



KISUMU WATER AND SANITATION COMPANY LIMITED



2024 ANNUAL REPORT AND 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.



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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



46,326



298



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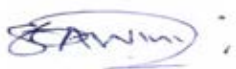
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NOTICE OF 19TH ANNUAL GENERAL MEETING

Notice is hereby given that the 19th Annual General Meeting of the members of Kisumu Water and Sanitation Company Ltd will be held on 15th May 2025 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 18th AGM held on 13th December 2024
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 2023/2024 and Auditor's report thereon
7. To note that Auditor General shall continue in office for the year 2024/25 in accordance with Section 721(2) of the Company's Act, and to authorize Directors to fix their remuneration
8. To elect a Director from the consumers representing the institutions of Higher learning
9. 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

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

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

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

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 begun 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 has no branches outside of Kisumu County.

Principal Activities

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

Board of Directors

1.	Phylis Chepkemboi	- Chairman	- Appointed on 23rd December 2020
2.	Thomas Odongo	- Chief Executive	- Appointed on 1st July 2018
3.	George Okong'o	- Director	- CECM - Finance & Economic Planning
4.	Judith Oluoch	- Director	- CECM -Water, Environment & Natural Resources
5.	Aballa Wang'a	- Director	- City Manager - Appointed in October 2020
6.	Dr. Satwinder Singh	- Director	- Appointed on 8th December 2023
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.

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



93%

Water Coverage

18%

Sewerage Coverage

96%

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



**Ms. Phyllis Chepkemboi
Barasa**
Chairman



Thomas Odongo
Managing Director



Mr. Abala Wanga
Director



Albert Ojonyo
Director



Hon. Judith Oluoch
Director



George Okong'o
Director



Dr. Satwinder Singh Rupra
Director



Dr. Benson Nyambega
Director



Ms Dorcas Emily Indah
Director

Certificate No: CL/044



KENYA
ACCREDITATION
SERVICE

CERTIFICATE OF ACCREDITATION

This is to certify that

KISUMU WATER AND SANITATION COMPANY

is accredited as a
Calibration Laboratory
upon satisfying the requirements of

ISO/IEC 17025:2017

General Requirements for the Competence
of Testing and Calibration laboratories
in respect to the attached schedule

Effective from : 26th Nov 2024
Expiry on : 25th Nov 2028



Walter Ogeti

Chief Executive Officer / Authorised Officer
Kenya Accreditation Service

Member and full signatory to ILAC, IAF, and AFRAC Mutual Recognition Arrangement.



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



Shem Otieno
ICT Manager



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



Mr. Geoffrey Opiyo
*Non-Revenue Water
Manager*

MESSAGE FROM THE CHAIRMAN BOARD OF DIRECTORS



The colorful celebrations were a perfect reminder that customer service is a vibrant, dynamic force that makes a lasting impact on customers and the company.



Ms. Phyllis Chepkemboi Barasa
Chairman Board of Directors

To our esteemed shareholders, colleagues, and guests. On behalf of the Board of Directors, it is my pleasure to welcome you all to Kisumu Water and Sanitation Company Ltd (Kiwasco) 19th Annual General Meeting. I sincerely thank you for joining us today as we reflect on the past year's performance, discuss our strategic direction, and reaffirm our commitment to creating long-term value.

This 19th AGM represents more than just a statutory obligation but a vital opportunity for transparency, accountability, and dialogue. It allows us to share the progress we've made, acknowledge the challenges we've faced, and most importantly, listen to your perspectives as valued stakeholders.

Despite a dynamic and often unpredictable environment, Kiwasco has remained resilient, focused, and innovative. I am proud of the

efforts of our leadership team, employees, and partners who have demonstrated extraordinary dedication throughout the year.

Today, we present key financial results, highlight operational achievements, and outline our vision for sustainable growth. We appreciate your feedback, which is invaluable as we shape our path ahead.

Economic Outlook

Kenya has achieved significant political and economic reforms over the past decade, leading to strong economic growth, social development, and political stability. However, the country still faces key development challenges, such as poverty, inequality, youth unemployment, and a lack of quality jobs, transparency, and accountability. Private sector investment is weak, and the economy is vulnerable to internal and external shocks.



99%

efficiency in sewer distribution.



77%

customer satisfaction achievement and a call center in place.



83%

employee satisfaction.

MESSAGE FROM THE CHAIRMAN BOARD OF DIRECTORS



4.9%

Kenya's growth is projected to recover to 4.9% on average during 2025–2027.

Before the COVID-19 pandemic, Kenya's robust growth was driven by increased public sector borrowing, which has resulted in debt vulnerabilities. The government has committed to fiscal consolidation to restore fiscal space and reduce debt, but revenue underperformance remains a challenge to achieving fiscal targets.

The country's economy continues to show considerable resilience in the face of more recent shocks, including a severe liquidity crunch and inflationary pressures in 2024, climate change shocks, subdued business sentiment following the mid-2024 protests, and reduced public spending amid ongoing fiscal consolidation efforts. Against this backdrop, GDP growth decelerated to an estimated 4.5% in 2024, following a cyclical rebound of 5.6% growth in 2023.

Kenya's growth is projected to recover to 4.9% on average during 2025–2027, driven mainly by easing inflation, accommodative monetary policy, and a pickup in credit growth that should support household and business incomes, driving private consumption and investment.

In addition to aligning the country's long-term development agenda to Kenya's Vision 2030, which aims to transform Kenya into a competitive and prosperous country with a high quality of life, the government's bottom-up economic model prioritizes agriculture, healthcare, affordable housing, micro and small enterprises, and the digital and creative economy.



Ksh3,061,492

In 2024, Kisumu Water and Sanitation Company reaffirmed its progress towards maintaining profitability.

Performance

In 2024, Kisumu Water and Sanitation Company reaffirmed its progress towards maintaining profitability after it recorded a Kshs. 3,061,492 operating profit for the full year 2024. These figure underscores the Company's outstanding performance during the year and offer encouraging indications of steady performance within the water industry. This also affirms that the Company business is operationally viable and that all efforts put in by management and staff to keep the Company profitable are bearing fruits.

The Company achieved 95% of the budgeted revenue in the year under review. There was growth in sales revenue by 5.6% and other incomes by 23% attributed to increase in grants funding and billing for other services. This was further aided by a decrease in production costs attributed to decrease in operational cost.

Company's performance

- 87% water coverage and 23% sewerage coverage.
- 99% efficiency in sewer distribution.
- Improved revenue collection efficiency.
- Automation of operations ERP system in place.
- 77% customer satisfaction achievement and a call center in place.
- 83% employee satisfaction.
- Training and capacity building of Board members on corporate governance.
- Lobbying for increased resources and legislature support.

The Company exploited opportunities of raising the much needed revenues by ramping up its scheduled operations.

I am confident that we will manage through the shifting economic landscape. Some of the Board's key highlights in the financial year 2023/2024 are tabulated as below;

Performance Indicator	Board Intervention	Impact
 Enhanced Partnership with the County Government and other stakeholders	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
 Enhanced Corporate Governance	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
 Enhanced Internal Controls	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
 Risk Management	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.

MESSAGE FROM THE CHAIRMAN BOARD OF DIRECTORS



Board of Directors, management and other stakeholders in a group photo session

KIWASCO recently held its 18th Annual General Meeting (AGM) to reflect on the accomplishments of the past year and outline the company's vision for the second half of the FY 2024/25. The event brought together key representatives from various organizations, including government officials, local agencies, the County Government of Kisumu and KIWASCO staff, providing an important platform to evaluate the company's performance and set its strategic priorities moving forward.

A comprehensive report highlighting the company's achievements over the past year was discussed. A significant increase in water supply coverage observed bringing clean, reliable water to more residents of Kisumu. This progress was attributed to the ongoing collaborations with development partners, such as the 5-kilometer extension of the distribution network in Kasule, supported by the Water Sector Trust Fund.



Board of Directors following discussions as the Board Chair, make her remarks.

Challenges faced, included increased water demand during the dry season and vandalism of infrastructure as a major threat to the company's delivery of its mandate. There is need for continued investments in wastewater treatment and sanitation initiatives. To address these concerns, the company has plans to upgrade the sewerage system and maintain strong partnerships with development agencies.



City Manager Director Abala Wanga and CEC Finance Director George Okong'o follow proceedings in the AGM

MESSAGE FROM THE CHAIRMAN BOARD OF DIRECTORS

A key highlight of the AGM was the introduction of KIWASCO's strategic plan, which was presented during the AGM. The Managing Director elaborated on each strategic priority, offering stakeholders a deeper understanding of the company's direction. Insights were shared on KIWASCO's sustainability initiatives, particularly in environmental conservation and role of local communities in protecting catchment water resources.



Customer Service Week staff celebrations

A Week of Appreciation and Awareness

The 2024 Customer Service Week was finally here, and it was an exciting time for all of us. The special week was dedicated to celebrating the strong relationship we share with our cherished customers and staff. It was a moment for us to express our gratitude and acknowledge the importance of going above and beyond in customer service. At KIWASCO, we believe that exceptional service is key to enhancing your experience, and we were thrilled to celebrate.



Managing Director leading staff and customers in cake cutting

The celebrations kicked off as KIWASCO staff, along with our customers and partners, came together for a glamorous cake-cutting ceremony to officially inaugurate the Customer Service Week. This year, the theme was celebrating service in colour, a nod to the diversity, energy, and passion that customer service teams bring into the fabric; going above and beyond expectations.



