plastic waste disposal which is one of the environmental polluters.

Further, we recycle and reuse faecal waste into manure that's suitable for growing trees and flowers thus conserving the environment.



Donated free water supply to Police quarters, **Mamboleo, Lolwe, Kanyamedha estates** which were affected by road construction.



Enrolled **5 schools in Kajulu** for the Newspaper in Education (NiE) programme that is currently on-going.



Donated tree seeds and manure to **10 Primary schools in Kisumu** to help them inculcate the culture of growing trees and Environmental studies as per the CBC syllabus. They were also given 100 branded T-shirts.



Participated in Global Handwashing day by creating awareness to pupils at **Migosi Primary School** on the importance of hand hygiene. Donated 125 water bottles, 6 handwashing containers and 40 litres of liquid soap.



Donated logs that were to be used as firewood to **Victory Children's Home** from a tree that naturally fell at KISAT.





FINANCIAL STATEMENTS

The financial statements are used by investors, market analysts, and creditors to evaluate a company's financial health and earnings potential. The three major financial statement reports are the balance sheet, income statement, and statement of cash flows.



Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the company's affairs.

i) Principal activities

The principal activities of the Company continue to be to abstract, treat and supply portable water and to provide sanitation services.

ii) Results

The results of the company for the year ended June 30, 2023 are set out on page 57. Below is summary of the profit or loss made during the year.

RESULTS	2023 Kshs	2022 Kshs
Profit before tax	(4,504,476)	90,456,704
Tax	0	0
Profit for the year	(4,504,476)	90,456,704

iii) Dividends

The company has not declared dividends for the year ended 2023.

iv) Directors

The members of the Board of Directors who served during the year are shown on page iv in accordance with Regulation 3.1 of the company's Articles of Association.

Auditors

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

By Order of the Board

Thomas Odongo



28 September 2023

Company Secretary/Secretary to the Board

Statement Of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that year. The Directors are also required to ensure that the Company keeps 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 are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2023. This responsibility includes:

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

The Directors responsibility for the Company financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, water act 2016 and companies Act 2015.

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2023, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company financial statements were approved by the Board on 28 September 2023 and signed on its behalf by:



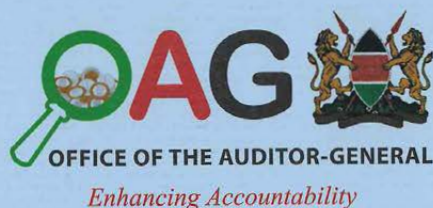
Vinod Patel
Chairperson of the Board



Thomas Odongo
Managing Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2023

Preamble

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisumu Water and Sanitation Company Limited set out on pages 57 to 92, which comprise of the statement of financial position as at 30 June 2023 and the statement of

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

In my opinion, except for the effect of the matters described in the basis for Qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kisumu Water and Sanitation Company Limited as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Un-supported Borrowings

The statement of financial position and as disclosed in Note 36 to the financial statements reflects a non-current borrowings balance of kshs 100,797,098 and a current borrowings balance of kshs 10,038,002. However, the loan agreements, loan confirmations and statements with details of terms and conditions including rate of interest charged was not provided for audit.

In the circumstances, the accuracy, existence and completeness of the non-current borrowings of kshs 100,797,098 and current borrowings of kshs 10,038,002 could not be confirmed.

2. Un-Supported Customer Deposits and County Government Contribution

The statement of financial position and as disclosed in Note 39 to the financial statements reflects trade and other payables-non-current liabilities balance of kshs 167,994,612 out of which a balance of kshs 152,250,778 is in respect of water deposits. However, customer statements confirming who is owed and the amounts owed was not provided for audit. In addition, the non-current liabilities included

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2023 (CONT')

an amount of kshs15,743,834 reflected as amount received from County Government contribution. However, the details of what the amount relates to were not provided for audit.

In the circumstances the accuracy and completeness of the water deposits balance of kshs 167,994,612 could not be confirmed.

3. Long Outstanding Payables

The statement of financial position and as disclosed in Note 40 to the financial statements reflects trade and other payables-current liabilities of kshs 153,010,955. However an ageing analysis of the payables revealed that bills totaling to kshs 581,345,522 were more than one(1) year old .It is not clear and Management has not provided the reasons for failure to pay the long outstanding creditors.

In the circumstances the accuracy and completeness of the outstanding payables could not be confirmed.

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

Key Audit Matters

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

Other Matter

Unresolved prior Year matters

The audit of the previous year reported several matters relating to report on the financial statements and report on lawfulness and effectiveness in use of public resources. No reasons have been provided for the failure to address the matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the constitution, based on the audit procedures performed, except for the matters

described in the Basis for conclusion on Lawfulness and Effectiveness in use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Revenue Water

Review of water production and consumption records revealed that the company produced 11,722,677 cubic meters of water valued at approximately Kshs 1,641,174,780 but only billed 7,330,450 cubic meters approximately valued at kshs 1,026,263,000. This resulted into a loss of 4,392,226 cubic meters or 37% of total production. This is over and above the allowable loss of 25% as provided by schedule E of Water Services Regulatory Board(WASREB) guidelines.

In the circumstances, the company is likely to continue incurring huge financial losses in future for failure to collect revenue accruing from the unaccounted-for water.

2. Engagement of Casuals Beyond the Stipulated Period of Three (3) Months

The statement of profit or loss and other comprehensive income reflects staff costs of kshs 333,498,747 as disclosed in Note 9 to the financial statements. Included in this amount is casual workers wages amount of kshs 25,810,460. During the year under review, the Company engaged casuals for purpose of continuity of service delivery. However, they served throughout the year under review, contrary to the requirements of section 37(1) of the Employment Act,2007 which spells out the period under which a casual can serve.

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

3. Non-Compliance with the Law on Ethnic Composition

The statement of profit or loss and other comprehensive income reflects staff costs of kshs 333,500,931 as disclosed in Note 9 to the Financial statements. Review of the staff bio data and ethnicity report revealed that the Company had three hundred and twelve (312) employees during the year under review, out of which two hundred and sixty six (266) or approximately eighty five percent (85%) were from the dominant community in the county. Further, The Company recruited (4) new staff in the year under review, all from the dominant community in the

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2023 (CONT')

County. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

In the circumstances, Management was in 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 respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the company, so far as appears from the examination of those records;
- iii. The company's financial statements agree with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the company or to cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of section 47 of the Public Audit Act, 2015.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2023 (CONT')

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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of non-compliance. 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 statement 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that 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 conclusion 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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.



