



**KISUMU WATER
AND SANITATION
COMPANY LIMITED**



2025

**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.



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



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Acronyms and Glossary of Terms

A. Acronyms

ICPAK *Institute of Certified Public Accountants of Kenya*

IAS *International Accounting Standards*

IASB *International Accounting Standards Board*

IFRS *International Financial Reporting Standards*

ICS *Institute of Certified Secretaries*

MD *Managing Director*

NT *National Treasury*

PSASB *Public Sector Accounting Standards Board*

PFMA *Public Financial Management Act*

WASREB *Water Services Regulatory Board*

B. Definition of Key Terms

Comparative Year - Means the prior period.



OUR PERFORMANCE HIGHLIGHTS





NOTICE OF 20TH ANNUAL GENERAL MEETING

Notice is hereby given that the **20th Annual General Meeting of the members of Kisumu Water and Sanitation Company Ltd.** will be held on **23rd April 2026** 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 19th AGM held on 15th May 2025
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 2024/2025 and Auditor's report thereon
7. To note that Auditor General shall continue in office for the year 2025/26 in accordance with Section 721(2) of the Company's Act, and to authorize Directors to fix their remuneration
8. To discuss any other business for which Notice has been given in accordance with Article of Association.

By Order of the Board,

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.

Directors

The Directors who served the entity during the year/period were as follows:

Board of Directors			
01	Phylis Chepkemboi	- <i>Chairman</i>	- Appointed on 23 rd December 2020
02	Thomas Odongo	- <i>Chief Executive</i>	- Appointed on 1 st July 2018
03	George Okong'o	- <i>Director</i>	- CECM - Finance & Economic Planning
04	Judith Oluoch	- <i>Director</i>	- CECM -Water, Environment & Natural Resources
05	Aballa Wanga	- <i>Director</i>	- City Manager - Appointed in October 2020
06	Dr. Satwinder Singh	- <i>Director</i>	- Appointed on 8 th December 2023
07	Albert Ojonyo	- <i>Director</i>	- Appointed on 1 st October 2021
08	Dorcas Emily Inda	- <i>Director</i>	- Appointed on 1 st October 2021
09	Dr. Benson Nyambega	- <i>Director</i>	- Appointed on 6 th May 2022

Corporate Secretary

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

Corporate Bankers

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

Registered Office

Tom Mboya, along Nyerere Road
P.O. Box 3210, 40100
Kisumu

Independent Auditors

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

Corporate Contacts

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

Principal Legal Advisers

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



CORPORATE GOVERNANCE

We are committed to observing highest standards in corporate Governance in 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 OF DIRECTORS



Ms. Phyllis Chepkemboi
Chairman



Mr. Abala Wanga
Director



Mr. Albert Ojonyo
Director



Dr. Benson Nyambega
Director



Ms Dorcas Emily Indah
Director



George Okong'o
Director



Hon. Judith Oluoch
Director



Dr. Satwinder Singh Rupra
Director



Thomas Odongo
Managing Director



**In Remembrance of
H.E. Rt. Hon. Raila Amollo Odinga
(7th January 1945 – 15th October 2025)**



On 15th October 2025 KIWASCO joined the nation and the world in mourning the passing of **H.E. Rt. Hon. Raila Amollo Odinga**, former Prime Minister of the Republic of Kenya.

Raila Odinga was more than a statesman – he was a symbol of resilience, democratic ideals, and unwavering dedication to the people of Kenya and Africa at large. His lifelong commitment to justice, freedom, and good governance leaves behind a legacy that will continue to inspire generations to come.

May the ideals he championed continue to guide our Nation forward.

Baba. Jakom – Till we meet again.

MANAGEMENT TEAM



Thomas Odongo
Managing Director



Eng. Moses Jura
*Chief Engineer
Technical Services*



CPA Nicholas Moseti
Head of Finance



CPA Simon Ondigo
Head of Audit and Risk



Eng. Geoffrey Opiyo
*Non Revenue
Water Manager*



Antony Ogwang
Supply Chain Manager



Shem Otieno
ICT Manager



Eldah Odongo
*Ag. Head of
Commercial Services*



Maxwel Ogeto
*Ag. Human Resource
Manager*



CHAIRMAN'S STATEMENT



I commend all of us for the successful implementation of the Strategic Plan. Your participation in its implementation has been remarkable. With the reviewed strategic focus, I already anticipate a positive trajectory into our future as a company.

PHYLLIS CHEPKEMBOI
CHAIRMAN

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.

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. 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.

I commend all of us for the successful implementation of the Strategic Plan. Your participation in its implementation has been remarkable. With the reviewed strategic focus, I already anticipate a positive trajectory into our future as a company. 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 has provided various amenities intended to improve staff work-life balance as well as breed innovation, collaboration and positivity among our staff.

Economic Performance

The global economy remained resilient in 2024 despite ongoing challenges such as high energy and food prices and tighter monetary policies. Global real GDP grew by 3.2

per cent in 2024 compared to 3.3 per cent. Sub-Saharan Africa (SSA) real GDP grew by 3.8 per cent, while that of East African Community region grew by 5.4 per cent, mainly driven by government spending, service sector productivity and regional trade.

Kenya's economy grew by 4.7% in 2024, down from 5.7% in previous year, due to factors like high-interest rates, floods, and protests. Despite this slowdown, the GDP reached KSh 16.2 trillion, supported by strong agricultural and service sector performance, with inflation easing to 4.5%. The key growth drivers were: Agriculture, Forestry, and Fishing and the financial sector which saw 7.6% growth. The Kenyan shilling stabilized, appreciating to KSh 129.36 against the US dollar by the end of 2024. Main challenges were seen in widespread Gen Z-led protests, severe floods, and high-interest rates that disrupted economic activity.

The agriculture sector exhibited an overall improved performance which was attributable to increased crop yields, increased livestock production coupled with increased government support to the sector. However, rainfall patterns varied across seasons as the March-May long rains were above average while October-December short rains were erratic and poorly distributed. Kenya's economy is projected to remain resilient and stable in 2025. The projected growth is expected to be driven by a strong services sector, enhanced agricultural productivity supported by favourable weather and distribution of subsidized fertilizer and seeds by the Government.

Surplus

The Board steered the Company to sustainable growth through various strategies premised on improving customer experience, enhancing sales growth, stepping up revenue collection, prudent cost management and reducing system losses. As a result, the business, despite

operating in a tough macro-economic environment, recorded a profit after tax of Kshs.71,961 (Seventy one thousand nine hundred and sixty one) compared to previous year surplus of Kshs.3,061,492 (Three million, sixty one thousand four hundred and ninety two). Profitability declined due to reduced grant cash inflows compared to the previous year, coupled with increased network and sewer maintenance costs. Additionally, a significant rise in levies to the Water Resource Authority contributed to higher operating expenses, alongside increased office repair and maintenance costs.

Strategy



The Board remains committed to maintaining high standards of corporate governance, fostering strategic partnerships, and ensuring that the utility continues to deliver on its core mandate in an efficient, transparent, and accountable manner.

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 and WSTF for water infrastructure development.

Enhanced Corporate Governance - The Board is committed to ensuring that there is increased transparency and accountability. This was reflected in the WASREB Impact ratings that placed the utility at Position 1 Countrywide in governance.

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 the 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.

Service Delivery

To emphasize our commitment to ethical leadership and service provision, members of the Board of Directors, together with the Management team, were trained on integrity, transparency, and anti-corruption. This engagement was facilitated by the Water Integrity Network, an initiative that underscores our dedication to upholding good governance, accountability, and public trust throughout the company structure.

The sessions provided a platform for meaningful interaction. Staff from different departments came together to share insights, reflect on experiences, and engage in open dialogue. This spirit of collaboration reinforced the importance of teamwork in driving consistent and responsive service, reminding us that exceptional customer experience is the product of collective effort.

These training affirms the company's continuous input into service delivery that has anchored our four-year successive award as best in customer service in the sector and also leadership and governance, as ranked by the sector regulator WASREB. The long-term commitment to transforming service delivery sits at the centre of our business. It's one of many steps we are taking on our journey toward realizing our vision: to be the most admired service provider. And it starts with empowered employees, shared values, and an unwavering focus on people.

Lobbying Engagement

A high-level Kenyan delegation led by the Permanent Secretary in the Ministry of Water, Sanitation and Irrigation, Julius Korir, held a strategic lobbying meeting with the French Development Agency (Afd) at its headquarters in Paris. The meeting was chaired by Cyril Gerardon, Deputy Director for Africa at Afd, and brought together representatives from Kisumu Water and Sanitation Company (KIWASCO) and Lake Victoria South Water Works Development Agency (LVSWWDA).

The engagement aimed to strengthen the long-standing partnership between Kenya and Afd in the water and sanitation sector. Afd currently supports a project portfolio exceeding KES 65 billion in Kenya, with significant investments in urban water and sanitation services in





CHAIRMAN'S STATEMENT (continued)

Nairobi, Mombasa, and Kisumu. The meeting provided an opportunity for the Kenyan delegation to lobby for continued and expanded financial and technical support, particularly for emerging projects in Kisumu and other growing urban centers.

The discussions focused on potential financing and collaboration opportunities within the water-energy-food nexus, with particular emphasis on projects in Kisumu. Key areas highlighted included:

- Reduction of Non-Revenue Water (NRW):** Strategies to further reduce water losses in the distribution system.
- Climate Change Adaptation:** Exploration of renewable energy solutions, particularly solar-powered infrastructure, to enhance resilience in water utilities.
- City Wide Inclusive Sanitation (CWIS):** Implementation of integrated sanitation solutions across the city to improve public health and environmental outcomes.
- Waste-to-Value Initiatives:** Development of a Fecal Sludge Treatment Plant (FSTP) to transform sanitation waste into valuable resources such as energy or agricultural inputs.

AfD expressed openness to supporting these initiatives through innovative financing mechanisms, including public-private partnerships (PPPs), non-sovereign lending models, concessional financing, and blended finance approaches. The agency also indicated interest in supporting capacity building for water and sanitation utilities to strengthen governance, technical expertise, and operational efficiency.

The PS emphasized the Government's intention to pursue larger-scale infrastructure projects, including dam construction and expanded sanitation investments in Kisumu, which would require stronger international partnerships and increased financing support.

Our MD highlighted the utility's interest in exploring a management contract arrangement and a structured action plan aimed at strengthening governance and improving NRW performance. He noted that the initiative would begin with a comprehensive capacity assessment to identify operational and institutional gaps.

The meeting reaffirmed AfD's continued commitment to supporting Kenya's water and sanitation sector and highlighted several opportunities for expanding collaboration through innovative and sustainable financing mechanisms. Both parties recognized the need for increased grant financing, improved institutional capacity within utilities, and integrated planning of water and sanitation infrastructure to meet Kenya's national development goals.

The discussions were characterized by strong goodwill and mutual commitment to deepen cooperation in the coming years. The engagement in Paris represented an important lobbying effort by the Kenyan delegation to secure continued support for critical water and sanitation investments. The discussions underscored the strategic importance of partnerships with development finance institutions such as the French Development Agency, particularly in advancing sustainable, climate-resilient, and inclusive urban water and sanitation services in Kenya.

KenyaSAN Conference 2025

Our team wrapped up a successful and impactful presence at the KenyaSAN Conference 2025. The conference brought together key players from across the water and sanitation sector under the theme:

"Innovative Financing Models, Technology & Innovations for Sustainable Pathways to Climate-Smart Water and Sanitation Solutions & Investments."

Our company demonstrated its strong commitment to climate-smart water and sanitation through exhibitions, panel discussions, and technical abstract presentations. We showcased a range of innovations including smart metering systems, pressure and leak detection technologies, and real-time monitoring tools, all designed to reduce Non-Revenue Water (NRW), improve operational efficiency, and build climate resilience.

Our contribution went beyond technology, with staff leading thought-provoking abstract presentations on integrated NRW strategies, circular sanitation approaches, sustainable financing models, and digital utility transformation. These insights underlined KIWASCO's forward-thinking approach to addressing emerging sector challenges.

It was during this conference that the regulator WASREB, released the IMPACT 17 Report and the Company received national recognition for its performance in three categories. KIWASCO emerged top position in Governance, Pro-poor Services and was also ranked Best Overall Performer in the Lake Victoria South Region under the Lake Victoria Water Works Development Agency. These accolades underscore the utility's strong governance structures, accountability, and dedication to service excellence.



During the Gala Dinner Awards, staff Bramuel Ouma, Vanessa Akinyi, and Lilian Adanje were crowned top innovators in the Innovation Category. Their award-winning solution, a data-driven application for real-time team decision-making, intended to reduce turnaround time in resolving NRW cases and enhanced operational responsiveness. Their achievement reflects KIWASCO's culture of innovation and continuous improvement.



Kiwasco Staff engage in a dance during the gala dinner

Peer Collaboration

In a significant step toward strengthening regional partnerships, a team from the Company conducted a week-long technical exchange visit to Uganda's Mid-Western Umbrella of Water and Sanitation. The initiative, supported by Water & Sanitation for the Urban Poor (WSUP), brought together teams from both utilities to share experiences, transfer knowledge, and explore practical solutions to common challenges with aim of enhancing proficiency of Mid-Western Umbrella. Discussions and practical sessions were centered around key thematic areas including customer service, non-revenue water management, metering and instrumentation, commercial operations such as billing, collections and debt recovery, branding and marketing, data and systems management, ICT, risk, audit, and governance.

The visit provided a platform for mutual learning, knowledge sharing and co-creation of strategies to enhance efficiency and improve customer-focused service delivery for the utility that is currently grappling with such operational issues. More importantly, it reaffirmed the power of peer collaboration in addressing shared regional challenges and strengthening institutional performance. Both utilities emerged from the exchange with renewed commitment and a framework for continued partnership, aimed at fostering long-term engagement for growth and resilience in water service delivery.

This mission was a testament to the fact that regional cooperation is not only possible, it is necessary for sustainable water and sanitation solutions in Africa.

The milestone engagement underscores KIWASCO's ongoing commitment to strengthening sector capacity through regional cooperation. Whether through outbound missions or hosting peer institutions, the Company continues to play a leading role in fostering a culture of excellence, transparency, and continuous improvement within the water sector.

Appreciations

I would like to place on record my thanks to the Stakeholders, Board, senior executive team, management and staff for their outstanding efforts during the year. We have some of the best people in the industry working at KIWASCO and their efforts will continue to place the company in a strong position to capture the opportunities ahead. I would also like to thank my fellow board members for their support during the year. We have had a solid year. The outlook is positive. The conditions are favourable.

And the business is well positioned to continue to prosper into the future. I look forward to the years ahead with confidence. Special recognition to our development partners and financiers who continue to strengthen our partnerships through financial support, which has ensured we remain in business to deliver on our promise to the people of Kisumu City. Let us toast to the possibility of a better year next year.