Photo file: A section of Board of Directors and staff posing for photos during the week

MESSAGE FROM THE CHAIRMAN BOARD OF DIRECTORS

The 2024 Customer Service Week was a true testament to the dedication, passion, and creativity that customer service professionals bring to their roles every day. By embracing the theme going above and beyond, the company not only recognized the incredible contributions of its teams but also fostered an environment of fun, learning, and togetherness. The colorful celebrations were a perfect reminder that customer service is a vibrant, dynamic force that makes a lasting impact on customers and the company.

KENAS ACCREDITATION



The Board is extremely grateful to the KIWASCO staff for their dedication, resilience and positive attitude throughout 2024. We are also highly appreciative of the innovative and dedicated management team, ably headed by the Managing Director for their hard work and dedication. The Board is confident that we are on the right path not only towards continuous profitability but also in terms of growth in our resources and asset base hopefully to meet the expanding demand of customers.

On behalf of the Board of Directors, I take this opportunity to thank our customers, partners, the Government of Kenya, and shareholders for their continued support.

Phyllis Chepkemboi
Chairman

BE WATER SMART: PLAY YOUR PART



KIWASCO
RefreshLife



« Check out for any leakage in the toilet or water pipes within your house and get them fixed immediately to avoid water loss

When brushing your teeth or shaving, don't let the faucet run continuously.



While washing dishes, always turn off the tap when it's not yet time for rinsing the utensils.



0700 517 517



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REPORT OF THE MANAGING DIRECTOR



Kiwasco recorded topline growth in 2024, with operating revenue rising by 5.6 % to Kshs. 1,069,994,580 billion up from Kshs. 1,012,683,919 billion. Total revenues as well increased from Kshs. 1,065,699,528 billion to Kshs. 1,135,277,960 billion. The increase reflects robust performance across our business segments.



Thomas Odongo
Managing Director

We have come to the end of the FY 2023/2024. The fiscal year has been a remarkable one for our company, with significant achievements on multiple fronts. While it was certainly challenging in many ways, through collaboration, we have emerged strong, upholding our core values. It is a significant period that is also a turning point for plans, strategies and resolutions. The year has been eventful, with numerous activities taking place and everyone racing up to achieve set targets.

With your whole-hearted support the company has been able to continually strengthen its foundations and is emerging as a rapidly growing water service provider in the water sector. This has positioned us to seize even larger opportunities in the sector, while maintaining our leadership position as a consumer centric organization.

Performance

This has been evident in the released Impact 16 report by WASREB. The company emerged 4th under the category of very large water utilities and registered an overall improvement from position 9 to 6. We also bagged position 1 as the Best utility in Customer Service and Pro-poor assessment. We have consistently won the title 'Best in Customer Service' for four consecutives times and now I can comfortable say we are the Kings of Customer Service. We pride in giving the best care to our customers at all times. In terms of service delivery to the low-income areas, we ensure that this is done in the best way possible. We have invested our time and resources to ensure that this populace is handled to the best standards and that is why for the second time in a row, the regulator has rated us the best. Another award that has remained domiciled in KIWASCO is being the top utility



99%

efficiency in sewer distribution.



77%

customer satisfaction achievement and a call center in place.



83%

employee satisfaction.

in the Lake Victoria South region. We have remained unbeaten since time immemorial.

Kiwasco recorded topline growth in 2024, with operating revenue rising by 5.6 % to Kshs. 1,069,994,580 billion up from Kshs. 1,012,683,919 billion. Total revenues as well increased from Kshs. 1,065,699,528 billion to Kshs. 1,135,277,960 billion. The increase reflects robust performance across our business segments.

I commend all of us for the successful implementation of the new Strategic Plan that is currently on its first year of practice. Your participation from its development to the application has been remarkable. With the reviewed strategic focus, I already anticipate a positive trajectory into our future as a company.

New Office Building

The transition into our new office building can never go unmentioned. The new office location provides staff with an ample space for work away from the regular city center distractions. The building also provides various amenities intended to improve staff work-life balance as well as breed innovation, collaboration and positivity among our staff.

Water Production

We deployed the following strategies to improve on Water Production

- a) Managing the challenges posed by rising levels of L.Victoria at Dunga Intake by introducing temporary barriers
- b) Continued with implementing the production and distribution plan at the ratio of Dunga at 40% and Kajulu at 60%
- c) Installation of solar powered flood lights within the plants and engaging solar energy experts in providing solar solutions for pumping systems
- d) Enhancing main line patrols in order to minimize occurrences of bursts and minimizing supply interruption. Water line patrollers are routinely patrolling the mainlines to help in identifying areas which

- requires preventive maintenance for action
- e) Constructing remote sensing telemetry on River Kajulu upstream of Kajulu intake. Construction works already started and all stakeholders sensitized
 - f) Pumps servicing at the Intake with the support from the Electro-Mechanical Team to improve plant efficiency.
 - g) Improvement of the work environment through routine cleaning and maintenance of the plants.
 - h) Maintaining the road network by repairing the eroded drainage next to the gate and the road
 - i) Maintaining plant efficiency by ensuring cleanliness of mixing tanks and unblocking drainage

Kajulu treatment works recorded above 97% compliance while Dunga treatment works recorded above 99% compliance in Physiochemical parameters analysed in the year. No coliforms or E. coli detected from microbial samples collected within the plants an indication of effective chlorination and disinfection within the treatment works.

Water Network Maintenance

At the end of the year the mapped length of potable water pipeline was 790.128 km. In the period under review, Leaks and Bursts were attended to with a success rate of 98.50 %. Road works activities still is a major challenge as it contributes to most damages of our existing water and sewerage infrastructures, an example is in KISIP 2 project in Manyatta, Bandani & Obunga areas and county road works.

We continue to pursue the path of close liaison with the relevant authorities to minimize the damages however seemingly all the costs of repairs is still borne by the company as the surcharges on damages are seldomly paid.

REPORT OF THE MANAGING DIRECTOR

Key NRW Interventions:

<i>Apparent Losses Activities</i>		
Planned Activity	Objective	Progress
Verification of Stolen Meters	Active investigations + Plugging are done	Advance investigations Plug all stolen cases Educate customers on responsibilities Engage police and county in managing challenge of scrap dealers and other entities of meter theft
Static Meters Servicing	Meter accuracy restored; Replacements of faulty meters done	Servicing of the static meters identified in the estimates report. Real-time servicing of static meters.
Consumer Compliance Checks	Accounts forwarded for legal action and surcharged	Identification of all direct suction. Outreach programs to be carried out to enhance customer compliance; Digitization of all illegal activity reporting platform; Enforce the new connections policy
Monitoring of Key Commercial Accounts and Hydrants	Anomalies in trends identified and rectified; Major consumer accounts daily monitoring intensified	Major Accounts management in one platform, and dashboard development

DMA		
Planned Activity	Objective	Progress
DMA Management	Isolation of DMAs being concluded. CBD, Nyamasaria and Usoma areas fully isolated	16No DMAs to be fully done. Monitoring and Caretaker approach and transfer being explored

<i>PHYSICAL LOSSES ACTIVITIES</i>		
Planned Activity	Objective	Progress
Leaks and Bursts Scouting exercise	Scouts procured and the entire service area being scouted for physical leaks	Planned quarterly. leak repairs being done real-time as identified
Service and replace all Sluice and Air Valves in the networks	100% of faulty valves replacement	Serviced 80No within Millimani, CBD, Dunga and lower railways DMA
Install new valves in the network	System full isolation and active	Planned installations underway
New Connections Inspections	Surveillance done on new installations	Inspected 20% No new connection monthly.
Monitoring Pressures in the networks	Average 3.2Bar, Maximum head 4 Bar and Minimum 2 Bar	Weekly reading of pressure gauges within the network; install procured loggers (10No); onboard pressure management onto dashboard
Leak Hotspot analysis and Network overhaul plans	Leak hotspots analyzed including by the SEURECA TA.	60.7 Km lines identified for overhauls.

Water Catchment conservation

Water catchment conservation plays a critical role in mitigating the effects of climate change. The glacier is rapidly melting, disrupting the water cycle and reducing the availability of freshwater. Protecting water catchment areas is essential in addressing these adverse impacts, as forests play a vital role in regulating water cycles.

During the year, the County Government of Kisumu, KIWASCO, and the Water, Sanitation, Hygiene, Environment, Climate Change, and Conservation (WASH-ECC) Network gathered at Kajulu Forest to commemorate World Water Day, where we planted 1,000 trees.

This initiative further intensified our efforts toward restoring the degraded catchment area. The network prioritizes the rehabilitation and conservation of the Kajulu water resource to ensure the sustainability of both the quality and quantity of potable water for Kisumu City's residents.

The event, graced by CECM—Water, Environment, Climate Change & Natural Resources, Ms. Judith Oluoch, highlighted the need for intentional collaboration to enhance water security and behavioral change in the fight against climate change.

She urged the community to protect the catchment area from human interference, such as wildfires and tree cutting, and to embrace alternative climate-adaptive practices.



REPORT OF THE MANAGING DIRECTOR

Water Supply Extension

We handed over the site for water network extension for Nyalunya in Kolwa East Sub-Location to the contractors. This project seeks to augment water supply in areas of Nyalunya and Buoye areas that are currently faced with insufficient water supply due to the surge in population.

This project that is being sponsored by VEI officially kicked off and it intends to take 5-months to completion and targets to benefit a population of over 300 households. In addition, 2 water kiosks will be constructed to ensure inclusive access to clean and safe water.



