



KIWASCO
Refresh Life

**KISUMU WATER
AND SANITATION
COMPANY LIMITED**



2022

**ANNUAL REPORT &
FINANCIAL STATEMENTS**



CORE VALUES

Professionalism

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

Integrity

Embracing honesty and truthfulness in discharging our responsibilities

Teamwork

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

Customer Focus

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

Creative & Innovation

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



OUR VISION

To be the most admired service provider



OUR MISSION

To provide quality water and sanitation services for improved livelihoods

PUMP HOUSE



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Visit Our Offices:
Nafaka House along Odinga - Odinga Street,
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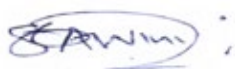
www.kiwasco.co.ke
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info@kiwasco.co.ke

NOTICE OF 17th ANNUAL GENERAL MEETING

Notice is hereby given that the 17th Annual General Meeting of the members of Kisumu Water and Sanitation Company Ltd will be held on 8th December 2023 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 16th AGM held on 15th December 2022
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 2021/2022 and Auditor's report thereon
7. To note that Auditor General shall continue in office for the year 2022/23 in accordance with Section 721(2) of the Company's Act, and to authorize Directors to fix their remuneration
8. To Amend the Memorandum and Articles of Association of the Company in compliance with WASREB Corporate Governance Guidelines.
9. To elect a Director representing
 - Local Professionals
10. To discuss any other business for which Notice has been given in accordance with Article of Association.

By Order of the Board,



S.O. Awino
COMPANY SECRETARY

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 COMPANY INFORMATION

Background Information

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

Principal Activities

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

Board of Directors

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

Management Team

1. Thomas Odongo	:	Managing Director	
2. Simon Ondigo	:	Head of Audit and Risk	
3. Evelyne Opiyo	:	Head of Human Resources & Administration	- Separated 13 th October 2021
4. Abel Kauta	:	Head of Human Resources & Administration	- Appointed 20 th April 2022
5. Eng. Moses Jura	:	Chief Engineer Technical Services	
6. Nicholas Moseti	:	Head of Finance	
7. Jason Ochola	:	Head of Commercial Services	
8. Antony Ogwang	:	Supply Chain Manager	
9. Shem Otieno	:	ICT Manager	
10. Eldah Odongo	:	Head of Corporate Affairs & Communication	

Registered Office : **Tom Mboya**
Along Nyerere Road,
P.O. Box 3210 - 40100, KISUMU.

Company Contacts

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

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

Company Secretary : **Equity Secretaries and Registrars**
Certified Public Secretaries
P.O. Box 14868 - 00100, NAIROBI.

Principal Bankers : **Co-operative Bank of Kenya Limited**
P.O. Box 1511 - 40100, KISUMU.

Principal Legal Advisor : **Ouma Njoga and Company Advocates**
P.O. Box 2536 - 40100, KISUMU.

Our Story



Our water treatment capacity:

80,000 m³



44,000 m³

at Dunga treatment plant

36,000 m³

at Kajulu treatment plant



91%

Water Coverage



18%

Sewerage Coverage



92%

Revenue
Collection
Efficiency



77.7%

Customer
Satisfaction Index



KIWASCO began its operations in July 2003 to provide adequate clean potable water and to collect, treat, and dispose of sewerage (wastewater) within the jurisdiction of Kisumu City.



KIWASCO Calibration Laboratory is now fully accredited by Kenya Accreditation Services (KENAS) upon satisfying the ISO/IEC 17025:2017 general requirements for the competence of testing and calibration laboratories. This has enabled us to offer meter tests, calibration services, and training services to other WSP's and industries at a fee and we also allow industrial attachments from learning institutions.

Our Commitment

Reliable, Accessible and Quality Water and Sanitation Services.

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'

Since customers are centre of our business, we offer bespoke services to ensure that they receive exceptional service.



New office block construction in progress

BOARD COMMITTEES

Finance and Commercial Committee

Mr. Albert Ojonyo - **Chair**
Mr. George Okong'o
Mr. Salmon Orimba
Mr. Thomas Odongo
Ms. Dorcas Emilly Inda

Audit and Risk Committee

Ms. Dorcas Emilly Inda - **Chairperson**
Ms. Phyllis Chepkemboi
Dr. Benson Nyambega
Mr. Albert Ojonyo

Technical Committee

Dr. Benson Nyambega - **Chair**
Mr. Salmon Orimba
Mr. Thomas Odongo
Mr. Abala Wanga

Human Resource and Legal Committee

Ms. Phyllis Chepkemboi - **Chairperson**
Mr. Abala Wanga
Mr. George Okong'o
Mr. Thomas Odongo

BOARD OF DIRECTOR'S



VINOD PATEL
Chairman



THOMAS ODONGO
Managing Director



MR. ABALA WANGA
Director



ALBERT OJONYO
Director



HON. SALMON ORIMBA
Director



GEORGE OKONG'O
Director



MS. PHYLLIS CHEPKEMOI
Director



DR. BENSON NYAMBEGA
Director



MS DORCAS EMILY INDAH
Director

SOCIAL MEDIA HANDLES



0700 517 517



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KIWASCO



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for your water
bill through
our ussd code
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www.kiwasco.co.ke

MANAGEMENT TEAM



THOMAS ODONGO
Managing Director



ABEL KAUTA
Head of Human Resources & Administration



ENG. MOSES JURA
Chief Engineer Technical Services



CPA NICHOLAS MOSETI
Head of Finance



CPA SIMON ONDIGO
Head of Audit and Risk



ANTONY OGWANG
Supply Chain Manager



CPA JASON OCHOLA
Head of Commercial Services



SHEM OTIENO
ICT Manager



ELDAH ODONGO
Head of Corporate Affairs & Communication

CHAIRMAN'S STATEMENT



“ On behalf of KIWASCO Board, I would like to express our gratitude to all our stakeholders, communities, and staff for their support and commitment during this uncertain time of the Covid-19 pandemic. Am even more grateful that you have continued to demonstrate your support that has enabled us to overcome significant challenges arising during the post Covid-19 recovery period and now through the impact of the war between Russia and Ukraine.

International Scene

World real GDP growth decelerated to 3.4 per cent in 2022 from a growth of 6.0 per cent in 2021. The decelerated growth was as a result of post COVID-19 tightening of monetary policies in most regions, resurgence of COVID-19 in China and the Russia-Ukraine war that led to supply chain disruptions. The slowed growth was experienced in most countries including

those in Advanced Economies as well as Emerging Markets and Developing Economies (EMDEs). The sanctions imposed against Russia, and the subsequent cessation of its gas supply to Europe, stifled growth in these economies. Growth in EMDEs was curtailed by among other reasons, the strengthening of the US dollar against most currencies and the COVID-19 epidemic in China which negatively impacted on global supply chains.

Sub-Saharan Africa economy

Sub-Saharan Africa economy grew by 3.9 per cent in 2022 compared to a growth of 4.8 per cent in 2021 on account of a decline in household consumption and private investment resulting from rising global inflation and tightened monetary policies. The East African Community real GDP expanded by 4.9 per cent in the period under review compared to a growth of 6.7 per cent in 2021. World inflation rose from 4.7 per cent in 2021 to 8.7 per cent in 2022 on account of high energy prices, supply chain disruptions associated with the Russia-Ukraine war and significant currency depreciation, in most countries, relative to the US dollar which is the main international trading currency.

Despite slowing down markedly in 2022 in volume terms, agriculture remained the dominant sector, accounting for about 21.2 per cent of the overall GDP in 2022. Industry-related activities accounted for 17.7 per cent, while service activities accounted for 61.1 per cent of the total GDP in 2022. Development funding for water supply is expected to reduce from KSh 46.5 billion in 2021/22 to KSh 45.3 billion in 2022/23. Funding for Rural Water Supply and National Irrigation Authority is expected to jointly decline by 6.1 per cent in 2022/23. The rainfall distribution, both in time and space, was generally poor with most parts of the country receiving below average amounts of rainfall during both long and short rain seasons of March-April-May (MAM) and October-November-December (OND) respectively in the year under review.

KISUMU CITY SANITATION PLAN

It was an honour to be the first water service provider in Kenya to launch a Sanitation Plan. The 5-year plan intends to document and streamline strategies for effective development of infrastructure, supply and management of sanitation within Kisumu City. It is a great milestone towards the efforts being made worldwide to create more sustainable sanitation solutions in line with SDG 6.2. “Proportion of population using safely managed sanitation services, including a handwashing facility with soap and water.”



The Board has created an environment that has enhanced partnership with the County Government of Kisumu, WSTF and other stakeholders.



In the just released Impact 15 report, KIWASCO was ranked the best WSP in pro-poor service for the 2021/2022 reporting period with a remarkable score of 97%.

The plan was developed by KIWASCO with the assistance of Water & Sanitation for the Urban Poor (WSUP) and Sanivation. We also received valuable input from County Government of Kisumu and the City Management. During the launch, we renewed our 5-year contract with both partners WSUP and Sanivation. The launch of the plan was a sign to formally kick-start discussions and the journey towards the City-Wide Inclusive Sanitation planning for Kisumu City.

also the future outlook. Impact of the newly reviewed tariff to the consumers clearly showing the gainers and losers was discussed and why the changes had to take place more so in the Low-Income Areas. The Acting CEO for WASREB Eng. Joseph Keter wrapped up the consultative meeting with an indepth analysis on the topic of licensing. He explained to the stakeholders meaning of a Stakeholders lifting up their hands in agreement during the meeting the

LICENCE APPLICATION

KIWASCO and WASREB held a Public stakeholder consultation meeting on License renewal on 1st of March 2022 at Sunset Hotel, in accordance with the Water Act 2016 and the Constitution of Kenya 2010. The invitees included Stakeholders representing various groups in the City. This was a hybrid meeting with both virtual and physical attendance where over 70 participants attended physically. We assured stakeholders that the company operates within the laid down rules and regulations set by the regulator. Reasons as to why the stakeholders should allow KIWASCO to have its license renewed were given as key milestones made over the years. Lake Victoria South Water Works Development Agency highlighted the projects being undertaken towards enhancing water and sanitation infrastructure in Kisumu City in conjunction with other stakeholders. We presented highlights of the performance of the company over the last five years and



CHAIRMAN'S STATEMENT (cont'd)

rationale of getting one and the need to have one. He talked about the benefits of having a valid license from the regulator and the flip side of not having one. He then unveiled KIWASCO's score which was above 70% and qualified the company for a 5 - year license. On posing the question if KIWASCO should get a new license, there was no opposition from the stakeholders and all raised their hands in affirmation. KIWASCO therefore was allowed by the stakeholders to be issued with a 5 year license having met all the other conditions set by the regulator.

Subsequently Wasreb granted KIWASCO an 8-Year licence. Kisumu Water and Sanitation Company (KIWASCO) became the second Water Service Provider (WSP) in Kenya to receive an 8-year water and sanitation provision license under the Water Act 2016 and all other regulations and guidelines.

Receiving this license comes with a number of advantages that include, operations up to the year 2030 without going through the rigorous process of license renewal. It also positions the company as a commercially viable entity hence increasing the chances in public-private

partnerships (PPP), and donor partnerships. It also gives the company ample time to implement all the approved water and sanitation projects in the said period. We are happy because this puts us on the path of achieving our vision "to be the most admired service provider", as it will offer stability that will enable the company improve customer experience and above all increase water coverage to the unserved and underserved parts of the city. This was a win to the Board of Directors, management, Staff and Customers of KIWASCO.

13th ANNUAL STAKEHOLDERS MEETING

KIWASCO's 13th stakeholders meeting was held on 13th Dec 2022 after a two-year break when the Covid-19 pandemic hit back in 2020. The stakeholders meeting provided a platform for the company to interact with her stakeholders, informing them of the performance, challenges and expectations. It was also an opportunity for the stakeholders to give the company feedback on the service delivery. KIWASCO is committed to work with the County Government to deliver on the 6th SDG - Ensuring clean water and sanitation for all. While highlighting some of the challenges we face that majorly emanate from



MD, Mr. Thomas Odongo addressing the meeting



Stakeholders lifting up their hands in agreement during the meeting



WASREB officials led by MD, Mr. Odongo displaying KIWASCO branded jugs



Mr. Thomas Odongo handing over a gift hamper to Eng. Njagah Dir. Licensing, Standards & Advocacy

CHAIRMAN'S STATEMENT (cont'd)

climate change effects, Stakeholders were urged to take responsibility for the environment by growing more trees, stopping pollution and sensitizing our children on the importance of environmental conservation. The company secretary, Mr. Solomon Okeyo gave detailed information on issues related to water governance. He talked about the relationship between the stakeholders in the sector and the role each of them play. Lake Victoria South Water Works Development Agency represented by Mr. Kenneth Awiti and Engineer McMillan Okuku, made a presentation on the LVWATSAN programmes and expansion plans, key being the LVWATSAN project. During the plenary session we gave stakeholders opportunity to ask questions. We gave conclusive response to the concerns and questions raised. We could not miss an opportunity to get feedback from our customers through trivia questions and the winners were awarded with branded items. At the end of the day all our stakeholders were satisfied with the work that we are doing and encouraged us to continue with the good service delivery.

