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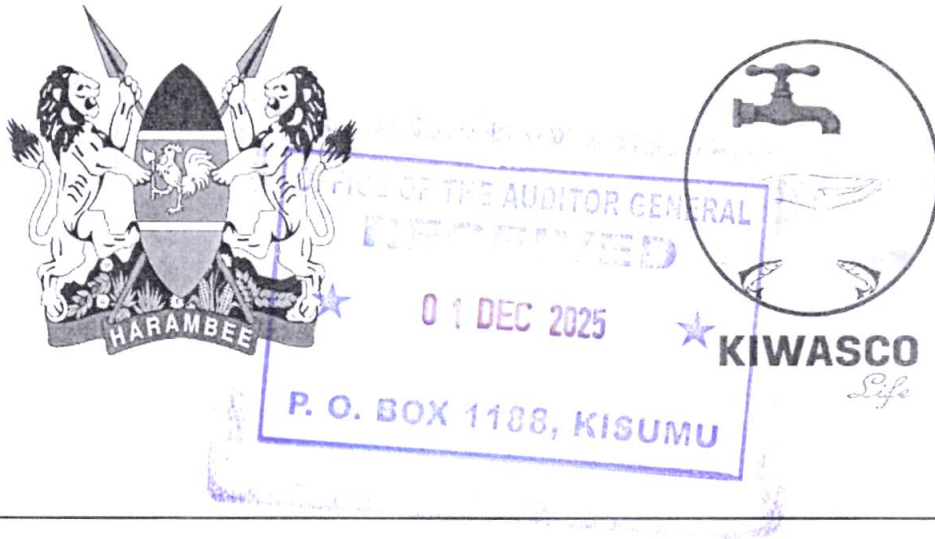
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**KISUMU WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2025**

805



KISUMU WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30TH, 2025

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

Kisumu Water and Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2025

Kisumu Water and Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2025

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1. Acronyms and Glossary of Terms

A. Acronyms

DG *Institute of Certified Public Accountants of Kenya*

ICPAK *Institute of Certified Public Accountants of Kenya*

IAS *International Accounting Standards*

IASB *International Accounting Standards Board*

IFRS *International Financial Reporting Standards*

ICS *Institute of Certified Secretaries*

MD *Managing Director*

NT *National Treasury*

PSASB *Public Sector Accounting Standards Board*

PFMA *Public Financial Management Act*

WASREB *Water Services Regulatory Board*

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources

Comparative Year- Means the prior period.

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2. Key Entity Information

Background information

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

Principal Activities

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

Vision: To be most admired service provider

Mission: To provide Sustainable water and sanitation services for enriched livelihood

Core Values: - - Integrity
- Collaboration
- Excellence

Directors

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

- | | | | |
|---|---------------------|--------------------------|--|
| 1 | Phylis Chepkemboi | - Chairman | - Appointed on 23rd December 2020 |
| 2 | Thomas Odongo | - Chief Executive Office | - Appointed on 1st July 2018 |
| 3 | George Okong'o | - Director | - CECM - Finance & Economic Planning |
| 4 | Judith Oluoch | - Director | - CECM - Water, Environment & Natural Resour |
| 5 | Aballa Wanga | - Director | - City Manager - Appointed in October 2020 |
| 6 | Dr. Satwinder Singh | - Director | - Appointed on 8th December 2023 |
| 7 | Albert Ojonyo | - Director | - Appointed on 1st October 2021 |
| 8 | Dorcas Emily Inda | - Director | - Appointed on 1st October 2021 |
| 9 | Dr. Benson Nyambega | - Director | - Appointed on 6th May 2022 |