Phyllis Chepkemboi
Phyllis Chepkemboi
CHAIRMAN



REPORT OF THE MANAGING DIRECTOR



We pride in giving the best care to our customers at all times. In terms of service delivery.. 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.

THOMAS ODONGO
MANAGING DIRECTOR

we remain accountable and aligned with our strategic objectives and our key performance indicators as we strive for operational excellence.

Following the various performance indicators the revenue collection scored a high average of 102% and the reduction of Non Revenue Water to 31%, is a clear pointer to a workforce that has been dedicated to excellence.

The WASREB impact report 17 positioned the Company among the top performing utilities nationally, a clear reflection of the dedication and productivity that these appraisals aim to cultivate and sustain. In the annual report, the Company was also feted best in Leadership, Governance and Pro-poor Services stamping our steadfast commitment to integrity, accountability, and strong institutional leadership in the delivery of water and sanitation services. This came alongside the recognition as best overall performer in the Lake Victoria South region, under the Lake Victoria Water Works Development Agency.

As a direct outcome of our proven performance and sector credibility, we successfully concluded salary negotiations with the Central Remuneration Body (CRB), resulting in a salary amendment for all staff. This achievement is a win for staff welfare, and a reinforcement of the value that each staff brings to the company.

Reflections on the Year

Sales revenue increased by 6% from Kshs. 1,069,994,580 (One billion, sixty nine million nine hundred and ninety four thousand five hundred and eighty) to Kshs. 1,138,788,150 (One billion, one hundred and thirty eight million, seven hundred and eighty eight thousand one hundred and fifty).

As we close the books on the 2024/25 financial year, I wish to take this opportunity to celebrate the incredible milestones we have achieved together, and to look ahead with optimism and renewed commitment.

This has been a year defined by resilience, growth, and collective determination. We've navigated operational challenges, strengthened internal systems, deepened employee engagement, and improved our service delivery metrics. While there were moments that tested our tenacity, the strides we have made across key areas are proof of a team that is driven, focused, and committed to excellence.

One of the most significant indicators of our internal progress in the year was the Employee satisfaction survey, which was conducted to gauge our resolve as a staff fraternity while also providing a platform for feedback and improvement. The process recorded a remarkable improvement, rising from a paltry 57% to 73%. This leap reflects our collective dedication to making KIWASCO a better place to work, where everyone feels valued and empowered.

In line with this, we carried out the periodical staff appraisals to evaluate performance, recognize strengths, and identify areas for growth. This process ensures

Other income increased by 1% attributed to increase in collections on new water and sewer connections.

The surplus after tax for the year decreased to Kshs. 71,961 (Seventy one thousand, nine hundred and sixty one) from Kshs. 3,061,492 (Three million sixty one thousand four hundred and ninety two) in 2024. The decrease in surplus and profitability is largely attributed to increased spending in the network extensions, maintenance, electrical and laboratory activities in the year.

The customer base increased by 2,920 number of connections from 46,248 (2024) to 49,168(2025) signifying a 6.3% increase. Water coverage which is the number of people served with potable water expressed as a

percentage of the total population increased from 84% (2024) to 93% (2025). Employment expenses increased to cater for enhanced contracts and staff within the organization.

Governance

Kiwasco achieved an overall ranking of 7th across all utilities and 4th among Very Large Utilities, recording a composite sector score of 150 out of 200 – an improvement from 148 in the previous year. The company emerged as the top-ranked utility in the Lake Victoria South Region and was recognized as the best performer in Corporate Governance and Pro-poor Services reflecting sustained institutional capacity and regulatory compliance.



The improvement of 2 points, while modest in absolute terms, reflects consistent performance across multiple KPI categories and demonstrates the company's commitment to year-on-year advancement. This positions Kiwasco favorably within a competitive peer group and supports its trajectory toward top-tier performance.

Sector Benchmark Performance Analysis

The following table shows Kiwasco's performance against the sector benchmark thresholds for 'Good' performance across all ten assessed parameters. Parameters are evaluated against established national and sector standards, with a maximum achievable total of 200 points.

Ranking Parameters	Benchmark (Good)	KIWASCO Score	Status
Drinking Water Quality	>95%	100%	PASS
NRW %	<20%	31%	NO PASS
Water Coverage	>90%	93%	PASS
Sanitation Coverage	>90%	96%	PASS
Hours of Supply	>21 hrs	24 hrs	PASS
Staff Productivity	<5	5	BORDERLINE
Personnel Expenditure (% O+M)	<20%	30%	NO PASS
Collection Efficiency	>95%	102%	PASS
O+M Cost Coverage %	≥150%	105%	FAIR
Metering Ratio %	100%	100%	PASS
Total Scores	200	150	—



REPORT OF THE MANAGING DIRECTOR (continued)

Kiwasco demonstrated excellence or compliance in seven out of ten assessed parameters:

Drinking Water Quality (100%): Kiwasco achieved a perfect score, meeting and exceeding the >95% benchmark. This reflects robust water treatment processes, quality monitoring protocols, and adherence to national drinking water standards.

Hours of Supply (24 hours): The company delivers round-the-clock water supply, surpassing the >21-hour benchmark. Continuous supply is a critical service standard and directly impacts consumer satisfaction and public health outcomes.

Metering Ratio (100%): Full metering coverage has been attained, a benchmark of 100%. Complete metering is foundational to accurate billing, Non-Revenue Water (NRW) management, and commercial efficiency.

Collection Efficiency (102%): Collection efficiency of 102% exceeds the >95% threshold, indicating strong revenue recovery processes and effective debt management practices.

Water Coverage (93%): Coverage of 93% surpasses the >90% benchmark, reflecting significant infrastructure investment and expansion across the service area.

Sanitation Coverage (96%): Exceeding the >90% target, sanitation coverage of 96% demonstrates commendable progress in providing safe sanitation services to the population.

Staff Productivity (5): The company met the <5 benchmark at exactly 5 staff per 1,000 connections, indicating efficient human resource deployment relative to network size.

Two parameters fell below the sector benchmarks, representing priority areas for management attention and strategic investment. These are Non-revenue water and Personnel Expenditure as % of O+M Costs.

Good Governance Performance Assessment
The Good Governance Performance Assessment evaluates Kiwasco across six core governance domains, reflecting the company's institutional framework, compliance posture, stakeholder engagement, and management systems. Kiwasco achieved a total governance score of 96 out of 120, equivalent to 80% placing it as the top-performing utility in the Lake Victoria South Region under this framework.

The company holds a valid 8-year operating license with a justified tariff structure and is assessed as partly compliant with regulatory levy payment obligations – the strongest compliance standing among utilities assessed. This

foundation underpins the governance score and reflects the company's proactive engagement with the regulatory environment.

Sustained Focus Areas

- Maintain perfect scores in Drinking Water Quality, Metering Ratio, and Service Standards through continued investment in quality assurance and service delivery systems.
- Build on the 96% governance score in Utility Oversight to achieve full marks through enhanced board reporting tools and governance policy updates.
- Sustain regional leadership by benchmarking regularly against national top performers and adopting best practices from higher-ranked utilities.

Sector Benchmark Score Summary	
Total Score Achieved	150 out of 200
Previous Year Score	148 (improvement of +2 points)
Category Ranking	4 th – Very Large Utilities
Overall Ranking	7 th – All Utilities
Regional Standing	1 st – Lake Victoria South Region
Corporate Governance Award	Best Utility – Lake Victoria South Region
Pro-poor Services Award	Best

Governance Framework Score Summary	
Total Governance Score	96 out of 120 (80%)
Highest-Scoring Domain	Service Standards – 12/12 (100%)
License Status	Valid 8-Year Operating License with Justified Tariff

Mission Possible



Kisumu Water and Sanitation Company Ltd (KIWASCO) joined the global community in celebrating Customer Service Week 2025 under the theme "Mission Possible."

Customer service week is a global event celebrated annually to recognize the importance of customer service and the people who serve and support customers every day. The week provided an opportunity to reaffirm our commitment to delivering quality water and sanitation services while celebrating the team that makes the mission possible.

Under the theme "Mission Possible," the Company highlighted the power of teamwork and customer-centric service in overcoming the challenges of providing safe, reliable, and sustainable water and sanitation solutions



to the people of Kisumu. The theme resonated with our ongoing mission to ensure that every household has access to clean, quality water.

The celebrations culminated in a customer engagement forum held at the head office, where customers shared their feedback and concerns regarding service delivery. The forum highlighted KIWASCO's remarkable progress in expanding access to safe and reliable water across Kisumu. A major highlight was the augmentation of water supply to Nyalunya, a peri-urban area that has long struggled with limited access to water supply, thus marking a significant milestone in advancing equitable service delivery.

Customers had various feedback on the service delivery of KIWASCO. Some were very satisfied, while others expressed candid concerns ranging from no water, low pressure, high billing, sewage blockage, poor water quality, persistent leakages.

We were commended, particularly on our service delivery and response timelines. Customers called for continued improvement in sewerage and sanitation response time. In our continued commitment to sustainability, we donated tree seedlings throughout the week to customers who showed interest in growing trees. This was a move aimed at greening the environment and bestowing the responsibility not only to the organization but also to the general public.

We reaffirm our commitment to continuous improvement, innovation, and excellence in service delivery. We look forward to building even stronger relationships with our customers. By embracing the theme "Mission Possible," the company reinforces its dedication to overcoming challenges, enhancing customer satisfaction, and ensuring access to safe, high-quality water and sanitation services for all residents of Kisumu County.



HR priorities

The Employee Satisfaction Survey was conducted. The survey recorded a significant improvement in overall employee satisfaction, rising from 57% in the previous survey to 73% in the current cycle – an increase of 16 percentage points.

Overall Satisfaction – Year-on-Year Comparison:

Metric	Previous Survey	FY 2024/2025
Employee Satisfaction	57%	73%

Key Focus Area Scores:

Survey Focus Area	Score
Work Engagement	84.46%
Organizational Commitment	80.5%
Leadership Effectiveness	80%
Career Progression	67%
Role Clarity	74%
Compensation & Rewards	60%





REPORT OF THE MANAGING DIRECTOR (continued)

A committee was constituted to review and act on the issues raised relating to Mental Wellness, Compensation & Benefits, Resource Allocation, and Career Progression. On Gender Equality & Social Inclusion, the Lactation Room has been fully furnished with support from VEI and the Federation of Kenya Employers (FKE).

The company successfully negotiated and concluded a new Collective Bargaining Agreement with the Kenya Union of Water and Sewerage Workers, ensuring continued calm and constructive industrial relations. There were no new cases filed in the Employment and Labour Relations Court during the financial year. This outcome is a strong indicator of fair and equitable labour practices within the organisation and reflects positively on the overall employment relations climate.

Annual Employee Wellness Check-ups were facilitated twice during the year, supported by the Federation of Kenya Employers (FKE) and DANIDA (Denmark Development Federation).

Key outcomes include:



Over 250 members of staff attended to during wellness check-ups.

Over 100 residents from Kajulu also benefited from the wellness exercise.

The company cushioned all staff affected by the Social Health Insurance Fund (SHIF) deductions to ensure that no employee's take-home pay falls below one-third of their basic salary, in compliance with statutory requirements and in the spirit of employee financial wellbeing.

NRW

The Company has implemented a comprehensive, multi-dimensional NRW reduction programme. Rather than relying on isolated interventions, KIWASCO has deployed an integrated strategy that simultaneously addresses physical losses, commercial losses, metering accuracy, digital infrastructure, stakeholder engagement, and institutional governance.

Strategic Commitment

KIWASCO has formally embedded NRW reduction into its strategic planning framework. The company developed a dedicated NRW reduction strategy that informs all annual plans and operational activities. This strategy is not a standalone document, it is a living framework that drives cross-departmental accountability, capital investment decisions, and technology adoption across the organisation.

The approach elevates NRW management beyond a purely technical function. It is treated as a company-wide priority, with oversight extending from front-line operational staff all the way to the Board of Directors.

Technical Initiatives

Infrastructure & Operations

These initiatives address the physical integrity of KIWASCO's network – from new connections to large-scale pipe rehabilitation. By bringing connection work in-house and deploying rapid response capabilities, KIWASCO has strengthened control over the physical causes of water loss.

Initiative	Description & Impact
In-House New Connection Management	KIWASCO has taken over all new connection activities. All maintenance of last-mile connections are handled exclusively by KIWASCO staff, ensuring quality control and reducing losses at the point of connection. Impact: Direct control over connection quality; elimination of substandard third-party work
Water Network Overhauls	A major assets overhaul campaign is underway targeting problematic networks: (a) 20 km of major networks under the CLSG program (diameters 350mm, 250mm, 160mm, 110mm and smaller); (b) 17 km of distribution lines under LVWATSAN (majorly 63mm diameter). Impact: Reduction in physical losses from aged and failing pipe infrastructure
Rapid Response Team (RRT)	A dedicated rapid response team attends to major leaks and pipe bursts at odd hours, including nights and public holidays, ensuring 24/7 response coverage. Impact: Significant reduction in the duration of physical water losses from leaks and bursts

Metering & Measurement

Accurate metering is fundamental to NRW management. KIWASCO's metering programme spans upgraded meter classes, automated reading, proactive maintenance, bulk meter calibration, and mass replacement of aged or incorrectly-sized meters.

Initiative	Description & Impact
Upgraded Meter Classes & Smart Meters	Meter specifications have been reviewed and upgraded to R200 and above. AMR-Enabled meters have been adopted for automated reading. Bulk meters are now digital (EMF and UFM) and remote-ready. Impact: Improved metering accuracy; reduced under-registration and data manipulation.
Real-Time Meter Management (O&M)	All static meters are serviced within 12 hours of identification. All faulty meters are replaced within 24 hours. Impact: Near-zero downtime on metering; minimized unbilled consumption from faulty meters
Meter Resizing & Old Meter Replacement	Over 2,400 meters have been replaced beyond routine on-call replacements and new connections targeting aged and wrongly-sized meters. Impact: Correction of chronic under-registration and metering inaccuracies
Bulk Meter Calibrations	All bulk meters are calibrated monthly, and production meters are calibrated twice monthly, ensuring continuous accuracy. Impact: Reliable input volume data; accurate water balance calculations.

Network Management

Zone-level monitoring through DMAs and real-time pressure management allow KIWASCO to isolate and respond to localised losses, rather than relying solely on system-wide averages.

Initiative	Description & Impact
District Metered Area (DMA) Management	12 DMAs have been isolated and active NRW reduction actions are being implemented within each zone. Impact: Granular monitoring of consumption and losses per zone.
Pressure Management	Continuous monitoring and management of network pressures through digital loggers deployed throughout the distribution networks. Impact: Reduced burst frequency and leakage volumes from excess pressure zones.

Digital Infrastructure

Technology adoption is a core pillar of KIWASCO's NRW strategy. From GIS-based asset management and hotspot analysis to predictive analytics and remote monitoring, digital tools have transformed operational decision-making.