INNOVATE 4 WASH CONFERENCE

Once again Kisumu was privileged to host the Innovate for Wash forum from January 27th to 29th 2022, after being the host in 2019. The event which took place at Ciala resort saw KIWASCO, in partnership with Sanitation Resources & Development Africa (SARDA) and Quercus group being the event organizers. Innovate4WASH was a two-day marketplace platform designed to connect ideas, talent and capital from and outside Kenya, to scale up existing commercial solutions to problems and opportunities in the water and sanitation sector. The Company got four opportunities to pitch our concepts for possible financing. Staff Carolyne Odero gave a proposal on improving sanitation in the Kisumu urban informal settlements while staff Maurine Ondeng' spoke about the gaps in the rural water supply. Staff Caroline Omollo presented on ground water as a strategic resource for improved resilience to



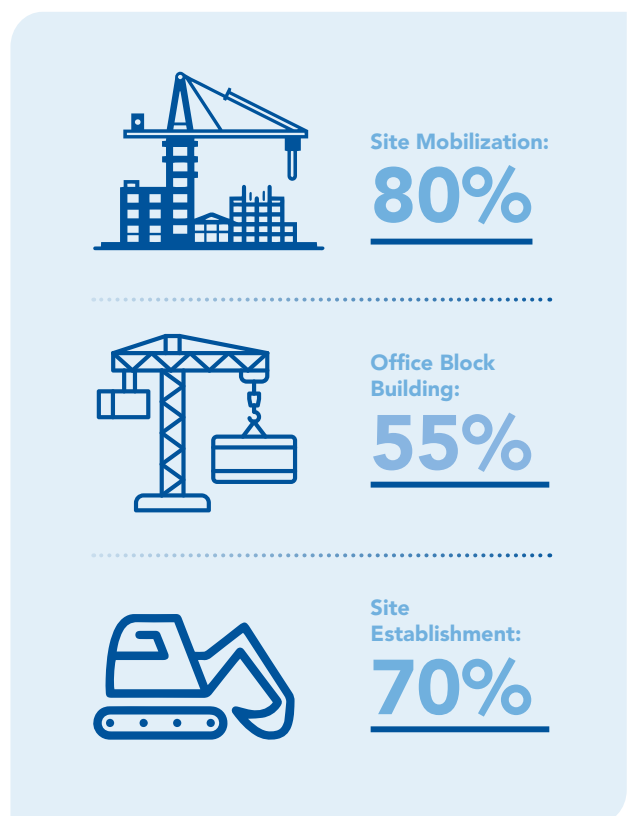
Mr. Kennedy Oguda and Stephen Ochola making a presentation during the conference

climate change in KIWASCO and the duo of Mr. Kennedy Ogudah and Mr. Stephen Ochola gave a comparative analysis of aquatic macrophytes.

During the 3-day forum, the Company had a well decorated exhibition booth with ample branding. From the booth, we displayed some of our products and services. We had adequate education materials that we shared with the stakeholders who paid a visit to our booth. We also had massive giveaways that we gracefully shared to make a brand statement. On the third day, the participants were taken through field visits of Kajulu Water treatment plant and Nyalenda Oxidation ponds. While at Kajulu, they witnessed the extreme effects of climate change that has contributed to the drying up of River Kibos. They also got a first-hand impression of the destructive human activities that have resulted to deforestation. The Water production manager guided the participants through the process of water treatment from the intake all through to distribution. While at the lagoons, the participants were taken through the biological processes involved in the treatment of waste water.

KIWASCO new office block

We have progressed construction of the new office block. The overall Milestone as at the end of the year was as follows:



CHAIRMAN'S STATEMENT (cont'd)

Office Main Building Works Progress (Milestones)

1. Substructure 95%
2. Ground Floor 60%
3. First Floor 60%
4. Second Floor 60%
5. Third Floor 35%
6. Fourth floor 25%
7. Lift Shaft structure 80%
8. Walling 60%
9. Plaster Works: 10%
10. Main entrance canopy: ready for commencement

Working conditions have been favourable through-out the time lapsed, no loss due to adverse weather conditions. Site health and safety sensitization ongoing and no serious notable incidents/accidents. The project overall progress is 55% against 88% contract period elapsed.

UGANDA MID-WESTERN BENCHMARK

It was our pleasure to host and interact with a team from Ministry of Water and Sanitation Uganda Mid-Western Umbrella. The team was sponsored by Water and Sanitation for the Urban Poor (WSUP) on their three-day benchmarking with us on communications, internal audit, key strategies in engineering, customer relations management among others. This was the second time in 3 months that the team was coming over to benchmark and it was humbling to note that they highly valued KIWASCO and were interested in having an in-depth peer-to-peer review on their operations. The benchmarking programme was intense having encompassed boardroom presentations, one-on-one discussions, field visits and practical lessons to enrich their knowledge and understanding of our operations. Our company prides in being a pacesetter in the water industry and as such strives to be the most admired service provider. It is with this background that we delight in hosting our colleagues in the industry for benchmarking sessions.

Performance

Despite the macro-economic uncertainty, the business remained resilient during the year. Of concern were creeping inflation that has significantly increased our average production costs in that general increases in prices of the key operating supplies that in turn led to high cost of sales as well as high operating and maintenance costs. The other key concern is the high non-revenue water percentage that affects our rating in the WASREB impact reports. However, I'm happy to report that despite these challenges we are confident that we will manage the shifting economic landscape.

Our Company achieved a turnover of nine hundred and thirty seven million five hundred and ninety seven thousand and nineteen shillings (Kshs. 937,597,019 million) up from seven hundred and ninety seven million, nine thousand nine hundred and eighty one shillings (Kshs. 797,099,981 million) in 2021 a 6% improvement and a profit after tax of ninety million four hundred and fifty six thousand seven hundred and four. (Kshs.90,456,704).

Total assets increased by 19% due to infrastructure investment to improve on our service delivery. The customer base increased to 64,470 active connections. Water coverage which is the number of people served with potable water expressed as a percentage of the total population stood at 91%. This shows that the company has positioned itself well on the path of reaching out to all its potential customers. Some of the Board's key highlights in the financial year 2021/2022 are tabulated as overleaf.

CHAIRMAN'S STATEMENT (cont'd)

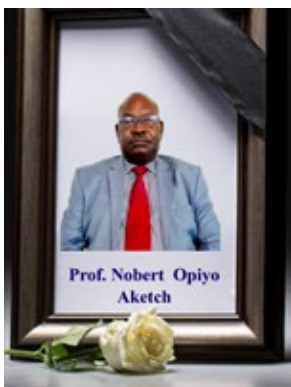
Performance Indicator	Board Intervention	Impact
Enhanced Partnership with the County Government and other stakeholders	The Board has created an environment that has enhanced partnership with the County Government of Kisumu, WSTF and other stakeholders	This has led to financial support and goodwill from the County government, WSTF for water infrastructure development
Enhanced Corporate Governance	The Board is committed to ensure that there is increased transparency and accountability	This has reflected in good standing in the WASREB Impact ratings and subsequent award of an 8 year licence.
Enhanced Internal Controls	The Board has enhanced internal controls in the departments including Technical, Commercial, Audit & Risk, Finance and HR & Administration departments.	This has led to operational efficiency and adherence to various statutory regulations and guidelines
Risk Management	The Board has ensured approval of Risk Management Framework, Quality Management Systems (QMS) audits and necessitated risk-based audits.	This has led to compliance with the Public Financial Management Act, 2012, compliance with KEBS on re-certifications among other regulations.

Dividends

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

2023 Economic Outlook

The global economy is expected to decelerate in 2023 on account of tightening of monetary policies, high inflation, ongoing effects of Russia-Ukraine war and the lingering effects of COVID-19 pandemic. Despite the weak global growth outlook, Kenya's economy is expected to remain resilient in 2023, supported by a robust performance in the services sector and expected recovery in agriculture. The agriculture sector is likely to rebound in 2023 from two consecutive annual contractions supported by favorable weather conditions and subsidized fertilizer from the Government. Economic performance in 2023 is likely to be reinforced by the Government's development agenda aimed at achieving economic turnaround and inclusive growth. On the downside, the 2023 growth will be hampered by a decline in domestic demand as a result of elevated inflation and sustained high interest rates. The weakening of the Kenya Shilling against the US Dollar is likely to make imports expensive and slow trade with the rest of the world. Additionally, the projected decline in global demand due to deceleration in the global economy is expected to reduce demand for Kenyan goods.



Changes in the Board

During the year the following Directors were appointed. Director Albert Ojonyo, Director Dorcas Indah and Director Dr. Benson Nyambega. I welcome them to give their invaluable contribution in steering the Company to greater heights. Sadly we lost Director Prof. Norbert Opiyo Aketch to the cruel hands of death in the month of February 2022. We shall definitely miss his value addition to this Board.

Best in Pro poor Services

For purposes of inclusivity and equality, it has become critical for utilities to report on measures they take to serve the poor, also known as low income consumers (LICs). Through this, WASREB requires utilities to develop clear pro-poor strategies which should be fully integrated in reporting by utilities. In the just released Impact 15 report, KIWASCO was ranked the best WSP in pro-poor service for the 2021/2022 reporting period with a remarkable score of 97%, outshining the "All time Big Wigs" in the sector. Utilities were assessed on their efforts towards improving services in the Low-income areas based on four main dimensions. These were Governance, Impact, Planning and Finance in which we managed

CHAIRMAN'S STATEMENT (cont'd)

scores of 18, 30, 16 & 12 respectively; all of which matched the regulators ideal score apart from the Financing indicator which fell short with only 2 points.

The regulator also assessed three key components of sanitation which included; sanitation facilities, safe and hygienic management of human excreta and wastewater management. This win has been long overdue and I must say and sure enough we deserved it. It's always been ours all this time and all we needed was a change of tact and strategy. "Strategy without tactic is the slowest way to victory and tactics without strategy is the noise before defeat" SUN TZU.

Best in Customer Service

The 15th Impact report was released during the Kenya Water Conference held at Savora white sands Resort and Spa in Mombasa and KIWASCO emerged as the Best Utility in Customer Service. We had received the same award in the Impact 11 and 13 reports. We believe in elevating our customer's experience every time we interact with them. We pride ourselves as a model company that believes in constant growth and we are always pleased to share best practices with other Water service providers.

Appreciation

I wish to acknowledge and appreciate the immense, explicit goodwill and leadership that has been demonstrated by His Excellency the Governor Prof. Anyang Nyong'o as we undertake these important and transcendental reforms.

I would also like to appreciate the support offered by the able and committed board members, our shareholders, customers, and staff. We are committed to building on the recent achievements to continuously improve our operations, products, ensure efficiency, financial stability and viability, and offer world class services to our esteemed customers.

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.



Vinod Patel
Chairman



CHAIRMAN'S STATEMENT (cont'd)

STAKEHOLDER'S MEETING PICTORIALS



MANAGING DIRECTOR'S STATEMENT



2021/2022 financial year was full of activities and milestones as it's the year where we hosted WASCO games for the first time, put the first block towards building our permanent home, a dream that we have had as a company for years. We successfully reviewed the tariff and also saw the end our strategic plan 2017-2022.

KIWASCO continued to deliver on its mission of providing quality water and sanitation services for improved livelihoods. The Board steered the Company to sustainable profitability and growth through various strategies premised on improving customer experience, enhancing sales growth, stepping up revenue collections, prudent cost management and reducing system losses. The strong performance was mainly driven by growth in sales and other incomes especially grants received from the Government of Kenya.

Other achievements include;

- We introduced a Computer Assisted Audit Tool (CAAT)
- We are now doing online banking
- Developed several proposals that got funded while others are still under review
- Enhanced staff welfare through sports and other engagements
- 90% implementation of the recommended company organogram
- Recognized and rewarded good performance through job promotions
- Reduced exposure to risks of litigations, non-compliance and pilferage by 25%

KEY HIGHLIGHTS ON PERFORMANCE



Sales revenue for the financial year 2022 was **Kshs 937,597,019** representing **18%** growth from 2021.



Profit before tax (PBT) for the year grew by **16%** to **Kshs 90,456,704** against 2021 PBT of **Kshs 77,671,832**



Active accounts increased to **64,470**



Collection efficiency increased by **1%** to **92%**



NRW reduced by **1%**



Water supply coverage increased by **4%** to **91%**

- Conducted systems audit
- Enhanced security on the use of passwords
- Strengthened the ERP support to include component of online pay slips
- Enhanced our corporate social responsibility programme
- Increased brand visibility
- Improved company branding (staff and assets)

As we start the new financial year, let us take a pledge together to grow our company even further in a way that we embark onto a profitable, peaceful and prosperous financial year.

Future Outlook (2022-2023)

- Improve User Experience in CRM and streamline system workflows
- Capacity improvements on emerging trends/ global issues such as climate change, IT trends



The Company successfully negotiated a CBA with the staff that has led to creating a good working relationship between staff and the management team.



We went ahead to bag position one in Customer Service, Pro-poor assessment and in the Lake Victoria South Region.

- Increase coverage and access to sanitation
- Adopt and practice sustainable procurement
- Onboard additional strategic partners
- Develop a new strategic plan 2023-2027
- Implement culture change program
- Digitize IoT programs
- Create a conducive environment for Creativity and Innovation
- Strengthen/automate the performance management system by measuring performance real-time

COVID19's ever changing face is still with us and with it comes different challenges, but as it changes we have learnt to adapt to the new situations as such I'm confident that it will not affect our operations as we have built resilience over time. I call upon each and every one of us to take responsibility to protect themselves, our customers, friends, colleagues and loved ones.

Customer Service

The journey to transform the customer experience in KIWASCO has been long but consistent over the past years. The changes included timely resolution of customer complaints through proper management of CRM platform, the introduction of multiple communication channels i.e. the 24/7 hours Call Center, USSD code, and toll-free short code, and well managed social media platforms have continued to give us an upper edge in customer management. Internally, our staff are incentivized time and again to help entrench good customer experience values.



To keep abreast with the current trends in customer relations management, we carry out internal customer service training and constantly disseminate relevant information to staff and stakeholders. Communication not only keeps staff and stakeholders updated with the happenings within the company but also helps employees remain relevant in the ever-changing business environment.

Collective Bargaining Agreement-CBA

Unions are historically formed to protect and advance the interests of its members in the workplace. They negotiate with institutions on behalf of employees they represent. As much as its important for trade unions to look after the interests of their members, they must also recognize the advantages of working in partnership with the employer to realize their vision and mission.

The Company successfully negotiated a CBA with the staff that has led to creating a good working relationship between staff and the management team. This included calling out for behavior change and promoting the company's core value of integrity. Other achievements derived from the CBA include : Salary and staff emoluments increment, medical cover for all staff including temporary staff, and a change of employment terms for a number of staff from one-year to three years contracts. A number of staff's terms of employment have also changed from contract to permanent and pensionable terms. More importantly, we have managed to improve employee–employer relationships and constantly advocate for

MANAGING DIRECTOR'S STATEMENT (cont'd)

union members to maintain high discipline levels. The above actions have acted as a catalyst and motivated the workforce to improved productivity in the Company.