Corporate Secretary

Equity Secretaries and Registrars

Certified Public Secretaries

P.O. Box 14868, 00100, Nairobi

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2. Key Entity Information

Registered Office

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

Corporate Contacts

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

Corporate Bankers

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

Independent Auditors





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

Principal Legal Advisers

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




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3. The Board of Directors

	<ul style="list-style-type: none"> - An Advocate of the High Court of Kenya, Commissioner of Oaths and a Notary Public for over 10 - She is the Managing Partner at C. P & amp; Advocates a law firm based in Kisumu City. - She previously worked as Head of Legal and Compliance in a State Corporation and a leading commercial bank with footprints in East Africa. - She is currently Chairman of the Board, Kisumu Water and Sanitation Company Ltd
<p><i>Ms. Phyllis Chepkemboi Barasa</i> Chairman</p>	
	<ul style="list-style-type: none"> - He has Master of Business Administration from Strathmore University (SBS- Strathmore Business School). Bachelor's Degree in Law (LLB) from Kampala International University-Uganda, Diploma in Medical Laboratory Technology from Kenya Medical Training Centre, Nairobi, Kenya and is a beneficiary of Pan African EMBA IESE. Lagos and Strathmore Business School. - He is currently the Kisumu City Manager.
<p><i>Mr. Abala Wangu</i> Independent Director</p>	
	<ul style="list-style-type: none"> - Business Community representative - A graduate in Business Management with bias in Risk Management and Insurance. Mr. Albert has vast experience in the insurance industry as depicted in his education and - Currently he is the Chief Executive Officer of Raj Group Company Limited.
<p><i>Mr. Albert Ojonyo</i> Independent Director</p>	
	<ul style="list-style-type: none"> - Currently serving as the County Executive Committee member in charge of Water, Environment, Climate Change and Natural Resources in the County Government of
<p><i>Hon. Judith Oluoch</i> Independent Director</p>	

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3. The Board of Directors

 <p>George Okong'o Independent Director</p>	<p>- Currently serving as the County Executive Committee member in charge of Finance and Planning in the County Government of Kisumu.</p>
 <p>Dr. Satwinder Singh Rupra Independent Director</p>	<p>- Ph. D holder in the field of IT Security and Audit - He is the founder and Technical Director at Sumo Computers, an IT business that provides various IT solutions, lectures at Masinde Muliro University in the field - Dr. Satwinder Singh has publications in reputable journals in the field of IT Security which have contributed towards the global body of knowledge in the field. - He has been serving in many institutions most notably being the Secretary of Ramgarhia Sikh Sabha, Kisumu, the Chairman – BoG for Ugenya Technical and Vocational College appointed by the Kenyan Ministry of Education</p>
 <p>Dr. Benson Nyambega Independent Director</p>	<p>- Ph.D. holder in Molecular Biology and Biochemistry from the University of Buenos Aires in Argentina. From 1998 - 2003, Dr. Nyambega worked with ICIPE as Research Assistant. -In 2003 he was appointed a tutorial fellow in the school of Public Health and Community Development at Maseno University, an institution where his career path took a positive growth as he moved from one rank to another through to the Director of Research and Innovation in 2021 - He represent Institutions of Higher learning in the Board.</p>

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3. The Board of Directors



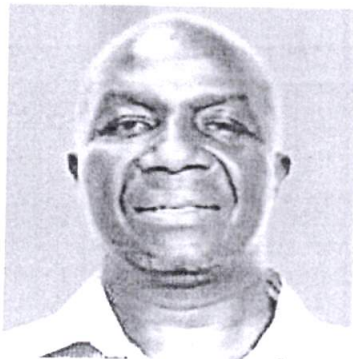
Ms Dorcas Emily Indah
Independent Director

- A retired teacher with ten years teaching at Langata High School and Kenya High School - English, Fine Art, Religious Ed and General Paper.
 - Dorcas has a wealth of experience in the marketing world, administration and management as she previously worked with Xerox (K) Ltd as Marketing Support Manager, East African Tea Trade Association as an Admin. Executive and General Manager with East African Courier Ltd where she wrapped it all as the Regional MD in East Africa.
 - Currently she is a business lady and concentrates in expanding her own business - Pearl Banquets.



Thomas Odongo
Chief Executive Officer

- BA. Economics & Sociology; Executive Diploma in Business Management & Ex. Diploma in Sales & Marketing
 - Member Marketing Society of Kenya
 He is currently the Managing Director of Kisumu Water and Sanitation Company Ltd.