Initiative	Description & Impact
Technology Adoption	KIWASCO has deployed a comprehensive suite of technologies: Remote tank level monitoring; Mobile-based O&M management; GIS in all field activities; GIS-based analysis for asset management and investment planning; Customer relations & complaints dashboards; Hotspot analysis – quarterly analysis of troublesome lines; Remote management of critical meters (pilot phase). Impact: Data-driven operations; faster identification of losses and system weaknesses
Predictive Analytics	KIWASCO has onboarded dedicated analysts in the NRW department, supported by a Business Intelligence Analyst, to provide strategic focus on short-, medium- and long-term NRW actions. Impact: Evidence-based decision-making; proactive rather than reactive NRW management





REPORT OF THE MANAGING DIRECTOR (continued)

Security & Enforcement

Apparent (commercial) losses — arising from theft, fraud, and illegal connections — are addressed through water police collaboration, community-based reporting, consumer compliance enforcement, and targeted meter replacement campaigns.

Initiative	Description & Impact
Water Police Engagement	KIWASCO has onboarded the newly constituted water police, collaborating to curb illegal activities and protect company assets. <i>Impact: Nearly 50,000 m³ of water volume recovered within a single year.</i>
Stolen Meter Replacement Campaign	A campaign to re-onboard over 500 dormant accounts where meters were stolen. Over 70% completion achieved, with approximately 120 cases remaining. Complemented by the 'Shika Mwizi Pata Chapa' campaign offering KES 10,000 rewards for confirmed stolen meter reports. <i>Impact: Recovery of previously unmetered and unbilled connections</i>
Consumer Compliance Enforcement	Enhanced focus on consumer compliance targeting illegal consumption, meter tampering, and unauthorised in-line pump installations. <i>Impact: Reduction in apparent (commercial) losses from fraud and non-compliance</i>

Stakeholder Engagement

KIWASCO recognises that NRW management cannot be achieved by the utility alone. The Community-Led Initiative and public engagement channels mobilise residents as active participants in protecting the water network.

Initiative	Description & Impact
Community-Led Initiative	A strategy to engage the community as brand ambassadors rewarding members who report leaks, bursts, theft, and illegal connections. Supported by the public WhatsApp live-engagement channel 'Refresh-Life', plus other social media and mainstream platforms. <i>Impact: Increased community vigilance; complementary to formal enforcement efforts.</i>

Organisational & Governance

Sustainable NRW reduction requires institutional commitment. KIWASCO has embedded NRW accountability at every level from front-line staff through performance incentives and One-Bee meetings, to Board-level oversight and QMS-anchored standardisation.

Initiative	Description & Impact
Performance Incentives	NRW-specific performance incentives have been introduced to motivate staff towards measurable reduction targets. <i>Impact: Alignment of individual and team performance with NRW reduction goals.</i>
Company-Wide Ownership (One-Bee)	All staff participate in bi-weekly 'One-Bee' meetings to discuss NRW-related activities. A high-level NRW Oversight Committee reviews progress fortnightly. <i>Impact: Cross-departmental accountability; culture of ownership across the organisation</i>
Standardisation of Processes & Quality Management	All materials and activities are guided by documented company policies. All processes are embedded in the Quality Management System (QMS). <i>Impact: Consistent, auditable operational standards across all NRW-related work.</i>
Board-Level NRW Monitoring	NRW is directly monitored at the Board of Directors level through the Technical and NRW Committee, and features as a standing agenda item in all board meetings. <i>Impact: Highest-level oversight; ensures strategic resources and decisions are aligned to NRW targets.</i>



Governance and Institutional Framework

A defining feature of KIWASCO's NRW programme is the strength of its governance architecture. NRW management is not confined to one department, it is institutionalised across the entire organisation.

Board-Level Oversight

NRW is a standing agenda item at every Board of Directors meeting. A dedicated Technical and NRW Committee at board level provides strategic oversight, reviews performance trends, and ensures that capital and operational decisions remain aligned with NRW reduction targets.

NRW Oversight Committee

An internal high-level NRW Oversight Committee meets fortnightly to review progress on all initiatives, assess performance data, and make tactical adjustments where required. This structure ensures rapid escalation and resolution of emerging NRW challenges.

Technology and Data-Driven Operations

KIWASCO's NRW programme is underpinned by a comprehensive technology ecosystem that enables real-time visibility, evidence-based decision-making, and predictive management. The following technologies have been deployed:

- Remote tank level monitoring — Continuous visibility of storage levels to detect anomalies and system imbalances.
- Mobile-based O&M management — Field teams use mobile platforms to log and resolve maintenance tasks, improving response times and data capture.
- Geographic Information System (GIS) — Deployed in all field activities. GIS-based analysis supports asset management, preventive maintenance scheduling, and infrastructure investment planning.
- Hotspot Analysis — Quarterly GIS-based analysis identifies the most problematic network sections, enabling targeted capital investment and maintenance prioritisation.
- Customer Relations Management (CRM) with Dashboards — Complaints and service requests are tracked and resolved through a monitored CRM platform.
- Predictive Analytics — A dedicated Business Intelligence Analyst and NRW analysts provide strategic forecasting and scenario analysis to guide short-, medium- and long-term decisions.
- Remote Meter Management — Remote management of critical meters is currently in a pilot phase, paving the way for broader automated metering infrastructure.
- Digital Pressure Loggers — Deployed across the network to monitor and manage pressure in real time, reducing burst risk and leakage rates.

This digital infrastructure transforms KIWASCO from a reactive to a proactive utility, identifying and addressing potential NRW drivers before they manifest as significant losses.

Results and Outcomes

The sustained implementation of these initiatives across all seven strategic categories has produced measurable and consistent results for KIWASCO.

Key outcomes documented to date include:

- Consistent reduction in NRW levels year-on-year throughout the programme implementation period.
- Recovery of approximately 50,000 m³ of water volume through water police engagement activities within a single year.
- Replacement of over 2,400 aged and wrongly-sized meters, reducing chronic under-registration.
- Re-onboarding of over 70% of approximately 500 previously dormant accounts linked to stolen meters.
- Active rehabilitation of 37 km of network infrastructure (20 km under CLSG and 17 km under LVWATSAN programmes).
- Isolation and active NRW management within 12 District Metered Areas (DMAs).

These results are a direct consequence of KIWASCO's integrated multi-pillar approach — no single initiative alone could achieve these outcomes. The simultaneous reduction of physical losses, apparent losses, and metering inaccuracies,

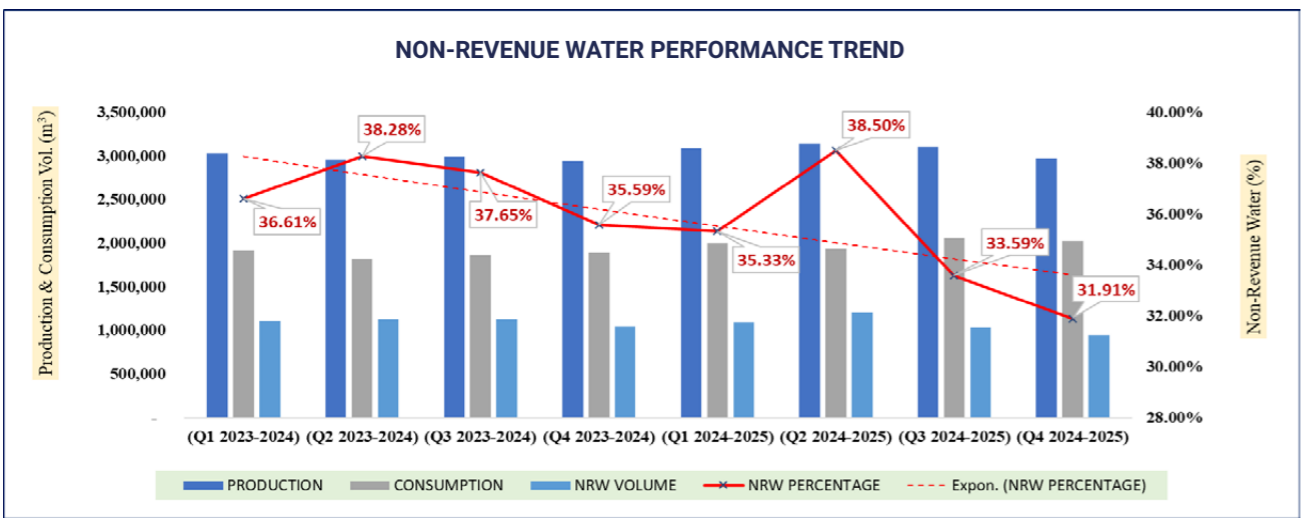


REPORT OF THE MANAGING DIRECTOR (continued)

supported by strong governance and digital infrastructure, has enabled compounding improvement in NRW performance.

Going forward, KIWASCO shall continue to:

- Expand AMR/smart metering coverage to reduce reliance on manual reading and further improve data accuracy.
- Scale the remote meter management pilot into full operational deployment.
- Complete the remaining stolen meter re-onboarding cases (~120 outstanding).
- Continue network overhaul programmes under CLSG and LVWATSAN.
- Publish annual NRW performance reports to maintain transparency and stakeholder confidence.



DESCRIPTION	2022-2023		2023-2024		2024-2025	
	AVERAGE	TOTAL	AVERAGE	TOTAL	AVERAGE	TOTAL
PRODUCTION	2,930,669.18	11,722,677	2,979,677.76	11,918,711	3,077,439.89	12,309,760
CONSUMPTION	1,832,612.60	7,330,450	1,876,155.21	7,504,621	2,004,128.87	8,016,515
NRW VOLUME	1,098,056.58	4,392,226	1,103,522.56	4,414,090	1,073,311.02	4,293,244
NRW PERCENT	37.47%		37.03%		34.88%	

2024 - 2025	1 st QTR	2 nd QTR	3 rd QTR	4TH QUARTER				YEARLY TOTAL
				Apr 25	May 25	Jun 25	Quarterly	
PRODUCTION	3,091,251	3,144,231	3,100,763	988,753	1,010,249	974,512	2,973,514	12,309,760
CONSUMPTION	1,981,726	1,924,457	2,023,037	677,822	628,964	671,143	2,024,785	8,016,515
ESTIMATED BILL	17,308	9,127	36,076	14,607	17,681	14,567		
NRW VOLUME	1,092,217	1,210,647	1,041,650	296,324	363,603	288,802	948,729	4,293,244
NRW PERCENT	35.33%	38.50%	33.59%	29.97%	35.99%	29.64%	31.91%	34.88%

Tariff

Water tariffs are essential for ensuring the sustainability of Water Service Providers, as they generate the revenues necessary for the smooth and efficient operation of utilities. These tariffs are periodically reviewed and approved by the Water Services Regulatory Board (WASREB) following a comprehensive assessment of the utilities' historical performance, future investment needs, and projected performance. KIWASCO's current tariff is set to expire, necessitating a review process.

The Company has received a Technical Support from the Water and Sanitation for the urban Poor (WSUP) to develop and submit proposals to WASREB for the approval of a tariff system that ensures the long-term sustainability of water supply and sanitation services for the company. Through this assignment we shall develop a comprehensive and sustainable tariff proposal for KIWASCO that ensures the financial viability of water supply and sanitation services in Kisumu while addressing affordability for customers.

Faecal Sludge Management

Our Company signed a Memorandum of Understanding with Opero Services, marking the start of a transformative partnership aimed at revolutionizing WASH in Kisumu City, with a strong focus on faecal sludge management (FSM).



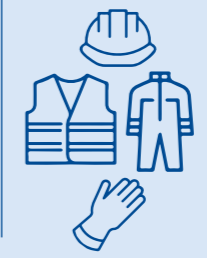
Through funding from the Stone & Practica foundation, this ambitious project has achieved several significant milestones. The initiative embarked on a comprehensive training and incubation programs empowering for Faecal sludge operator i.e. Gasia Poa, laying the foundation for sustainable capacity building. Anchoring upon this success, the program, further, implemented an innovative lease-to-

own model of emptying and transport equipment designed to foster long-term growth and accessibility.

The project's scope expanded through meticulous market assessments for sanitation equipment. Most notably, Opero in partnership with Kiwasco established a cutting-edge WASH technology hub. This features trials of honey deeper technology, pupu pump testing, and a Faecal Sludge Treatment Unit; Sistema biodigester - an anaerobic digester that is designed to safely contain and treat organic and human waste. It is also fitted with a perstruzer that heats the effluent from the anaerobic digestion.

Sanitation Services Chain Action Research Project

Through the support from the Bill & Melinda Gates Foundation, we have rolled out a comprehensive project with multiple strategic components. At its core lies an extensive technology innovation program, where trials of various emptying alternatives, including, pupu pump, pit vac, trash pump, and gulpa are conducted exploring ways to cut costs while enhancing safety and coverage of faecal sludge management in Kisumu.



Occupational health and safety considerations remains a key pillar of the initiative. The program implements rigorous monitoring systems while enhancing PPE utilization protocols and comprehensive vaccination programs for Faecal sludge operators i.e. the manual pit emptiers.



REPORT OF THE MANAGING DIRECTOR (continued)

Positioning for Future Impact

Looking ahead, KIWASCO is positioning itself as a home for WASH innovation through the creation of a Sanitation Tech Hub in Kisumu. The hub is envisioned as a museum-like setup, showcasing the best technologies and practices across the sanitation value chain.

It will serve as a learning center, offering peer-to-peer coaching and mentorship while sharing knowledge, expertise, and best practices with industry stakeholders such as WSPs. This initiative aims to create a lasting legacy in sanitation services.

The strategic partnership between KIWASCO and Opero Services seeks to set new standards for sustainable sanitation solutions and deliver long-term impact in Kisumu City.

Creating Safe Spaces for Men

The first ever Kikao cha Wazee, a dedicated forum brought together men across the Company - both young and old, to engage in honest conversation about their lives, aspirations and overall wellbeing. What could have been a symbolic commemoration instead became a meaningful platform for connection, learning, and growth.

Life's pressures, coupled with financial strain and mental stress, are rarely discussed openly. "This forum was therefore created to offer men a safe space to pause, reflect, and speak freely about the realities they face as fathers, husbands, leaders, and professionals." It was an opportunity to normalize conversation, reduce isolation, and affirm that men do not have to navigate life's demands alone.

The session was guided by three clear objectives:

- To create a safe environment for self-expression
- To encourage collective reflection on shared challenges
- To foster peer learning through shared experiences.

The choice of discussion topics i.e health, financial wellness, and retirement planning; was deliberate and informed by internal insights. The 2025 Employee satisfaction survey findings revealed a concerning trend: a significant proportion of staff reporting illness for the first time were men. This highlighted the urgent need to address mental and physical wellbeing, particularly given the strong connection between financial pressure, lifestyle-related illnesses, family responsibilities, and psychological distress.

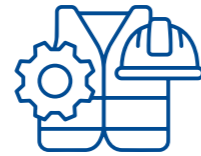
As the forum concluded, a powerful message emerged: being a man is not easy, and no one has life completely figured out. Men were encouraged to release unrealistic pressure, embrace resilience, and focus on creating value wherever they are; at home, at work, and in their communities.