STANDARD OPERATING PROCEDURES

Since the company got inaugurated as a sanitation Company in 2019, it has taken strides to collaborate and strengthen its ties with development partners to ensure it achieves its new mandate in the water sector. As a result, it has partnered with a number of stakeholders in the sector to develop sanitation infrastructures around the city especially in the slum areas of Kisumu. Some of the sanitation initiatives undertaken include, Upscaling Basic Sanitation for the Urban Poor (UBSUP) Project funded by Water Sector Trust Fund, Pupu Pump Technology by Opero and Container based toilets by Fresh Life. We partnered with Sanivation and Water and Sanitation for the Urban Poor (WSUP) to develop policies and standards that governs sanitation projects. The County Government and City of Kisumu also played its overseer role to ensure successful implementation of this initiatives.

The company officially launched its customized Standard Operating Procedure (SOP), a document that shall be used as an enforcement tool while implementing sanitation solutions. It also intends to address the operations and maintenance of public sanitation facilities in Kisumu City. This SOP was developed in conjunction with Sanivation, Centre for Disease Control (CDC) and Washington State University (WSU). We have become a company of many firsts on issues sanitation and also pacesetter in the water sector on the same. We can only do better.

OGANGO-KASULE WATER SUPPLY AUGMENTATION PROJECT

The Company with the assistance of funding from the Water Sector Trust fund managed to kick start the OGANGO-KASULE WATER SUPPLY AUGMENTATION PROJECT. The project is located to the North East of Kisumu Central Business District. It is about 5km from the Central Business District and 1.5km from Kondele round about. It neighbors Manyatta B informal settlement to the West and Migosi Estate to the North.

Project Scope: To extend 4.2Km of water in addition to construction of 2 Number Water Kiosks with 5,000ltrs water overhead tanks to serve 12,226 people out of a total population of 44,557 people. The contract period was 6 months and is expected to benefit 12, 000 People (incl. 1,600pax for kiosks, 100 HHs immediate connections).

The overall objectives of the project is

- Create employment to the locals especially the youth

- Improve access to safe clean water by reducing the distance to water points to the vulnerable in society.
- Make safe water affordable i.e. Lower cost of water
- Improve the health of residents by reducing incidences of water borne and water-based diseases
- Improve on the hygiene in the community

The specific objectives of the project include

- Improve access to safe water
- Reduce the distances to the water points
- Lower the cost of water by making it affordable
- Improve the state of sanitation and livelihood [public health]
- Reduce incidences of diseases
- Increase house connections
- Management of Non-Revenue Water



Water kiosk under construction

At the close of the year the overall percent progress was at 85%. In pipeline extension 100% of pipes had been procured. Excavation and installations are in final phase (overall progress is >94%). On Construction of 2no. water kiosks, this was at 91% complete. Meters had been procured and door-to-door outreach was ongoing.

Non-Revenue Water Management Structure Review

The Company still faces challenges in bringing down the NRW to the acceptable level. These challenges include old and dilapidated infrastructure prone to bursts/leakages especially the infrastructure served from Dunga Treatment Plant. Data handling has been a concern in regard to

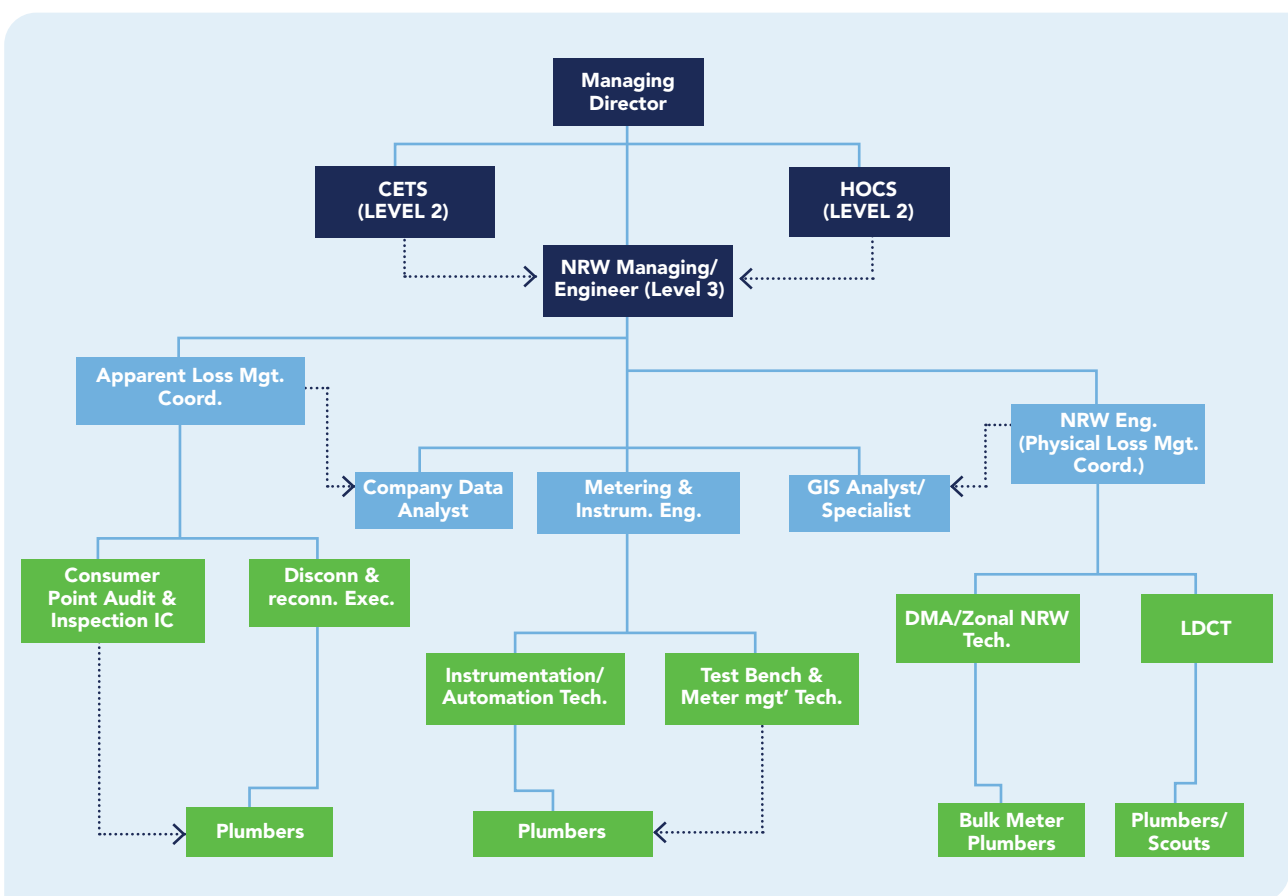
MANAGING DIRECTOR'S STATEMENT (cont'd)

accuracy while we experience lines destruction from continued construction activities within Kisumu town and its environs. Illegal practices such as bypasses and vandalisms in peri-urban areas is an issue together with sporadic meter theft.

We have developed and agreed on mitigation measures that include having a metering policy that addresses installation of MultiJet and EMF meters, calibration and replacement. Metering of outflow and inflows at productions and reserve tanks has been done. We conduct daily monitoring, back checks and enhanced audit of key accounts. There is improvement on data capture and customer identification. Systemic overhaul of problematic lines is underway together with mapping of burst prone areas and hotspots.

We have proposed a review of the Non-Revenue Water Management segment. The review is supposedly to align the Company NRW structure with the regulatory requirements and also with SEURECA TA proposals and best practices.

Proposed NRW structure for KIWASCO:



Benefit of the review in structure is in that the NRW head is to put a strong initiative in coordinating with departments, sections and units as well as head office and zonal offices to reduce NRW effectively. It is crucial for the MD to give full support to the NRW head to enable him effectively execute the NRW reduction. The NRW unit will have zonal NRW teams administratively under zonal heads. The NRW manager/Engineer would have good control of the commercial and physical losses data. Their main job would now be to coordinate and ensure all staff take responsibility for their roles.

RISK MANAGEMENT

Treatment and mitigation measures at the plant

Dunga treatment plant is a conventional water treatment plant that uses a combination of coagulation, sedimentation, filtration and disinfection processes to provide clean and safe drinking water. During the year we experienced poor quality water from the lake occurring intermittently as follows:

MANAGING DIRECTOR'S STATEMENT (cont'd)

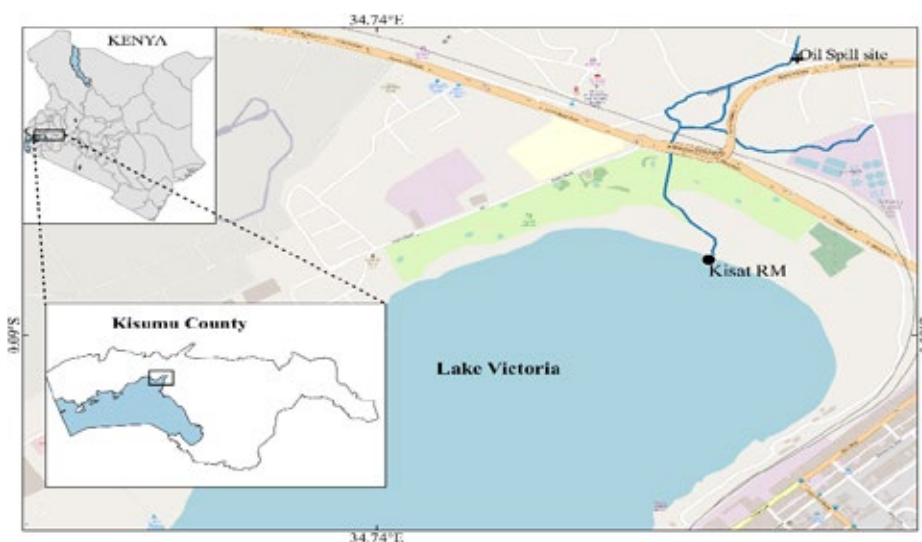
1. Dark brown smelly water that has got high chlorine demand.

2. Green smelly water that has high chlorine demand and turns dark brown after chlorination.

These fluctuating changes sometimes are extreme and make it difficult to treat the water to the extent that we are forced to shut operations at the Dunga treatment plant to allow the lake water to stabilize before resumption of operations. Recently there was a high fish mortality at the lake which obviously could not be attributed to natural causes such as predation or old age. The fish that had died at the lake had their mouth wide open indicating suffocation as the cause of death. This is a big indicator of critically low dissolved oxygen in the lake water.

Since the onset of the phenomenon, we have introduced a number of measures to ensure that we still maintain the standard of quality water we have been providing:

Challenge	Mitigation measure
Foul smell and low dissolved oxygen in the raw water	<ul style="list-style-type: none"> Aeration to reduce foul smell and to increase level of dissolved oxygen. Carbon dioxide, hydrogen sulphide and other volatile substances imparting taste and odour to water are easily expelled by aeration.
High organic matter content, debris and dark colour in raw water	<ul style="list-style-type: none"> Optimum Alum dosage coupled with polyamine-based flocculant to enhance settlement and sediments removal in the sedimentation chamber Frequent filters backwash to remove the filter clogging elements and apparent colour induced by dissolved organic matter.
High level of microscopic green algae	<ul style="list-style-type: none"> Pre-chlorination to kill algae which are in turn coalesced during flocculation due to the action of Aluminium sulphate and thereafter deposited at the sedimentation chamber beds
Presence of oxidizable elements e.g Ferrous Iron that get their way to clear water tanks and are responsible for colour change of treated water to yellowish dark brown in the reservoir tanks after chlorination.	<ul style="list-style-type: none"> Pre-chlorination to oxidize all oxidizable elements at pretreatment level. Ferrous iron and Manganese and converted to Ferric ion and manganese oxide deposits as a result of stronger oxidizing power of chlorine. These deposits do not go past the sedimentation chamber due to the action of aluminum sulphate.
Objectionable taste and smell in the treated water	<ul style="list-style-type: none"> Enhanced chlorination by performing frequent water chlorine demand tests to ensure optimum dosages at all times. Chlorination eliminates algae, slime, hydrogen sulphide and iron bacteria that are responsible for objectionable odour and taste
Fast generating foam and dead algae on the surface of flocculation chambers that produce bad smell	<ul style="list-style-type: none"> Scooping off of the floating dead mass and foam using scooping nets to boost aeration via direct contact with atmosphere.
Extreme cases of objectionable smell and very dark water from the lake	<ul style="list-style-type: none"> Plant is shut to allow for the lake water to stabilize to treatable levels.
Concern over Dunga treated water potability.	<ul style="list-style-type: none"> Regular comprehensive external analysis of raw and treated water samples by independent labs to confirm potability.



Map of Kisumu Bay, Winam Gulf, showing sampling area for reported foul smell & discoloration. Source: KMFRI GIS Department.

MANAGING DIRECTOR'S STATEMENT (cont'd)

GWOPA MEMBERSHIP

KIWASCO is now a member of the Global Water Operators' Partnerships Alliance (GWOPA). This is an international network created to support water operators through Water Operator's Partnerships (WOPs) peer support exchanges between two or more water operators on a not-for-profit basis. The objective is to strengthen capacity and enhance performance to enable members to provide better services to more people.



FOSTERING DIGITAL LITERACY AMONG YOUTHS IN THE SLUMS

The company has continued to ramp its support to the communities around through Corporate Social Responsibility (CSR) initiatives. This has helped the company over the years to attract ambassadors to help in NRW management and also positive community engagements. The company donated 3 desktop computers to Manyatta Youth Resource Center to help them set up an Information and Communication Technology (ICT) center. This is a youth resource center initiative started in the year 2009 with an aim of providing platforms for the youth and the less privileged in the society to nurture their talents in sports and also acquire basic skills in Information technology and art. In addition, they also use the platform to address conflicts within the community they operate in. The General Manager, Mr Anthony Oballah expressed his gratitude to KIWASCO for the support citing that it is the first corporate institution that the organization has worked with. We commend the good work that the resource center is engaging the youths in and encouraged them to expand

their activities to other parts of Kisumu City. We presented to the group two sets of football jerseys for their sports activities, and we believe that through this initiative, the youths in Manyatta and beyond will get an opportunity to develop the necessary skills thus empowering them to be a good fit in the dynamic and digital world.