Partnerships

Two short-term experts from VEI conducted training sessions on Strategic Communication, Social Media Management and Climate Resilience. The focus of the training was to enhance communication strategies, improve social media management skills and integrate climate resilience into our communication frameworks.

The training was necessary in response to the evolving demands of effective communication in the water and sanitation sector.



We had a productive meeting with Meltus Mugomi and Florence Mwikali of Fresh Life and Avkash Mukhi of Circular Impact, an associate partner of Sanergy Collaborative. The deliberations sought to evaluate the feasibility of carbon financing for WASH projects in Kenya.

This partnership involves evaluation of our existing water and sanitation infrastructure and those under development with the aim of exploring potential eligibility for supplemental carbon financing, recognizing the environmental benefits these projects could deliver



REPORT OF THE MANAGING DIRECTOR

Customer Identification Survey

The Company through support from the SEURECA technical assistance rolled out conduct of a customer identification survey. This is a strategic tool that businesses use to gather critical insights about their customers. The information obtained will be essential for making informed decisions, enhancing customer experiences, and driving business growth. This is important for us to:

1. Better Understand our Customer Needs - What they like, what they dislike, what they need, and what problems they're trying to solve. Understanding these aspects will enable us to tailor our products, services, and communications more effectively.
2. Improve Personalization - Personalized experiences often lead to higher customer satisfaction and loyalty.
3. Enhance Customer Retention - By asking for feedback, the Company will show that it cares about the customers' opinions. Acting on survey results will significantly improve customer loyalty and retention because customers feel heard and valued.
4. Data-Driven Decision Making - Through the survey we seek to obtain quantitative and qualitative data that will help in strategic decision-making. Instead of relying on assumptions, the businesses will use actual customer insights to shape marketing strategies, and service improvements.

Companies that understand their customers better are naturally positioned ahead of those who don't. Customer identification surveys are a key component of staying competitive. Insights from customers often spark new ideas, uncover unmet needs and inspire innovation that will keep the business evolving.



CIS survey enumerators visiting customers

Water for Life project

The company, with support from VEI through the Water for Life project, will be rehabilitating sanitation facilities at Ezra Gumbe Comprehensive School in Migosi.

This move is not only aimed at addressing critical sanitation challenges in the school, but also contribute to the broader objective of improving waste management practices. The project will see the construction of two modern and eco-friendly toilets which will facilitate the collection and processing of waste into biogas, providing a sustainable energy source for cooking purposes in school.

The existing sanitation facilities in the school are in a deplorable state, with pit latrines overflowing due to the high water table and inadequate capacity. Therefore, the success of this project will have a high impact to the school and the community.



Ezra Gumbe Comprehensive School toilets in Migosi pending modern upgrade

As we marked the World Toilet Day, this year, the focus was on the fact that, for billions of people, sanitation is under threat from conflict, climate change, disasters and neglect.

Sanitation services are essential to create vital barriers between us and waste management, protecting public and environmental health. The World Toilet Day 2024 campaign called on policy makers to ensure that sanitation and water services are resilient, effective, accessible to everyone and shielded from harm.

More investment on Sanitation and better governance equals a fairer, more peaceful world.

REPORT OF THE MANAGING DIRECTOR

WORLD TOILET DAY



Benchmarks

A delegation from Water and Sewerage company in Lesotho were hosted by us. They were interested in learning about KIWASCO operating systems and the Delegated Management Model. Glad to have shared best practices that they would take home to aid improvement in their operations.



Trainings

Staff from various departments in the company were trained on community engagement. The training was meant to equip staff with skills necessary for engaging stakeholders. KIWASCO is a beneficiary of the Joint Venture of Seureca EA Ltd, Seureca Veolia & International Office for Water (OIEAU), which was commissioned by Lake Victoria South Water Works Development Agency to carry out the Technical Assistance for NRW management and water services in the informal settlements and capacity building is one of the components.



We were as well privileged to host a team from Kenya Water Institute (KEWI) led by the School Principal, Dr. Emily Chepkoech and representatives from the Confederation of Danish Industry (DI), the organization that is currently implementing a project that seeks to promote green transition for sustainable development and decent job creation within the water sector.

During the meeting, the team deliberated on how we can collaborate to utilize the project to address the pressing need for sustainable water solutions in the face of adverse climate effects. We also looked into ways to equip water operators' professionals with skills in water desalination and wastewater management technologies.



GWOPA mentorship program

KIWASCO, under the GWOPA mentorship program, in partnership with the **Water and Sanitation Providers Association-WASPA-Kenya** and SIMAVI offered peer-to-peer training to Kakamega County Water and Sanitation Company, Amatsi Water Services Co. Ltd., Mombasa Water and Sanitation Company Limited, Kiambu Water and Sewerage Company, and Ololaiser Water and Sewerage Company to strengthen capacities.

This program seeks to accelerate realisation of human rights through equitable access to adequate safe water and sanitation services for all among the water utilities.



Water Safety Plan (WSP)

Water Safety Planning (WSP) has become a critical planning tool for water service providers. In 2015, KIWASCO developed a WSP with guidelines of the World Health Organisation (WHO). Since its implementation, the WSP has enhanced company resilience thus improving efficiency in operations. It is for this reason that a section of the Board of Directors & Management, WSP technical team, stakeholders including the County Government of Kisumu (Water & Health department), Water Resources Authority (WRA), Lake Victoria South Water Works Development Agency (LVSWWDA) & National Environmental Management Authority (NEMA) converged for a 2-day workshop reviewed and validated the 3rd edition of the WSP.

The review was aimed at making the WSP more climate resilient and incorporated lessons learnt along the way. The workshop was sponsored by USAID Western Kenya Water Project.



I4WASH

Our presence and participation in the I4WASH market place forum has been very impactful. Our staff took part in a number of panel discussions and presented several pitches for funding on topics including, community-led initiatives aimed at bolstering the management of Non Revenue Water, sanitation solutions in the City, building collaborative partnerships for climate resilient solutions.

Other presentations looked into water catchment conservation initiatives undertaken by the company and gender equality and social inclusion in Kisumu.





Sanitation Hygiene Fund (SHF) Visit

Sanitation Hygiene Fund (SHF) visited for a courtesy call. The team was led by the Country Manager Water & Sanitation for the Urban Poor (WSUP), Mr. Anthony Ambugo, who sought to understand the impact of our partnerships and how we can leverage the opportunities within the WASH sector for improved livelihoods in Kisumu City.

The deliberations focused keenly on the support so far received under the Sanitation and Hygiene project and the benefits therein. This looked into assessment capacity for non-sewered sanitation and also the advancement of city-wide inclusive sanitation interventions.

During the meeting, the two organizations were able to explore ways that they can collaborate to support sanitation coordination forums in Kisumu and further, capacity-build KIWASCO staff on the sanitation front.



Delegates during the Sanitation Hygiene Fund visit to KIWASCO

Future

As we look into the new fiscal year 2024/25, we are inspired by KIWASCO's ability over the years to overcome challenges and work together towards the realization of our mission and vision. Let us focus our emphasis on our mandate, providing sustainable water and sanitation services to the residents of Kisumu City as we strive to continually improve our service efficiency.

Thank you all for the hard work and commitment you've shown over the past year. Our combined strength is what makes us successful as a company.



Thomas Odongo
Managing Director



KIWASCO
Refresh Life



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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

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 2023 - 2028. 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 FY 2023 - 2024 and the strategic plan period of 2023 - 2028 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.	87% 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	

Strategic Objective	Performance indicator	Strategic Activities	Achievement
Operational Efficiency	Reduced NRW from 37% to 25%	Active leak detection	31% 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	Dosing process already automated
		Improve the operations of the water distribution network	
		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	95 % compliance to standards. Equipment for microbiology testing acquired.
		Implement water safety plan - WSPs	
		Implement waste water standards	WSP Developed & Implementation ongoing
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 2023/2024

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	13% 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	90% achieved. ERP system in place
		Ensure efficient supply chain management process	
		Manage staff costs	Continuous exercise
		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	

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	BCP and Emergency response plan implemented
		Develop a business continuity plan	
		Develop a COVID-19 Management Framework	
		Ensure effective Audits	Continuous exercise
	Improved stakeholder relations	Undertake stakeholder engagements	Done annually
		Ensure annual reporting to stakeholders	
		Ensure fulfilment of external/statutory requirements	
		Develop sustainable partnerships	Continuous exercise
	Increased Lobbying	Lobby for increased resources	Ongoing with the County assembly
		Lobby for supportive legislation and regulations	



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.