Progress, it was emphasized, is not about perfection but about service, consistency, and growth. When men are given space to connect, reflect, and be supported, they are

better equipped to thrive, not only as employees, but as fathers, partners, and leaders.

Through Kikao cha Wazee, KIWASCO reaffirmed its commitment to creating intentional spaces that nurture holistic wellbeing, strengthen organizational culture, and recognize the human stories behind the workplace.

Safety at the Workplace



KIWASCO currently has 20 trained first aiders and fire marshals, selected representatively from different departments and operational stations.

In November, they underwent a first aid and fire safety training, conducted by the Kenya Red Cross Society, a nationally recognized and reputable humanitarian organization with accredited capacity in first aid training, emergency preparedness, and disaster response.

First aid training is critical because it equips staff with the skills to respond promptly and effectively to injuries or medical emergencies that may occur at the workplace. In an environment with operational, laboratory, and field-based activities, immediate response can significantly reduce the severity of injuries, prevent complications, and, in some cases, save lives while professional medical help is being sought.



The training was organized as part of the company's ongoing commitment to strengthening workplace health, safety, and emergency preparedness. As our operations expand and evolve, it is important to periodically refresh staff skills, assess readiness, and ensure compliance with occupational safety and health requirements. The exercise also provided an opportunity to proactively identify gaps and reinforce a strong safety culture before an actual emergency occurs.



The session covered practical and essential first aid skills, including basic life support, management of bleeding, handling fractures and soft tissue injuries, response to burns, fainting, and shock, as well as cardiopulmonary resuscitation (CPR). Participants were also guided on how to assess a casualty, ensure scene safety, and use available first aid equipment correctly.

The structure of Occupational Safety and Health (OSH) at KIWASCO:

- **Top Management** – Provides oversight, policy direction, and resource allocation for OSH matters
- **Safety and Health Committee** – A statutory committee comprising a Management representative (Human resource) and worker representatives responsible for identifying hazards, reviewing incidents, and recommending corrective actions
- **Designated Health and Safety Office (SHE-Q)** – Responsible for day-to-day coordination of OSH activities, inspections, training, and compliance monitoring
- **First Aiders and Fire Marshals** – Operational-level responders supporting emergency preparedness and response
- **All Employees** – Responsible for adhering to safety procedures and reporting hazards or incidents

This structure ensures OSH is mainstreamed into daily operations rather than treated as a standalone function.

Appreciation

As we look into the new fiscal year, 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. Together, these achievements underscore what is possible when we unite behind our shared values of excellence, collaboration, and integrity, and remain anchored in our vision: to be the most admired service provider.

Let us enter the new financial year with a renewed sense of purpose and confidence, knowing that each individual effort adds up to the extraordinary progress we can achieve as one team.

Thank you for all your hard work and dedication.

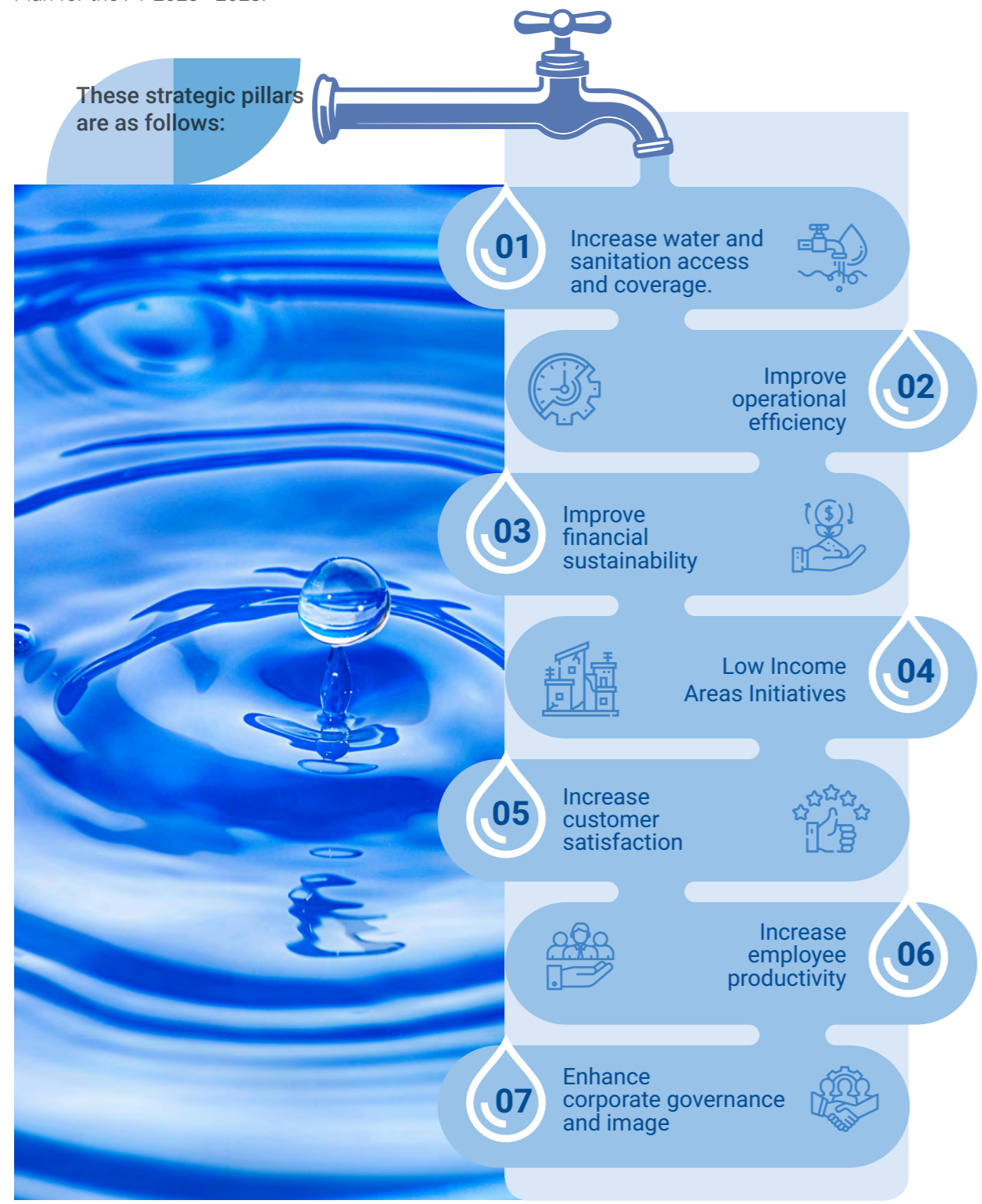
Thomas Odongo
MANAGING DIRECTOR



STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025

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.

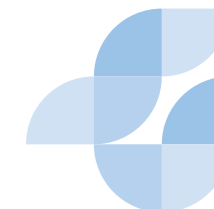


KIWASCO develops its annual work plans based on the above 7 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2023 - 2024 and the strategic plan period of 2023 - 2028 for most of its strategic pillars partly hampered by the Covid-19 Pandemic as indicated in the table below:

Strategic Objective	Performance Indicator	Strategic Activities	Achievement
1. 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
		Improve the water distribution network.	
1. Water and waste water Infrastructure Development	Increased sewer coverage from 16% to 30%	Increase water service coverage through network expansion	23% sewerage coverage
		Improvement of the waste water treatment facilities.	
2. Operational Efficiency	Reduced NRW from 37% to 25%	Expansion of the sewer network	35% NRW (average for the year)
		Active leak detection	
2. Operational Efficiency	Improved operational efficiencies	Eliminate illegal connections	99% efficiency in sewer distribution
		Pressure management	
2. Operational Efficiency	100% safety and optimal utilization of resources	Improve meter accuracy	96% water quality
		Develop NRW reduction framework	
2. Operational Efficiency	100% adherence to drinking water and waste water standards and regulations	Modernize and automate all operations in water treatment plants	95% compliance to standards and equipment for microbiology testing acquired.
		Improve the operations of the water distribution network	
2. Operational Efficiency	100% adherence to drinking water and waste water standards and regulations	Improve the operations at the waste water plants and pumping station	WSP Developed & Implementation ongoing
		Improve operations of the sewer network	
2. Operational Efficiency	100% adherence to drinking water and waste water standards and regulations	Strengthen internal controls	95% compliance to standards and equipment for microbiology testing acquired.
		Ensure effective asset protection	
2. Operational Efficiency	100% adherence to drinking water and waste water standards and regulations	Improve water quality assurance infrastructure	WSP Developed & Implementation ongoing
		Implement water safety plan - WSPs	
2. Operational Efficiency	100% adherence to drinking water and waste water standards and regulations	Implement waste water standards	WSP Developed & Implementation ongoing
		Implement waste water standards	



STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2024/2025



Strategic Objective	Performance Indicator	Strategic Activities	Achievement
3. Customer Service 	Increased customer satisfaction level from 71% to 80%	Strengthen customer service management systems 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	79% Customer satisfaction achieved and call centre established
4. Pro-poor initiatives 	Improve access in the low income area from 78% to 90%	Increase access in the low income areas Develop policies and strategies aimed at Pro-poor sector Reduce NRW in LIAs Adopt appropriate technologies	88% achievement
	Sustain Pro poor initiatives	Enhance Community participation Develop partnerships Implement sustainable initiatives	Continuous exercise
5. 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	
	Improve cost efficiency from 90% to 95% (cost management)	Automation of operations	90% achieved. ERP system in place
		Ensure efficient supply chain management process	Continuous exercise
		Manage staff costs	
	Improve Financial Management and Accountability	Reduce operational costs	Continuous exercise in addition to new ERP system
		Ensure effective budgeting process	
		Adopt financial best practices	
		Adhere to regulatory and statutory obligations	
Reduce accounts receivables by 50% (From 180M to 90M by 2022)	Ensure effective audit and reporting practices	Continuous exercise in addition to new ERP system	
	Strengthen financial management system		
Mobilize required resources	Develop a Debt Management Structure	Debt policy approved by the Board	
	Develop a debt management policy framework		
	Provide for bad and doubtful debts		
	Improve credit rating	Grants & donations received from various partners	
Develop a resource mobilization strategy			
Develop funding proposals			
	Develop sustainable partnerships		

Strategic Objective	Performance Indicator	Strategic Activities	Achievement
6. Institutional Strengthening 	Improve employee productivity from 79% to 85%	Attract and retain competent staff	83% 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 73% satisfaction
		Improve staff welfare	
		Improved working environment	
		Provide adequate office infrastructure	
	Strengthened human resources function	Provide employees with working tools	ERP system implemented
Develop, review and implement institutional policies and procedures			
Improved institutional visibility and branding	Develop integrated human resources information management system	Continuous exercise	
	Implement the organization core values		
	Undertake a culture change programme		
	Improve employee branding		
	Improve company branding	Training and evaluation conducted	
	Strengthen the capacity of the Board on corporate governance		
7. Effective Corporate governance 	Enhanced board Capacity in good governance	Reinforce the structures and instruments of good corporate governance	
		Undertake annual board evaluations	
	Reduced exposure to risks	Implement enterprise wide risk management framework	Continuous exercise
		Protect company assets	
		Develop a business continuity plan	BCP and Emergency response plan implemented
		Develop a COVID-19 Management Framework	
		Ensure effective Audits	Continuous exercise
	Improved stakeholder relations	Undertake stakeholder engagements	Done annually
		Ensure annual reporting to stakeholders	
		Ensure fulfilment of external/statutory requirements	
Increased Lobbying	Develop sustainable partnerships	Continuous exercise	
	Lobby for increased resources		
	Lobby for supportive legislation and regulations	Ongoing with the County assembly	



CORPORATE GOVERNANCE STATEMENT

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

Board Calendar

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

Board Composition and Appointment

The Board is composed of Nine (9) directors, eight of whom are non-executive and independent. The Board is composed of directors with good mix of skills, experience and competence in the relevant fields. Members of the Board are appointed by various stakeholder segments and elected at the Annual General Meeting.

Board Meetings

The Board meets at least four times a year. The Board deals with all significant matters including strategic directions, ensuring competent management of the business, internal controls, compliance with laws and regulations and reporting performance to the shareholders. The Directors are given timely information on key activities of the business regularly.

Board induction and continuous skills development

Upon appointment, directors undergo a detailed, rigorous and formal induction programme in line with the Company's Board Charter and the Board Induction and Development Policy. The aim of the induction programme is to enable the new director to become effective in their new role as quickly as possible. The new director is therefore provided with pertinent information to help them understand the Company and their role. The new director is also required to experience first hand the key operations of the Company and a detailed walk about programme is prepared for this purpose. New directors also meet senior Management, the Company Secretary and the Chairman of the Board before their first Board meeting.

New directors are also provided with an appointment letter setting out pertinent matters relating to their appointment as a director and receive among others, copies of the Company's Articles of Association, the Board work plan, the Board Charter and relevant Board Policies. Board development programmes are in place to ensure that the Board is kept upskilled. During the year under review, members of the Board underwent a robust training on critical principles of integrity, transparency, accountability and anti corruption with a view to strengthening good governance and ethical leadership within our organization.

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 Risk and Compliance, Finance and Corporate services, Technical and Commercial Services.

Relationship between the Board and Management

There is a clear separation of roles between the Board and Management, and this separation has been clearly stipulated in the Board Charter. The role of the Chairman of the Board is separate from that of the Managing Director, and in line with good governance practice, the Board has delegated authority for the conduct of day-to-day business to the Managing Director.

This delegation has been clearly defined in the Board Charter. The Board nonetheless remains accountable for the overall management and long-term success of the Company.

Internal Controls

The Board, through the Audit and Risk Committee, ensures that the Company has defined procedures for internal controls to ensure the integrity of the assets of the Company and the reporting of complete and accurate financial information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the Company remains structured to ensure appropriate segregation of duties.

In reviewing the effectiveness of the systems of internal control, the Board considers the result of the work carried out by the Internal Audit team. A comprehensive management accounting system is in place providing financial and operational performance measurement

indicators. Continuous meetings are held by the Executive Management to monitor performance and to agree on measures for improvement. Management is constantly updating and activating any changes in legislation or regulations pertinent to the Company.

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.

Internal audit

The Internal Audit function reports to the Board through the Audit and Risk Committee. Internal Audit is independent of Management and is not involved from an operational perspective in the activities it reviews. Internal Audit provides assurance that the design and operation of the Company's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the annual audit Work Plan targets the higher risk activities in each business unit or function. All audits are conducted in a manner that conforms to international auditing standards.

Phyllis Chepkemboi
Chairman

Thomas Odongo
Managing Director





MANAGEMENT DISCUSSION AND ANALYSIS



Budget Absorption for FY 2024/2025

Description	Budgets 2024/2025	Actual 2024/2025	% ABSORPTION
Total Revenue	1,286,731,583	1,204,815,687	94%
Total costs	1,284,812,830	1,204,743,726	94%

The absorption rate of the estimated revenue budget compared to the actuals for the year was 93% against the expenditure absorption of 94%.