KIWASCO AND USAID WESTERN KENYA WATER PROJECT MOU

In our pursuit to extend water supply and increase our coverage to above our current index which is at 91%, we signed a 5-year MoU with the Western Kenya Water Project (WKWP) -USAID. This partnership will enable more than 25 thousand residents of Kisumu to gain access to improved water services. In the implementation of this project, WKWP will apply a demand and capacity- building approach to reinforce water services across Kisumu county. Besides, they will capacity build KIWASCO to supply, deliver, oversee and maintain service quality in the County. This approach also ensures a holistic engagement of women and youth in order to meet household and community needs. It will also help in unlocking opportunities for catalytic change i.e. better governance, increased investments and greater accountability in the water sector. To help us identify and prioritize actions that can be taken to address barriers, the project will focus on improved planning and market driven performance with a primary goal of improving lives and health of Kisumu residents through development and management of sustainable water services. The project workplan is subdivided into 5 programs including, improving coverage, operational efficiency to ensure there is an adherence to the 100% water quality standards and capacity building, improving coverage and operational efficiency, reduction of NRW, equipping labs to improve on water quality in the rural water schemes. It also aims to improve water resource management and increase budget allocation for the water sector, increase production and distribution capacity and also create more opportunities for capital financing by the private sector.

MoU with Western Kenya sanitation project (USAID WKSP)

We did also sign an MoU with Western Kenya sanitation project (USAID WKSP) to create a financially sustainable, locally owned sanitation market place across KIWASCO's zone of influence. The purpose of the MoU is to provide a general framework to facilitate collaboration and cooperation between the parties in matters of common interest and to extend and promote strategies to increase access to and uptake of market-based improved sanitation and faecal sludge management (FSM) products and services. Together, the parties will explore opportunities to complement each other's strength and work together to develop a framework for attaining improved service delivery. This MoU applies to urban and periurban areas of Kisumu County falling under KIWASCO's jurisdiction.

MANAGING DIRECTOR'S STATEMENT (cont'd)

MoU with Kenya Water Institute (KEWI)

KIWASCO and Kenya Water Institute (KEWI) also signed an MoU to provide learners with an opportunity to attain the practical requirements necessary in training and research for the achievement of curriculum activities. In this partnership, KEWI shall offer research and consultancy services in meter management, which is one of the key components in the reduction of water loss by the company.

GIVING BACK TO THE COMMUNITY

The Company donated firewood to Victory Children's home located in Dunga. This is an initiative that is spelled out in our Corporate Social Responsibility (CSR) policy. The policy outlines that KIWASCO shall donate time, skills, talent and resources to help children's homes as a means to foster teamwork in the community in which it operates. The firewood was acquired as a result of a tree that naturally fell at Kivat Conventional treatment plant. We felt that the best way of disposing the log was through giving it away for charity since some of the children's homes still use wood fuel for cooking. Together with staff at Kivat the team proceeded to plant tree seedlings at the station. "Giving is just not about making a donation It is about making a difference". **Kathy Calvin**

Awards

WASREB Impact 15 report was released and the results were impressive. The company emerged position 9 overall and came fifth under the category of very large water utilities. We went ahead to bag position one in Customer Service, Pro-poor assessment and in the Lake Victoria South Region. These results were announced during the WASPA Water & Sanitation International Conference

and Exhibition that was held in Mombasa. This was a great improvement and I congratulate all who made this possible.

Appreciation

I would like to place on record my thanks to the 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 and the outlook is positive. The conditions are favorable and the business is well positioned to continue to prosper into the future. I look forward to the years ahead with confidence.

Finally I wish to congratulate all the staff, Board members and Stakeholders on this exemplary performance. To the County Government of Kisumu headed by our able Governor H.E Prof Anyang' Nyong'o, we are indebted for your continued support and partnership in this business to uplift the residents of our County. We have enjoyed a peaceful and stable economic environment in the Lake Region. Ahsanteni the Board, staff, development partners and all stakeholders for your treasured patronage.

Mr. Thomas Odongo



Managing Director



Team set to commence the tree planting exercise

MANAGING DIRECTOR'S STATEMENT (cont'd)



Mr. Thomas Odongo and Mr. Calvin of Western Kenya Water Project (WKWP)-USAID during the signing of the MOU

REVIEW OF THE COMPANY'S PERFORMANCE FOR FY 2021/2022

Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County Government entity's performance against predetermined objectives.

Kisumu Water and Sanitation Co. Ltd (KIWASCO) has 7 strategic pillars and objectives within its Strategic Plan for the FY 2017/2018- 2021/2022. These strategic pillars are as follows:

1. Water and waste water Infrastructure Development
2. Operational Efficiency
3. Customer Service
4. Pro-poor initiatives
5. Financial Sustainability
6. Institutional Strengthening
7. Corporate Governance

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 2020/2022 and the strategic plan period of 2017-2022 for most of its strategic pillars partly hampered by the Covid-19 Pandemic as indicated in the table below:

Strategic Objective	Performance indicator	Strategic Activities	Achievement
Water and waste water Infrastructure Development	Increased water coverage from 73% to 85%	Improve the water treatment facilities for Kajulu and Dunga plants.	87% water Coverage
		Improve the water distribution network.	
		Increase water service coverage through network expansion	
	Increased sewer coverage from 16% to 30%	Improvement of the waste water treatment facilities.	23% sewerage Coverage
Expansion of the sewer network			
Operational Efficiency	Reduced NRW from 37% to 25%	Active leak detection	31% NRW in (average for the year)
		Eliminate illegal connections	
		Pressure management	
		Improve meter accuracy	
		Develop NRW reduction framework	
	Improved operational efficiencies	Modernize and automate all operations in water treatment plants	Dosing process already automated
		Improve the operations of the water distribution network	
		Improve the operations at the waste water plants and pumping station	99% efficiency in sewer distribution
		Improve operations of the sewer network	
	100% safety and optimal utilization of resources	Strengthen internal controls	96% water quality
		Ensure effective asset protection	
	100% adherence to drinking water and waste water standards and regulations	Improve water quality assurance infrastructure	95 % compliance to standards. Equipment for microbiology testing acquired.
		Implement water safety plan - WSPs	
Implement waste water standards and regulations		WSP Developed & Implementation ongoing	

REVIEW OF THE COMPANY'S PERFORMANCE

FOR FY 2020/2021 (cont'd)

Strategic Objective	Performance Indicator	Strategic Activities	Achievement	
Customer Service	Increased customer satisfaction level from 71% to 80%	Strengthen customer service management systems	77% Customer satisfaction achieved and call centre established	
		Entrench a customer focus culture among all employees		
		Establish a customer care centre		
		Improve on the levels of customer satisfaction		
		Improve customer engagements and loyalty		
		Develop and implement a customer focused Marketing Strategy		
Pro-poor initiatives	Improve access in the low income area from 78% to 90%	Increase access in the low income areas	88% achievement	
		Develop policies and strategies aimed at Pro-poor sector		
		Reduce NRW in LIAs		
		Adopt appropriate technologies		
	Sustain Pro poor initiatives	Enhance Community participation	Enhance Community participation	Continuous exercise
			Develop partnerships	
Implement sustainable initiatives				
Financial Sustainability	Improve revenues by 10% (From 52M per month to 85M per month)	Improve revenue collection efficiency	13% achieved over the period. ERP system implemented to improve efficiency.	
		Improve billing efficiency		
		Increase number of water and sewer connections		
		Enhance alternative revenue streams		
	Improve cost efficiency from 90% to 95% (cost management)	Automation of operations	90% achieved. ERP system in place	
		Ensure efficient supply chain management process	Continuous exercise	
		Manage staff costs		
		Reduce operational costs		
	Improve Financial Management and Accountability	Ensure effective budgeting process	Ensure effective budgeting process	Continuous exercise
			Adopt financial best practices	Continuous exercise in addition to new ERP system
			Adhere to regulatory and statutory obligations	
			Ensure effective audit and reporting practices	
			Strengthen financial management system	
	Reduce accounts receivables by 50% (From 180M to 90M by 2022)	Develop a Debt Management Structure	Debt policy approved by the Board	
		Develop a debt management policy framework		
		Provide for bad and doubtful debts		
	Mobilize required resources	Improve credit rating	Grants & donations received from various partners	
		Develop a resource mobilization strategy		
		Develop funding proposals		
		Develop sustainable partnerships		

REVIEW OF THE COMPANY'S PERFORMANCE

FOR FY 2021/2022

Strategic Objective	Performance indicator	Strategic Activities	Achievement
Institutional Strengthening	Improve employee productivity from 79% to 85%	Attract and retain competent staff	81% achievement (Continuous exercise)
		Undertake a staff rationalization exercise	
		Implement a responsive organization structure	
		Develop employee training and development plan	
		Implement a robust performance management system	
	Increased employee satisfaction levels from 61% to 70%	Improve employee motivation	Currently at 83% satisfaction
		Improve staff welfare	
		Improved working environment	
		Provide adequate office infrastructure	
		Provide employees with working tools	
	Strengthened human resources function	Develop, review and implement institutional policies and procedures	ERP system implemented
		Develop integrated human resources information management system	
	Improved institutional visibility and branding	Implement the organization core values	Continuous exercise
		Undertake a culture change programme	
Improve employee branding			
Improve company branding			
Effective Corporate governance	Enhanced board capacity in good governance	Strengthen the capacity of the Board on corporate governance	Training and evaluation conducted
		Reinforce the structures and instruments of good corporate governance	
		Undertake annual board evaluations	
	Reduced exposure to risks	Implement enterprise wide risk management framework	Continuous exercise
		Protect company assets	
		Develop a business continuity plan	BCP and Emergency response plan implemented
		Develop a COVID-19 Management Framework	
		Ensure effective Audits	Continuous exercise
	Improved stakeholder relations	Undertake stakeholder engagements	Done annually
		Ensure annual reporting to stakeholders	
		Ensure fulfilment of external/statutory requirements	
		Develop sustainable partnerships	
	Increased Lobbying	Lobby for increased resources	Continuous exercise
Lobby for supportive legislation and regulations			
			Ongoing with the County assembly

CORPORATE GOVERNANCE STATEMENT

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

Board Calendar

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

Board Composition and Appointment

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

Board Meetings

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

Conflict of Interest

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

Committees of the Board

Subject to strategic policy or formal issues reserved for its approval, the Board has delegated some of



VINOD PATEL
Chairman

the responsibilities to Board Committees which operate within definite terms of reference laid down by the Board.

The Board has four Committees namely:

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

Internal Controls

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

Accountability and Audit

The Board recognizes its responsibility to present a balanced assessment of the Company's financial position and prospects. Financial information is prepared using appropriate accounting policies which are consistently applied. The Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, and audited in accordance with the recognized auditing standards.

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

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



THOMAS ODONGO
Managing Director

MANAGEMENT DISCUSSIONS AND ANALYSIS

Budget Absorption for FY 2021/2022

DESCRIPTION	Budgets 2021/2022	Actual 2021/2022	% ABSORPTION
Total Revenue	1,128,286,439	1,089,394,787	97
Total costs	1,097,788,977	975,183,980	89

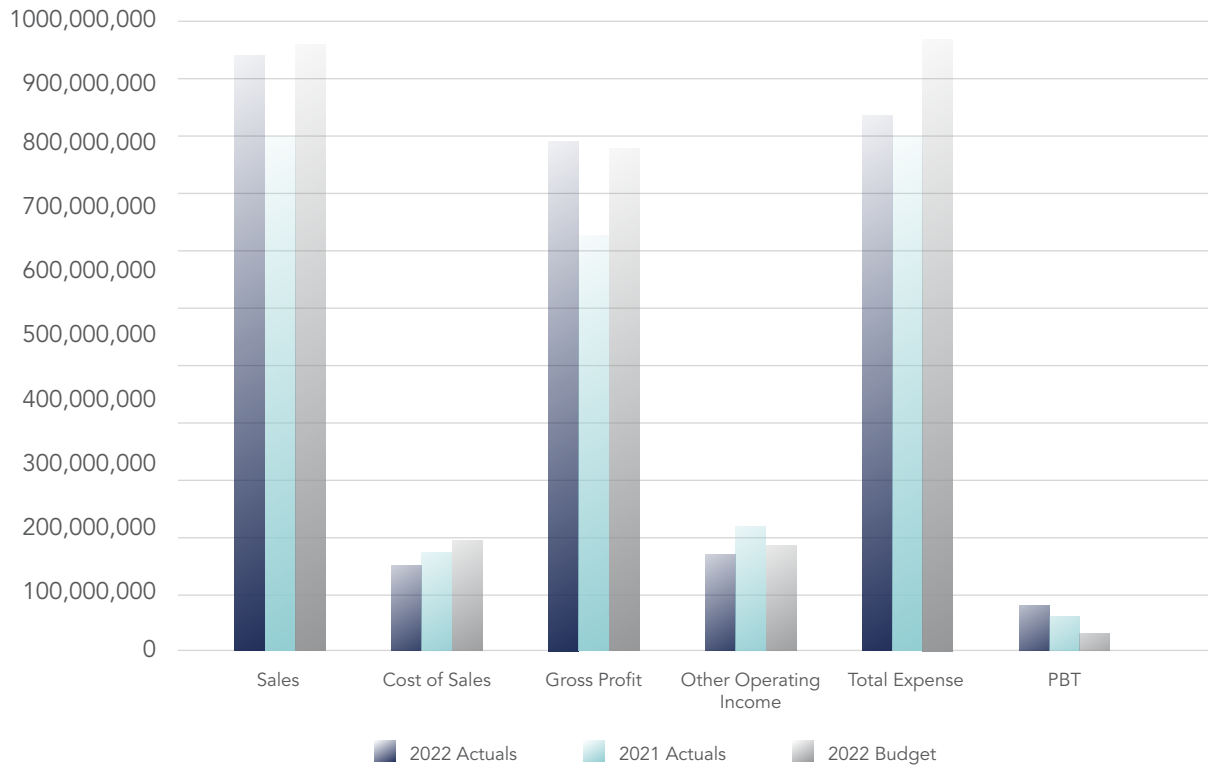
The absorption rate of the estimated revenue budget compared to the actuals for the year was 97% against the expenditure absorption of 89%.