Solomon Okeyo Awino
Company Secretary

- A diligent and highly motivated professional with a passion for governance and legal acumen. Currently practicing as an Advocate of the High Court Kenya and consultant as a Certified Public Secretary and Certified
 - Practicing as an Advocate in the style of 'Ombati Otieno Opondo and Awino Advocates' and company secretary in the style of 'Equity Secretaries and Registrars'
 - He is a member of ICS with a registration no.1739





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4. Management Team

NAME	POSITION	QUALIFICATIONS	PROFESSION
 Mr Thomas Odongo	Managing Director	BA. Economics & Sociology; Executive Diploma in Sales & Marketing	Marketer
 Eng. Moses Jura	Chief Engineer Technical Services	BSc. Civil Engineering	Engineer
 CPA Nicholas Moseti	Head of Finance	MBA Strategic Management , BCOM-Finance, CPA (K)	Accountant
 CPA Simon Ondigo	Head of Audit and Risk	MBA, CPA (K)	Accountant
 Eng. Geoffrey Opiyo	Head of Non Revenue Water	MSC. Hydraulic Engineering & BSC Water Engineering	Engineer

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4. Management Team

NAME	POSITION	QUALIFICATIONS	PROFESSION
 Antony Ogwang	Supply Chain Manager	MBA, Bachelors in Purchasing and Supply Management	Supply Chain Management
 Shem Otieno	ICT Manager	MBA, BSC, Information Technology/MIS	MIS Specialist
 Eldah Odongo	Head of Corporate Affairs & Communication	MBA Strategic Management, BA in Finance	Communication Expert
 Solomon Okeyo Awino	Company Secretary	Bachelor of Laws (LLB), Certified Public Secretaries of Kenya (CPSK), CPS REG. No. 1739 , PRACTICING No. 645	Advocate of High Court of Kenya and consultant as a Certified Public Secretary and Certified Governance Auditor

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5. Chairman’s Statement

This year has not been easy. It started with a spate of deaths in the company and I remember us hosting a prayer day but I thank the Almighty that we have not lost any of us since then. We also had a snarl up due to the elections but it is good we quickly recovered and did not experience any major losses.

However, I’m really proud of how you’ve all pulled together and the terrific results you have achieved.

Later on, we had demonstrations popularly referred to as ‘maandamano’ that brought in a lot of uncertainty especially in this region but we also pulled through this.

Despite the macro-economic uncertainty, the business remained resilient during the year. Of concern were creeping inflation and introduction of various taxes that has significantly increased our average production costs, in that; general increases in prices of the key operating supplies that in turns 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 and low credit rating that affects our overall rating in the WASREB Impact reports.

However, I’m happy to report that despite these challenges we are confident that we will manage the shifting economic landscape. Some of the Board’s key highlights in the financial year 2024/2025 are tabulated as below;

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

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Profit before Tax (PBT)

The Board steered the Company to sustainable growth through various strategies premised on improving customer experience, enhancing sales growth, stepping up revenue collection, prudent cost management and reducing system losses. As a result, the business, despite operating in a tough macro-economic environment, recorded a profit after tax of Kshs.0.07 million compared to previous year loss after tax of Kshs.3.06 million.

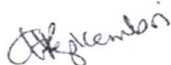
The improved performance is due to increase in the company's revenue streams that outweighs the general increase in the cost of operations for the year.

Strategy

The Board of Directors will lead the management team to provide their strategic role in developing the 4th strategic plan. This process was supposed to have taken place during the 4th quarter however, due to some unavoidable circumstances we have had to postpone it to a later date. This is however not to say that the process will be flawed because I believe we shall come up with a futuristic and progressive document that will steer the company for the next 5 years. The process of developing this strategic plan will be inclusive and all staff will be asked to make their contributions through an online questionnaire and through focused group discussions conducted by the consultant.

Appreciations

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



Phyllis Chepkemboi
CHAIRMAN

Kisumu Water and Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2025

6. Report of the Managing Director

We have come to the end of quarter-4, which also marks the end of the FY 2024/2025. The fiscal year has been a remarkable one for our company, with significant achievements on multiple fronts. While it was certainly challenging in many ways, through collaboration, we have emerged strong; upholding our core values. It is a significant period that marks the end of the first half of the calendar year, but is also a turning point for plans, strategies and resolutions. The quarter has been eventful, with numerous activities taking place and everyone racing up to achieve set targets.

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

This has been evident in the just released Impact 16 report by WASREB. The company emerged 4th under the category of very large water utilities and registered an overall improvement from position 11 to 6. We also bagged position 1 as the Best utility in Customer Service and Pro-poor assessment. We have consistently won the title 'Best in Customer Service' for four consecutives times and now I can comfortable we are the Kings of Customer Service.