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

09 May, 2024

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
REVENUE			
Operating Revenue	6	1,012,683,919	937,597,019
Grants Income	7	27,227,907	128,338,226
Other Operating Income	8	25,787,702	23,459,542
Total Revenue		1,065,699,528	1,089,394,787
Expenses			
Staff Costs	9	333,498,747	321,303,443
Production expenses	10	192,359,422	151,113,984
General and Operations expenses	11	131,952,326	151,369,154
Board Expenses	12	10,081,425	12,695,134
Maintenance Expenses	13	215,581,203	191,902,457
Establishment Expenses	14	123,327,296	125,974,620
Depreciation and Amortization expenses	15	58,398,647	44,579,291
Finance Costs		5,004,937	-
Total Expenses		1,070,204,003	998,938,083
Profit/(Loss) Before Taxation		(4,504,476)	90,456,704
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		(4,504,476)	90,456,704
Earnings Per Share – Basic And Diluted		-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		(4,504,476)	90,456,704
Surplus or Deficit On Revaluation Of PPE	32	120,005,182	-
Re-measurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		-	-
Total Comprehensive Income For The Year		115,500,707	90,456,704

Statement of Financial Position

For the year ended 30 June 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	20	514,447,090	304,445,566
Intangible assets	21	7,605,362	13,479,425
Deferred tax	26	5,014,071	5,014,071
Total Non-Current Assets		527,066,524	322,939,062
Current Assets			
Inventories	27	67,977,769	56,247,689
Trade and receivable	28a	208,528,704	270,661,636
Staff Recoverable	28c	33,840	5,000
Prepayments and deposits	28d	11,697,036	7,949,103
Tax Recoverable (VAT)	29	28,761,122	28,761,122
Bank and cash balances	30	21,436,125	84,295,455
Total Current Assets		338,434,596	447,920,005
TOTAL ASSETS		865,501,120	770,859,067
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	31	100,000	100,000
Revaluation reserve	32	121,181,296	1,176,114
Retained earnings	34	215,332,741	219,840,216
Capital and Reserves		336,614,036	221,116,330
Non-Current Liabilities			
Borrowings	36	100,797,098	-
Trade and other payables	39	167,994,612	168,083,250
Capital Grants	43	87,555,079	97,353,336
Total Non-Current Liabilities		356,346,778	265,436,586
Current Liabilities			
Borrowings	36	10,038,002	-
Trade and other payables	40	153,010,955	275,032,075
Current tax	44	9,274,075	9,274,075
Provision for liabilities and charges	45	217,262	0
Total Current Liabilities		172,540,293	284,306,150
TOTAL EQUITY AND LIABILITIES		865,501,120	770,859,067

The financial statements were approved by the Board on 28th September 2023 and signed on its behalf by:



Thomas Odongo
Managing Director



CPA Nicholas Moseti
Head of Finance
ICPAK M/No:14313



Vinod Patel
Chairman of the Board

Statement of Changes In Equity

For the year ended 30 June 2023

	Notes	Ordinary Share capital Kshs	Revaluation Reserve Kshs	Retained earnings Kshs	Total Kshs
As at July 1, 2021	24	100,000	1,176,114	129,383,512	130,659,626
Profit for the year		-	-	90,456,704	90,456,704
Dividends payable		-	-	-	-
As at June 30, 2022		100,000	1,176,114	219,840,216	221,116,330
As at July 1, 2022		100,000	1,176,114	219,840,216	221,116,330
Prior year Adjustment				(3,000)	(3,000)
Revaluation Surplus			120,005,182		120,005,182
Profit for the year		-	-	(4,504,476)	(4,504,476)
Dividends payable		-	-		
At June 30, 2023		100,000	121,181,296	215,332,741	336,614,036

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2022-2023 Kshs	2021-2022 Kshs
Cash Flows From Operating Activities			
Cash Generated from operations	46	(37,200,460)	83,739,755
Tax paid		-	-
Net Cash from Operating Activities		(37,200,460)	83,739,755
Cash Flows from Investing Activities			
Purchase Of Property, Plant and Equipment (PPE)	20	(143,397,773)	(76,641,767)
Purchase Of Intangible Assets	21		(4,328,250)
Proceeds From Disposal/ Impaired		4,282,832	-
Net Cash From/ (Used In) Investing Activities		(139,114,941)	(80,970,017)
Cash Flows from Financing Activities			
Interests Paid	16	-	-
Proceeds From Borrowings	35	110,835,100	-
Repayment Of Borrowings	35	-	-
Increase in water deposits	40	10,827,923	13,281,254
Grant received	42	16,069,892	13,360,281
Grants reversed from prior year to P&L account		(13,360,281)	
Reduction in Long-term Liabilities – CGK contribution		(10,916,562)	-
Net Cash From/ (Used In) Financing Activities		113,456,072	26,641,534
Increase/(Decrease) In Cash and Cash Equivalents		(62,859,330)	29,411,272
Cash and Cash Equivalents at Beginning of Year		84,295,455	54,884,182
Increase/(Decrease)		(62,859,330)	29,411,272
Cash and Cash Equivalents at End of The Year	29	21,436,125	84,295,455

Statement of Comparison of Budget & Actual Amounts

For the year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2022-2023	2022-2023	2022-2023	2022-2023		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	1,065,581,869	-	1,065,581,869	1,012,683,919	(52,897,950)	95%
Grants Income	20,000,000	-	20,000,000	27,227,907	7,227,907	136%
Other operating income	27,000,000	-	27,000,000	25,787,702	(1,212,298)	95.5%
Total Revenue	1,112,581,869	-	1,112,581,869	1,065,699,528	(46,882,341)	96%
Expenses						
Staff costs	359,249,923	-	359,249,923	333,498,747	25,751,176	92.8%
Production expenses	196,843,982	-	196,843,982	192,359,422	4,484,560	97.7%
General and Operations expenses	157,708,512	(20,200,000)	137,508,512	131,952,326	5,530,569	96%
Board expenses	11,903,571	-	11,903,571	10,081,425	1,822,146	84.7%
Maintenance expenses	179,601,143	26,700,000	206,301,143	215,581,203	(9,280,060)	104.5%
Establishment expenses	143,059,492	-	143,059,492	123,327,296	19,732,196	86%
Depreciation and amortization	47,008,412	-	47,008,412	58,398,647	(11,390,235)	124.2%
Finance costs	14,430,880	(6,500,000)	7,930,880	5,004,937	2,925,944	63.1%
Total Recurrent Expenditure	1,109,805,917	-	1,109,805,917	1,070,204,003	39,601,914	96.4%
Profit or Loss	2,775,952		2,775,952	(4,504,476)	(7,280,428)	162.3%
Capital Expenditure	141,143,000	-	141,143,000	143,397,773	(2,254,773)	101.6%
Total Expenditure	1,250,948,917	-	1,250,948,917	1,213,601,776	37,347,141	97%