Description	2022 (Kshs)	2021 (Kshs)	Variance (Kshs)	Percentage
Sales	937,597,019	797,099,981	140,497,038	18
Cost of Sales	(151,113,984)	(148,377,800)	(2,736,184)	2
Gross Profit	786,483,035	648,722,181	137,760,854	21
Other Operating Income	151,797,768	224,389,950	(72,592,182)	-32
Total Expense	(847,824,099)	(795,440,300)	(28,629,696)	4
PBT	90,456,704	77,671,832	36,538,975	47
Net Profit/(loss)	90,456,704	77,671,832	36,538,975	47
Fixed assets	320,571,877	286,548,337	34,023,540	12
Long-Term Liabilities	264,036,586	249,394,060	14,642,526	6
Current Assets	472,298,044	356,904,686	115,393,358	32
Current liabilities	283,962,902	263,399,336	20,563,566	8
Total Assets	792,869,922	643,453,023	149,416,899	23
Total Liabilities	547,999,488	512,793,396	35,206,092	7

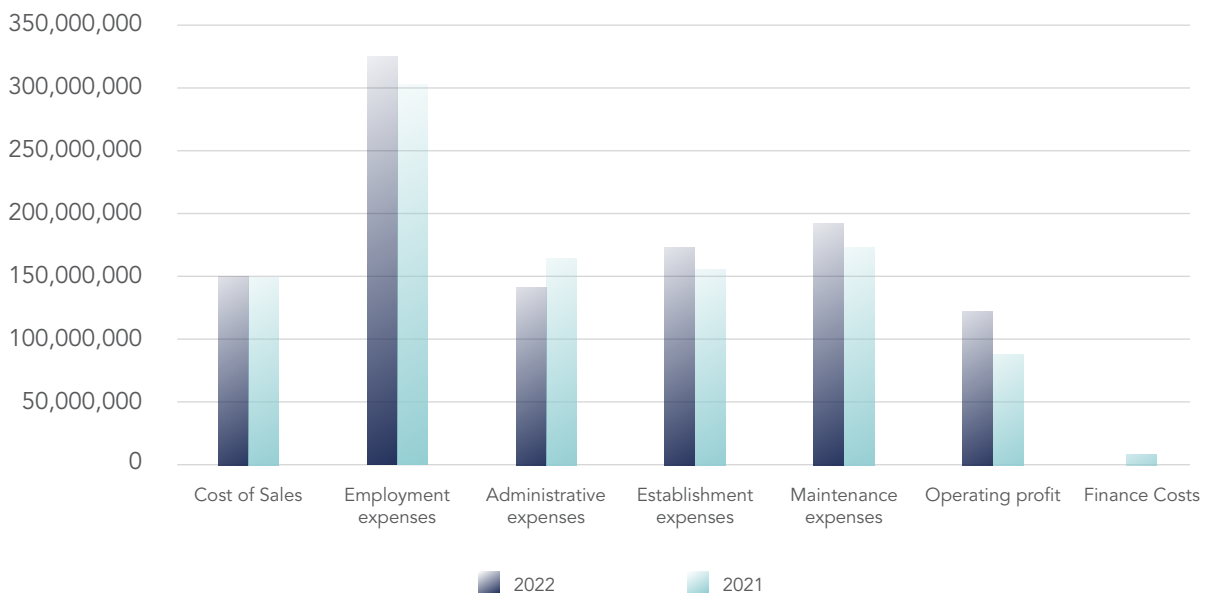
- i. There was growth in sales revenues by 18% and a decline in other income by 32% attributed to declines in grants funding.
- ii. The increase in cost of sales is attributed to prolonged drought that affected River Kajulu hence relying on lake water significantly to maintain water supply in the City.
- iii. The Company's total assets grew by 23%.
- iv. Total Liabilities equally increased by 7%.

MANAGEMENT DISCUSSIONS AND ANALYSIS (cont'd)

P&L Comparison

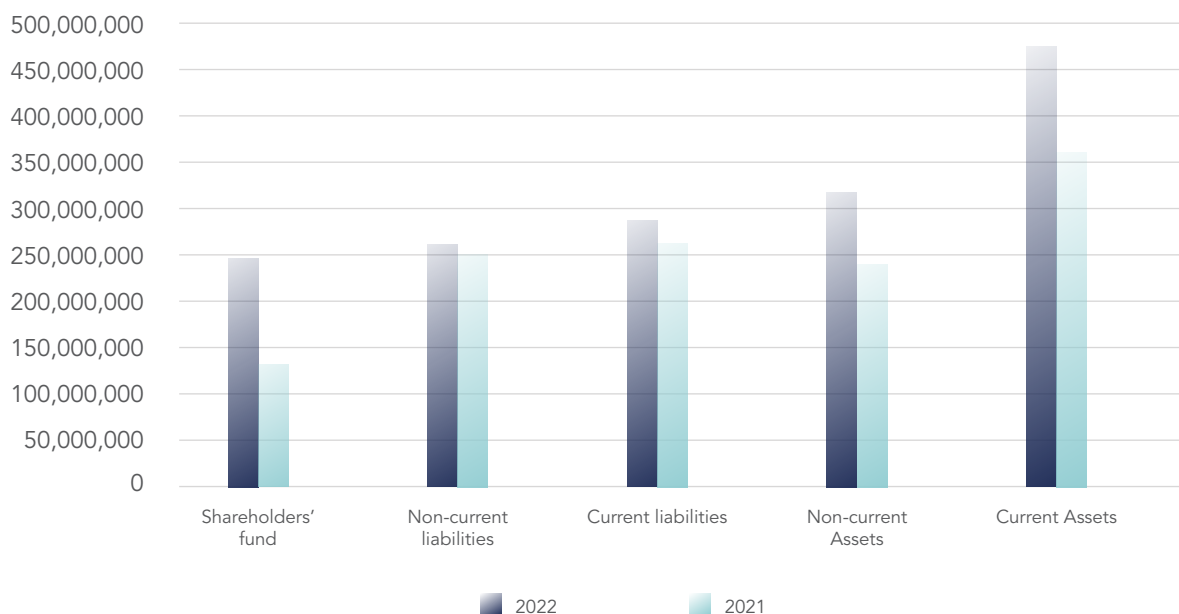


Expenditure Analysis



MANAGEMENT DISCUSSIONS AND ANALYSIS (cont'd)

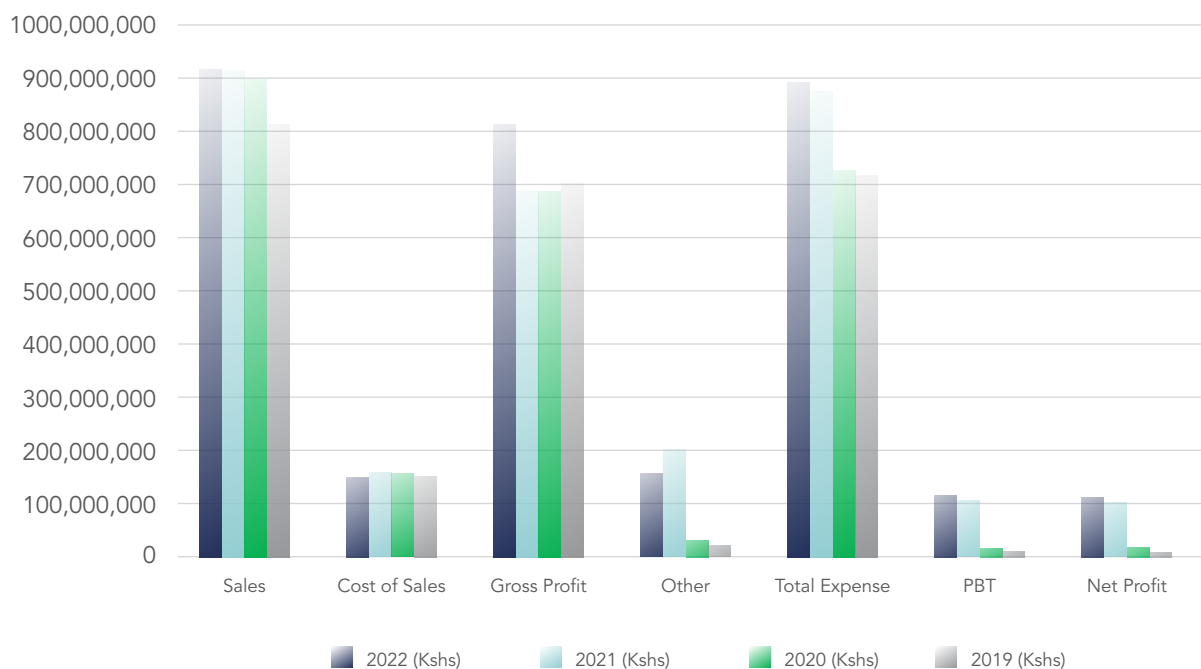
Balance Sheet Comparison



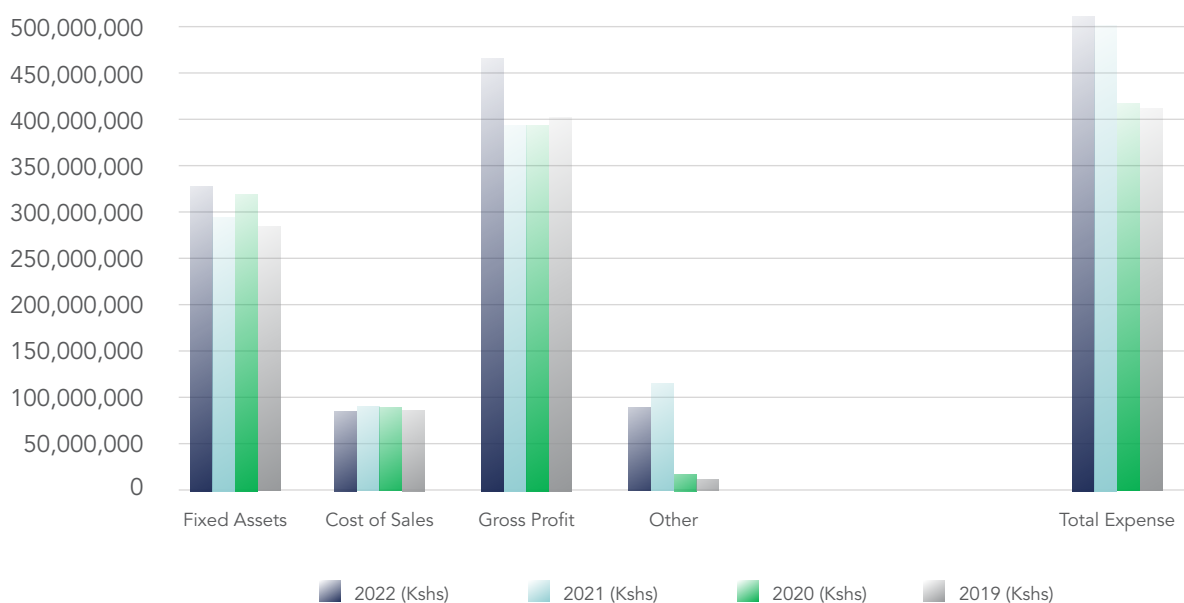
Description	2022 (Kshs)	2021 (Kshs)	2020 (Kshs)	2019 (Kshs)
Sales	937,597,019	797,099,981	794,276,150	812,060,445
Cost of Sales	(151,113,984)	(148,377,800)	(154,760,716)	(148,009,849)
Gross Profit	786,483,035	648,722,181	639,515,433	664,050,596
Other Operating Income	151,797,768	224,389,950	50,467,569	30,119,675
Total Expense	(847,824,099)	(795,440,300)	(684,327,419)	(682,148,600)
PBT	90,456,704	77,671,832	5,655,583	12,021,671
Net Profit/(loss)	90,456,704	77,671,832	3,973,723	9,132,560
Fixed assets	320,571,877	286,548,337	306,228,589	275,727,293
Long-Term Liabilities	264,036,586	249,394,060	309,412,203	301,120,138
Current Assets	472,298,044	356,904,686	317,376,604	258,291,410
Current liabilities	283,962,902	263,399,336	314,192,990	232,898,565
Total Assets	792,869,922	643,453,023	623,605,192	534,018,703
Total Liabilities	547,999,488	512,793,396	623,605,192	534,018,703

MANAGEMENT DISCUSSIONS AND ANALYSIS (cont'd)

P&L Trend



Balance Sheet Trend



ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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



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.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING (cont'd)



Training and education are central to our approach to developing our people. We have tremendous talent and we want to be known for creating an environment where our people bring their best self to work. Our people strategy lays out the pillars on how to have an engaged people, in that we provide learning opportunities that promote speed of performance, experimentation and deliver growth for the individual and the business.

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

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

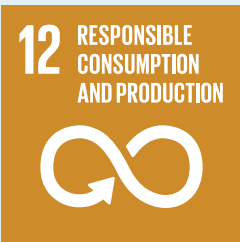
We practice ethical marketing and advertisement through disclosing information on our products and services. For example during the review of the water tariff or license review, the company engaged the public for their views through public participation forums. We advise customers on appropriate use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



ENVIRONMENTAL AND SUSTAINABILITY REPORTING (cont'd)



v) Corporate Social Responsibility / Community Engagements

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

- a) Donated free water supply to Police quarters, Mamboleo, Lolwe, Kanyamedha estates which were affected by road construction.
 - b) Enrolled 5 schools in Kajulu for the Newspaper in Education (NiE) programme that is currently on-going.
 - c) Donated tree seeds and manure to 10 Primary schools in Kisumu to help them inculcate the culture of growing trees and Environmental studies as per the CBC syllabus. They were also given 100 branded T-shirts.
 - d) Participated in Global Handwashing day by creating awareness to pupils at Migosi Primary School on the importance of hand hygiene. Donated 125 water bottles, 6 handwashing containers and 40 litres of liquid soap.
 - e) Donated logs that were to be used as firewood to Victory Children's Home from a tree that naturally fell at KISAT.
-



FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 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, 2022 are set out on page 47 Below is summary of the profit or loss made during the year.

RESULTS	2022 Kshs	2021 Kshs
Profit before tax	90,456,704	77,671,832
Tax	0	0
Profit for the year	90,456,704	77,671,832

iii) **Dividends**

The company has not declared dividends for the year ended 2022

iv) **Directors**

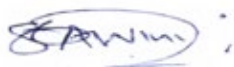
The members of the Board of Directors who served during the year are shown on page 5 in accordance with Regulation 3.1 of the company's Articles of Association.