Phyllis Chepkemboi
Chairman



Thomas Odongo
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

DESCRIPTION	BUDGETS 2023/2024	ACTUAL 2023/2024	% ABSORPTION
Total Revenue	1,181,771,998	1,132,843,623	96
Total costs	1,178,509,491	1,134,929,929	96

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

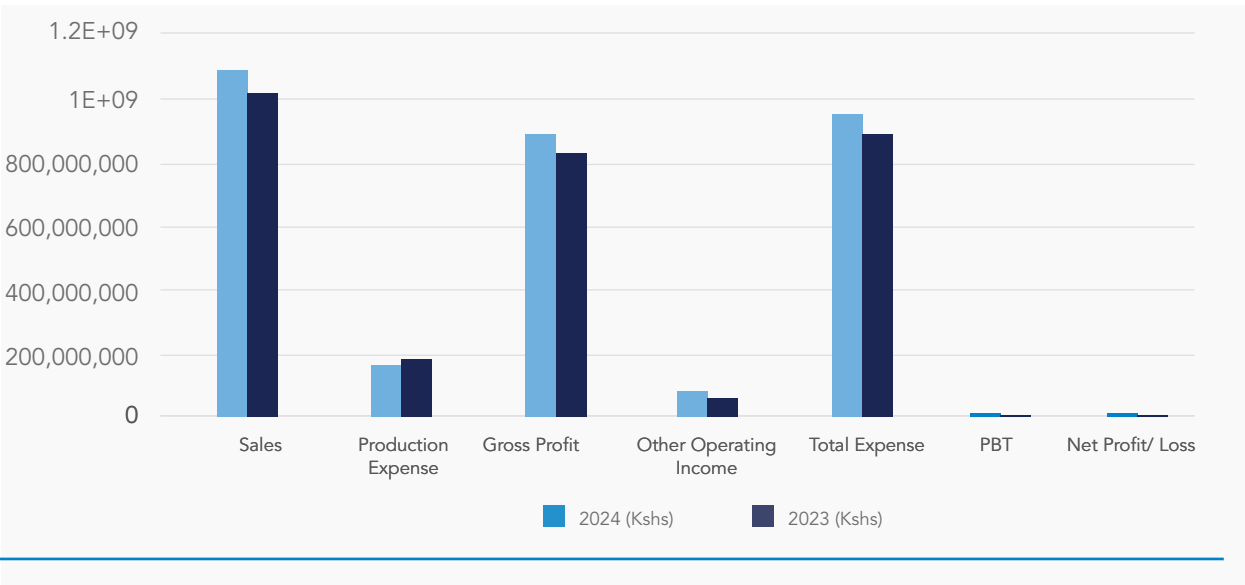
DESCRIPTION	2024 (Kshs)	2023 (Kshs)	VARIANCE (Kshs)	PERCENTAGE
Sales	1,069,994,580	1,012,683,919	57,310,661	6%
Production expenses	(183,698,423)	(192,359,422)	8,660,999	-5%
Gross Profit	886,296,157	820,324,497	65,971,660	8%
Other Operating Income	65,283,381	53,015,609	12,267,772	23%
Total Expense	(948,518,046)	(877,844,581)	(70,673,465)	8%
PBT	3,061,492	(4,504,475)	7,565,967	-168%
Net Profit/(loss)	3,061,492	(4,504,475)	7,565,967	-168%
Fixed assets	559,661,650	527,066,524	32,595,126	6%
Long-Term Liabilities	499,637,462	356,346,788	143,290,674	40%
Current Assets	507,988,792	338,434,596	169,554,196	50%
Current liabilities	228,337,452	172,540,294	55,797,158	32%
Total Assets	1,067,650,442	865,501,119	202,149,323	23%
Total Liabilities	727,974,913	528,887,082	199,087,831	38%

Notes;

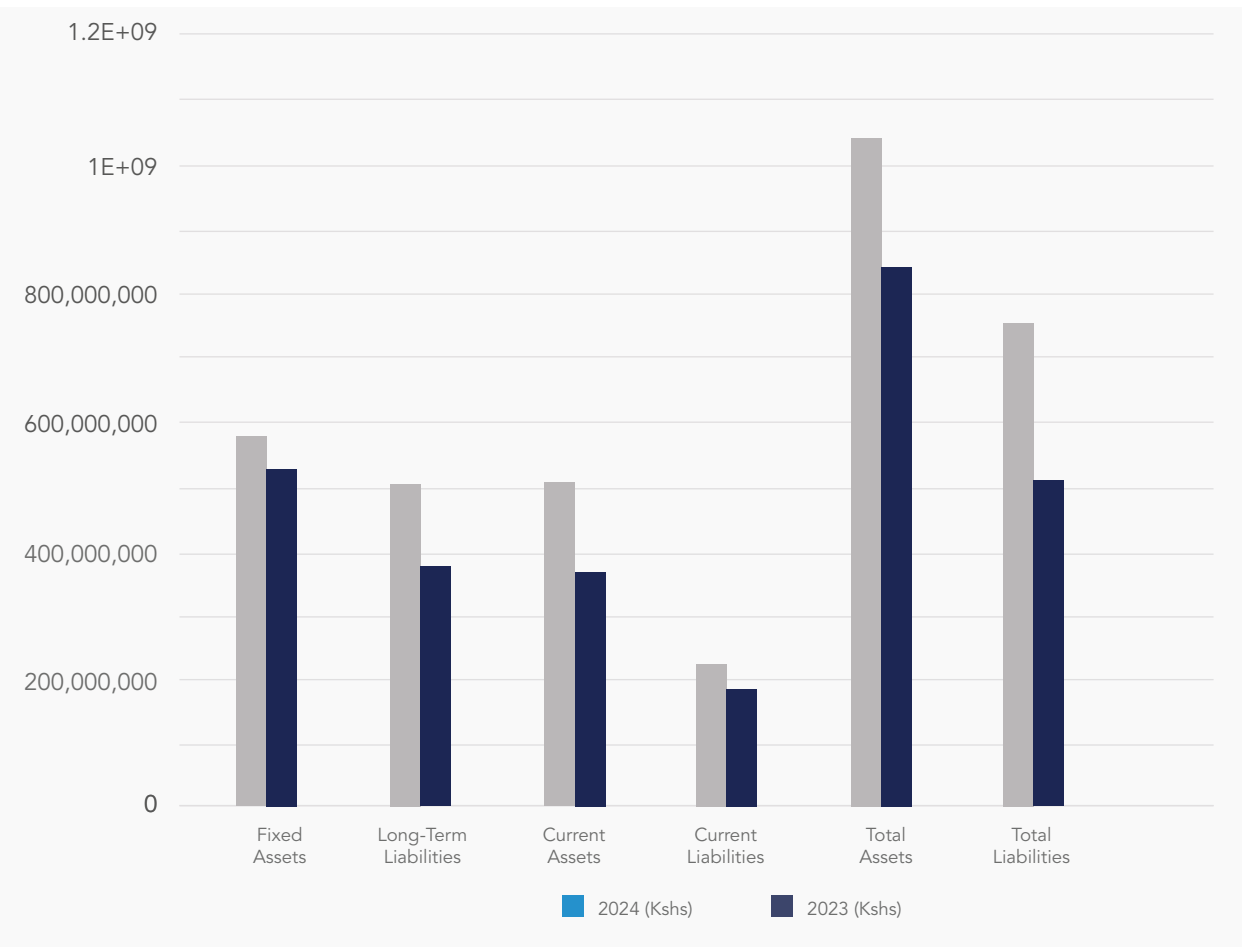
- There was growth in sales revenues by 6% and other income by 23% attributed to increase in grants funding and billing for other services.
- There was a decrease in the production costs attributed to decrease in operational costs
- The Company's total assets grew by 23%.
- Total Liabilities equally increased by 38%.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Statement Analysis



Assets Growth Analysis



MANAGEMENT DISCUSSION AND ANALYSIS

DESCRIPTION	2024 (Kshs)	2023 (Kshs)	2022 (Kshs)	2021 (Kshs)
Sales	1,069,994,580	1,012,683,919	937,597,019	797,099,981
Production expenses	(183,698,423)	(192,359,422)	(151,113,984)	(148,377,800)
Gross Profit	886,296,157	820,324,497	786,483,035	648,722,181
Other Operating Income	65,283,381	53,015,609	151,797,768	224,389,950
Total Expense	(948,518,046)	(877,844,581)	(847,824,099)	(795,440,300)
PBT	3,061,492	(4,504,475)	90,456,704	77,671,831
Net Profit/(loss)	3,061,492	(4,504,475)	90,456,704	77,671,831
Fixed assets	527,066,524	527,066,524	322,939,062	286,548,337
Long-Term Liabilities	356,346,788	356,346,788	265,436,586	249,394,060
Current Assets	338,434,596	338,434,596	447,920,005	356,904,686
Current liabilities	172,540,293	172,540,293	284,306,150	263,399,336
Total Assets	865,501,119	865,501,119	770,859,067	643,453,023
Total Liabilities	528,887,082	528,887,082	549,742,737	512,793,396



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.

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.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING



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

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.

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.

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.

c) Responsible marketing and advertisement

We practice ethical marketing and advertisement through disclosing information on our products and services. For example during the

ENVIRONMENTAL AND SUSTAINABILITY REPORTING



v) Corporate Social Responsibility / Community Engagements

→ The following CSR activities were carried out in the year and had positive impact to the society.

- a) Donated free water supply to Police quarters, Mamboleo, Lolwe, Kanyamedha estates which were affected by road construction.
- b) Enrolled 5 schools in Kajulu for the Newspaper in Education (NiE) programme that is currently on-going.
- c) 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.
- d) 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.
- e) 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, 2024 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, 2024 are set out on page 57. Below is summary of the profit or (loss) made during the year.

	2024 Kshs	2023 Kshs
RESULTS		
Profit before tax	3,061,492	(4,504,476)
Tax	0	-
Profit for the year	3,061,492	(4,504,476)

iii) Dividends

The company has not declared dividends for the year ended 2024.

iv) Directors

The members of the Board of Directors who served during the year are shown on page 5 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

26 September 2024

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, 2024. 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, 2024, 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 26 September 2024 and signed on its behalf by:



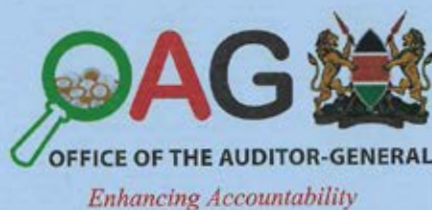
Phyllis Chepkemboi
Chairperson of the Board



Thomas Odongo
Managing Director

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2024

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 the 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; and
 - C. Report on Effectiveness of internal controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.
- A Qualified opinion is issued when the Auditor-General concludes that except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the use of Public Resources and the Report on Effectiveness of internal controls, Risk Management and Governance.