Note:

- The Company achieved 95% of the budgeted revenue in the year under review. This performance is within the acceptable variance considering the state of the economy and the political environment during the period
- Grants and Grants writeback exceeded the target by 36% while Other miscellaneous equally achieved 95.5% of the target which is commendable
- Staff expenses was marginally within approved budget with a 92.8% utilisation
- Production expenses was marginally within budget with an absorption level of 97.7%
- General and operational expenses achieved 96% performance in the year under review. Reallocation of funds within the budget was done and approved in the supplementary budget to cater for overspendings in the maintenance expenditure
- Maintenance expense adjusted upwards to cater for escalating costs of materials leading to overspending. The actual expenditure was 4.5% above the revised budget
- Establishment expenses were within budget with a performance level of 86%
- Finance charges incurred during the year 63.1% of the budget. This was due to the fact that the loan was obtained later in January 2023 as opposed to the planned July 2022 hence the low absorption
- Reduced profitability in the year majorly due to overspending in maintenance expenses

Notes to the Financial Statements

For the year ended 30 June 2023

1. General Information

Kisumu Water and Sanitation Company Ltd is established by and derives its authority and accountability from the Companies Act. The Company is wholly owned by the County Government of Kisumu and is domiciled in Kenya. The Company's principal activity is to abstract, treat and supply portable water and to provide sanitation services.

The balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5a.

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

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

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1st January 2023.
IAS (International Accounting Standards) 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

Title	Description	Effective Date
The amendments are effective for annual reporting periods beginning on or after January 1, 2023.	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022/2023

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. Summary of Significant Accounting Policies (continued)

d) Depreciation and impairment of property, plant and equipment (continued)

Item	Years	Rates
Leasehold Land	100	2.5%
Buildings and civil works	40	2.5%
Infrastructure works	10	12.5%
Plant and machinery	10	12.5%
Motor vehicles, including motor cycles	5	25%
Computers and related equipment	5	30%
Office equipment, furniture and fittings	8	12.5%

A full year's depreciation charge is only recognized in the year of asset purchase. Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives over a period of 5 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

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

g) Inventories

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

h) Trade and other receivables

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

i) Taxation

i) Current income tax

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

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. Summary of Significant Accounting Policies (continued)

i) Taxation (continued)

net assets is recognized in net assets and not in the statement of financial performance.

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

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

j) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

k) Borrowing costs

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

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. Summary of Significant Accounting Policies (continued)

k) Borrowing costs (continued)

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. There was however no borrowing in the financial year under review.

l) Cash and cash equivalents

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

m) Borrowings

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

n) Trade and other payables

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

o) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees and scheme is administered by both County Pension Fund (CPF) and LAPFUND teams and are funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 1,080 per employee per month.

p) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue. Annual leave pay is utilized in the course of the year hence no provision is made at the reporting date.

q) Exchange rate differences

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

r) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 29th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company's governing body's did not approve any additional appropriations but reallocated the funds on the 2022-2023 budget. The Company's budget is prepared on a different basis to the actual

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

4. Summary of Significant Accounting Policies (continued)

i) Taxation (continued)

income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section XVII. of these financial statements.

s) Service concession arrangements

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

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

5. Significant Judgments and Sources of Estimation Uncertainty

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 45.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. Operating Revenue

	2022-2023 Kshs	2021-2022 Kshs
Water sales	795,569,070	703,192,410
Sewerage Services	217,114,849	234,404,609
Billing for other services	-	-
Total	1,012,683,919	937,597,019

7. Grants Income

	2022-2023 Kshs	2021-2022 Kshs
Operational grants from Government entities	-	116,339,218
Recurrent/operational grants from other agencies	14,720,038	-
Capital grants amortized	12,507,868	11,999,008
Donations from the County Government of Kisumu	-	-
In Kind contribution/donations from other agencies	-	-
Total	27,227,907	128,338,226

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total grant income during the year Kshs	2021-2022 Kshs
Water Sector Trust Fund	12,507,868	-	-	-	12,507,868
Ministry	-	-	-	-	-
Other partners (EU-WOP)	14,720,038	-	-	-	14,720,038
Total	27,227,907	-	-	-	27,227,907

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

8. Other Income

	2022-2023 Kshs	2021-2022 Kshs
Illegal connections	1,953,126	1,475,338
New water connections	2,969,100	4,679,776
Reconnection fees	10,165,092	7,240,351
Sewer connection	470,156	827,935
Surcharge on meter loss	1,197,973	1,695,591
Miscellaneous income (specify)	4,265,454	884,651
Other Income - Donations		-
Exhauster Services	4,766,800	6,655,900
Total	25,787,702	23,459,542

9. Staff Costs

Description	2022-2023 Kshs	2021-2022 Kshs
Gross Salary and Allowances	247,858,602	248,182,879
Contracted / Temporary workers' Wages	25,810,460	27,295,303
Medical insurance schemes	37,370,992	24,452,826
Employer's contributions to social security schemes	2,128,181	777,508
Employer's contributions to pension scheme	13,416,769	14,166,898
Provisions for Leave pay (Payment in lieu of leave)	687,090	973,375
Staff Gratuity	3,724,512	4,155,256
Staff welfare	2,312,141	1,105,799
Other allowances- Directorate of Industrial Training (DIT) Levy	190,000	193,600
Total	333,498,747	321,303,443
The Average number of employees during the year	312	321

- i. Gross Salary and allowances include Basic pay and house allowances for permanent and pensionable staff
- ii. Temporary staff wages relate to contracted staff on either one year or three-year contracts payable monthly
- iii. Medical insurance include Inpatient cover, Outpatient cover and last expense for permanent and pensionable staff and Board members
- iv. Contributions to social security schemes are made to the National Hospital Insurance Fund (NHIF) at the prescribed rates. All staff are eligible to contribute.
- v. The Company has contracted the services of County Pension Fund (CPF), Local Authority Pension Trust (LAPTRUST) and Local Authority Pension Fund (LAPFUND) to manage staffs pension schemes. The employee contribute 12% while the Employer contributes 15% towards the pension schemes.
- vi. Gratuity contribution is for staffs employed on contract basis of 3 years. The rate of Gratuity applicable is 31% of the staff basic pay.
- vii. The Company equally handles staff welfare issues as and when they arise hence the welfare expense