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

Solomon Okeyo



28 September 2022

Company Secretary

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, 2022. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company financial statements were approved by the Board on 28 September 2022 and signed on its behalf by:



Vinod Patel
Chairperson of the Board



Thomas Odongo
Managing Director

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2022

Preamble

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisumu Water and Sanitation Company Limited set out on pages 47 to 83, which comprise of the statement of

financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kisumu Water and Sanitation Company Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of profit or loss account and other comprehensive income reflects maintenance expense amount of Kshs 191,902,457 as disclosed in Note 13 to the financial statements which differs with the ledger balance of Kshs 191,785,467 resulting to an unexplained and unreconciled variance of Kshs.116,990.

In the circumstances, the accuracy and completeness of the maintenance expense amount of Kshs 191,902,457 could not be confirmed.

2. Non-Recognition of Tax Liability from Operations

The statement of financial performance reflects a profit before taxation amounting to Kshs 90,456,704. The company is a trading entity and therefore subject to taxation, The last time the Company declared income tax was the financial year ended 30 June, 2020.

In the circumstances, the accuracy and completeness of the profit for the year amounting to Kshs 90,456,704 could not be confirmed.

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2022 (CONT')

3. Unsupported Write-Offs of Bad Debts

The statement of financial position and as disclosed in Note 28(a) to the financial statement reflects a balance of Kshs 270,661,636 which includes a provision of doubtful receivables of Kshs 24,378,040. However, the movement in the provision reflects a write-off amounting to Kshs 48,986,667 relating to the prior year provision which was not supported by approval by the County Executive Committee Member-Finance of the County Government of Kisumu.

In the circumstances, the regularity of the write-off of the doubtful receivables amounting to Kshs. 49,986,667 could not be confirmed.

4. Tax Recoverable (VAT)

The statement of financial position and as disclosed in Note 29 to the financial statement reflects a balance of Kshs 28,761,122 relating to tax recoverable (VAT) which has remained outstanding for more than four years. Management has not explained the the efforts to recover the amount.

In the circumstances, the recoverability of the tax recoverable (VAT) balance of Kshs 28,761,122 could not be confirmed.

5. Unsupported Customer Deposits

The statement of financial position and as disclosed in Note 39 to the financial statement reflects trade and other payables - noncurrent liabilities balance of Kshs.168,083,250 out of which a balance of Kshs 141,422,854 was in respect of customer deposits. However, no detailed analysis of who is owed what amounts has been provided for audit.

In the circumstances, the accuracy and completeness of the customer deposits balance of Kshs 141,422,854 could not be confirmed.

6. Unsupported county Government contribution

The statement of financial position and as disclosed in Note 39 to the financial statement reflects trade and other payables - noncurrent liabilities balance of Kshs 168,083,250 out of which a balance of Kshs 26,660,396 is in respect of the County Government contributions. However, the details of what the amount relates to were not provided for audit.

In the circumstances, the accuracy and completeness of the County Government contribution balance of Kshs.26,660,396 could not be confirmed.

7. Inaccuracies in Outstanding Levies Due to Lake Victoria Water Works Development Agency

The statement of financial position and as disclosed in Note 43 to the financial statement reflects trade and other payables - current liabilities balance of Kshs 275,032,075 which includes a balance of Kshs 17,100,538 payable to Lake Victoria South Works Development Agency. However, the financial statement for the Agency reflect a balance of Kshs 11,059,625 resulting in an unexplained and unreconciled variance of Kshs 6,040,913.

In the circumstances, the accuracy and completeness of the outstanding levies balance of Kshs 17,100,538 could not be confirmed.

8. Unaccounted for Lease Fees

The statement of financial position and as disclosed in Note 43 to the financial statements reflects trade and other payables - current liabilities balance of Kshs 275,032,075 which includes a balance of Kshs 21,793,650 in respect of lease fees payable which is a running balance from the amount reported in the previous year less settlement of Kshs 3,000,000 during the year under review. However, the lease expenditure for the current year has not been accounted for in the financial statements.

In the circumstances, the accuracy and completeness of the lease fees payable balance of Kshs 21,793,650 could not be confirmed.

9. Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs 304,445,566 under property, plant and equipment as disclosed in Note 20 to the financial statements.

However, although an assets register was maintained, it had not been updated to include the accounting code of the asset, identification number of the asset, location of the asset, insurance certificate number of the insurable assets, cost of each item of asset, depreciation rate, accumulated depreciation, depreciation charge for the year and book value of the asset. The net book values reported could not therefore be reconciled with the asset register.

In addition, leasehold improvements were reported at a net book value of Kshs 707,113. However, no register was maintained nor a listing provided to help ascertain the

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2022 (CONT')

make-up of assets under this category. In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs. 304,445,566 could not be confirmed.

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

Key Audit Matters

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

Other Information

The Directors are responsible for the other information, which comprises, the Chairman's statement, Managing Directors statement, a review of company's performance, Corporate Governance statement, Management discussion analysis and Corporate Social Responsibility Statement. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Accounting for Non-Revenue Water

Review of water production and consumption revealed that the company produced 10,497,618 cubic meters of water valued at Kshs 230,941,596 but only billed 7,196,567 cubic meters of water resulting to a loss of 3,301,051 cubic meters of water at a cost

of Kshs 72,623,122 which represents (31%) of the total production. The non-revenue water quantity is above the 25% loss allowable by the Water Services Regulatory Board.

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

2. Lack of Quarterly Reports on Items procured through Framework Agreement

Review of documents revealed that the company procured various items through framework agreement. However, the head of procurement function did not provide quarterly reports with details such as analysis of pattern of usage, procurement costs in relation to the prevailing market rates and any other recommendations for audit verification. Further, there was no acknowledgement from the head of internal audit confirming receipt of the quarterly reports on items procured through framework contract.

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

3. Failure to Observe One-Third Rule on Staff Composition

Review of the Company's payroll for the month of June, 2022 revealed that out of three hundred and twenty-one (321) employees, 274 staff members were from the same ethnic community or approximately 85% were from the dominant community in the region. This is contrary to section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, all public offices shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public institution shall have more than one-third of its staff establishment from the same ethnic community.

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

4. Gulf Water Company Limited and Nyanas Water Company Limited

As reported in the previous years, the Company was mandated to manage Gulf Water Company Limited and Nyanas Water Company Limited. However, Management has not provided signed financial statements of the two companies for audit. This is in contravention of Section 164(4) of the Public Finance Management Act, 2012. It has not therefore been possible to confirm whether the operations of the two companies are within the law.

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2022 (CONT')

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and the Board of Directors

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

maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the company or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of section 47 of the Public Audit Act, 2015.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE 2022 (CONT')

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates

and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi
13 June, 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
REVENUE			
Operating Revenue	6	937,597,019	797,099,981
Grants Income	7	128,338,226	152,033,934
Other Operating Income	8	23,459,542	72,356,016
Total Revenue		1,089,394,787	1,021,489,931
Expenses			
Staff Costs	9	321,303,443	303,877,967
General and Operations expenses	10	151,113,984	148,377,800
Administrative expenses	11	151,369,154	150,685,593
Board Expenses	12	12,695,134	8,269,513
Maintenance Expenses	13	191,902,457	170,845,725
Establishment Expenses	14	125,974,620	110,620,429
Depreciation and Amortization expenses	15	44,579,291	44,874,085
Finance Costs		-	6,266,986
Total Expenses		998,938,083	943,818,099
Profit/(Loss) Before Taxation		90,456,704	77,671,832
Income Tax Expense/(Credit)	17	-	-
Profit/(Loss) After Taxation		90,456,704	77,671,832
Earnings Per Share – Basic And Diluted		-	-
Dividend per share	19	-	-
Other Comprehensive Income			
Profit/ (Loss) After Taxation		90,456,704	77,671,832
Surplus Or Deficit On Revaluation Of PPE		-	-
Re-measurement Of Net Defined Benefit Liability		-	-
Fair Value Gain/(Loss) On Investments In Equity Instruments Designated As At FVTOCI		90,456,704	77,671,832
Total Comprehensive Income For The Year		90,456,704	77,671,832

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	20	304,445,566	266,509,028
Intangible assets	21	13,479,425	15,025,237
Deferred tax	26	5,014,071	5,014,071
Total Non-Current Assets		322,939,062	286,548,337
Current Assets			
Inventories	27	56,247,689	43,810,587
Trade and receivable	28a	270,661,636	219,714,968
Staff Recoverable	28c	5,000	802,907
Prepayments and deposits	28d	7,949,103	8,930,921
Tax Recoverable (VAT)	29	28,761,122	28,761,122
Bank and cash balances	30	84,295,455	54,884,182
Total Current Assets		447,920,005	356,904,687
TOTAL ASSETS		770,859,067	643,453,023
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	31	100,000	100,000
Revaluation reserve	32	1,176,114	1,176,114
Retained earnings	34	219,840,216	129,383,512
Capital and Reserves		221,116,330	130,659,626
Non-Current Liabilities			
Borrowings		-	-
Trade and other payables	39	168,083,250	153,401,997
Capital Grants	42	97,353,336	95,992,063
Total Non-Current Liabilities		265,436,586	249,394,060
Current Liabilities			
Borrowings		-	-
Trade and other payables	43	275,032,075	245,406,566
Current tax	44	9,274,075	9,274,075
Provision for liabilities and charges	45	-	8,718,695
Total Current Liabilities		284,306,151	263,399,336
TOTAL EQUITY AND LIABILITIES		770,859,067	643,453,023

The financial statements were approved by the Board on 28 September 2022 and signed on its behalf by:



Thomas Odongo
Managing Director



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



Vinod Patel
Chairman of the Board

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

		Ordinary Share	Revaluation	Retained	
	Notes	capital	Reserve	earnings	Total
		Kshs	Kshs	Kshs	Kshs
As at July 1, 2020	24	100,000	1,176,114	51,711,680	52,987,794
Profit for the year		-	-	77,671,832	77,671,832
As at June 30, 2021		100,000	1,176,114	129,383,512	130,659,626
As at July 1, 2021		100,000	1,176,114	129,383,512	130,659,626
Profit for the year		-	-	90,456,704	90,456,704
Dividends payable		-	-	-	-
At June 30, 2022		100,000	1,176,114	219,840,216	221,116,330

STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
Cash Flows From Operating Activities			
Cash Generated from operations	46	83,739,755	57,610,017
Tax paid		-	(3,878,359)
Net Cash From Operating Activities		83,739,755	53,731,658
Cash Flows from Investing Activities			
Purchase Of Property, Plant And Equipment (PPE)	20	(76,641,767)	(26,849,851)
Purchase Of Intangible Assets	21	(4,328,250)	-
Proceeds From Disposal/ Impaired		-	1,892,592
Net Cash From/(Used In) Investing Activities		(80,970,017)	(24,957,259)
Cash Flows from Financing Activities			
Interests Paid	16	-	(6,266,986)
Proceeds From Borrowings	36	-	-
Repayment of Borrowings	36	-	(48,292,788)
Increase in water deposits	40	13,281,254	12,529,297
Grant received	42	13,360,281	38,073,668
Donations received		-	-
Net Cash from/(Used in) Financing Activities		26,641,534	(3,956,809)
Increase/(Decrease) in Cash and Cash Equivalents		29,411,272	24,817,591
Cash and Cash Equivalents at Beginning of Year		54,884,182	30,066,592
Increase/(Decrease)		29,411,272	24,817,591
Cash and Cash Equivalents at end of The Year	30	84,295,455	54,884,182

STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS

For the year ended 30 June 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2021-2022	2021-2022	2021-2022	2021-2022		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Operating Revenue	901,242,439	57,882,375	959,124,814	937,597,019	(21,527,795)	97.8%
Grants Income	120,400,000	0	120,400,000	128,338,226	7,938,226	106.6%
Other operating income	25,824,000	22,937,625	48,761,625	23,459,542	(25,302,083)	48.1%
Total Revenue	1,047,466,439	80,820,000	1,128,286,439	1,089,394,787	(38,891,652)	100.2%
Expenses						
Cost of sales	164,212,926	10,000,000	174,212,926	151,113,984	23,098,942	86.7%
Employment expenses	325,665,675	6,500,000	332,165,675	321,303,443	10,862,232	96.7%
Administrative expenses	135,861,834	14,320,000	150,181,834	153,113,779	(2,931,945)	101.9%
Board expenses	15,033,571	500,000	15,533,571	12,695,134	2,838,437	81.7%
Maintenance expenses	157,063,343	48,500,000	205,563,343	190,157,833	15,405,510	92.5%
Establishment expenses	145,894,035	-	145,894,035	125,974,620	19,919,415	86.3%
Depreciation and amortization	47,008,412	-	47,008,412	44,579,291	2,429,121	94.8%
Finance costs	27,229,180	-	27,229,180	-	27,229,180	0%
Total Recurrent Expenditure	1,017,968,976	79,820,000	1,097,788,977	998,938,083	98,850,892	9%
Profit or Loss	29,497,462	1,000,000	30,497,462	90,456,704	59,959,240	196.6%
Capital Expenditure						
Capital Expenditure	112,120,000	-	112,120,000	76,641,767	35,478,233	68.4%
Total Expenditure	1,130,088,976	79,820,000	1,209,908,976	1,075,579,850	134,329,126	88.9%

Note:

- The Company achieved 97.8% of the budgeted revenue in the year under review. This is an excellent performance considering the state of the Economy that is affected by the Covid-19 pandemic
- Other incomes increased in the year due to the Government grant that was given to mitigate water companies against the effects of Covid-19 Pandemic i.e. Conditional Liquidity Support Grant (CLSG) by the Water Sector Trust Fund (WSTF)
- The Cost of sales was marginally within budget with an absorption level of 86.7%
- Employment expenses was marginally within approved budget with a 96.7% utilisation
- The overall administrative expenses remained at 100% performance in the year under review. Reallocation of funds within the budget was done and approved in the supplementary budget to cater for under and overspendings within the budget line.
- Establishment expenses were within budget with an absorption level of 88.2%
- Maintenance expense adjusted upwards to cater for new projects and activities brought about by the Government's Conditional Liquidity Support Grant (CLSG). However, reallocations within the budget lines was considered in the supplementary budget to cater for under/over spending
- The company did not have any loan obligation in the year under review hence no finance charges incurred
- Improved profitability caused by the Grant received (CLSG) from the Government which is not subject to Taxation

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

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 2022.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

Title	Description	Effective Date
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