We pride in giving the best care to our customers at all times. In terms of service delivery to the Low-income areas, we ensure that this is done in the best way possible. We have invested our time and resources to ensure that this populace is handled to the best standards and that is why for the second time in a row, the regulator has rated us the best. Another award that has remained domiciled in KIWASCO is being the top utility in the Lake Victoria South region, we have remained unbeaten since time immemorial.

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

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

As we look into the new fiscal year 2024/25, we are inspired by KIWASCO's ability over the years to overcome challenges and work together towards the realization of our mission and vision. Let us focus our emphasis on our mandate – providing sustainable water and sanitation services to the residents of Kisumu City as we strive to continually improve our service efficiency. Thank you all for the hard work and commitment you've shown over the past year. Our combined strength is what makes us successful as a company.



Thomas Odongo
Managing Director

Kisumu Water and Sanitation Company Ltd

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7. Statement of Performance against Predetermined Objectives for FY 2024/2025

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

Kisumu Water and Sanitation Co. Ltd (KIWASCO) has 7 strategic pillars and objectives within its Strategic Plan for the FY 2023 - 2028. These strategic pillars are as follows:

1. Increase water and sanitation access and coverage
2. Improve operational efficiency
3. Improve financial sustainability
4. LIA Initiatives
5. Increase customer satisfaction
6. Increase employee productivity
7. Enhance corporate governance and image

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

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

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7. Statement of Performance against Predetermined Objectives for FY 2024/2025

Strategic Objective	Performance indicator	Strategic Activities	Achievement
6. 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	
	Strengthened human resources function	Provide employees with working tools	
		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			
7. 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	
	Reduced exposure to risks	Undertake annual board evaluations	
		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	
		Lobby for supportive legislation and regulations	Ongoing with the County assembly

Kisumu Water and Sanitation Company Ltd

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8. Corporate Governance Statement

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

Board Calendar

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

Board Composition and Appointment

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

Board Meetings

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

Conflict of Interest

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

Committees of the Board

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

The Board has four Committees namely:

- Audit Risk and Compliance
- Finance and Corporate services
- Technical & Commercial Services

8. Corporate Governance Statement

Internal Controls

The Board reviews from time to time the effectiveness of internal controls and relies on management to establish appropriate systems of control for running the business.

The system of internal controls has defined procedures for operational and financial controls to ensure assets are safeguarded, transactions are properly authorized, recorded and irregularities are prevented or detected within reasonable period of time.

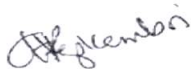
Accountability and Audit

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

During the past year, there has been a renewed focus on corporate governance and the Board has spent a significant proportion of its time examining and strengthening processes throughout the organization.

Having a solid governance framework is key to rebuilding trust and transparency among stakeholders.

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



Phyllis Chepkemboi
Chairman



Thomas Odongo
Managing Director

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9. Management Discussion and Analysis

Budget Absorption for FY 2024/2025

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

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

Description	2025 (Kshs)	2024 (Kshs)	Variance (Kshs)	Percentage
Sales	1,138,788,150	1,069,994,580	68,793,570	6%
Production expenses	(159,537,864)	(183,698,423)	24,160,558	-13%
Gross Profit	979,250,286	886,296,157	92,954,128	10%
Other Operating Income	66,027,537	65,283,381	744,157	1%
Total Expense	(1,045,205,862)	(948,518,046)	(96,687,816)	10%
PBT	71,961	3,061,492	(2,989,531)	-98%
Net Profit/(loss)	71,961	3,061,492	(2,989,531)	-98%
Fixed assets	582,728,312	559,661,650	23,066,662	4%
Long-Term Liabilities	494,924,966	499,637,462	(4,712,496)	-1%
Current Assets	531,554,851	507,988,792	23,566,060	5%
Current liabilities	279,610,709	228,337,451	51,273,257	22%
Total Assets	1,114,283,163	1,067,650,442	46,632,722	4%
Total Liabilities	774,535,675	727,974,913	46,560,762	6%