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

10. Production expenses

Description	2022-2023 Kshs	2021-2022 Kshs
Opening stock of Chemicals	3,554,308	2,554,170
Chemicals	128,858,870	87,293,023
Electricity	68,124,867	64,821,099
Less Closing stock of Chemicals	(8,178,623)	(3,554,308)
Total	192,359,422	151,113,984

11. General and Operations Expenses

Description	2022-2023 Kshs	2021-2022 Kshs
Opening Stocks (Uniforms and Stationery)	4,499,118	2,754,493
Uniform and protective clothing	4,843,122	5,674,189
Publicity and advertising	11,775,819	11,203,166
Tenders	348,188	414,455
Bank Charges and commissions	3,925,634	3,446,432
Staff training and development	8,409,052	8,536,519
Telephone and Postage	10,997,161	11,671,786
Vehicle running expenses (Fuel, oil, lubricants & repairs)	27,895,305	27,276,639
Traveling and subsistence	21,756,018	15,639,605
Printing and stationery	5,244,538	5,231,475
Sports and recreation	1,870,616	5,747,825
Audit fees	580,000	580,000
Telecommunication- ICT expenses	12,753,432	15,382,041
Debt collection	79,913	874,895
Bad debts provision	-	24,378,040
Legal and Professional fees	5,165,619	2,260,108
Consultancy fees	9,509,431	7,704,540
Office expenses	7,632,324	7,042,064
Donations/CSR	-	50,000
Closing Stocks (Uniforms and Stationery)	(5,332,961)	(4,499,118)
Total	131,952,326	151,369,154

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

12. Board Expenses

Description	2022-2023 Kshs	2021-2022 Kshs
Chairman Honoraria	-	-
Sitting allowances	5,762,189	5,412,132.88
Induction and Training (Board retreat)	1,505,576	3,806,332.76
Annual General Meeting (AGM) & stakeholders meeting	2,635,328	3,348,836.80
Refreshments	178,332	127,832.00
Total Board Expenses	10,081,425	12,695,134.44

13. Maintenance Expenses

Description	2022-2023 Kshs	2021-2022 Kshs
Opening inventories of consumables	48,194,263	38,501,924
Network maintenance	158,455,251	166,711,142
Sewerage maintenance	14,232,111	8,928,323
Sanitation	12,781,370	-
Laboratory reagent	14,137,756	8,632,399
Water pump maintenance	9,405,280	4,247,514
Electrical items	12,841,355	13,075,419
Closing inventories of consumables	(54,466,184)	(48,194,263)
Total Maintenance Expenses	215,581,203	191,902,458

14. Establishment Expenses

Description	2022-2023 Kshs	2021-2022 Kshs
Conservancy fees	35,957,910	31,992,380
LTAP - operating Lease	5,000,000	11,000,000
WASREB levy	42,059,417	37,503,881
WRA levy	9,029,964	8,620,489
NEMA	210,100	210,100
KEBS levy	400,000	400,000
WASPA	230,000	190,000
Rent and Rates	2,972,008	2,854,198
Office repairs and maintenance	745,808	3,859,765
Electricity	697,710	480,455
General insurance	2,129,509	1,649,830
Security services	22,704,000	22,239,500
Impairment loss on meters	-	-
Bulk water Costs	1,190,871	4,974,022
Total	123,327,296	125,974,620

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

15. Depreciation and Amortization Expenses

Description	2022-2023 Kshs	2021-2022 Kshs
Property, plant, and equipment	52,524,585	38,705,228
Intangible assets	5,874,062	5,874,062
Investment property carried at cost	-	-
Total Depreciation and Amortization	58,398,647	44,579,291

16. Finance costs

Description	2022-2023 Kshs	2021-2022 Kshs
Interest expense on loans	5,004,937	-
Interest expense Insurance Premium Financing (IPF)	-	-
Interest on lease liabilities	-	-
Total	5,004,937	-

17. Income Tax Expense/(Credit)

Current taxation

Description	2022-2023 Kshs	2021-2022 Kshs
Adjusted profit(loss) for the year	(-)	(36,959,563)
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

17. Income Tax Expense/(Credit) (continued)

Reconciliation of tax expense/(credit) to the expected tax based on accounting profit

	2022-2023 Kshs	2021-2022 Kshs
Profit before taxation	(4,504,476)	90,456,704
Tax at the applicable tax rate of 30%	(1,351,342.8)	27,137,011
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	22,307,802	14,068,433
Tax effects of income not taxable	(8,168,371.8)	(38,501,468)
Tax effects of excess capital allowances over depreciation/amortization	(15,490,772.1)	(13,791,845)
Deferred tax prior year over-provision	-	-
Total	(1,351,343)	(11,087,869)

18. Earnings Per Share

The company realized a loss for the year under review hence no EPS calculation. The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year of 5,000 (2022-2023). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). The Company has not proposed any dividend payment in the financial year under review.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

20. Property, Plant and Equipment

2022-2023	Leasehold improvements Kshs	Plant, meters & machinery Kshs	Motor vehicles and cycles Kshs	Office equipment, furniture and fittings Kshs	Computer & related equipment Kshs	Capital work-in- progress Kshs	Project Assets	Total Kshs
Cost or Valuation								
At July 1, 2022	1,138,554	272,248,812	26,677,683	14,622,033	21,362,628	50,950,088	194,770,727	581,770,525
Additions		19,993,200	12,890,000	526,844	4,230,936	86,930,611	18,826,182	143,397,773
Revaluation and Transfers	63,861,446	(424,911.91)	10,336,895	44,470,643	(14,581,144)			103,662,928
Disposals		(8,758,577)						(8,758,577)
At June 30, 2023	65,000,000	291,817,100	41,146,001	59,619,520	11,012,420	137,880,700	213,596,909	820,072,649
Depreciation								
At July 1, 2022	431,441	143,514,607	21,339,418	9,461,084	15,910,813	0	86,667,595	277,324,958
Impairment Loss / Write-offs	(431,441)				(15,910,813)			(16,342,254)
Charge for The Year	1,625,000	18,537,811	6,922,078	6,269,805	3,303,726		15,866,164	52,524,584
Eliminated on Disposal		(7,881,731)						(7,881,731)
At June 30, 2023	1,625,000	162,052,418.5	20,379,766	15,730,888	3,303,726	-	102,533,760	305,625,558
Net Book Value at June 30, 2023	63,375,000	129,764,681.4	20,766,235	43,888,632	7,708,693	137,880,700	111,063,149	514,447,090
Property, Plant and Equipment Year ended 30 June 2023								
Cost or Valuation								
As at 1 July 2021	1,138,554	247,770,132	26,677,683	13,567,033	18,395,760	5,514,224	192,065,373	505,128,758
Additions	-	24,478,680	-	1,055,000	2,966,868	45,435,865	2,705,354	76,641,767
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
As at 30th June 2022	1,138,554	272,248,812	26,677,683	14,622,033	21,362,628	50,950,088	194,770,727	581,770,525
Depreciation								
At July 1, 2021	413,310	125,124,006	19,559,997	8,723,806	13,574,321	0	71,224,290	238,619,730
Charge for the year	18,131	18,390,601	1,779,422	737,278	2,336,492	0	15,443,305	38,705,228
Impairment loss	-	-	-	-	-	-	-	-
Reversal on disposal/impairment	-	-	-	-	-	-	-	-
As at 30th June 2022	431,441	143,514,607	21,339,418	9,461,084	15,910,813	0	86,667,595	277,324,958
Net Book Value at June 30, 2022	707,113	128,734,205	5,338,265	5,160,949	5,451,814	50,950,088	108,103,132	304,445,566