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

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

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

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

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

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

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

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

iii. Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

4. Summary of Significant Accounting Policies (continued)

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

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

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

e) Intangible assets

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

f) Amortisation and impairment of intangible assets

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

g) Inventories

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

h) Trade and other receivables

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

i) Taxation

i) Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

4. Summary of Significant Accounting Policies (continued)

i) Taxation (continued)

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

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

j) Deferred tax

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

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

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

the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred. There was however no borrowing in the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

4. Summary of Significant Accounting Policies (continued)

k) Borrowing costs (continued)

l) Cash and cash equivalents

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

m) Borrowings

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

n) Trade and other payables

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

o) Retirement benefit obligations

The Company operates a defined contribution scheme for all full-time employees from July 1, 2021. The scheme is administered by both County Pension Fund (CPF) and LAPFUND teams and are funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This

is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

p) Provision for staff leave pay

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

q) Exchange rate differences

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

r) Budget information

The original budget for FY 2021-2022 was approved by the Board of Directors on 29th June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of Kshs.79,820,000 on the 2021-2022 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

4. Summary of Significant Accounting Policies (continued)

r) Budget information (continued)

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 page 51. 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, 2022.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

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

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

	2021-2022 Kshs	2020-2021 Kshs
Water sales	703,192,410	574,844,052
Sewerage Services	234,404,609	222,255,929
Total	937,597,019	797,099,981

7. Grants Income

	2021-2022 Kshs	2020-2021 Kshs
Operational grants from Government entities	116,339,218	138,320,782
Recurrent/operational grants from other agencies	-	-
Capital grants amortized	11,999,008	13,713,152
Donations from the County Government of Kisumu	-	-
In Kind contribution/donations from other agencies	-	-
Total	128,338,226	152,033,934

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund. Kshs	Total grant income during the year Kshs	2021-2022 Kshs
Water Sector Trust Fund	116,339,218	11,999,008	-	128,338,226	128,338,226
Ministry	-	-	-	-	-
Total	116,339,218	11,999,008	-	128,338,226	128,338,226

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

8. Other Income

	2021-2022 Kshs	2020-2021 Kshs
Illegal connections	1,475,338	1,740,532
New water connections	4,679,776	6,321,366
Reconnection fees	7,240,351	6,345,688
Sewer connection	827,935	806,318
Surcharge on meter loss	1,695,591	1,734,059
Miscellaneous income (specify)	884,651	1,096,681
Other Income - Donations	-	47,738,772
Exhauster Services	6,655,900	6,572,600
Total	23,459,542	72,356,016

Billing for other services refers to income generated from services such as reconnection fees, sales of sludge, water analysis samples, surcharge on water loss, exhauster services etc.

9. Staff Costs

Description	2021-2022 Kshs	2020-2021 Kshs
Gross Salary and Allowances	248,182,879	239,217,781
Casual workers' Wages	27,295,303	23,436,112
Medical insurance schemes	24,452,826	21,541,806
Employer's contributions to social security schemes	777,508	784,400
Employer's contributions to pension scheme	14,166,898	13,555,337
Provisions for Leave pay (Payment in lieu of leave)	973,375	211,690
Staff Gratuity	4,155,256	4,016,687
Staff welfare	1,105,799	918,055
Other allowances- Directorate of Industrial Training (DIT) Levy	193,600	196,100
Total	321,303,443	303,877,967
The Average number of employees during the year	321	329

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

10. General and Operations Expenses

Description	2021-2022 Kshs	2020-2021 Kshs
Opening stock of Chemicals	2,554,170	3,395,401
Chemicals	87,293,023	89,693,211
Electricity	64,821,099	57,843,358
Less Closing stock of Chemicals	(3,554,308)	(2,554,170)
Total	151,113,984	148,377,800

11. Administrative Expenses

Description	2021-2022 Kshs	2020-2021 Kshs
Opening Stocks (Uniforms and Stationery)	2,754,493	2,754,493
Uniform and protective clothing	5,674,189	8,918,397
Publicity and advertising	11,203,166	7,257,779
Tenders	414,455	130,300
Bank Charges and commissions	3,446,432	2,746,967
Staff training and development	8,536,519	4,796,082
Telephone and Postage	11,671,786	12,518,189
Vehicle running expenses (Fuel, oil, lubricants & repairs)	27,276,639	22,309,816
Traveling and subsistence	15,639,605	5,914,154
Printing and stationery	5,231,475	3,790,076
Sports and recreation	5,747,825	378,250
Audit fees	580,000	580,000
Telecommunication- ICT expenses	15,382,041	16,465,445
Debt collection	874,895	387,635
Bad debts provision	24,378,040	48,986,667
Legal and Professional fees	2,260,108	3,112,215
Consultancy fees	7,704,540	5,770,816
Office expenses	7,042,064	5,975,307
Donations/CSR	50,000	647,500
Closing Stocks (Uniforms and Stationery)	(4,499,118)	(2,754,493)
Total	151,369,154	150,685,593

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

12. Board Expenses

Description	2021-2022 Kshs	2020-2021 Kshs
Chairman Honoraria	-	-
Sitting allowances	5,412,132.88	4,759,124.89
Induction and Training (Board retreat)	3,806,332.76	1,520,774.00
Annual General Meeting (AGM) & stakeholders meeting	3,348,836.80	1,916,050.00
Refreshments	127,832.00	73,564.00
Total Board Expenses	12,695,134.44	8,269,512.89

13. Maintenance Expenses

Description	2021-2022 Kshs	2020-2021 Kshs
Opening inventories of consumables	38,501,924	26,244,785
Network maintenance	166,711,142	149,013,098
Sewerage maintenance	8,928,323	8,377,712
Sanitation	-	2,301,615
Laboratory reagent	8,632,399	6,714,227
Water pump maintenance	4,247,514	5,836,744
Electrical items	13,075,419	10,859,469
Closing inventories of consumables	(48,194,263)	(38,501,924)
Total Maintenance Expenses	191,902,458	170,845,725

14. Establishment Expenses

Description	2021-2022 Kshs	2020-2021 Kshs
Conservancy fees	31,992,380	29,158,106
LTAP - operating Lease	11,000,000	6,000,000
WASREB levy	37,503,881	31,882,518
WRA levy	8,620,489	7,984,259
NEMA	210,100	210,000
KEBS levy	400,000	400,000
WASPA	190,000	180,000
Rent and Rates	2,854,198	2,829,588
Office repairs and maintenance	3,859,765	1,755,207
Electricity	480,455	677,123
General insurance	1,649,830	1,318,728
Security services	22,239,500	21,717,333
Impairment loss on meters	-	1,656,018
Bulk water Costs	4,974,022	4,851,550
Total	125,974,620	110,620,429

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

15. Depreciation and Amortization Expenses

Description	2021-2022 Kshs	2020-2021 Kshs
Property, plant, and equipment	38,705,228	39,865,673
Intangible assets	5,874,062	5,008,412
Investment property carried at cost	-	-
Total Depreciation and Amortization	44,579,291	44,874,085

16. Finance costs

Description	2021-2022 Kshs	2020-2021 Kshs
Interest expense on loans	-	5,288,008
Interest expense Insurance Premium Financing (IPF)	-	978,978
Interest on lease liabilities	-	-
Total	-	6,266,986

17. Income Tax Expense/(Credit)

Current taxation

Description	2021-2022 Kshs	2020-2021 Kshs
Adjusted profit(loss) for the year	(36,959,563)	(72,826,988)
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 2022

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

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

	2021-2022 Kshs	2020-2021 Kshs
Profit before taxation	90,456,704	77,671,832
Tax at the applicable tax rate of 30%	27,137,011	23,301,550
Current tax	-	-
Prior year under-provision	-	-
Tax effects of expenses not deductible for tax purposes	14,068,433	14,908,618
Tax effects of income not taxable	(38,501,468)	(45,610,180)
Tax effects of excess capital allowances over depreciation/amortization	(13,791,845)	(14,448,084)
Deferred tax prior year over-provision	-	-
Total	(11,087,869)	(21,848,096)

18. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. 90,456,704 (2021-2022) by the average number of ordinary shares in issue during the year of 5,000 (2021-2022) There were not dilutive or potentially dilutive ordinary share as at the reporting date.

19. Dividend Per Share

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

20. Property, Plant and Equipment

2021-2022	Leasehold improvements	Plant, meters & machinery	Motor vehicles and cycles	Office equipment, furniture and fittings	Computer & related equipment	Capital work-in-progress	Project Assets	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost or Valuation								
At July 1, 2021	1,138,554	247,770,132	26,677,683	13,567,033	18,395,760	5,514,224	192,065,373	505,128,758
Additions	-	24,478,680	-	1,055,000	2,966,868	45,435,865	2,705,354	76,641,767
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
At June 30, 2022	1,138,554	272,248,812	26,677,683	14,622,033	21,362,628	50,950,088	194,770,727	581,770,525
Depreciation								
At July 1, 2021	413,310	125,124,006	19,559,997	8,723,806	13,574,321	0	71,224,290	238,619,730
Charge For The Year	18,131	18,390,601	1,779,422	737,278	2,336,492	0	15,443,305	38,705,228
Impairment Loss	-	-	-	-	-	-	-	-
Eliminated On Disposal	-	-	-	-	-	-	-	-
At June 30, 2022	431,441	143,514,607	21,339,418	9,461,084	15,910,813	0	86,667,595	277,324,958
Net Book Value At June 30, 2022	707,113	128,734,205	5,338,265	5,160,949	5,451,814	50,950,088	108,103,132	304,445,566

20. Property, Plant and Equipment Year ended 30 June 2022

Cost or Valuation								
As at 1 July 2020	1,138,554	236,750,747	20,933,683	13,195,123	16,088,020	0	192,065,373	480,171,499
Additions	-	12,911,977	5,744,000	371,910	2,307,740	5,514,224	-	26,849,851
Transfers	-	-	-	-	-	-	-	-
Disposals	-	(1,892,592)	-	-	-	-	-	(1,892,592)
As at 30th June 2021	1,138,554	247,770,132	26,677,683	13,567,033	18,395,760	5,514,224	192,065,373	505,128,758
Depreciation								
At July 1, 2020	394,714	107,907,297	17,187,435	8,031,916	11,507,991	-	53,961,279	198,990,631
Charge for the year	18,596	17,453,283	2,372,562	691,890	2,066,331	-	17,263,012	39,865,673
Impairment loss	-	-	-	-	-	-	-	-
Reversal on disposal/impairment	-	(236,574)	-	-	-	-	-	(236,574)
As at 30th June 2021	413,310	125,124,006	19,559,997	8,723,806	13,574,321	-	71,224,290	238,619,730
Net Book Value At June 30, 2021	725,244	122,646,126	7,117,687	4,843,228	4,821,438	5,514,224	120,841,082	266,509,028

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

20. Property, Plant and Equipment (continued)

Valuation

Land and buildings, property, plant and equipment etc. had not been valued by the end of year 2022. The Company engaged Recad Consulting Ltd an independent valuer on asset tagging and valuation during the year 2022-2023 following the previous year's audit challenges. The revalued figures will be incorporated in the financial statement for the year ended 30 June 2023 after adoption.

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

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

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Project assets – plant and Equipment	194,770,727	86,667,595	108,103,132
Buildings/ leasehold improvements	1,138,554	431,441	707,113
Plant and machinery	272,248,812	143,514,607	128,734,205
Motor vehicles, including motorcycles	26,677,683	21,339,418	5,338,265
Computers and related equipment	21,362,628	15,910,813	5,451,814
Office equipment, furniture, and fittings	14,622,033	9,461,084	5,160,949
	530,820,436	277,324,958	253,495,478

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	-	-
Motor vehicles – KAV 147B	15,309,960.65	25%
Motor cycles – 12No.	1,014,000.00	25%
Computers and related equipment	7,060,065.49	30%
Office equipment, furniture and fittings	6,349,423.47	12.5%
Total	29,733,449.61	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

21. Intangible Assets

	2021-2022 Kshs	2020-2021 Kshs
COST		
At July 1	25,042,062	25,042,062
Additions	4,328,250	-
Disposals	-	-
At June 30	29,370,312	25,042,062
AMORTISATION		
At July 1	10,016,825	5,008,412
Charge for the year	5,874,062	5,008,412
Disposals	-	-
Impairment loss	-	-
At June 30	15,890,887	10,016,825
NET BOOK VALUE		
At June 30	13,479,425	15,025,237

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 2022

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:

	2021-2022 Kshs	2020-2021 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

	2021-2022 Kshs	2020-2021 Kshs
General stores	204,106.00	297,920.00
Water Chemicals	3,554,308.00	2,554,170
Water fittings and Accessories	12,486,635.94	9,263,674.16
Water meters	19,039,539.90	11,028,558.92
Electrical items	1,631,055.59	2,222,630.83
Pipes	9,636,644.99	11,421,671.27
Hardware materials	5,196,280.24	4,267,468.23
Uniform and protective clothing	1,322,294.42	249,855.17
Stationery and general supplies	3,176,824.21	2,504,638.48
Finished goods	-	-
Total	56,247,689.00	43,810,587.05

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

28. Trade and Other Receivables

	2021-2022 Kshs	2020-2021 Kshs
Trade receivables (note (29a))	295,039,675	268,701,635
Prepayments and Deposits	7,949,103	8,930,921
VAT recoverable	28,761,122	28,761,122
Staff receivables (note 29 (c))	5,000	802,907
Gross trade and other receivables	331,754,900	307,196,585
Provision for bad and doubtful receivable	(24,378,040)	(48,986,667)
Net trade and other receivables	307,376,861	258,209,917

28 (a) Trade Receivables

	2021-2022 Kshs	2020-2021 Kshs
Gross trade receivables	295,039,675	268,701,635
Provision for doubtful receivables	(24,378,040)	(48,986,667)
Net trade receivables	270,661,636	219,714,968
<i>at June 30, the ageing analysis of the gross trade receivables was as follows:</i>		
Less than 30 days	71,424,192.54	21,378,465.78
Between 30 and 60 days	19,381,045.87	18,282,618.16
Between 61 and 90 days	11,765,386.99	18,171,101.00
Between 91 and 120 days	10,163,419.54	24,135,672.46
Over 120 days	182,302,630.57	186,733,777.60
Total	295,039,675.51	268,701,634.80