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 93, which comprise of the statement of financial position as at 30 June, 2024, 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 the Kisumu Water and Sanitation Company Limited as at 30 June, 2024, 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, Water Act 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Trade and Other Receivables

The statement of financial position and as indicated Note 28(a) to the financial statements reflects an amount of Kshs. 294,107,253 in respect of trade and other receivables which includes Kshs. 137,575,618 (or 47%) relating to customers debts which have

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2024 (CONT')

remained uncollected for a period of over 180 days. Management did not provide evidence on follow up on the outstanding debtors casting doubt on the ability of the company to recover all the outstanding debts. The recoverability of the long outstanding debts is therefore doubtful. Further no provision for bad and doubtful debts were made in preparation of the financial statements.

In the circumstances the accuracy and recoverability of the Kshs. 137,575,618 reported as debts could not be confirmed.

2. 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 211,010,640. However an ageing analysis of the payables revealed that bills totaling to Kshs. 37,522,288 were more than one (1) year old. Management did not explain why the pending amounts were not treated as first charge during the 2023/2024 financial year. This was contrary to the National Treasury Circular No.10/2020 dated 16 June 2020 on prioritization of pending bills.

Further Note 40 to the revised financial statements reflect a balance of Kshs. 54,172,464 in respect of accrued expenses under current liabilities. However, this balance was revised from a figure of Kshs. 51,800,636 in the previous financial statements submitted for audit resulting to a difference of Kshs. 2,371,828 which has not been supported by a journal. No prior adjustments have been made or disclosed in the financial statements.

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

In the audit report of the previous year, several issues were raised under the report on the Financial Statements and Report on Lawfulness and Effectiveness in use of Public Resources. However, Management had not resolved the issues as at 30 June 2024.

Other Information

Conclusion

Management is responsible for the other information set out on page iii to xix which comprises of Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statement or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2024 (CONT')

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

The statement of profit or loss and other comprehensive income and Note 6 to the financial statements reflects Kshs. 1,069,994,580 in respect to operating revenue which includes Kshs. 822,476,586 in respect to revenue from the sale of water. Review of water production and consumption records revealed that the Company produced 11,918,711 cubic meters of water approximately valued at Kshs. 1,668,619,540 but only billed 7,504,621 cubic meters approximately valued at 1,050,646,940. However, the balance of 4,414,090 cubic meters or 37% of the total volume of water produced which represents non-revenue water (NRW) which is 12% above the allowable threshold of 25% set by the Water Service Regulatory Board (WASREB). The significant level of Non-Revenue Water could be an indication of inefficiency and ineffectiveness in the use of public and water resources, which may negatively impact on the Company's profitability and its ability to sustain services.

In the circumstances, Management was in breach of the WASREB guidelines

2. Non-Compliance with Law on Ethnic and Gender Composition

Review of payroll records revealed that the Company had a staff establishment of two hundred and ninety – eight (298) employees out of which two hundred and fifty - two (252) or 85% were from the dominant ethnic community in the County contrary to Section 7 (2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community. In addition, two hundred and twenty-six (226) or 76% of employees were male while seventy-two (72) or 24% were female. This was contrary to paragraph B.22 (2) of the Public Service Commission Human Resource Policies and Procedures Manual, 2015 which states that the Government will endeavor to have a gender balanced Civil Service by ensuring that not more than two-thirds (2/3) of positions in its establishment are filled by either gender.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 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 a basis 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 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, adequate accounting records have been kept by the company, so far as appears from the examination of those records; and
- The company's financial statements are in agreement with the accounting records and returns.

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2024 (CONT')

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.



FCPA Nancy Gathungu, CBS

AUDITOR – GENERAL

Nairobi

31st December, 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

	Note	2023-2024 Kshs	2022-2023 Kshs
REVENUE			
Operating Revenue	6	1,069,994,580	1,012,683,919
Grants Income	7	29,896,837	27,227,907
Other Operating Income	8	35,386,543	25,787,702
Total Revenue		1,135,277,960	1,065,699,528
Expenses			
Staff Costs	9	376,299,900	333,498,747
Production expenses	10	183,698,423	192,359,422
General and Operations expenses	11	152,113,093	131,952,327
Board Expenses	12	11,475,110	10,081,425
Maintenance Expenses	13	201,377,375	215,581,203
Establishment Expenses	14	125,194,872	123,327,296
Depreciation and Amortization expenses	15	56,642,885	58,398,647
Finance Costs	16	25,414,811	5,004,937
Total Expenses		1,132,216,468	1,070,204,004
Profit/(Loss) Before Taxation		3,061,492	(4,504,476)
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		3,061,492	(4,504,476)
Earnings Per Share – Basic And Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		3,061,492	(4,504,476)
Surplus or Deficit on Revaluation Of PPE	32	-	120,005,182.00
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		3,061,492	115,500,706

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2024

	Note	2023-2024 Kshs	2022-2023 Kshs
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	20	552,916,279	514,447,092
Intangible assets	21	1,731,300	7,605,363
Deferred tax	26	5,014,071	5,014,071
Total Non-Current Assets		559,661,650	527,066,526
Current Assets			
Inventories	27	70,317,081	67,977,768
Trade and receivable	28a	294,107,253	208,528,704
Staff Recoverable	28c	-	33,840
Prepayments and deposits	28d	12,560,664	11,697,036
Tax Recoverable (VAT)	29	28,761,122	28,761,122
Bank and cash balances	30	102,242,671	21,436,125
Total Current Assets		507,988,792	338,434,595
TOTAL ASSETS		1,067,650,442	865,501,120
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	31	100,000	100,000
Revaluation reserve	32	121,181,296	121,181,296
Retained earnings	34	218,394,232	215,332,740
Total Capital and Reserves		339,675,528	336,614,036
Non-Current Liabilities			
Borrowings	36	149,890,889	100,797,098
Trade and other payables	39	179,966,898	167,994,612
Capital Grants	43	169,779,675	87,555,079
Total Non-Current Liabilities		499,637,462	356,346,788
Current Liabilities			
Borrowings	36	8,291,364	10,038,002
Trade and other payables	40	211,010,640	153,010,955
Current tax	44	8,861,379	9,274,075
Provision for liabilities and charges	45	174,069.00	217,262
Total Current Liabilities		228,337,452	172,540,294
TOTAL EQUITY AND LIABILITIES		1,067,650,442	865,501,120

The financial statements were approved by the Board on 26th September 2024 and signed on its behalf by:



Thomas Odongo
Managing Director



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



Phyllis Chepkemboi
Chairman of the Board

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2024

		Ordinary Share	Revaluation	Retained	
	Notes	capital	Reserve	earnings	Total
		Kshs	Kshs	Kshs	Kshs
As at July 1, 2022	24	100,000	1,176,114	219,840,216	221,116,330
Profit for the year		-	-	(4,504,476)	(4,504,476)
Prior year Adjustment				(3,000)	(3,000)
Revaluation Surplus		-	120,005,182	-	120,005,182
Dividends payable				-	-
As at June 30, 2023		100,000	121,181,296	215,332,740	336,614,036
As at July 1, 2023		100,000	121,181,296	215,332,740	336,614,036
Prior year Adjustment				-	-
Revaluation Surplus			-		-
Profit for the year		-	-	3,061,492	3,061,492
Dividends payable		-	-	-	-
At June 30, 2024		100,000	121,181,296	218,394,232	339,675,528

STATEMENT OF CASH FLOWS

For the year ended 30 June 2024

	Note	2023-2024 Kshs	2022-2023 Kshs
Cash Flows from Operating Activities			
Cash Generated from operations	46	16,969,258	(37,200,459)
Tax paid		(412,696)	-
Net Cash from Operating Activities		16,556,562	(37,200,459)
Cash Flows from Investing Activities			
Purchase Of Property, Plant and Equipment (PPE)	20	(89,238,011)	(143,397,773)
Purchase Of Intangible Assets	21		
Proceeds From Disposal/ Impaired		0	4,282,832
Net Cash From/ (Used In) Investing Activities		(89,238,011)	(139,114,941)
Cash Flows from Financing Activities			
Interests Paid	16		-
Proceeds From Borrowings	36	-	110,835,100
Repayment Of Borrowings	36	47,347,153	-
Increase in water deposits	39	11,972,286	10,827,923
Grant received	43	94,168,555	16,069,892
Grants reversed from prior year to P&L account		0	(13,360,281)
Reduction in Long-term Liabilities – CGK contribution		(0)	(10,916,562)
Net Cash From/ (Used In) Financing Activities		153,487,993	113,456,072
Increase/(Decrease) In Cash and Cash Equivalents		80,806,545	(62,859,328)
Cash and Cash Equivalents at Beginning of Year		21,436,127	84,295,455
Cash and Cash Equivalents at End of The Year	30	102,242,672	21,436,127

STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS

For the year ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2023-2024	2023-2024	2023-2024	2023-2024		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	1,126,171,998	-	1,126,171,998	1,069,994,580	(56,177,418)	95%
Grants Income	25,000,000	-	25,000,000	29,896,837	4,896,837	120%
Other operating income	30,600,000	-	30,600,000	35,386,543	4,786,543	116%
Total Revenue	1,181,771,998	0	1,181,771,998	1,135,277,960	(46,494,037)	96%
Expenses						
Staff costs	378,546,786	3,000,000	381,546,786	376,299,900	(5,246,885)	99%
Production expenses	208,467,603	(5,000,000)	203,467,603	183,698,423	(19,769,180)	90%
General and Operations expenses	165,710,116	-	165,710,116	152,113,093	(13,597,023)	92%
Board expenses	11,992,857	1,500,000	13,492,857	11,475,110	(2,017,747)	85%
Maintenance expenses	209,316,580	8,000,000	217,316,580	201,377,375	(15,939,205)	93%
Establishment expenses	145,799,504	(13,500,000)	132,299,504	125,194,872	(7,104,632)	95%
Depreciation and amortization	45,008,412	8,000,000	53,008,412	56,642,885	3,634,473	107%
Finance costs	13,667,633	(2,000,000)	11,667,633	25,414,811	13,747,177	218%
Total Recurrent Expenditure	1,178,509,491	-	1,178,509,491	1,132,216,468	(46,293,023)	96%
Profit or Loss	3,262,507		3,262,507	3,061,492	(201,015)	94%
Capital Expenditure	99,830,441	-	99,830,441	89,238,011	(10,592,430)	89%
Total Expenditure	1,278,339,932	-	1,278,339,932	1,221,454,480	(56,885,453)	96%

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 20% while Other miscellaneous equally achieved 20% above the target which is commendable
- Staff expenses was marginally within approved budget with a 98% utilisation
- Production expenses was marginally within budget with an absorption level of 90%
- General and operational expenses achieved 91% 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 achieved was 89% absorption which was within the budget.
- Establishment expenses were within budget with a performance level of 94% budget.
- Finance charges incurred during the year was 18% above the budget. This was due to additional interest charged by the bank that was not catered for the original budget.
- Increased profitability in the year is due to the general savings made in all the account heads except for the Finance costs, depreciation and amortization.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2024

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 2024.

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 2024

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 2024.**

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 2023/2024

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

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 2024

4. Summary of Significant Accounting Policies (continued)

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

Item	Years	Rates
Land	NIL	NIL
Buildings and civil works	40	2.5%
Infrastructure works	10	12.5%
Plant and machinery	10	12.5%
Leasehold improvements	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 is recognized in net assets and not in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

4. Summary of Significant Accounting Policies (continued)

i) Taxation (continued)

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, use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred. There was however no borrowing in the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

4. Summary of Significant Accounting Policies (continued)

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 2023-2024 was approved by the Board of Directors on 29th June 2023.

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 2023-2024 budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

4. Summary of Significant Accounting Policies (continued)

r) Budget information (continued)

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, 2024.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

5. Significant Judgments and Sources of Estimation Uncertainty (continued)

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

	2023-2024 Kshs	2022-2023 Kshs
Water sales	822,476,586	1,012,683,919
Sewerage Services	210,015,169	-
Billing for other services	37,502,825	-
Total	1,069,994,580	1,012,683,919

7. Grants Income

	2023-2024 Kshs	2022-2023 Kshs
Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	17,952,877	14,720,038
Capital grants amortized	11,943,960	12,507,868
Donations from the County Government of Kisumu	-	-
In Kind contribution/donations from other agencies	-	-
Total	29,896,837	27,227,907

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	2023-2024 Kshs
Water Sector Trust Fund	5,010,095	-	-	-	5,010,095
Ministry	-	-	-	-	-
Other partners (EU-WOP)	24,886,742	-	-	-	24,886,742
Total	29,896,837	-	-	-	29,896,837

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

8. Other Income

	2023-2024 Kshs	2022-2023 Kshs
Illegal connections	3,767,682	1,953,126
New water connections	3,117,497	2,969,100
Reconnection fees	14,282,516	10,165,092
Sewer connection	389,317	470,156
Surcharge on meter loss	4,033,718	1,197,973
Miscellaneous income (specify)	2,464,643	4,265,454
Other Income - Donations	1,250,000	-
Exhauster Services	6,081,170	4,766,800
Total	35,386,543	25,787,702

9. Staff Costs

Description	2023-2024 Kshs	2022-2023 Kshs
Gross Salary and Allowances	273,849,715	247,858,602
Contracted / Temporary workers' Wages	27,384,888	25,810,460
Medical insurance schemes	43,045,732	37,370,992
Employer's contributions to social security schemes	5,467,300	2,128,181
Employer's contributions to pension scheme	13,856,181	13,416,769
Employer's contributions to Affordable Housing Fund	3,456,723	-
Provisions for Leave pay (Payment in lieu of leave)	2,779,490	687,090
Staff Gratuity	3,692,620	3,724,512
Staff welfare	2,580,852	2,312,141
Other allowances- Directorate of Industrial Training (DIT) Levy	186,400	190,000
Total	376,299,900	333,498,747
The Average number of employees during the year	300	312

- Gross Salary and allowances include Basic pay and house allowances for permanent and pensionable staff
- Temporary staff wages relate to contracted staff on either one year or three-year contracts payable monthly
- Medical insurance include Inpatient cover, Outpatient cover and last expense for permanent and pensionable staff and Board members
- Contributions to social security schemes are made to the National Hospital Insurance Fund (NHIF) at the prescribed rates. All staff are eligible to contribute.
- 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.
- Gratuity contribution is for staffs employed on contract basis of 3 years. The rate of Gratuity applicable is 31% of the staff basic pay.
- 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 2024

10. Production expenses

Description	2023-2024 Kshs	2022-2023 Kshs
Opening stock of Chemicals	8,178,623	3,554,308
Chemicals	101,063,435	128,858,870
Electricity	79,348,101	68,124,867
Less Closing stock of Chemicals	(4,891,737)	(8,178,623)
Total	183,698,423	192,359,422

11. General and Operations Expenses

Description	2023-2024 Kshs	2022-2023 Kshs
Opening Stocks (Uniforms and Stationery)	5,332,961	4,499,118
Uniform and protective clothing	4,567,076	4,843,122
Publicity and advertising	16,156,984	11,775,819
Tenders	86,982	348,188
Bank Charges and commissions	2,971,834	3,925,634
Staff training and development	9,893,385	8,409,052
Telephone and Postage	9,598,932	10,997,161
Vehicle running expenses (Fuel, oil, lubricants & repairs)	32,505,956	27,895,305
Traveling and subsistence	22,898,079	21,756,018
Printing and stationery	6,284,895	5,244,538
Sports and recreation	4,277,885	1,870,616
Audit fees	580,000	580,000
Telecommunication- ICT expenses	16,248,143	12,753,432
Debt collection	332,570	79,913
Bad debts provision		
Legal and Professional fees	6,954,894	5,165,619
Consultancy fees	1,533,481	9,509,431
Office expenses	11,668,183	7,632,324
Gifts and Donations	200,000	-
Occupational Safety and Health	75,000	-
Project Expenses	4,857,440	-
Closing Stocks (Uniforms and Stationery)	(4,911,587)	(5,332,961)
Total	152,113,093	131,952,327

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

12. Board Expenses

Description	2023-2024 Kshs	2022-2023 Kshs
Chairman Honoraria	-	-
Sitting allowances	9,122,987	7,267,765
Induction and Training (Board retreat)	560,951	-
Annual General Meeting (AGM) & stakeholders meeting	1,528,850	2,635,328
Refreshments	262,322	178,332
Total Board Expenses	11,475,110	10,081,425

13. Maintenance Expenses

Description	2023-2024 Kshs	2022-2023 Kshs
Opening inventories of consumables	54,466,184	48,194,263
Network maintenance	142,956,287	158,455,251
Sewerage maintenance	7,476,283	14,232,111
Sanitation	13,405,358	12,781,370
Laboratory reagent	13,299,198	14,137,756
Water pump maintenance	14,213,871	9,405,280
Electrical items	16,073,950	12,841,355
Closing inventories of consumables	(60,513,757)	(54,466,184)
Total	201,377,375	215,581,203

14. Establishment Expenses

Description	2023-2024 Kshs	2022-2023 Kshs
Conservancy fees	37,451,750	35,957,910
LTAP - operating Lease	3,000,000	5,000,000
WASREB levy	42,799,781	42,059,417
WRA levy	7,955,642	9,029,964
NEMA	105,050	210,100
KEBS levy	400,000	400,000
WASPA	640,000	230,000
Rent and Rates	1,287,424	2,972,008
Office repairs and maintenance	2,608,605	745,808
Electricity	1,030,942	697,710
General insurance	3,003,984	2,129,509
Security services	24,590,950	22,704,000
Impairment loss on meters	-	-
Bulk water Costs	320,744	1,190,871
Total	125,194,872	123,327,296

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

15. Depreciation and Amortization Expenses

Description	2023-2024 Kshs	2022-2023 Kshs
Property, plant, and equipment	50,768,823	52,524,585
Intangible assets	5,874,062	5,874,062
Investment property carried at cost	-	-
Total Depreciation and Amortization	56,642,885	58,398,647

16. Finance costs

Description	2023-2024 Kshs	2022-2023 Kshs
Interest expense on loans	25,414,811	5,004,937
Interest expense Insurance Premium Financing (IPF)	-	-
Interest on lease liabilities	-	-
Total	25,414,811	5,004,937

17. Income Tax Expense/(Credit)

Current taxation

Description	2023-2024 Kshs	2022-2023 Kshs
Adjusted profit(loss) for the year	3,061,492	(4,504,476)
Current taxation based on the adjusted profit for the year at 30%	(918,448)	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	(918,448)	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