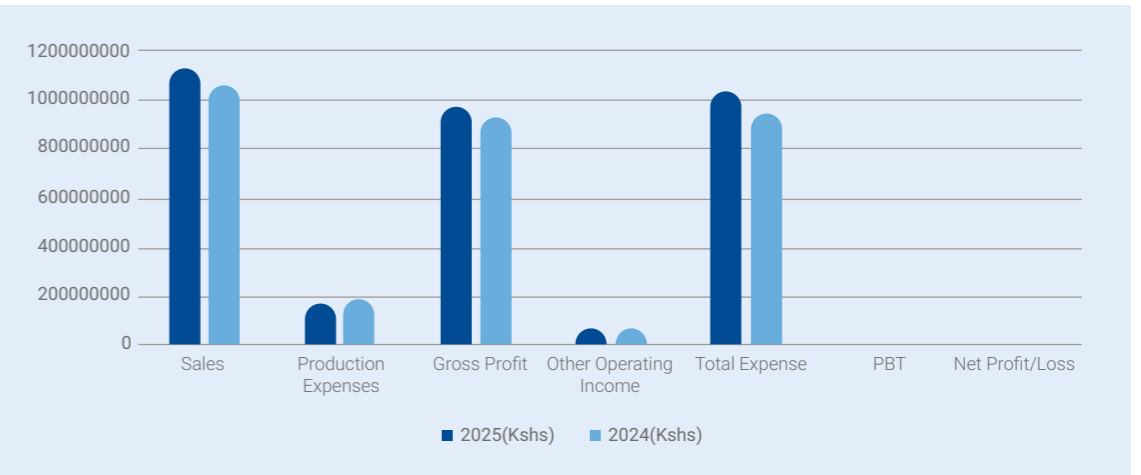
Description	2025 (Kshs)	2024 (Kshs)	Variance (Kshs)	Percentage
Sales	1,138,788,150	1,069,994,580	68,793,570	6%
Production expenses	(159,537,864)	(183,698,423)	24,160,558	-13%
Gross Profit	979,250,286	886,296,157	92,954,128	10%
Other Operating Income	66,027,537	65,283,381	744,157	1%
Total Expense	(1,045,205,862)	(948,518,046)	(96,687,816)	10%
PBT	71,961	3,061,492	(2,989,531)	-98%
Net Profit/(loss)	71,961	3,061,492	(2,989,531)	-98%

Fixed assets	582,728,312	559,661,650	23,066,662	4%
Long-Term Liabilities	494,924,966	499,637,462	(4,712,496)	-1%
Current Assets	531,554,851	507,988,792	23,566,060	5%
Current liabilities	279,610,709	228,337,451	51,273,257	22%
Total Assets	1,114,283,163	1,067,650,442	46,632,722	4%
Total Liabilities	774,535,675	727,974,913	46,560,762	6%

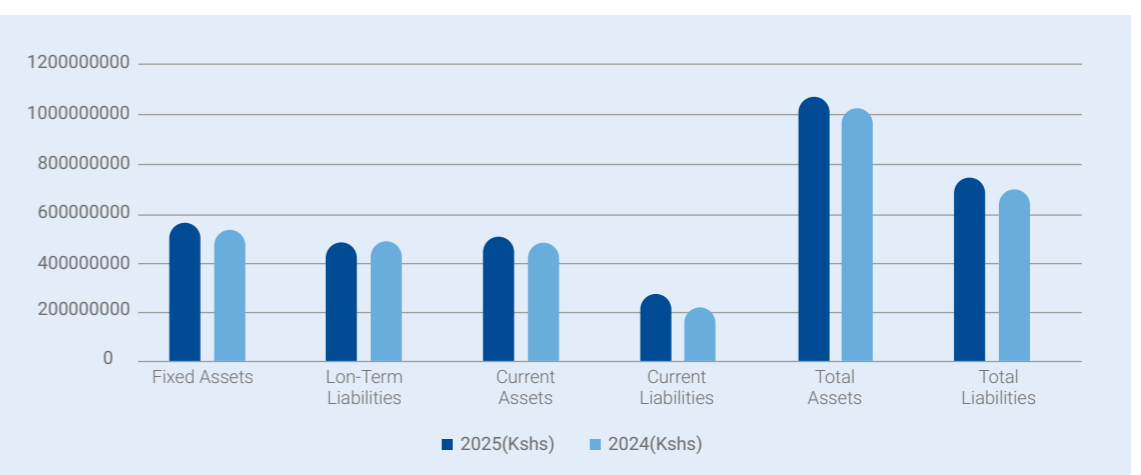
Notes;

- There was growth in sales revenues by 6% and other income increased by 1% attributed to increase in grants funding.
- There was a decrease in the production costs attributed to savings chemicals and electricity used in production.
- The Company's total assets grew by 4%.
- Total Liabilities increased by 6%.

Income Statement



Statement of Financial Position



Description	2025 (Kshs)	2024 (Kshs)	2023 (Kshs)	2022 (Kshs)
Sales	1,138,788,150	1,069,994,580	1,012,683,919	937,597,019
Production expenses	(159,537,864)	(183,698,423)	(192,359,422)	(151,113,984)
Gross Profit	979,250,286	886,296,157	820,324,497	786,483,035
Other Operating Income	66,027,537	65,283,381	53,015,609	151,797,768
Total Expense	(1,045,205,862)	(948,518,046)	(877,844,581)	(847,824,099)
PBT	71,961	3,061,492	(4,504,475)	90,456,704
Net Profit/(loss)	71,961	3,061,492	(4,504,475)	90,456,704
Fixed assets	577,714,241	552,916,279	514,447,092	322,939,062
Long-Term Liabilities	494,924,966	499,637,462	355,929,708	265,436,586
Current Assets	531,554,851	507,988,792	338,434,595	447,920,005
Current liabilities	279,610,709	228,337,451	172,957,374	284,306,150
Total Assets	1,109,269,092	1,060,905,071	852,881,687	770,859,067
Total Liabilities	774,535,675	727,974,913	528,887,082	549,742,737



ENVIRONMENTAL & SUSTAINABILITY REPORTING

KIWASCO signed an MoU with stakeholders in a bid to expand sanitation coverage to all residents of Kisumu city through development of sustainable, equitable and affordable sanitation solutions.

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:

i) 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.

ii) 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.

iii) Employee welfare

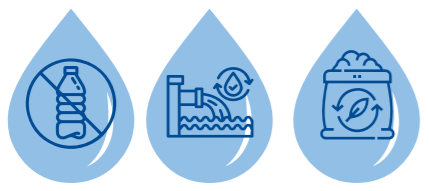
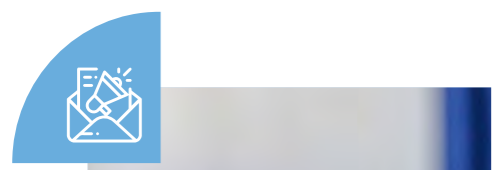


KIWASCO is committed to ensuring that the health, safety, and welfare of all our employees, contractors and visitors while in any of our sites and office facilities and going home safe remains our number one priority. All these are achieved by enforcing occupational health and safety policies, compliance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

iv) Market place practices

a) Responsible competition practice.



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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

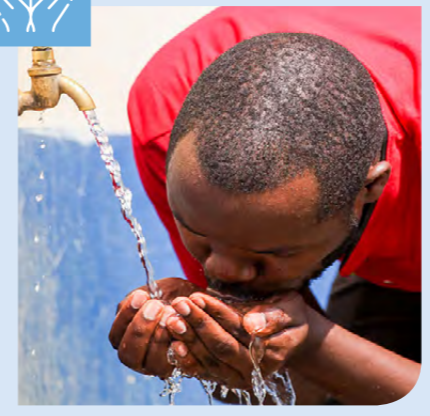
We practice ethical marketing and advertisement through disclosing information on our products and services. For example during the review of the water tariff or license review, the company engaged the public for their views through public participation forums. We advise customers on appropriate use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

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

d) Product stewardship

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

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



v) Corporate Social Responsibility / Community Engagements

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



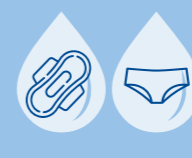
a) **Donated free water supply** to residents of Mamboleo who affected by the continuing road constructions in Kisumu City.



b) Currently **supporting 10 schools** within the City under the **Newspaper in Education (NiE)** programme supply them with additional reading materials.



c) Donated approximately **4,000 tree seedlings** to Schools and other organises groups within Kisumu in our continued bid to conserve the environment.



d) **Donated sanitary essentials** to Nyalunya Comprehensive school to mark **World Menstrual Hygiene Day**. This included over **1,000 sanitary towels**, inner wears for both girls and boys and bar soaps.



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, 2025 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, 2025 are set out on page 47. Below is summary of the profit or (loss) made during the year.

RESULTS	2025 Kshs	2024 Kshs
Profit before tax	71,961	3,061,492
Tax	-	-
Profit for the year	71,961	3,061,492

iii) Dividends

The company has not declared dividends for the year ended 2025

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

28/08/2025
Corporate 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, 2025. 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, 2025, 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 **28th August 2025** and signed on its behalf by:

Phyllis Chepkemboi
Chairperson of the Board

Thomas Odongo
Managing Director

Report of the Auditor-General on Kisumu Water and Sanitation Company Limited for the Year Ended 30 June, 2025

PREAMBLE

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

- A. Report on 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 prudent, efficient economic, transparent and accountable manner to ensure 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 respond 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 materials 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 OF THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisumu Water and Sanitation Company Limited set out on page 47 to 84, which comprise of the financial position as at 30 June 2025 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 then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of

Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kisumu Water and Sanitation Company Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015, the Water (Amendment) Act, 2024 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long-Outstanding Trade Receivables

The statement of financial position and as disclosed in Note 28 (a) to the financial statements reflects a balance of Kshs. 359,747,187 in respect of trade and other receivables which includes trade receivables balance of Kshs. 316,703,688. However, review of the ageing analysis shows that trade receivables amounting to Kshs. 190,679,562 or 53% has been outstanding for a period beyond one (1) year despite being collectable within one financial year.

In the circumstances, the recoverability of the long-outstanding receivables amounting to Kshs. 190,679,562 could not be confirmed.

2. Unconfirmed Customer Deposit

The statement of financial position and as disclosed in Note 39 in respect of trade and other payables reflect a balance of Kshs. 192,392,778 which includes an amount of Kshs. 176,648,945 in respect of water deposit. However, Management has not maintained a dedicated bank account for customer deposit to reflect accountability and transparent in reconciliation of the deposits.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs. 176,648,945 could not be confirmed.

3. Unsupported Travelling and Subsistence Expenses.

The statement of profit or loss and other comprehensive income reflects an amount of Kshs. 168,583,976 in respect of general and other operating expenses as disclosed in Note 11 to the financial statements. Included in the amount was Kshs. 27,697,965 in respect of travelling and subsistence. Review of Imprests records revealed unsupported imprests with the relevant documents such as attendance sheets and invitation letters amounting to

Report of the Auditor-General on Kisumu Water and Sanitation Company Limited for the Year Ended 30 June, 2025 (continued)

Kshs. 688,200. Further, the imprest were not surrendered within seven (7) working days after returning to duty station contrary to Regulation 93 (5) of the Public Finance Management (County Government) Regulations, 2015 which requires that a holder of a temporary Imprest shall account for or surrender the Imprest within seven (7) working days after returning to duty station.

In the circumstances, the accuracy and completeness of travelling and subsistence expenses of Kshs. 688,200 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu Water and Sanitation Company Limited Management in accordance with ISSAI 130 on 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 statement in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipt budget and actual amounts on comparable basis of Kshs.1,286,731,583 and Kshs.1,204,811,258, resulting in an under funding of Kshs. 81,920,325 or 6% of the budget. Similarly, the Company spent Kshs. 1,273,893,408 against actual revenue of Kshs.1,204,811,258 resulting in an over expenditure of Kshs. 69,082,150 or 6% of available funds.

The under-funding may have impacted negatively on service delivery to the public. Further, analysis of the budget revealed that establishment expenses reflected a final budget of Kshs. 140,769,083 while the actual expenditure reflected Kshs.147,690,654 resulting in unexplained over-expenditure of Kshs. 6,921,571 or 5% of budget provision.

My opinion is not modified on the effects of this matter.

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. Except for the effect of the matters described in the Basis for Qualified opinion section I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several matters were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in use of Public

Resources and report on Effectiveness of Internal Control, Risk Management and Governance respectively. Review of the status during the audit of Kisumu Water and Sanitation Company in 2024/2025 revealed the following four (4) issues remained unresolved.

No.	Financial Year	Audit Issue
1.	2023/2024	Long Outstanding Trade debtors
2.	2023/2024	Long Outstanding Trade and Other Payables
3.	2023/2024	Non-Revenue Water Management
4.	2023/2024	Non-Compliance with law on Ethnic and Gender Balance

Other Information

The Directors are responsible for the Other Information set out on page 5 to 40 which comprise of Key Entity Information, the Board of Directors, Key Management team, Chairman's Statement, Report of the Managing Director, Statement of Performance against Predetermined Objectives for the financial year 2024/2025, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors' Responsibilities. The Other information does not include the financial statements and my audit report thereon.

In connection with my audit on the Company 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 statements 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 the fact I have nothing to report in this regard.

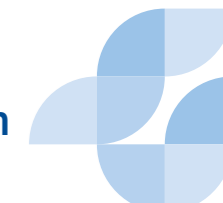
My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

Report of the Auditor-General on Kisumu Water and Sanitation Company Limited for the Year Ended 30 June, 2025 (continued)



Basis for Conclusion

1. Delayed Completion of Conditional Liquidity Support Grants (CLSG) II Projects.

1.1 Proposed Kamaler Water Network Extension Works Within Kisumu City.

Review of the project file and expenditure records revealed that a firm was awarded the tender for the proposed Kamaler Network Extension Works within City of Kisumu at a contract sum of Kshs. 37,541,853 with a contract period of six (6) months and a completion date of 10 September 2025. Review of supervision progress report of October, 2025 stated that the contract period elapsed 4 months ago with certified works at 98% and work done valued at Kshs. 41,440,211, resulting in an unsupported additional contract amount of Kshs. 3,898,358

In addition, payments records show that the contractor has been paid Kshs. 39,014,011. However the contract sum in the contract agreement was Kshs. 37,541,853 resulting in a unexplained variance of Kshs. 1,478,358 between the two sets of records. This was contrary to Regulations 34(d) of the Public Procurement and Asset Disposal Regulation, 2020 which requires the head of procurement to review and consider request of project variations.

In the circumstances Management was in breach of the law.