28 (b) Reconciliation of Impairment Allowance for Trade Receivables

	2021-2022 Kshs	2020-2021 Kshs
At the beginning of the year	48,986,667	0
Additional provisions during the year	24,378,040	48,986,667
Recovered during the year	-	-
Written off during the year	(48,986,667)	-
At the end of the year	24,378,040	48,986,667

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

28 (c) Staff Receivables

	2021-2022 Kshs	2020-2021 Kshs
Gross staff loans and advances	802,906.57	-
Provision for impairment loss	(797,906.57)	-
Net staff loans	5,000	802,907
Less: Amounts due within one year	(5,000)	(802,907)
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	2021-2022 Kshs	2020-2021 Kshs
At the beginning of the year	802,906.57	633,387.57
Additional provisions during the year	263,200.00	616,757.00
Recovered during the year	(1,061,106.57)	(447,238.00)
Written off during the year	-	-
At the end of the year	5,000	802,907

28 (d) Prepayments and Deposits

Description	2021-2022 Kshs	2020-2021 Kshs
Telephone deposits (Telkom & Safaricom)	57,000	57,000
Electricity deposits (KPLC)	848,859	848,859
Internet services deposit	17,400	17,400
Staff medical & General insurance prepaid	7,025,844	8,007,662
Others	-	-
Total	7,949,103	8,930,921

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

29. Tax Recoverable (Value Added Tax)

	2021-2022 Kshs	2020-2021 Kshs
At beginning of the year	28,761,122	28,761,122
Income tax charge for the year (note 16)	-	-
Under/(over) provision in prior year/s (note 16)	-	-
Income tax paid during the year	-	-
At end of the year	28,761,122	28,761,122

30. Bank and Cash Balances

	2021-2022 Kshs	2020-2021 Kshs
Cash at bank	83,885,409.51	54,248,775.32
Cash in hand	22,228.00	35,591.00
Mobile money account	387,817.00	599,816.00
	84,295,454.51	54,884,182.32

Detailed analysis of the cash and cash equivalents

Financial institution	Account Number	2021-2022 Kshs	2020-2021 Kshs
a) Current account			
KCB	1240290837	308,167.30	95,783.90
Co-operative Bank	01136012931300	31,851,970.36	45,599,267.65
Co-operative Bank	01136012931301	14,716,921.15	2,186,330.46
Co-operative Bank	01141012931300	-	5,571,772.30
Equity Bank	0290265172985	12,120,844.98	21,506.99
NCBA Bank – Pamoja Trust	1001789399	448,539.56	445,294.36
NCBA – EU-WOP project	01141012931300	13,360,306.50	
Post Bank	0744130005547	114,490.00	3,250.00
National Bank of Kenya	01060246510800	-	-
National Bank of Kenya	01060246513100	-	-
Sub- total		72,921,239.85	53,923,205.66

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

30. Bank and Cash Balances (continued)

Detailed analysis of the cash and cash equivalents

		2021-2022	2020-2021
Financial institution	Account Number	Kshs	Kshs
b) On – call deposits			
Co-operative Bank	01100012931300	10,964,169.66	325,569.66
others		-	-
Sub-total		10,964,169.66	325,569.66
c) Fixed deposits account			
Commercial Bank & others		-	-
Sub-total		-	-
d) Others (specify)			
Cash in hand –Petty Cash		22,228.00	35,591.00
Mobile money account		387,817.00	599,816.00
Sub- total		410,045.00	635,407.00
Grand total		84,295,454.51	54,884,182.32

31. Ordinary Share Capital

	2021-2022 Kshs	2020-2021 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

32. Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity in page 49, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

33. Fair Value Adjustment Reserve

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

34. Retained Earnings

The retained earnings represent amounts available for distribution to the Company's shareholders. Undistributed retained earnings are utilised to finance the Company's business activities including network expansions to meet the coverage level as required by the Regulator (WASREB). The retained earnings for the year are as indicated in the statement of Changes in Equity in note page 49.

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

NB: The Company has not had any borrowings in the financial year under review hence not reported or analysed.

37. Lease Liability

The Company had no lease liability in the financial year ended 30th June 2022 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.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

39. Trade and Other Payables – Non-current Liabilities

	2021-2022 Kshs	2020-2021 Kshs
Water Deposits	141,422,854	126,741,601
County Government Contribution	26,660,396	26,660,396
Other payables	-	-
Total	168,083,250	153,401,997

40. Analysis of Customer Deposits

	2021-2022 Kshs	2020-2021 Kshs
Opening Balance	128,141,601.33	115,412,303.84
Add: deposits received during the year	19,793,985.38	17,681,737.96
Less: Refunded deposits during the year	(6,512,731.89)	(4,952,440.47)
Closing balance	141,422,854.82	128,141,601.33
Total	141,422,854.82	128,141,601.33

41. 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 crystallized over time.

	2021-2022 Kshs	2020-2021 Kshs
At the beginning of the year	26,660,396	26,660,396
Additional declared during the year	-	-
Amortized during the year	-	-
Balance at end of the year	26,660,396	26,660,396

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

42. Capital Grants

				2021-2022
2021-2022	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	769,940	-	(96,242.48)	673,697
Lake Victoria South Water Works Development	99,291	-	(12,411.37)	86,880
Water Service Trust Fund & Others	33,984,787	-	(4,248,098.35)	29,736,688
Other Grants - OBA	61,138,045	-	(7,642,255.66)	53,495,790
EU-WOP	-	13,360,281	-	13,360,281
Total	95,992,063	13,360,281	(11,999,007.85)	97,353,336

				2021-2022
2020-2021	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	879,931	-	(109,991)	769,940
Lake Victoria South Water Works Development	113,475	-	(14,184)	99,291
Water Service Trust Fund & Others	38,839,756	-	(4,854,970)	33,984,787
Other Grants - OBA	31,798,384	38,073,668	(8,734,006)	61,138,045
Total	95,992,063	38,073,668	(13,713,151.83)	95,992,063

43. Trade and Other Payables –Current Liability

	2021-2022 Kshs	2020-2021 Kshs
Trade payables	74,720,948	52,151,596
Conservancy fee – County Government of Kisumu	120,213,360	88,528,525
Accrued expenses	32,604,675	40,308,473
Lease fees – County Government of Kisumu	8,598,904	11,123,785
Other payables	21,793,650	24,793,650
Lake Victoria South Water Works Development - Outstanding Levy	17,100,538	27,100,538
Total	275,032,075	244,006,566

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

44. Taxation Payable

	2021-2022 Kshs	2020-2021 Kshs
At beginning of the year	9,274,075	9,274,075
Income tax charge for the year	-	-
Under/(over) provision in prior year/s	-	-
LESS -Income tax paid during the year	-	-
At end of the year	9,274,075	9,274,075

45. Provisions

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

Provisions details

Description	2021-2022 Kshs	2020-2021 Kshs
Current Portion of Provisions	-	8,718,694.72
Long-term portion of Provisions	-	-
Total	-	8,718,694.72

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

46. Notes to The Statement of Cash Flows

	2021-2022 Kshs	2020-2021 Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
Profit or loss before tax	90,456,704	77,671,832
Depreciation	38,705,228	39,865,673
Amortisation	5,874,062	5,008,413
(Gain)/loss on disposal of property, plant and equipment	-	(236,574)
Interest Expense	-	6,266,986
Grants Write-back	(11,999,008)	(13,713,152)
Operating profit/(loss) before working capital changes	123,036,986	114,863,178
(Increase)/decrease in inventories	(12,437,102)	(11,415,908)
(Increase)/decrease in trade and other receivables	(50,946,668)	(3,294,584)
Increase/(decrease) in trade and other payables	31,025,509	(46,559,356)
Increase/(decrease) in retirement benefit obligations	(8,718,695)	4,016,687
Increase/(decrease) in provision for staff leave pay	1,779,724	-
Cash generated from/(used in) operations	83,739,754	57,610,017
(b) Analysis of changes in loans		
Balance at beginning of the year	-	48,292,788
Receipts during the year	-	-
Repayments during the year	-	(48,292,788)
Repayments of previous year's accrued interest	-	-
Accrued interest	-	-
Balance at end of the year	-	-
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	410,045.00	635,407
Cash in hand	83,885,409.51	54,248,775
Balance at end of the year	84,295,454.51	54,884,182
(d) Analysis of interest paid		
Interest on loans	-	6,266,986
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	-	6,266,986
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2021 interim dividends paid	-	-
Balance at end of the year	-	-
Dividend paid	-	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

47. Related Party Disclosures

County Government of Kisumu

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

Other related parties include:

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

Transactions with related parties

	2021-2022 Kshs	2020-2021 Kshs
a) Sales to related parties		
Water sales to Govt. agencies – County Government of Kisumu	74,777,867	9,347,159
Others (Specify)	-	-
Total	74,777,867	9,347,159
b) Purchases from related parties		
Rent expenses paid to Government agencies (NCPB)	2,854,198	2,829,588
Training and conference fees paid to Government agencies	-	-
Others (specify)	-	-
Total	2,854,198	2,829,588
b) Grants from the Government		
Grants from National Government agencies (WSTF)	116,339,218	138,320,782
Grants from County Government	-	-
Donations in kind	-	-
Total	116,339,218	138,320,782
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for conservancy services (CGK)	32,503,236	6,055,249
Total	32,503,236	6,055,249
d) Key management compensation		
Directors' emoluments	12,695,134	8,269,513
Compensation to key management	40,282,677	38,597,187
Total	52,977,811	46,866,700

48. Capital Commitments

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

49. Contingent Assets and Liabilities

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

Contingent Assets	2021-2022 Kshs	2020-2021 Kshs
Contingent assets		
Insurance reimbursements	4,282,832	-
Assets arising from determination of court cases	-	-
Reimbursable indemnities and guarantees	-	-
Receivables from other government entities	-	-
Total	4,282,832	-

Contingent Liabilities	2021-2022 Kshs	2020-2021 Kshs
Contingent liabilities		
Court case against the entity	-	-
Bank guarantees in favour of subsidiary	-	-
Contingent liabilities arising from contracts including PPPs	-	-
Total	-	-

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

50. Financial Risk Management

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

i. Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

50. Financial Risk Management (continued)

i. Credit risk (continued)

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

	Total amount	Fully performing	Past due but not Impaired	Past due and Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Receivables	270,661,636	270,661,636	-	24,378,040
Other Receivables	36,715,225	7,949,103	28,766,122	-
Investments	-	-	-	-
Bank balances	84,295,455	84,295,455	-	-
Total	391,672,316	362,906,194	28,766,122	24,378,040
At 30 June 2021 (previous Year)				
Receivables	219,714,968	219,714,968	-	48,986,667
Other Receivables	38,494,949	8,930,921	29,564,029	-
Investments	-	-	-	-
Bank balances	54,884,182	54,884,182	-	-
Total	313,094,099	283,530,071	29,564,029	48,986,667

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

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

ii) Liquidity risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

50. Financial Risk Management (continued)

ii) Liquidity risk management (continued)

	Less than 1 month	Between 1-3 months	Over 5months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022 current year				
Trade payables	43,256,710.77	15,709,483.25	15,754,753.96	74,720,948
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	43,256,710.77	15,709,483.25	15,754,753.96	74,720,948.00
At 30 June 2021 previous year				
Trade payables	5,103,486.00	12,789,369.00	34,258,741.00	52,151,596.00
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	5,103,486.00	12,789,369.00	34,258,741.00	52,151,596.00

iii) Market risk

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

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

iv) Foreign currency risk

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

v) Interest rate risk

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

a) Management of interest rate risk

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

b) Sensitivity analysis

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 30 June 2022

50. Financial Risk Management (continued)

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

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

Financial instruments not measured at fair value

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

vii) Capital Risk Management

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

	2021-2022 Kshs	2020-2021 Kshs
Revaluation reserve	1,176,114.00	1,176,114.00
Retained earnings	219,840,216	129,383,512
Capital reserve	100,000	100,000
Total funds	221,116,330	130,659,626
Total borrowings	-	-
Less: cash and bank balances	(84,295,455)	(54,884,182)
Net debt/(excess cash and cash equivalents)	(84,295,455)	(54,884,182)
Gearing	-	-

51. Incorporation

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

52. Events After the Reporting Period

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

53. Currency

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

APPENDICES

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Property, Plant & Equipment	An updated detailed asset register provided, revaluation ongoing	Resolved	June 2023
	Provision for Bad Debts	Basis of specific bad debts Provision including external debt collectors' reports provided.	Resolved	N/A
	Budgetary Control and Performance	Performance for the year largely affected by COVID-19 pandemic.	Resolved	N/A
	Register of Bank Accounts	An updated Bank register provided	Resolved	N/A
	Non-compliance with Affirmative action on Gender, Ethnicity and Regional Distribution	Company making progress	Resolved	N/A
	Non-Revenue Water Management	Strategies developed to manage the losses	Ongoing task	Ongoing

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

Thomas Odongo



Managing Director

28 September 2023

APPENDICES (cont'd)

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.	Kibuye Fencing Works	2,545,707.50	2,545,707.50	100%	2,500,000.00	2,545,707.50	Internal
2.	Kisat Fencing	1,933,548.75	1,933,548.75	100%	2,500,000.00	1,933,548.75	Internal
3.	Kajulu Retainer Wall works	3,954,795.00	3,954,795.00	100%	5,000,000.00	3,954,795.00	Internal

Appendix III: Recording of Transfers from Other Government Entities

Name of the County/ MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Comprehensive income	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Water Sector Trust Fund	14/12/2021	Recurrent	116,339,218	116,339,218	-	-	-	-	116,339,218
Ministry/ County Department of water.	-	-	-	-	-	-	-	-	-
USAID	-	Donor Fund	-	-	-	-	-	-	-
Name of Development partner/ County department etc.	-	Direct Payment	-	-	-	-	-	-	-
Total	-		116,339,218	116,339,218	-	-	-	-	116,339,218

PROXY FORM

The Company Secretary

Kisumu Water & Sanitation Company Limited

PO Box 3210

KISUMU

PROXY

I/We _____

of _____

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

of (address) _____

hereby appoint: _____

to be *my/our proxy, to vote on *my/our behalf at the 17th Annual General Meeting of the Company to be held on **Friday, 8th December, 2023** at **Tom Mboya Labour College** or any adjournment thereof.

***(Strike out as appropriate)**

Signed this _____ day of _____ (Month) 2023.

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

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