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

20. Property, Plant and Equipment (continued)

Valuation

Land and buildings, property, plant and equipment etc were valued by the end of year 2023. The Company engaged Recad Consulting Ltd an independent valuer on asset tagging and valuation during the year 2022-2023 following the previous year's audit challenges. The revalued figures have been incorporated in the amended financial statement for the year ended 30 June 2023 after adoption.

20. (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Project assets – plant and Equipment	213,596,909	102,533,760	111,063,149
Buildings/ leasehold improvements	65,000,000	1,625,000	63,750,000
Plant and machinery	291,817,100	162,105,533	130,136,479
Motor vehicles, including motorcycles	41,146,001	17,795,542	13,013,563
Computers and related equipment	25,593,564	18,815,638	6,777,925
Office equipment, furniture, and fittings	15,148,877	10,172,058	4,976,819
	578,529,021	311,871,650	266,657,371

Property plant and Equipment includes the following assets that are fully depreciated:

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles – KAV 147B and KCB	15,309,960.65	25%
Motor cycles – 12No.	1,014,000.00	25%
Computers and related equipment	15,910,813	30%
Office equipment, furniture and fittings	18,349,423.47	12.5%
Total	50,584,197.12	-

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

21. Intangible Assets

	2022-2023 Kshs	2021-2022 Kshs
COST		
At July 1	29,370,312	25,042,062
Additions	-	4,328,250
Disposals	-	-
At June 30 2022	29,370,312	29,370,312
AMORTISATION		
At July 1	15,890,887	10,016,825
Charge for the year	5,874,062	5,874,062
Disposals	-	-
Impairment loss	-	-
At June 30 2023	21,764,950	15,890,887
NET BOOK VALUE		
At June 30 2023	7,605,362	13,479,425

Intangible assets include the Enterprise Resource Planning (ERP) system that the company uses to facilitate the operations e.g. Billing, Customer service, Collections, Finance, Supply Chain and Human resource and administration and software licenses required to operate the above systems.

22. Investment Property

The Company does not have or maintain any Investment Properties

23. Right-of-use assets

The Company does not have or maintain any Right-of-use assets

24. Fixed Interest Investments (Bonds)

The Company does not have or maintain any Fixed interest Investments (Bonds)

25. Quoted Investments

The Company does not have or maintain any Quoted or Unquoted Investments

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

26. Deferred Tax Asset

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The movement on the deferred tax account is as follows:

	2022-2023 Kshs	2021-2022 Kshs
Balance at beginning of the year	5,014,071	5,014,071
Credit to revaluation reserve	-	-
Under provision in prior year	-	-
Income statement charge/(credit)	-	-
Balance at end of the year	5,014,071	5,014,071

27. Inventories

	2022-2023 Kshs	2021-2022 Kshs
General stores	37,500	204,106.00
Water Chemicals	8,178,623	3,554,308.00
Water fittings and Accessories	16,246,317	12,486,635.94
Water meters	15,766,505	19,039,539.90
Electrical items	1,993,214	1,631,055.59
Pipes	15,087,326	9,636,644.99
Hardware materials	5,335,322	5,196,280.24
Uniform and protective clothing	1,085,013	1,322,294.42
Stationery and general supplies	4,247,948	3,176,824.21
Finished goods	-	-
Total	67,977,769	56,247,689.00

- The company maintains and consumes the above inventory on a First-In-First-Out (FIFO) basis. Stock taking is done semi-annually to confirm usage and stock balances
- General stores items constitute of minor fittings such seals and wires used for disconnection of meters etc.
- Water chemicals are for treatment of water to the quality required for consumption
- Water meters are the primary source of the company revenue as they are used to measure consumption of water hence generation of revenue
- Pipes and fittings are generally used for extension of pipe networks and for repair and maintenance in case of bursts and leakages
- Electrical items include electro mechanical tools for maintenance of pumps and motors
- Hardware materials include sand, ballast and other hardware tools used in the filters and for making manhole covers
- Stationery and general supplies are used to facilitate administrative functions and for reporting purposes
- Uniforms and protective clothing are given to staff for their safety at work place as recommended by Occupational safety and Health (OSH) policy guidelines

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

28. Trade and Other Receivables

	2022-2023 Kshs	2021-2022 Kshs
Trade receivables (note (28a))	208,528,704	295,039,675
Prepayments and Deposits	11,697,036	7,949,103
VAT recoverable	28,761,122	28,761,122
Staff receivables (note 29 (c))	33,840	5,000
Gross trade and other receivables	249,020,703	331,754,900
Provision for bad and doubtful receivable	-	(24,378,040)
Net trade and other receivables	249,020,703	307,376,861

28 (a) Trade Receivables

	2022-2023 Kshs	2021-2022 Kshs
Gross trade receivables	208,528,704	295,039,675
Provision for doubtful receivables	-	(24,378,040)
Net trade receivables	208,528,704	270,661,636
<i>at June 30, the ageing analysis of the gross trade receivables was as follows:</i>		
Less than 30 days	88,525,420	71,424,192.54
Between 30 and 60 days	20,852,870	19,381,045.87
Between 61 and 90 days	10,426,435	11,765,386.99
Between 91 and 120 days	4,170,574	10,163,419.54
Over 120 days	84,553,404	182,302,630.57
Total	208,528,704	295,039,675.51

28 (b) Reconciliation of Impairment Allowance for Trade Receivables

	2022-2023 Kshs	2021-2022 Kshs
At the beginning of the year	24,378,040	48,986,667
Additional provisions during the year	-	24,378,040
Recovered during the year	-	-
Written off during the year	-	(48,986,667)
At the end of the year	24,378,040	24,378,040

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

28 (c) Staff Receivables

	2022-2023 Kshs	2021-2022 Kshs
Gross staff loans and advances	476,840.00	802,906.57
Provision for impairment loss	(443,000)	(797,906.57)
Net staff loans	33,840	5,000
Less: Amounts due within one year	(33,840)	(5,000)
Amounts due after one year	-	-

These are short-term advances to staff during emergency cases such as ill health or death of a dependant or parent but recoverable through their payslips.