1.2 Water Network Overhaul at Milimani Estate within Kisumu City

Review of the project file and expenditure records revealed that a firm was awarded tender for Networks Overhaul at Milimani Estate within City of Kisumu at a Contract sum of Kshs. 38,314,300. However, Management has not provided technical supervision report indicating details such as original contract period, commencement date, completion date value of works done, IPC payment status, percentage of certified works, and elapsed contract period for audit review contrary to Section 9(1) (e) (i) of the Public Audit Act, 2015 which states that for the purposes of carrying out his or her duties effectively, the Auditor General, or an officer authorized for the purpose of this Act, shall have powers of unrestricted access to all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229(4) of the Constitution.

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

2. Engagement of Casual for more than 3 Months

Review of the Company's human resource records relating to casuals revealed that six (6) casuals were engaged at various times during the year under review. However, review of the payroll and appointment letters revealed that the engaged casuals had worked continuously for a period of more than three (3) months. This was contrary to Section 37(b) of the Employment Act, 2007 which states that notwithstanding any provisions of this Act, where a casual employee performs work which cannot reasonably be expected to be completed within a period, or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

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

3. Non- Compliance with Employment Act on Acting Positions

Review of payroll records revealed that there were five (5) employees who have acted for more than six (6) months contrary to Paragraph 11.7.1 of the Kisumu Water and Sanitation Company Human Resource Policy on acting allowances which states that work in acting capacity will not exceed six consecutive months as tabulated below.

PF No.	Period Acted	Months Acted
226	1/12/2023 - 31/12/2025	19
236	20/2/2024 - 31/8/2025	15
154	1/2/2013 - 30/6/2025	148
254	25/10/2019 - 30/6/2025	68
245	25/10/2019 - 31/2/2025	64

In addition, review of payroll records revealed that one (1) staff was appointed on 31 May, 2024 to act in the position of Water Network Maintenance with effect from 1 June, earning an acting allowance of Kshs. 17,528 per month. However the appointment letter did not indicate the acting period the staff was to act. In the circumstances, Management was in breach of the law.

4. Failure to Maintain Imprest Register

During the year under review, the Company did not maintain an imprest management register detailing the payee, imprest warrant number, date of issue, due date and date of surrender. This was contrary to Section 93 (4b) of Public Finance Management Regulations (2015), which states before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant has no outstanding imprest and the applicant has been recorded in the Imprest Register



Report of the Auditor-General on Kisumu Water and Sanitation Company Limited for the Year Ended 30 June, 2025 (continued)

including the amount applied for.
In the circumstances, Management is in breach of the law.

5. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees on the Company's payroll were 299 out of which 252 or 84% of the total number were member were members of the dominant ethnic community in the region. This was contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

In addition, analysis of recruitments done during the year under review revealed that out of 10 new appointments, 9 or 90% were members of the dominant ethnic community in the region an indication that the management is not progressively addressing the issue.

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

6. Irregular Recruitment of Staff

Review of the human resource records revealed that Management irregularly and uncompetitively recruited nine (9) employees who were on internship program and temporal terms without following the recruitment procedure contrary to Section 3.8.1 of the Kisumu Water and Sanitation Company Limited Human Resource Policy and Procedures Manual (2023) on recruitment procedures which states that KIWASCO's policy on Talent Acquisition is to ensure that human resources requirements in terms of numbers and talent for the business are identified and sustainable in the short terms and long term in line with company business strategy.

In the circumstances, Management was in breach of the Company's Human Resource Policy & Procedures Manual (2023).

7. Late Remittance of Statutory Deduction

Review of the payroll records revealed that the Company made late payment of NSSF statutory deductions as tabulated below.

ITEM	Amount (Kshs.)	Date Remitted
NSSF remittance for June 2024	1,249,606	11/7/2024
NSSF remittance for August 2024	1,255,620	11/9/2024
NSSF remittance for October 2024	1,286,418	22/11/2024
NSSF remittance for November 2025	1,261,472	30/12/2024
NSSF remittance for January 2025	1,284,044	12/2/2025
NSSF remittance for February 2025	1,965,060	17/3/2025

This was contrary to Section 18(1) and (2) of the NSSF Act, 2012 which states that if an employer fails to pay a standard contribution in respect of any person employed by him a penalty equal to five times the amount of that contribution shall be payable by that person for each month or part thereof during which the contribution remains unpaid.

In the circumstances, Management was in breach of law.

8. Non-Compliance with Law on Representation of People with Disabilities

During the year under review, the total number of employees on the Company's payroll was two hundred and ninety-nine (299) out of which only (2) or 0.6% were people with disability. Further review of recruitments done during the year under review revealed that out of 10 new appointments there was no person with disabilities. In addition it was observed that there was no representation of people with disabilities on the governing council and Management Board.

This was contrary to Article 232(1) (h) (i) (ii) and (iii) of the Constitution of Kenya on the values and principles of Public service state that the values and principles of Public service include representation of Kenya's diverse communities and affording adequate and equal opportunities for appointment, training and advancement, at all levels of the public service, of men and women, the members of all ethnic groups and persons with disabilities.

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



Report of the Auditor-General on Kisumu Water and Sanitation Company Limited for the Year Ended 30 June, 2025 (continued)

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

2. Operation of Two Accounting Systems

Review of the intangible assets' records revealed that the Company entered into Service Legal Agreement with a firm on 27 September, 2021 to provide support services for the Company's Microsoft Dynamic Navision ERP BC365 on premise services at annual consideration of Kshs. 1,945,000 to replace the Pastel ERP, that had been in use. However, review of payment records revealed that the Company paid Kshs. 45,600 for system registration renewal for the Pastel ERP, an indication that the Company was still using the system and that the Company's books of accounts were being operated and maintained in two different accounting systems since 2021, Pastel and Microsoft Navision Dynamics. No explanation has been given for running the two parallel accounting systems for long after the transition period.

This was contrary to regulation 110(1) of the Public Finance Management (County Government) which states that the Accounting Officer for a county government entity shall institute appropriate access controls needed to minimize breaches of information confidentiality, data integrity and loss of business continuity.

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

3. Understaffing of Internal Audit Department

Review of the Internal audit structure revealed that the Internal Audit Department has two staff; one head of internal audit and one assistant. However, the approved staff establishment require the internal audit department to have five (5) officers. This was contrary to Regulation 162(2)(a) of the Public Finance Management (County Government) Regulation, 2015 that states that an Accounting Officer shall ensure that the organizational Structure of the internal audit unit facilitates the entity to accomplish its internal audit responsibilities.

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

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 respect. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

9. Non-Revenue Water

Revenue of water production records and documents provided for audit review revealed that the Company produced a total of 12,309,760 cubic meters of water during the year under review, out of which 8,016,515 cubic meters was available to customers for sale resulting to non-revenue water variance of 4,293,244 cubic meter or 35%, which is 10% over and above the allowable water loss of 25% as per the Water Service Regulatory Board guidelines. The high level of Non-Revenue Water represents loss on public resources and may negatively affect sustainability of the operations of the Company.

In the Circumstances, Management was in breach of water Service Regulatory Board guidelines

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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I Confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Update ICT Policy.

Review of the Company's ICT Policy revealed that the policy was last revised in January, 2020. However, the policy has not been reviewed since its revision contrary to paragraph 10(1) of the Policy that mandates review after every three years.

As a result, the Policy has remained outdated despite significant changes in technology, rendering it ineffective in guiding the Company's current ICT governance, security, and operational framework.



Report of the Auditor-General on Kisumu Water and Sanitation Company Limited for the Year Ended 30 June, 2025 (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the 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;
- The information given in the Directors' report on page 39 is consistent with the financial statements; and
- The auditable part of the Directors' remuneration report on page 22 has been properly prepared in accordance with the Companies Act, 2015.

Basis for Conclusion

The Companies Act, 2015 requires that I report on the legal or regulatory requirement, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the 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 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 cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provision 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors are responsible for overseeing

the Company financial reporting process reviewing the effectiveness of how management monitors compliance with relevant legislative and regulatory requirements ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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 of Supreme Audit Institution (ISSAIs). The Standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from materials 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 of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can rise 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.

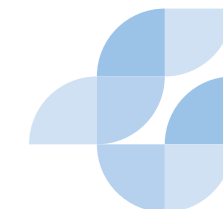
In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that 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/>. The description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS

AUDITOR GENERAL
Nairobi

08 December, 2025.



Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2025

Note	2024-2025 Kshs	2023-2024 Kshs	
REVENUE			
Operating Revenue	6	1,138,788,150	1,069,994,580
Grants Income	7	25,894,455	29,896,837
Other Operating Income	8	40,133,083	35,386,543
Total Revenue		1,204,815,687	1,135,277,960
Expenses			
Staff Costs	9	389,346,249	376,299,900
Production expenses	10	159,537,864	183,698,423
General and Operations expenses	11	168,925,709	152,113,093
Board Expenses	12	11,909,546	11,475,110
Maintenance Expenses	13	246,373,894	201,377,375
Establishment Expenses	14	147,795,054	125,194,872
Depreciation and Amortization expenses	15	49,427,653	56,642,885
Finance Costs	16	31,427,756	25,414,811
Total Expenses		1,204,743,726	1,132,216,468
Profit/(Loss) Before Taxation		71,961	3,061,492
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		71,961	3,061,492
Earnings Per Share – Basic And Diluted	18	-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		71,961	3,061,492
Surplus or Deficit on Revaluation Of PPE	32	-	-
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		71,961	3,061,492



Statement of Financial Position

For the year ended 30 June 2025

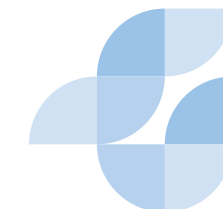
	Note	2024-2025 Kshs	2023-2024 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	577,714,241	552,916,279
Intangible assets	21	-	1,731,300
Deferred tax	26	5,014,071	5,014,071
Total Non-Current Assets		582,728,312	559,661,650
Current Assets			
Inventories	27	71,645,762	70,317,081
Trade and receivable	28a	316,703,688	294,107,253
Staff Recoverable	28c	489,731	-
Prepayments and deposits	28d	13,792,646	12,560,664
Tax Recoverable (VAT)	29	28,761,122	28,761,122
Bank and cash balances	30	100,161,902	102,242,671
Total Current Assets		531,554,851	507,988,792
TOTAL ASSETS		1,114,283,163	1,067,650,442
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	218,466,193	218,394,232
Total Capital and Reserves		339,747,489	339,675,528
Non-Current Liabilities			
Borrowings	36	142,054,342	149,890,889
Trade and other payables	39	192,319,731	179,966,898
Capital Grants	43	160,550,892	169,779,675
Total Non-Current Liabilities		494,924,966	499,637,462
Current Liabilities			
Borrowings	36	5,870,598	8,291,364
Trade and other payables	40	266,053,063	211,010,640
Current tax	44	7,503,316	8,861,379
Provision for liabilities and charges	45	183,732.00	174,069.00
Total Current Liabilities		279,610,709	228,337,451
TOTAL EQUITY AND LIABILITIES		1,114,283,163	1,067,650,442

The financial statements were approved by the Board on **28th August 2025** and signed on its behalf by:

Thomas Odongo
Managing Director

CPA Nicholas Moseti
Head of Finance
ICPAK M/No:14413

Phyllis Chepkemboi
Chairman of the Board



Statement of Changes in Equity

For the year ended 30 June 2025

	Notes	Ordinary Share capital Kshs	Revaluation Reserve Kshs	Retained earnings Kshs	Total Kshs
As at July 1, 2023	24	100,000	121,181,296	215,332,740	336,614,036
Profit for the year		-	-	3,061,492	3,061,492.02
Prior year Adjustment					-
Revaluation Surplus			-	-	-
Dividends payable				-	-
As at June 30, 2024		100,000	121,181,296	218,394,232	339,675,528
As at July 1, 2024		100,000	121,181,296	218,394,232	339,675,528
Prior year Adjustment				-	-
Revaluation Surplus			-		-
Profit for the year		-	-	71,961	71,961
Dividends payable		-	-	-	-
At June 30, 2025		100,000	121,181,296	218,466,193	339,747,489



Statement of Cash Flows

For the year ended 30 June 2025

	Note	2024-2025 Kshs	2023-2024 Kshs
Cash Flows from Operating Activities			
Cash Generated from operations	46	68,279,309	16,969,258
Tax paid		(1,358,063)	(412,696)
Net Cash from Operating Activities		66,921,246	16,556,562
Cash Flows from Investing Activities			
Purchase Of Property, Plant and Equipment (PPE)	20	(72,494,315)	(89,238,011)
Purchase Of Intangible Assets	21	-	-
Proceeds From Disposal/ Impaired		-	-
Net Cash From/ (Used In) Investing Activities		(72,494,315)	(89,238,011)
Cash Flows from Financing Activities			
Interests Paid	16	-	-
Proceeds From Borrowings	36	-	-
Repayment Of Borrowings	36	(10,257,313)	47,347,152.75
Increase in water deposits	39	12,352,834	11,972,286
Grant received	43	1,396,780	94,168,555
Grants reversed from prior year to P&L account		-	-
Reduction in Long-term Liabilities – CGK contribution		-	-
Net Cash From/ (Used In) Financing Activities		3,492,301	153,487,993
Increase/(Decrease) In Cash and Cash Equivalents		(2,080,769)	80,806,545
Cash and Cash Equivalents at Beginning of Year		102,242,672	21,436,127
Cash and Cash Equivalents at End of The Year	30	100,161,901	102,242,672



Statement of Comparison of Budget & Actual Amounts

For the year ended 30 June 2025

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2024-2025	2024-2025	2024-2025	2024-2025		
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Operating Revenue	1,181,277,084	-	1,181,277,084	1,138,788,150	(42,488,934)	96%
Grants Income	55,144,619	-	55,144,619	25,894,455	(29,250,164)	47%
Other operating income	50,309,880	-	50,309,880	40,133,083	(10,176,797)	80%
Total Revenue	1,286,731,583	-	1,286,731,583	1,204,815,687	(81,915,896)	94%
Expenses						
Staff costs	395,124,919	-	395,124,919	389,346,249	(5,778,670)	99%
Production expenses	211,327,462	(26,500,000)	184,827,462	159,537,864	(25,289,598)	86%
General and Operations expenses	181,968,082	(3,700,000)	178,268,082	168,925,709	(9,342,373)	95%
Board expenses	12,414,286	2,300,000	14,714,286	11,909,546	(2,804,740)	81%
Maintenance expenses	264,610,335	21,700,000	286,310,335	246,373,894	(39,936,441)	86%
Establishment expenses	139,769,083	1,000,000	140,769,083	147,795,054	7,025,971	105%
Depreciation and amortization	55,008,412	-	55,008,412	49,427,653	(5,580,759)	90%
Finance costs	24,590,251	5,200,000	29,790,251	31,427,756	1,637,505	105%
Total Recurrent Expenditure	1,284,812,830	-	1,284,812,830	1,204,743,726	(80,069,104)	94%
Profit or Loss	1,918,753		1,918,753	71,961	(1,846,792)	4%
Capital Expenditure	73,815,951	-	73,815,951	72,494,315	(1,321,635)	98%
Total Expenditure	1,358,628,781	-	1,358,628,781	1,277,238,042	(81,390,739)	94%

Note:

- The Company achieved 96% of the budgeted revenue in the year under review. This is a strong performance despite market challenges and there is potential for full achievements in the coming periods.
- Grants and Grants writeback reduced by 47% while Other miscellaneous equally achieved 80% which underscores the need to strengthen donor engagement and expand funding pipelines.
- Staff expenses was 99% underscoring effective cost control and financial planning.
- Production expenses was 86% reflecting cost efficiencies in operations, improved resource utilization and process optimization.
- General and operational expenses was 95% reflecting prudent spending and operational efficiency. Reallocation of funds within the budget was done and approved in the supplementary budget to cater for overspendings in the maintenance expenditure
- Maintenance expense were contained at 86% of the budget indicating efficient resource utilization and effective asset maintainance.
- Establishment expenses incurred during the year was 5% above the budget due increased costs that were not budgeted for due to unforeseen circumstances.
- Finance charges incurred during the year was 1% above the budget due to increased borrowing and higher interest rate charged by the financial institution.
- Increased profitability in the year is due to the general savings made in in all the account heads except for the Finance costs and establishment expenses.