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

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

	2023-2024 Kshs	2022-2023 Kshs
Profit before taxation	3,061,492	(4,504,476)
Tax at the applicable tax rate of 30%	918,448	(1,351,343)
Current tax		
Prior year under-provision		
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amortization	-	-
Deferred tax prior year over-provision		
Total	918,448	(1,351,343)

18. Earnings Per Share

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 (2023-2024) 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 2024

20. Property, Plant and Equipment

2023-2024	Land Kshs	Building Kshs	Plant, meters and machinery Kshs	Motor vehicles, including, motor cycles Kshs	Office equipment, furniture and fittings Kshs	Computers & related equipment Kshs	Leasehold improvements Kshs	Project assets Kshs	Total Kshs
Cost or Valuation									
At July 1, 2023	65,000,000	137,880,699	291,817,100	41,146,001	59,619,520	11,012,420	-	213,596,909	820,072,649
Additions		74,025,201	9,278,642	1,379,000	2,247,888	1,966,280	0	341,000	89,238,011
Revaluation and Transfers									
Disposals									-
At June 30, 2024	65,000,000	211,905,900	301,095,742	42,525,001	61,867,408	12,978,700	0	213,937,909	909,310,660
Depreciation									
At July 1, 2023		1,625,000	162,052,419	20,379,766	15,730,888	3,303,726	-	102,533,760	305,625,559
Impairment Loss / Write-offs									-
Charge for The Year	-	5,257,022	17,380,415	5,536,309	5,767,065	2,902,492	0	13,925,519	50,768,823
Eliminated on Disposal									-
At June 30, 2024	-	6,882,022	179,432,834	25,916,075	21,497,953	6,206,218	0	116,459,279	356,394,381
Net Book Value at June 30, 2024	65,000,000	205,023,877	121,662,908	16,608,926	40,369,455	6,772,482	0	97,478,630	552,916,279

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

20. Property, Plant and Equipment (continued)

2022-2023	Leasehold improvements Kshs	Plant, meters and machinery Kshs	Motor vehicles, including, motor cycles Kshs	Office equipment, furniture and fittings Kshs	Computers & related equipment Kshs	Capital work in progress equipment Kshs	Project assets Kshs	Total Kshs
Cost or Valuation								
As at 1 July 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	(424,912)	10,336,895	44,470,643	(14,581,144)			103,662,928
Disposals			(8,758,577)					(8,758,577)
As at 30th June 2023	65,000,000	291,817,100	41,146,001	59,619,520	11,012,420	137,880,699	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	-	86,667,595	277,324,958
Charge for the year	(431,441)				(15,910,813)			(16,342,254)
Impairment Loss / Write-offs	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)
As at 30th June 2023	1,625,000	162,052,418	20,379,765	15,730,889	3,303,726	-	102,533,759	305,625,557
Net Book Value at June 30, 2023	63,375,000	129,764,682	20,766,236	43,888,631	7,708,694	137,880,699	111,063,150	514,447,092

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

20. Property, Plant and Equipment (continued)

Valuation

Land and buildings, property, plant and equipment etc were valued in the year 2022 - 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 were incorporated in the amended financial statement for the year ended 30 June 2023 after adoption.

The Company did not carry out valuation of its assets during the current financial year 2023 - 2024.

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	213,937,909	116,459,279	97,478,630
Land	65,000,000	-	65,000,000
Buildings	211,905,900	6,882,022	205,023,877
Leasehold improvements	0	0	0
Plant and machinery	301,095,742	179,432,834	121,662,908
Motor vehicles, including motorcycles	42,525,001	25,916,075	16,608,926
Computers and related equipment	12,978,700	6,206,218	6,772,482
Office equipment, furniture, and fittings	61,867,408	21,497,953	40,369,455
Total	909,310,660	356,394,381	552,916,279

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor cycles – 11No.	929,500	25%
Computers and related equipment	6,310,400	30%
Office equipment, furniture and fittings	12,400,255	12.5%
Total	19,640,155	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

21. Intangible Assets

	2023-2024 Kshs	2022-2023 Kshs
COST		
At July 1 2023	29,370,312	29,370,312
Additions	-	-
Disposals	-	-
At June 30 2024	29,370,312	29,370,312
AMORTISATION		
At July 1 2023	21,764,949	15,890,887
Charge for the year	5,874,062	5,874,062
Disposals	-	-
Impairment loss	-	-
At June 30 2024	27,639,012	21,764,949
NET BOOK VALUE		
At June 30 2024	1,731,300	7,605,363

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 2024

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:

	2023-2024 Kshs	2022-2023 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

	2023-2024 Kshs	2022-2023 Kshs
General stores	0	37,500
Water Chemicals	4,891,737	8,178,623
Water fittings and Accessories	24,329,296	16,246,317
Water meters	11,344,662	15,766,505
Electrical items	2,287,028	1,993,214
Pipes	18,024,792	15,087,326
Hardware materials	4,527,978	5,335,322
Uniform and protective clothing	535,941	1,085,013
Stationery and general supplies	4,375,647	4,247,948
Finished goods	-	-
Total	70,317,081	67,977,768

- 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 as 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 2024

28. Trade and Other Receivables

	2023-2024 Kshs	2022-2023 Kshs
Trade receivables (note (28a))	294,107,253	208,528,704
Prepayments and Deposits (note (28d))	12,560,664	11,697,036
VAT recoverable (note (29))	28,761,122	28,761,122
Staff receivables (note 28 (c))	-	33,840
Gross trade and other receivables	335,429,039	249,020,701
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	335,429,039	249,020,701

28 (a) Trade Receivables

	2023-2024 Kshs	2022-2023 Kshs
Gross trade receivables	294,107,253	208,528,704
Provision for doubtful receivables	-	-
Net trade receivables	294,107,253	208,528,704
<i>at June 30, the ageing analysis of the gross trade receivables was as follows:</i>		
Less than 30 days	92,024,435	88,525,420
Between 30 and 60 days	32,544,186	20,852,870
Between 61 and 90 days	18,755,942	10,426,435
Between 91 and 120 days	13,207,072	4,170,574
Over 120 days	137,575,618	84,553,404
Total	294,107,253	208,528,704

28 (b) Reconciliation of Impairment Allowance for Trade Receivables

	2023-2024 Kshs	2022-2023 Kshs
At the beginning of the year	24,378,040	24,378,040
Additional provisions during the year	-	-
Recovered during the year	-	-
Written off during the year	-	-
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 2024

28 (c) Staff Receivables

	2023-2024 Kshs	2022-2023 Kshs
Gross staff loans and advances	-	476,840
Provision for impairment loss	-	(443,000)
Net staff loans	-	33,840
Less: Amounts due within one year	-	-
Amounts due after one year	-	(33,840)

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	2023-2024 Kshs	2022-2023 Kshs
At the beginning of the year	33,840	5,000
Additional provisions during the year	-	471,840
Recovered during the year	(33,840)	(443,000)
Written off during the year	-	-
At the end of the year	-	33,840

28 (d) Prepayments and Deposits

Description	2023-2024 Kshs	2022-2023 Kshs
Telephone deposits (Telkom & Safaricom)	177,000	57,000
Electricity deposits (KPLC)	923,859	848,859
Internet services deposit	17,400	17,400
Staff medical & General insurance prepaid	11,442,405	10,773,777
Others	-	-
Total	12,560,664	11,697,036

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

29. Tax Recoverable (Value Added Tax)

	2023-2024 Kshs	2022-2023 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

	2023-2024 Kshs	2022-2023 Kshs
Cash at bank	100,139,295	20,498,767
Cash in hand	790	44,818
Mobile money account	2,102,586	892,540
Total	102,242,671	21,436,125

Detailed analysis of the cash and cash equivalents

		2023-2024	2022-2023
Financial institution	Account Number	Kshs	Kshs
a) Current account			
KCB	1240290837	50,715	347,348
Co-operative Bank	1136012931300	519,947	3,515,836
Co-operative Bank	1136012931301	444,581	2,306,750
Co-operative Bank	1100012931300	3,137,207	758
Equity Bank	0290265172985	229,969	9,526,766
NCBA Bank – Pamoja Trust	1126750083	450,799	450,799
NCBA – EU-WOP project	8349710022	5,269,114	563,379
Post Bank	0744130005547	379,507	535,674
National Bank of Kenya - Collection Account	7700570280	344,181	342,396
Co-operative Bank - CSLG A/C	01141012931300	86,171,955	-
Sub - total		96,997,975	17,589,707

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

30. Bank and Cash Balances (continued)

Detailed analysis of the cash and cash equivalents

		2023-2024	2022-2023
Financial institution	Account Number	Kshs	Kshs
b) On - call deposits			
National Bank of Kenya - ESCROW A/C	7700636028	341,320	2,909,060
Co-operative Bank - ESCROW A/C	01100129313001	2,800,000	-
Sub - total		3,141,320	2,909,060
c) Fixed deposits account			
Commercial Bank & others		-	-
Sub-total		-	-
d) Others (specify)			
Cash in hand-Petty Cash		790	44,818
Mobile money account		2,102,586	892,540
Sub - total		2,103,376	937,358
Grand total		102,242,671	21,436,125

31. Ordinary Share Capital

	2023-2024 Kshs	2022-2023 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, Motor vehicle, furniture, fittings and movable equipment including land. Revaluation was carried out in the year 2022-2023 and the report implemented then leading to a surplus of Kshs.120,005,182. Total revaluation surplus or reserve as at 30 June 2023 was Kshs.121,181,296 as indicated in the Statement of Changes in Equity in note XV, this was stated after transfer of excess depreciation net of related deferred tax to retained earnings.

There were no revaluation carried out in current year under review.