Reconciliation of Impairment Allowance for Staff Receivables

	2022-2023 Kshs	2021-2022 Kshs
At the beginning of the year	5,000	802,906.57
Additional provisions during the year	471,840	263,200.00
Recovered during the year	(443,000)	(1,061,106.57)
Written off during the year	-	-
At the end of the year	33,840	5,000

28 (d) Prepayments and Deposits

Description	2022-2023 Kshs	2021-2022 Kshs
Telephone deposits (Telkom & Safaricom)	57,000	57,000
Electricity deposits (KPLC)	848,859	848,859
Internet services deposit	17,400	17,400
Staff medical & General insurance prepaid	10,773,777	7,025,844
Others	-	-
Total	11,697,036	7,949,103

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

29. Tax Recoverable (Value Added Tax)

	2022-2023 Kshs	2021-2022 Kshs
At beginning of the year	28,761,122	28,761,122
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	28,761,122	28,761,122

30. Bank and Cash Balances

	2022-2023 Kshs	2021-2022 Kshs
Cash at bank	20,498,767.20	83,885,409.51
Cash in hand	44,818.00	22,228.00
Mobile money account	892,540.00	387,817.00
	21,436,125.00	84,295,454.51

Detailed analysis of the cash and cash equivalents

Financial institution	Account Number	2022-2023 Kshs	2021-2022 Kshs
a) Current account			
KCB	1240290837	347,347.68	308,167.30
Co-operative Bank	01136012931300	3,515,836.47	31,851,970.36
Co-operative Bank	01136012931301	2,306,750.34	14,716,921.15
Co-operative Bank	01141012931300	-	-
Equity Bank	0290265172985	9,526,766	12,120,844.98
NCBA Bank – Pamoja Trust	1001789399	450,799.01	448,539.56
NCBA – EU-WOP project	01141012931300	563,379.34	13,360,306.50
Post Bank	0744130005547	535,674.00	114,490.00
National Bank of Kenya	01060246510800	342,396.36	-
National Bank of Kenya	01060246513100	2,909,060.49	-
Sub- total		20,498,009.51	72,921,239.85

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

30. Bank and Cash Balances (continued)

Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account Number	Kshs	Kshs
b) On – call deposits			
Co-operative Bank	01100012931300	757.69	10,964,169.66
others		-	-
Sub- total		757.69	10,964,169.66
c) Fixed deposits account			
Commercial Bank & others		-	-
Sub-total		-	-
d) Others (specify)			
Cash in hand –Petty Cash		44,818.00	22,228.00
Mobile money account		892,540.00	387,817.00
Sub- total		937,358.00	410,045.00
Grand total		21,436,125.00	84,295,454.51

31. Ordinary Share Capital

	2022-2023 Kshs	2021-2022 Kshs
Authorized:		
5000 ordinary shares of Kshs 20 par value each	100,000	100,000
Issued and fully paid:		
5000 ordinary shares of Kshs 20 par value each	100,000	100,000

The company is owned by County Government of Kisumu who hold 99.9% of the total shares. The shares are held in Trust for the public.

32. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity in note XV, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

33. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

34. Retained Earnings

The retained earnings represent amounts available for distribution to the Company's shareholders. Undistributed retained earnings are utilised to finance the Company's business activities including network expansions to meet the coverage level as required by the Regulator (WASREB). The retained earnings for the year are as indicated in the statement of Changes in Equity on page 59.

35. Deferred Tax Liability

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. There were no deferred tax liability at year end.

36. Borrowings

The Company borrowed funds from National Bank of Kenya for the construction of office building in addition to acquiring an Asset finance facility for the purchase of the company's Executive car.

	2022-2023 Kshs	2021-2022 Kshs
(a) External Borrowings		
Balance at end of the year	-	-
(b) Domestic Borrowings		
Balance at beginning of the year	-	-
Domestic borrowings during the year	110,835,100	-
Repayments during the year	-	-
Balance at end of the year	110,835,100	-
(c) Total Balance at end of the period c = a+b	110,835,100	-

The analyses of the domestic borrowing is as follows:

	2022-2023 Kshs	2021-2022 Kshs
Domestic Borrowings		
Kenya Shilling loan from NBK- Mortgage Finance	100,380,018	-
Kenya Shilling loan from NBK- Asset Finance	10,455,082	-
Total balance at end of the year	110,835,100	-

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

37. Lease Liability

The Company had no lease liability in the financial year ended 30th June 2023 hence no relevant report.

38. Retirement Benefit Obligations

The entity contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The entity's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 200 per employee per month. Other than NSSF the entity also has a defined contribution scheme operated by County Pension Fund and Local Authorities Pension Fund. Employees contribute 12% while the employer contribute 15% of basic salary. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

39. Trade and Other Payables – Non-current Liabilities

	2022-2023 Kshs	2021-2022 Kshs
Water Deposits	152,250,778	141,422,854
County Government Contribution	15,743,834	26,660,396
Other payables	-	-
Total	167,994,612	168,083,250

40. Trade and Other Payables –Current Liabilities

	2022-2023 Kshs	2021-2022 Kshs
Trade payables	78,437,509	74,720,948
Conservancy fee – County Government of Kisumu	34,802,110	120,213,360
Accrued expenses	21,128,916	32,604,675
Other payables – (Staff contributions)	6,541,881	8,598,904
Lease fees – County Government of Kisumu	-	21,793,650
Lake Victoria South Water Works Development - Outstanding Levy	12,100,538	17,100,538
Total	153,010,955	275,032,075
Ageing analysis:		
Under one year	132,366,234	84,911,127
1-2 years	20,644,721	28,704,009
2-3 years	-	161,416,939
Over 3 years	-	-
Total	153,010,955	275,032,075

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

41. Analysis of Customer Deposits

	2022-2023 Kshs	2021-2022 Kshs
Opening Balance	141,422,854.82	128,141,601.33
Add: deposits received during the year	16,502,216.92	19,793,985.38
Less: Refunded deposits during the year	(5,674,294.02)	(6,512,731.89)
Closing balance	152,250,777.72	141,422,854.82
Ageing analysis:		
Under one year	10,827,923	19,793,985
1-2 years	19,793,985	14,681,254
2-3 years	14,681,254	13,654,785
Over 3 years	106,947,616	93,292,830.82
Total	152,250,777.72	141,422,854.82

42. Analysis of County Government Contribution

The balance of the County Government Contribution relates to the balance of liability arising from the net assets transferred to the Company at inception but which has crystalized over time.