Notes to the Financial Statements

For the year ended 30 June 2025

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 2025

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.



Notes to the Financial Statements

For the year ended 30 June 2025

Title	Description	Effective Date
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ol style="list-style-type: none"> when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. 	1 January 2026

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. 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

Kiwasco did not early – adopt any new or amended standards in year 2024/2025



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

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.

Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

4. Summary of Significant Accounting Policies (continued)

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

The annual rates in use are:

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 2025

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



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

4. Summary of Significant Accounting Policies (continued)

k) Borrowing costs (continued)

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.

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 applied as per the NSSF rates.

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 2024-2025 was approved by the Board of Directors on 29th June 2025. 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 2024-2025 budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

4. Summary of Significant Accounting Policies (continued)

i) Budget information (continued)

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

s) Service concession arrangements

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

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

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

b) Useful lives and residual values (continued)

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

Additional disclosure of these estimates of provisions is included in Note 45. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. Operating Revenue

	2024-2025 Kshs	2023-2024 Kshs
Water sales	897,751,934	822,476,586
Sewerage Services	201,232,286	210,015,169
Billing for other services	39,803,930	37,502,825
Total	1,138,788,150	1,069,994,580

7. Grants Income

	2024-2025 Kshs	2023-2024 Kshs
Operational grants from Government entities	-	-
Recurrent/operational grants from other agencies	15,268,891.68	17,952,877
Capital grants amortized	10,625,563	11,943,960
Donations from the County Government of Kisumu	-	-
In Kind contribution/donations from other agencies	-	-
Total	25,894,455	29,896,837

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	2024-2025 Kshs
Water Sector Trust Fund	-	-	-	-	-
Ministry	-	-	-	-	-
Other partners	-	-	-	-	-
Total	-	-	-	-	-



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

8. Other Income

	2024-2025 Kshs	2023-2024 Kshs
Illegal connections	4,352,235	3,767,682
New water connections	5,048,706	3,117,497
Reconnection fees	13,129,592	14,282,516
Sewer connection	1,334,130	389,317
Surcharge on meter loss	3,123,460	4,033,718
Miscellaneous income (specify)	7,815,645	2,464,643
Other Income - Donations	-	1,250,000.00
Exhauster Services	5,329,315	6,081,170
Total	40,133,083	35,386,543

9. Staff Costs

Description	2024-2025 Kshs	2023-2024 Kshs
Gross Salary and Allowances	281,790,971	273,849,715
Contracted / Temporary workers' Wages	26,962,588	27,384,888
Medical insurance schemes	46,045,206	43,045,732
Employer's contributions to social security schemes	9,360,170	5,467,300
Employer's contributions to pension scheme	13,925,004	13,856,181
Employer's contributions to Affordable Housing Fund	4,157,747	3,456,722.69
Provisions for Leave pay (Payment in lieu of leave)	235,379	2,779,490
Staff Gratuity	3,149,700	3,692,620
Staff welfare	3,534,385	2,580,852
Other allowances- Directorate of Industrial Training (DIT) Levy	185,100	186,400
Total	389,346,249	376,299,900
The Average number of employees during the year	300	300

- 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 2025

10. Production expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Opening stock of Chemicals	4,891,737	8,178,623
Chemicals	92,288,055	101,063,435
Electricity	64,784,985	79,348,101
Less Closing stock of Chemicals	(2,426,913)	(4,891,737)
Total	159,537,864	183,698,423

11. General and Operations Expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Opening Stocks (Uniforms and Stationery)	4,911,587	5,332,961
Uniform and protective clothing	6,266,986	4,567,076
Publicity and advertising	9,794,136	16,156,984
Tenders	651,144	86,982
Bank Charges and commissions	2,309,334	2,971,834
Staff training and development	17,215,429	9,893,385
Telephone and Postage	9,632,676	9,598,932
Vehicle running expenses (Fuel, oil, lubricants & repairs)	36,486,874	32,505,956
Traveling and subsistence	27,697,965	22,898,079
Printing and stationery	7,217,926	6,284,895
Sports and recreation	5,829,164	4,277,885
Audit fees	580,000.00	580,000
Telecommunication- ICT expenses	17,136,091	16,248,143
Debt collection	-	332,570
Bad debts provision	-	-
Legal and Professional fees	3,668,447	6,954,894
Consultancy fees	4,854,723	1,533,481
Office expenses	14,383,292	11,668,183
Gifts and Donations	1,564,076	200,000
Occupational Safety and Health	75,850	75,000
Project Expenses	5,054,883	4,857,440
Closing Stocks (Uniforms and Stationery)	(6,404,873)	(4,911,587)
Total	168,925,709	152,113,093



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

12. Board Expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Chairman Honoraria	-	-
Sitting allowances	7,434,428	9,122,987
Induction and Training (Board retreat)	1,664,058	560,951
Annual General Meeting (AGM) & stakeholders meeting	2,647,710	1,528,850
Refreshments	163,350	262,322
Total Board Expenses	11,909,546	11,475,110

13. Maintenance Expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Opening inventories of consumables	60,513,757	54,466,184
Network maintenance	156,345,343	142,956,287
Sewerage maintenance	16,212,024	7,476,283
Sanitation	17,565,976	13,405,358
Laboratory reagent	23,517,529	13,299,198
Water pump maintenance	12,712,075	14,213,871
Electrical items	22,321,166	16,073,950
Closing inventories of consumables	(62,813,976)	(60,513,757)
Total	246,373,894	201,377,375

14. Establishment Expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Conservancy fees	39,787,370	37,451,750
LTAP - operating Lease	5,000,000	3,000,000
WASREB levy	45,551,525	42,799,781
WRA levy	16,010,319	7,955,642
NEMA	376,501	105,050
KEBS levy	400,000	400,000
WASPA	295,000	640,000
Rent and Rates	-	1,287,424
Office repairs and maintenance	8,347,733	2,608,605
Electricity	1,251,596	1,030,942
General insurance	3,169,851	3,003,984
Security services	27,061,800	24,590,950
Impairment loss on meters	-	-
Water Costs - Office	543,359	320,744
Total	147,795,054	125,194,872



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

15. Depreciation and Amortization Expenses

Description	2024-2025 Kshs	2023-2024 Kshs
Property, plant, and equipment	47,696,353	50,768,823
Intangible assets	1,731,300	5,874,062
Investment property carried at cost	-	-
Total Depreciation and Amortization	49,427,653	56,642,885

16. Finance costs

Description	2024-2025 Kshs	2023-2024 Kshs
Interest expense on loans	31,427,756	25,414,811
Interest expense Insurance Premium Financing (IPF)	-	-
Interest on lease liabilities	-	-
Total	31,427,756	25,414,811

17. Income Tax Expense/(Credit)

Description	2024-2025 Kshs	2023-2024 Kshs
Adjusted profit for the year	71,961	3,061,492
Current taxation based on the adjusted profit for the year at 30%	-	-
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	-	-
Prior year under-provision for deferred tax	-	-
Total	-	-



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

20. Property, Plant and Equipment (continued)

Valuation

The Company did not carry out valuation of its assets during the current financial year 2024 - 2025.

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	128,644,107	85,293,802
Land	65,000,000	-	65,000,000
Buildings	211,905,900	12,007,619	199,898,280
Leasehold improvements	46,687,970	0	46,687,970
Plant and machinery	310,053,218	195,760,382	114,292,836
Motor vehicles, including motorcycles	44,146,401	30,473,656	13,672,745
Computers and related equipment	15,946,916	9,128,428	6,818,488
Office equipment, furniture, and fittings	74,126,662	28,076,542	46,050,120
Total	981,804,975	404,090,734	577,714,241

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

Description	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor cycles – 11No.	-	25%
Computers and related equipment	-	30%
Office equipment, furniture and fittings	-	30%
Total	-	12.5%



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

21. Intangible Assets

	2024-2025 Kshs	2023-2024 Kshs
COST		
At July 1 2024	29,370,312	29,370,312
Additions		
Disposals		
At June 30 2025	29,370,312	29,370,312
AMORTISATION		
At July 1 2024	27,639,012	21,764,949
Charge for the year	1,731,300	5,874,062
Disposals		
Impairment loss		
At June 30 2025	29,370,312	27,639,012
NET BOOK VALUE		
At June 30 2025	-	1,731,300

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 2025

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:

	2024-2025 Kshs	2023-2024 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

	2024-2025 Kshs	2023-2024 Kshs
Water Chemicals	2,426,913	4,891,737
Water fittings and Accessories	26,878,010	24,329,296
Water meters	12,184,399	11,344,662
Electrical items	3,998,816	2,287,028
Pipes	13,927,810	18,024,792
Hardware materials	5,824,941	4,527,978
Uniform and protective clothing	739,272	535,941
Stationery and general supplies	5,665,601	4,375,647
Total	71,645,762	70,317,081

- 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 2025

28. Trade and Other Receivables

	2024-2025 Kshs	2023-2024 Kshs
Trade receivables (note (28a))	316,703,688	294,107,253
Prepayments and Deposits (note (28d))	13,792,646	12,560,664
VAT recoverable (note (29))	28,761,122	28,761,122
Staff receivables (note 28 (c))	489,730.83	-
Gross trade and other receivables	359,747,187	335,429,039
Provision for bad and doubtful receivable		
Net trade and other receivables	359,747,187	335,429,039

28 (a) Trade Receivables

	2024-2025 Kshs	2023-2024 Kshs
Gross trade receivables	316,703,688	294,107,253
Provision for doubtful receivables		-
Net trade receivables	316,703,688	294,107,253
<i>at June 30, the ageing analysis of the gross trade receivables was as follows:</i>		
Less than 30 days	58,599,155	71,424,193
Between 30 and 60 days	31,384,794	19,381,046
Between 61 and 90 days	20,294,950	11,765,387
Between 91 and 120 days	15,745,227	10,163,420
Over 120 days	190,679,562	182,302,631
Total	316,703,688	295,036,676

28 (b) Reconciliation of Impairment Allowance for Trade Receivables

Description	2024-2025 Kshs	2023-2024 Kshs
At the beginning of the year	24,378,040	48,986,667
Additional provisions during the year	-	24,378,040
Recovered during the year	-	-
Written off during the year	-	(48,986,667)
At the end of the year	24,378,040	24,378,040



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

28 (c) Staff Receivables

	2024-2025 Kshs	2023-2024 Kshs
Gross staff loans and advances	489,731	-
Provision for impairment loss	-	-
Net staff loans	489,731	-
Less: Amounts due within one year	489,731	-
Amounts due after one year		-

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

Reconciliation of Impairment Allowance for Staff Receivables

Description	2024-2025 Kshs	2023-2024 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

	2024-2025 Kshs	2023-2024 Kshs
Telephone deposits (Telkom & Safaricom)	177,000	177,000
Electricity deposits (KPLC)	923,859	923,859
Internet services deposit	17,400	17,400
Staff medical & General insurance prepaid	12,674,388	11,442,405
Others		
Total	13,792,646	12,560,664

29. Tax Recoverable (Value Added Tax)

	2024-2025 Kshs	2023-2024 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



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

30. Bank and Cash Balances

	2024-2025 Kshs	2023-2024 Kshs
Cash at bank	99,792,992	100,139,295
Cash in hand	64,591	790
Mobile money account	304,319	2,102,586
Total	100,161,902	102,242,671

Detailed analysis of the cash and cash equivalents

Financial institution	Account Number	2024-2025 Kshs	2023-2024 Kshs
a) Current account			
KCB	1240290837	226,203	50,715
Co-operative Bank	1136012931300	8,203,297	519,947
Co-operative Bank	1136012931301	2,854,602	444,581
Co-operative Bank	1100012931300	565	3,137,207
Equity Bank	0290265172985	650,220	229,969
NCBA Bank – Pamoja Trust	1126750083	460,490	450,799
NCBA – EU-WOP project	8349710022	3,138,630	5,269,114
Post Bank	0744130005547	1,000	379,507
National Bank of Kenya - Collection Account	7700570280	2,157,234	344,181
Co-operative Bank - CSLG A/C	01141012931300	44,150,280	86,171,954.50
Diamond Trust Bank	0846441001	609,151	-
Sub- total		62,451,672	96,997,975
b) On – call deposits			
National Bank of Kenya - ESCROW A/C		341,320	341,320
Co-operative Bank - ESCROW A/C		37,000,000	2,800,000.00
Sub- total		37,341,320	3,141,320



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

30. Bank and Cash Balances (continued)

Detailed analysis of the cash and cash equivalents (continued)

Financial institution	Account Number	2024-2025	2023-2024
		Kshs	Kshs
c) Fixed deposits account			
Commercial banks & Others		-	-
Sub- total		-	-
d) Others (specify)			
Cash in hand –Petty Cash		64,591	790
Mobile money account		304,319	2,102,586
Sub- total		368,910	2,103,376
Grand total		100,161,902	102,242,671

31. Ordinary Share Capital

	2024-2025 Kshs	2023-2024 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 2025

33. Fair Value Adjustment Reserve

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

34. Retained Earnings

The retained earnings represent amounts available for distribution to the Company's shareholders.

Undistributed retained earnings are utilised to finance the Company's business activities including network expansions to meet the coverage level as required by the Regulator (WASREB). The retained earnings for the year is 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.