Revaluation surpluses are not distributable.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

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 company realised a profit of Kshs.7,693,479 hence an increase in retained earnings for the year to Kshs.223,026,220 as indicated in the statement of Changes in Equity in note 16.

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.

	2023-2024 Kshs	2022-2023 Kshs
(a) External Borrowings		
Balance at end of the year	-	-
(b) Domestic Borrowings		
Balance at beginning of the year	110,835,100	-
Domestic borrowings during the year	-	110,835,100
Repayments during the year	47,347,153	-
Balance at end of the year	-	-
(c) Total Balance at end of the period c = a+b	158,182,253	110,835,100

The analyses of the domestic borrowing is as follows:

	2023-2024 Kshs	2022-2023 Kshs
Domestic Borrowings		
Kenya Shilling loan from NBK- Mortgage Finance	149,890,889	100,797,098
Kenya Shilling loan from NBK- Asset Finance	8,291,364	10,038,002
Total balance at end of the year	158,182,253	110,835,100

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

36. Borrowings (continued)

Description	2023-2024 Kshs	2022-2023 Kshs
Short term borrowings (current portion)	8,291,364	10,038,002
Long term borrowings	149,890,889	100,797,098
Total	158,182,253	110,835,100

37. Lease Liability

The Company had no lease liability in the financial year ended 30th June 2024 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 1080 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.

39. Trade and Other Payables – Non-current Liabilities

	2023-2024 Kshs	2022-2023 Kshs
Water Deposits	164,223,064	152,250,778
County Government Contribution	15,743,834	15,743,834
Other payables	-	-
Total	179,966,898	167,994,612

40. Trade and Other Payables –Current Liabilities

	2023-2024 Kshs	2022-2023 Kshs
Trade payables	76,936,170	78,437,509
Conservancy fee – County Government of Kisumu	63,253,860	34,802,110
Accrued expenses	54,172,464	21,128,916
Lease fees – County Government of Kisumu	-	-
Other payables	7,547,608	6,541,881
Lake Victoria South Water Works Development - Outstanding Levy	9,100,538	12,100,538
Total	211,010,640	153,010,955
Ageing analysis:		
Under one year	173,488,352	132,366,234
1-2 years	37,522,288	20,644,721
2-3 years	0	0
Over 3 years	0	0
Total	211,010,639.80	153,010,955

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

41. Analysis of Customer Deposits

	2023-2024 Kshs	2022-2023 Kshs
Opening Balance	152,250,778	141,422,855
Add: deposits received during the year	16,542,357	16,502,217
Less: Refunded deposits during the year	(4,570,071)	(5,674,294)
Closing balance	164,223,064	152,250,778
Ageing analysis:		
Under one year	13,137,845	10,827,923
1-2 years	19,706,768	19,793,985
2-3 years	24,633,460	14,681,254
Over 3 years	106,744,992	106,947,616
Total	164,223,064	152,250,778

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.

	2023-2024 Kshs	2022-2023 Kshs
At the beginning of the year	15,743,834	26,660,396
Additional declared during the year	-	-
Amortized during the year	-	(10,916,562)
Balance at end of the year	15,743,834	15,743,834

43. Capital Grants

				2023-2024
2022-2023	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	589,486	-	(73,686)	515,800
Lake Victoria South Water Works Development	76,019	-	(9,502)	66,517
Water Service Trust Fund & Others	40,080,759	86,171,955	(5,010,095)	121,242,619
Other Grants - OBA	46,808,816		(5,851,102)	40,957,714
WWF Nyangori	-	7,996,600	(999,575)	6,997,025
Total	87,555,081	94,168,555	(11,943,960)	169,779,675

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

43. Capital Grants (continued)

				2022-2023
2022-2023	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	673,697		(84,212)	589,485
Lake Victoria South Water Works Development	86,880		(10,860)	76,020
Water Service Trust Fund & Others	29,736,688	16,069,892	(5,725,823)	40,080,757
Other Grants	53,495,790		(6,686,974)	46,808,816
Sub Total	83,993,055	16,069,892	(12,507,868)	87,555,079
EU-WOP (Transferred to Grant Income)	13,360,281	-	(13,360,281)	-
Total	97,353,336	16,069,892	(25,868,149)	87,555,079

44. Taxation Payable

	2023-2024 Kshs	2022-2023 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	(412,696)	-
At end of the year	8,861,379	9,274,075

45. Provisions

	Leave Provision	Gratuity provisions	Other Provisions	Total
	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	-	217,262	-	217,262
Additional Provisions	-	-	-	-
Provision utilised/ Paid	-	(43,193)	-	(43,193)
Change due to discount and time value for money	-	-	-	-
Balance at the end of the year	-	174,069	-	174,069

Provisions details

Description	2023-2024 Kshs	2022-2023 Kshs
Current Portion of Provisions	174,069	217,262
Long-term portion of Provisions	-	-
Total	174,069	217,262

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

46. Notes to The Statement of Cash Flows

	2023-2024 Kshs	2022-2023 Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
Profit or loss before tax	3,061,492	(4,504,476)
Depreciation	50,768,823	52,524,585
Amortisation	5,874,062	5,874,062
(Gain)/loss on disposal of property, plant and equipment	-	(3,405,985)
Interest Expense	-	-
Grants Write-back	(11,943,960)	(12,507,868)
Operating profit/(loss) before working capital changes	47,760,417	37,980,318
(Increase)/decrease in inventories	(2,339,313)	(11,730,079)
(Increase)/decrease in trade and other receivables	(86,408,338)	58,356,159
Increase/(decrease) in trade and other payables	57,999,685	(122,021,120)
Increase/(decrease) in retirement benefit obligations	(43,193)	217,262
Increase/(decrease) in provision for staff leave pay	-	(2,999)
Cash generated from/(used in) operations	16,969,258	(37,200,459)
(b) Analysis of changes in loans		
Balance at beginning of the year	110,835,100	-
Receipts during the year	-	110,835,100
Repayments during the year	47,347,153	-
Repayments of previous year's accrued interest	-	-
Accrued interest	-	-
Balance at end of the year	158,182,253	110,835,100
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	100,139,295	937,358
Cash in hand	2,103,376	20,498,767
Balance at end of the year	102,242,671	21,436,125
(d) Analysis of interest paid		
Interest on loans	25,414,811	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	-	-
2022 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

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

	2023-2024 Kshs	2022-2023 Kshs
a) Sales to related parties		
Water sales to Govt. agencies – County Government of Kisumu	21,045,881	74,038,900
Others (Specify)	-	-
Total	21,045,881	74,038,900
b) Purchases from related parties		
Rent expenses paid to Government agencies (NCPB)	-	2,972,008
Training and conference fees paid to Government agencies	-	-
Others (specify)	-	-
Total	-	2,972,008
c) Grants from the Government		
Grants from National Government agencies (WSTF)	86,171,955	16,069,892
Grants from County Government	-	-
Donations in kind	-	-
Total	86,171,955	16,069,892
d) 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
Total	-	35,957,910
e) Key management compensation		
Directors' emoluments	8,241,034	10,081,425
Compensation to key management	40,677,201	42,826,717
Total	48,918,235	52,908,142

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 2024

49. Contingent Assets and Liabilities

Contingent Assets	2023-2024 Kshs	2022-2023 Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Total	-	-

Contingent Liabilities	2023-2024 Kshs	2022-2023 Kshs
Contingent liabilities		
Court case xxx 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 2024

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 2024				
Trade Receivables	294,107,253	294,107,253	-	-
Other Receivables	41,321,786		-	-
Investments	-		-	-
Bank balances	102,242,671	102,242,671	-	-
Total	437,671,710	396,349,925	-	-
At 30 June 2023 (previous Year)				
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	270,456,827	241,695,706	28,761,122	-

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 2024

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 2024 current year				
Trade payables	7,693,617	23,080,851	46,161,702	76,936,170
Current portion of borrowings	829,136	2,487,409	8,291,364	11,607,909
Provisions	17,407	52,221	104,441	174,069
Employee benefit obligation	-	-	-	-
Total	8,540,160	25,620,480.90	54,557,507.61	88,718,149
At 30 June 2023 previous year				
Trade payables	40,552,224	29,653,844	8,749,663	78,955,731
Current portion of borrowings	-	-	10,038,002	10,038,002
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	40,552,224	29,653,844	18,787,665	88,993,733

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

For the year ended 30 June 2024

50. Financial Risk Management (continued)

vi) Fair value of financial assets and liabilities

observable or unobservable. Observable inputs reflect 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:

	2023-2024 Kshs	2022-2023 Kshs
Revaluation reserve	121,181,296	121,181,296
Retained earnings	218,394,232	215,332,741
Capital reserve	100,000	100,000
Total funds	339,675,528	336,614,037
Total borrowings	158,182,253	110,835,100
Less: cash and bank balances	102,242,671	21,258,194
Net debt/(excess cash and cash equivalents)	55,939,582	89,398,975
Gearing	16%	27%

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

26 September 2024

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	2,545,708	2,545,708	85%	3,000,000	2,545,708	Internal
3.	Kisat Fencing	3,933,549	3,933,549	100%	4,500,000	3,933,549	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	Statement of Comprehensive income	Where Recorded/recognized				Total Transfers during the Year
					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 19th Annual General Meeting of the Company to be held on
15th May 2025 at Tom Mboya Labour College or any adjournment thereof.

*(Strike out as appropriate)

Signed this _____ day of _____ (Month) 2025.

Notes:

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





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Company Limited
P.O. Box 3210 – 40100, Kisumu
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Kisumu

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