	2022-2023 Kshs	2021-2022 Kshs
At the beginning of the year	26,660,396	26,660,396
Additional declared during the year	-	-
Amortized during the year	(10,916,562)	-
Balance at end of the year	15,743,834	26,660,396

43. Capital Grants

				2022-2023 Kshs
2022-2023	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	673,697		(84,212.17)	589,485
Lake Victoria South Water Works Development	86,880		(10,859.95)	76,020
Water Service Trust Fund & Others	29,736,688	16,069,892	(5,725,822.54)	40,080,758
Other Grants	53,495,790		(6,686,973.70)	46,808,816
Sub Total	83,993,055	16,069,892	(12,507,868.36)	87,555,079
EU-WOP (Transferred to Grant Income)	13,360,281		(13,360,281)	-
Total	97,353,336		(25,868,149)	87,555,079

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

43. Capital Grants (continued)

				2021-2022
2021-2022	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	769,940		(96,242.48)	673,697
Lake Victoria South Water Works Development	99,291		(12,411.37)	86,880
Water Service Trust Fund & Others	33,984,787		(4,248,098.35)	29,736,688
Other Grants - OBA	61,138,045		(7,642,255.66)	53,495,790
EU-WOP		13,360,281		13,360,281

44. Taxation Payable

	2022-2023 Kshs	2021-2022 Kshs
At beginning of the year	9,274,075	9,274,075
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
LESS -Income tax paid during the year	-	-
At end of the year	9,274,075	9,274,075

45. Provisions

	Leave Provision	Gratuity provisions	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	-	-	-	8,718,694.72
Additional Provisions	-	3,724,512.00	-	3,844,880.04
Provision utilised/ Paid	-	(3,507,250.00)	-	(12,563,574.76)
Change due to discount and time value for money	-	-	-	-
Balance at the end of the year	-	217,262.00	-	-

Provisions details

	2022-2023 Kshs	2021-2022 Kshs
Description		
Current Portion of Provisions	217,262.00	8,718,694.72
Long-term portion of Provisions	-	-
Total	217,262.00	8,718,694.72

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

46. Notes to The Statement of Cash Flows

	2022-2023 Kshs	2021-2022 Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
Profit or loss before tax	(4,504,476)	90,456,704
Depreciation	52,524,585	38,705,228
Amortisation	5,874,062	5,874,062
(Gain)/loss on disposal of property, plant and equipment	(3,405,985)	-
Interest Expense	-	-
Grants Write-back	(12,507,868)	(11,999,008)
Operating profit/(loss) before working capital changes	41,386,985	123,036,986
(Increase)/decrease in inventories	(11,730,079)	(12,437,102)
(Increase)/decrease in trade and other receivables	58,108,495	(50,946,668)
Increase/(decrease) in trade and other payables	(122,021,120)	29,625,508
Increase/(decrease) in retirement benefit obligations	217,262	(8,718,695)
Increase/(decrease) in provision for staff leave pay	2,999	1,779,724
Cash generated from/(used in) operations	(37,200,460)	82,339,754
(b) Analysis of changes in loans		
Balance at beginning of the year	-	-
Receipts during the year	110,835,100	-
Repayments during the year	-	-
Repayments of previous year's accrued interest	-	-
Accrued interest	-	-
Balance at end of the year	110,835,100	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	937,358.00	410,045.00
Cash in hand	20,498,767.20	83,885,409.51
Balance at end of the year	21,436,125.00	84,295,454.51
(d) Analysis of interest paid		
Interest on loans	5,004,937	-
Interest on bank overdraft	-	-
Interest on lease liabilities	-	-
Interest on loans capitalized	-	-
Balance at beginning of the year	-	-
Balance at end of the year (note 35(b))	-	-
Interest paid	-	-
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2021 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

47. Related Party Disclosures

County Government of Kisumu

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

Other related parties include:

- Lake Victoria South Water Works Development Agencies
- Water Services Regulatory Board (WASREB)
- Water Resources Authority (WRA)
- Water Sector Trust Fund (WSTF)
- Key management
- Board of directors

Transactions with related parties

	2022-2023 Kshs	2021-2022 Kshs
a) Sales to related parties		
Water sales to Govt. agencies – County Government of Kisumu	74,038,900	74,777,867
Others (Specify)	-	-
Total	74,038,900	74,777,867
b) Purchases from related parties		
Rent expenses paid to Government agencies (NCPB)	2,972,008	2,854,198
Training and conference fees paid to Government agencies	-	-
Others (specify)	-	-
Total	2,972,008	2,854,198
a) Grants from the Government		
Grants from National Government agencies (WSTF)	16,069,892	116,339,218
Grants from County Government	-	-
Donations in kind	-	-
Total	16,069,892	116,339,218
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for conservancy services (CGK)	35,957,910	31,992,380
Total	35,957,910	31,992,380
c) Key management compensation		
Directors' emoluments	10,081,425	12,695,134
Compensation to key management	42,826,717	40,282,677
Total	52,908,142	52,977,811

48. Capital Commitments

There were no Capital commitments at the year- end for which any provision has been made in these financial statements.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

49. Contingent Assets and Liabilities

Contingent Assets	2022-2023 Kshs	2021-2022 Kshs
Contingent assets		
Insurance reimbursements	-	4,282,832
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Total	-	4,282,832

Contingent Liabilities	2022-2023 Kshs	2021-2022 Kshs
Contingent liabilities		
Court case against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Total	-	-

In the opinion of the directors, no provision is required in these financial statements as there were no liabilities expected to crystallize.

50. Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The company's financial risk management objectives and policies are detailed below:

i. Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

50. Financial Risk Management (continued)

i. Credit risk (continued)

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount	Fully performing	Past due but not Impaired	Past due and Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade Receivables	208,528,704	208,528,704	-	-
Other Receivables	40,491,998	11,730,877	28,761,122	-
Investments	-	-	-	-
Bank balances	21,436,125	21,436,125	-	-
Total	270,456,828	241,695,706	28,761,122	-
At 30 June 2022 (previous Year)				
Receivables	270,661,636	270,661,636	-	24,378,040
Other Receivables	36,715,225	7,949,103	28,766,122	-
Investments	-	-	-	-
Bank balances	84,295,455	84,295,455	-	-
Total	391,672,316	362,906,194	28,766,122	24,378,040

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

50. Financial Risk Management (continued)

ii) Liquidity risk management (continued)

	Less than 1 month	Between 1-3 months	Over 5months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023 current year				
Trade payables	40,552,224.10	29,653,844.35	8,749,662.50	78,955,730.95
Current portion of borrowings	-	-	10,038,002	10,038,002
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	40,552,224.10	29,653,844.35	18,787,664.50	88,993,732.95
At 30 June 2022 previous year				
Trade payables	43,256,710.77	15,709,483.25	15,754,753.96	74,720,948
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	43,256,710.77	15,709,483.25	15,754,753.96	74,720,948.00

iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Company on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

iv) Foreign currency risk

The Company has no transactional currency exposures since the purchases of goods and services are done in the local currency

v) Interest rate risk

Interest rate risk is the risk that the Company's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

a) Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

b) Sensitivity analysis

The Company analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis could not however be performed in the year as the company had no borrowing liability hence no interest accrued.

vi) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2023

50. Financial Risk Management (continued)

vi) Fair value of financial assets and liabilities

market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i) **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii) **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii) **Level 3** – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

There were no transfers between levels 1, 2 and 3 during the year.

Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

vii) Capital Risk Management

The objective of the Company's capital risk management is to safeguard the Board's ability to continue as a going concern. The Company's capital structure comprises of the following funds:

	2022-2023 Kshs	2021-2022 Kshs
Revaluation reserve	1,176,114.00	1,176,114.00
Retained earnings	217,961,831	219,840,216
Capital reserve	100,000	100,000
Total funds	219,237,946	221,116,330
Total borrowings	-	-
Less: cash and bank balances	(21,258,194)	(84,295,455)
Net debt/(excess cash and cash equivalents)	(21,258,194)	(84,295,455)
Gearing	-%	-%

51. Incorporation

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

52. Events After the Reporting Period

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

53. Currency

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

Appendices

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in the Financial Statements	No difference in figures as observed the auditors	Resolved	N/A
2	Non-recognition of tax liability from operations	Taxes are paid on the basis of operational profits and not losses	Resolved	N/A
3	Unsupported Write-offs of Bad Debts	Letter from CECM- Finance & Economic Planning	Not Resolved	December 2023
4	Unsupported Customer Deposits	Customer deposits listing including additions and refunds during the year provide	Resolved	N/A
5	Trade and other Receivables – VAT Recoverable	We have changed and engaged a different Tax Consultant i.e. Wanjau Ndonga & Associates to follow up this debt with KRA. Correspondences made.	In Progress	June 2024
6	Unsupported County Government Contribution	Letters from then CEC-Finance & Economic planning supported by Minutes of reconciliation provided	Resolved	N/A
7	Inaccuracies in Outstanding Levies Due to Lake Victoria Water Works Development Agency	Schedules of payment plus payment vouchers provided. Following up on reconciliation with LVWWDA	In progress	December 2023
8	Unaccounted for Lease Fees	Lease fees to the County Government was noted to be contravening section 131(2) of the Water Act 2016 hence stopped by the regulator (WASREB)	Resolved	N/A
9	Inaccuracies in Property, Plant & Equipment	An updated detailed asset register provided, revaluation ongoing	Resolved	June 2023
10	Non-Revenue Water Management	Strategies developed to manage the losses	Ongoing task	Ongoing
11	Lack of quarterly reports on items procured through framework agreement	Monthly reports prepared and presented to MD and audit. The Company uses "Open Tender" and not framework agreements with suppliers	Resolved	N/A

Appendices

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS (Cont'd)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
12	Non-compliance with Affirmative action on Gender, Ethnicity and Regional Distribution	Company made progressive	Resolved	N/A
13	Gulf Water Company Limited and Nyanas Water Company Limited	Reports prepared signed and submitted to the Office of Auditor General for audit	Resolved	December 2023

(i) Use the same reference numbers as contained in the external audit report.

Thomas Odongo



Managing Director

28 September 2023

Appendices

APPENDIX II: PROJECTS IMPLEMENTED BY THE COMPANY

The Company did not implement any Projects through Funds from the development partners. All the other projects were funded using internally generated funds.

Status of projects completion

(Summarise the status of project completion at the end of the reporting period, i.e. total costs incurred, stage which the project is etc.)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	Office Building (HQ)	137,840,700	137,840,700	90%	154,000,000	137,840,700	NBK Loan
2.	Office Building Fencing	2,545,707.50	2,545,707.50	85%	3,000,000.00	2,545,707.50	Internal
3.	Kisat Fencing	3,933,548.75	3,933,548.75	100%	4,500,000.00	3,933,548.75	Internal

Appendix III: Recording of Transfers from Other Government Entities

Name of the County/MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Trust Fund	14/07/2022	Development	16,069,892	-	16,069,892	-	-	-	16,069,892
Ministry/ County Department of water.	-	-	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
European Union- Water Operators Partnership (EU-WOP)	-	Recurrent	13,360,281	13,360,281	-	-	-	-	13,360,281
Total	-	-	16,069,892	13,360,281	-	-	-	-	29,430,173

Proxy Form

The Company Secretary

Kisumu Water & Sanitation Company Limited
PO Box 3210
KISUMU

PROXY

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 18th Annual General Meeting of the Company to be held on **13th December 2024 at Tom Mboya Labour College or any adjournment thereof.**

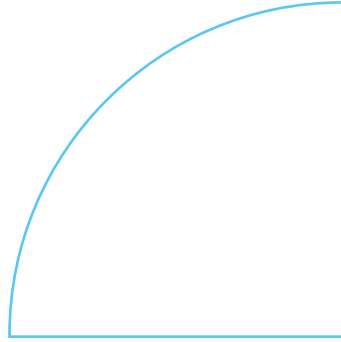
*(Strike out as appropriate)

Signed this _____ day of _____ (Month) 2024.

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





KIWASCO
Refresh Life

Kisumu Water and Sanitation
Company Limited
P.O. Box 3210 – 40100, Kisumu
Tom Mboya,
Along Nyerere Road
Kisumu

Call us: 057 500 7000

Email: info@kiwasco.co.ke

www.kiwasco.co.ke