	2024-2025 Kshs	2023-2024 Kshs
a) External Borrowings		
Balance at end of the year		
b) Domestic Borrowings		
Balance at beginning of the year	158,182,253	158,182,253
Domestic borrowings during the year		
Repayments during the year	(10,257,313)	
Balance at end of the year		
c) Total Balance at end of the period c = a+b	147,924,940	158,182,253

The analyses of the domestic borrowing is as follows:

	2024-2025 Kshs	2023-2024 Kshs
Domestic Borrowings		
Kenya Shilling loan from NBK- Mortgage Finance	142,054,342	149,890,889
Kenya Shilling loan from NBK- Asset Finance	5,870,598	8,291,364
Total balance at end of the year	147,924,940	158,182,253



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

Description	2024-2025 Kshs	2023-2024 Kshs
Short term borrowings (current portion)	5,870,598	8,291,364
Long term borrowings	142,054,342	149,890,889
Total	147,924,940	158,182,253

37. Lease Liability

The Company had no lease liability in the financial year ended 30th June 2025 hence no relevant report

38. Retirement Benefit Obligations

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

Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

39. Trade and Other Payables – Non-current Liabilities

Description	2024-2025 Kshs	2023-2024 Kshs
Water Deposits	176,575,898	164,223,064
County Government Contribution	15,743,834	15,743,834
Other payables		
Total	192,319,731	179,966,898

40. Trade and Other Payables –Current Liabilities

Description	2024-2025 Kshs	2023-2024 Kshs
Trade payables	86,797,837	76,936,170
Conservancy fee – County Government of Kisumu	91,041,230	63,253,860
Accrued expenses	76,904,762	54,172,464
Other payables	7,208,696	7,547,608
Lake Victoria South Water Works Development - Outstanding Levy	4,100,538	9,100,538
Total	266,053,063	211,010,640



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

40. Trade and Other Payables –Current Liabilities (continued)

	2024-2025 Kshs	2023-2024 Kshs
Ageing analysis:		
Under one year	210,698,665	126,606,384
1-2 years	41,552,288	63,303,192
2-3 years	13,802,110	21,101,064
Over 3 years		
Total	266,053,063	211,010,640

41. Analysis of Customer Deposits

	2024-2025 Kshs	2023-2024 Kshs
Opening Balance	164,223,064	152,250,778
Add: deposits received during the year	15,605,544	16,542,357
Less: Refunded deposits during the year	(3,179,664)	(4,570,071)
Closing balance	176,648,945	164,223,064
Ageing analysis:		
Under one year	12,425,881	13,137,845
1-2 years	11,972,286	19,706,768
2-3 years	10,827,923	24,633,460
Over 3 years	141,422,855	106,744,992
Total	176,648,945	164,223,064

42. Analysis of County Government Contribution

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

	2024-2025 Kshs	2023-2024 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



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

43. Capital Grants

2024-2025				2024-2025
	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	515,800	-	(64,475)	451,325
Lake Victoria South Water Works Development	66,517	-	(8,315)	58,203
Water Service Trust Fund & Others	35,070,664	-	(4,383,833)	30,686,831
WSTF - CSLG II	86,171,955	-	-	86,171,955
Other Grants - OBA	40,957,714	-	(5,119,714)	35,838,000
WWF Nyangori	6,997,025	1,396,780	(1,049,226)	7,344,579
Total	169,779,675	1,396,780	(10,625,563)	160,550,892

2023-2024				2023-2024
	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	-	(5,010,095)	35,070,664
WSTF - CSLG II	-	86,171,955	-	86,171,955
Other Grants	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

44. Taxation Payable

	2024-2025 Kshs	2023-2024 Kshs
At beginning of the year	8,861,379	8,861,379
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	(1,358,063)	-
LESS -Income tax paid during the year	(1,358,063)	-
At end of the year	7,503,316	8,861,379



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

45. Provisions

Description	Leave Provision Kshs	Gratuity provisions Kshs	Other Provisions Kshs	Total Kshs
Balance at the beginning of the year		174,069		174,069
Additional Provisions		9,663		9,663.00
Provision utilised/ Paid				0
Change due to discount and time value for money				-
Balance at the end of the year	-	183,732	-	183,732

Provisions details

	2024-2025 Kshs	2023-2024 Kshs
Current Portion of Provisions	183,732	174,069
Long-term portion of Provisions	-	-
Total	183,732	174,069

46. Notes to The Statement of Cash Flows

	2024-2025 Kshs	2023-2024 Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
Profit or loss before tax	71,961	3,061,492
Depreciation	47,696,353	50,768,823
Amortisation	1,731,300	5,874,062
(Gain)/loss on disposal of property, plant and equipment	-	-
Interest Expense	(10,625,563)	(11,943,960)
Grants Write-back	(10,625,563)	(11,943,960)
Operating profit/(loss) before working capital changes	38,874,051	47,760,417
(Increase)/decrease in inventories	(1,328,681)	(2,339,313)
(Increase)/decrease in trade and other receivables	(24,318,148)	(86,408,338)
Increase/(decrease) in trade and other payables	55,042,423	57,999,685
Increase/(decrease) in retirement benefit obligations	9,663	(43,193)
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	68,279,309	16,969,258



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

46. Notes to The Statement of Cash Flows (continued)

	2024-2025 Kshs	2023-2024 Kshs
(b) Analysis of changes in loans		
Balance at beginning of the year	158,182,252.70	110,835,100.00
Receipts during the year	-	-
Repayments during the year	47,347,153	47,347,152.70
Repayments of previous year's accrued interest	-	-
Accrued interest	-	-
Balance at end of the year	205,529,405	158,182,253
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	99,792,992	100,139,295
Cash in hand	368,910	2,103,376
Balance at end of the year	100,161,902	102,242,671
(d) Analysis of interest paid		
Interest on loans	31,427,756	25,414,811
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	-	-
2025 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

Other Disclosures

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



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

Transactions with related parties

	2024-2025 Kshs	2023-2024 Kshs
(a) Sales to related parties		
Water sales to Govt. agencies – County Government of Kisumu	26,378,880	21,045,881
Others (Specify)	-	-
Total	26,378,880.00	21,045,881
(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)	131,798,067	16,069,892
Grants from County Government	-	-
Donations in kind	-	-
Total	131,798,066.93	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)	13,390,884.34	35,957,910
Total	13,390,884.34	35,957,910
(e) Key management compensation		
Directors' emoluments	8,525,256	8,241,034
Compensation to key management	36,821,232	40,677,201
Total	45,346,488	48,918,235

48. Capital Commitments

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

49. Contingent Assets and Liabilities

Contingent Assets

	2024-2025 Kshs	2023-2024 Kshs
Contingent assets		
Insurance reimbursements	-	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Total	-	-



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

49. Contingent Assets and Liabilities (continued)

Contingent Liabilities

	2024-2025 Kshs	2023-2024 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 2025

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 2025				
Trade Receivables	316,703,688	316,703,688		
Other Receivables	43,043,499	43,043,499		
Investments	-			
Bank balances	100,161,902	100,161,902		
Total	459,909,090	459,909,090	-	-
At 30 June 2024 (previous Year)				
Trade Receivables	294,107,253	294,107,253		
Other Receivables	41,321,786	41,321,786		
Investments	-			
Bank balances	102,242,671	21,436,125		
Total	437,671,710	356,865,164	-	-

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.



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

50. Financial Risk Management (continued)

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.

	Less than 1 month	Between 1-3 months	Over 5months	
	Kshs	Kshs	Kshs	Total Kshs
At 30 June 2025 current year				
Trade payables	17,359,567	21,699,459	47,738,810	86,797,837
Current portion of borrowings	1,174,120	1,467,649	3,228,829	5,870,598
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	18,533,687	23,167,108.72	50,967,639.18	92,668,435
At 30 June 2024 previous year				
Trade payables	7,693,617	23,080,851	46,161,702	76,936,170
Current portion of borrowings	829,136.35	2,487,409.06	8,291,364	11,607,909
Provisions	17,406.90	52,220.70	104,441.40	174,069.00
Employee benefit obligation	-	-	-	-
Total	8,540,160	25,620,481	54,557,507	88,718,148

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



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

50. Financial Risk Management (continued)

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.

v) Fair value of financial assets and liabilities

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



Notes to the Financial Statements (Cont'd)

For the year ended 30 June 2025

50. Financial Risk Management (continued)

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:

	2024-2025 Kshs	2023-2024 Kshs
Revaluation reserve	121,181,296	121,181,296
Retained earnings	218,466,193	218,394,232
Capital reserve	100,000	100,000
Total funds	339,747,489	339,675,528
Total borrowings	147,924,940	158,182,253
Less: cash and bank balances	100,161,902	102,242,671
Net debt/(excess cash and cash equivalents)	47,763,038	89,398,975
Gearing	14%	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 1: 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	Long outstanding Trade debtors	Long-outstanding debts have been identified and we are actively following up with the customers. Recovery plans have been put in place, including payment reminders and negotiations for settlement.	Not Resolved	Ongoing
2	Long outstanding Trade and other payables	The company has initiated measures to enhance collections from outstanding debtors and from other sources to clear these debts as they fall due	Not Resolved	Ongoing
3	Non-Revenue Water Management	Strategies developed to manage the losses	Not Resolved	Ongoing
4	Non-Compliance with law on Ethnic and gender balance	The company will be considering taking into account this issue for future recruitments.	Not Resolved	Ongoing

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

Thomas Odongo

Managing Director

Date: 28/08/2025



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

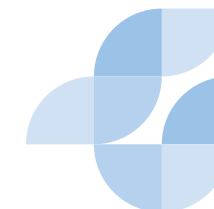
(Summarise the status of project completion at the end of the reporting period, i.e. total costs incurred, stage which the project is etc.)

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1.	Construction of 6.018km HDPE ARINA pipeline	27,212,357	10,178,740	68%	27,212,357	10,178,740	WSTF
2.	Construction of 2.0km HDPE Gudka and 1.4km Railway pipeline	36,601,246	-	-	36,601,246	-	WSTF
3.	Construction of 5.2km HDPE Kamaler pipeline	41,662,375	10,291,406	51%	41,662,375	10,291,406	WSTF
4.	Construction of 3.2km HDPE Guba pipeline	25,425,103	8,497,125	48%	25,425,103	8,497,125	WSTF
5.	Construction of 1.8km HDPE Milimani pipeline	41,442,828	13,050,000	45%	41,442,828	13,050,000	WSTF

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	30/05/2024	Development	86,171,955	-	86,171,955	-	-	-	-
Ministry/ County Department of water.	-	-	-	-	-	-	-	-	-
USAID	-	-	-	-	-	-	-	-	-
European Union- Water Operators Partnership (EU-WOP)	21/03/2025	Recurrent	15,268,892	15,268,892	-	-	-	-	15,268,892
Total			101,440,847	15,268,892	86,171,955	-	-	-	15,268,892

Proxy Form



The Company Secretary

Kisumu Water & Sanitation Company Limited
P.O. Box 3210
KISUMU

PROXY

I/We _____

of _____

being a *member/members of Kisumu Water & Sanitation Company Limited:

of (address) _____

hereby appoint: _____

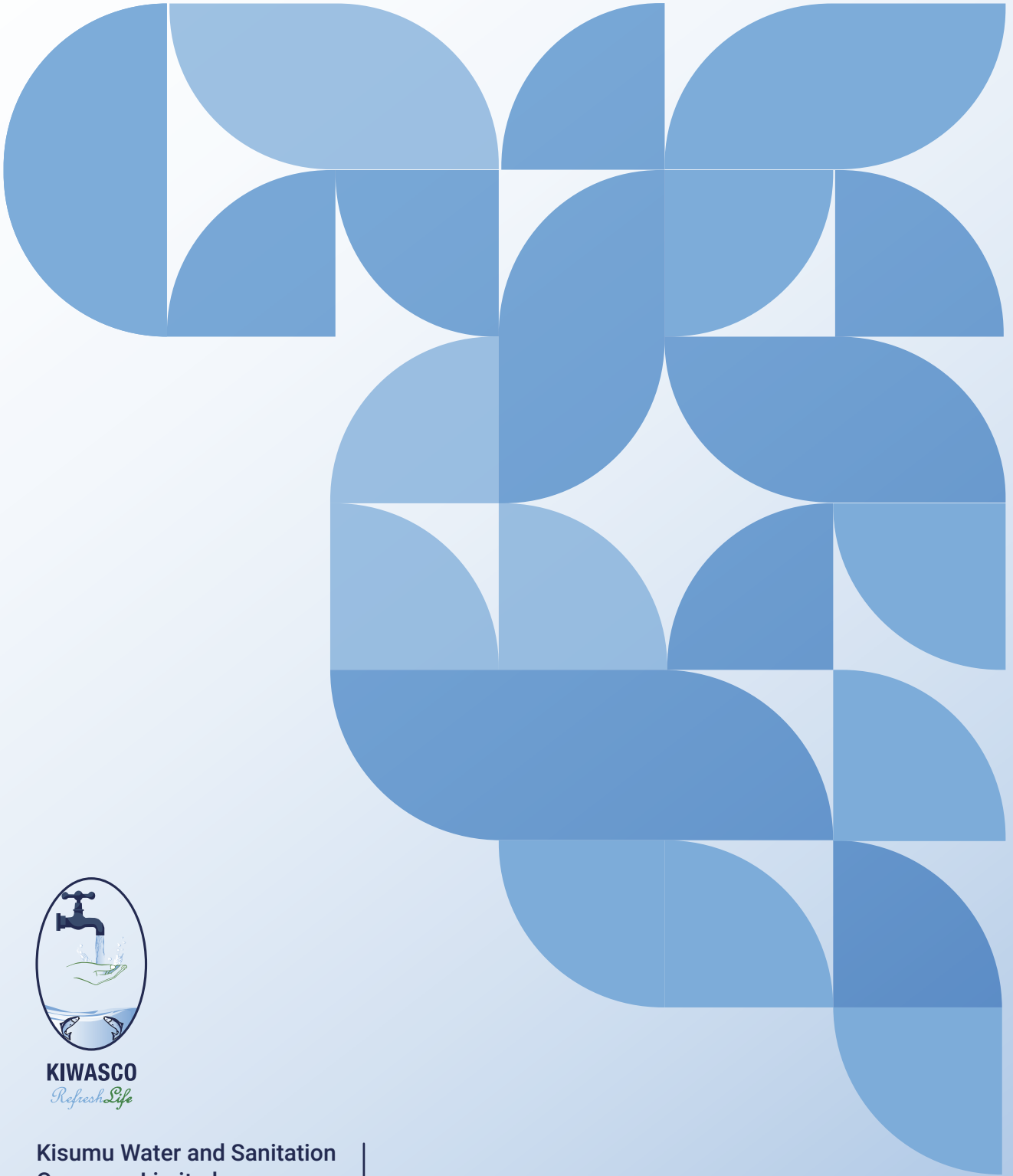
to be *my/our proxy, to vote on *my/our behalf at the 20th Annual General Meeting of the Company to be held on 23rd April 2026 at Tom Mboya Labour College, Kisumu or any adjournment thereof.

*(Strike out as appropriate)

Signed this _____ day of _____ (Month) 2026.

Notes:

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



KIWASCO
Refresh Life

**Kisumu Water and Sanitation
Company Limited**

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Kisumu Tom Mboya,
Along Nyerere Road Kisumu

Call us: 057 500 7000
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