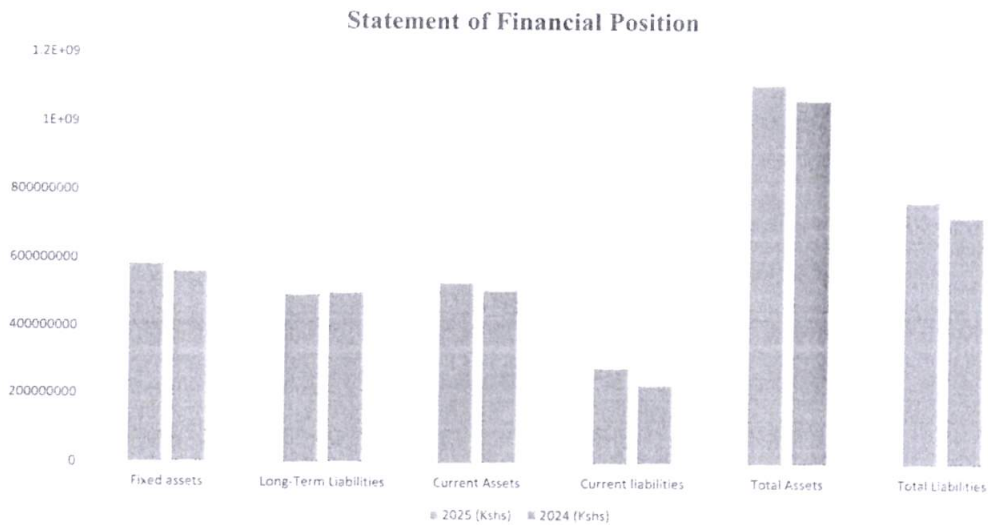
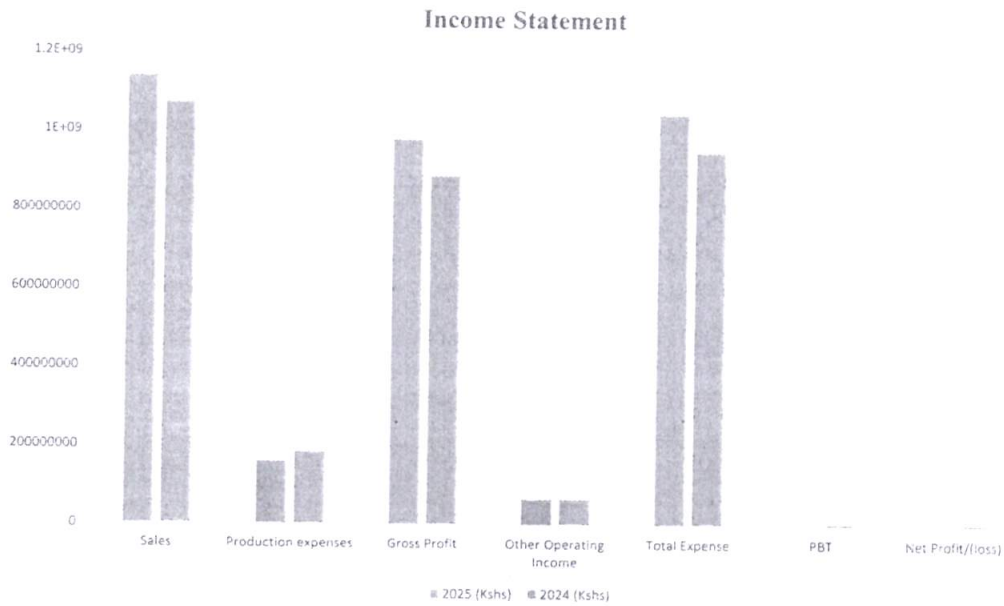
Notes;

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

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Graphical presentation



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

10.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.

Kisumu Water and Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2025

iii) Employee welfare

KIWASCO is committed to ensuring that the health, safety, and welfare of all our employees, contractors and visitors while in any of our sites and office facilities and going home safe remains our number one priority. All these are achieved by enforcing occupational health and safety policies, compliance to all applicable occupational health and safety policies. Our occupational health and safety strategy aim to create a culture free of work-related injury illness for workers and happier, healthier and more engaged workforce.

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

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

iv) Market place practices

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

c) Responsible marketing and advertisement

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

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

d) Product stewardship

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

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

v) Corporate Social Responsibility / Community Engagements

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

- a) Donated free water supply to residents of Mamboleo who affected by the continuing road construction in Kisumu City
- b) Currently supporting 10 schools within the City under the Newspaper in Education (NiE) programme supply them with additional reading materials.
- c) Donated approximately 4,000 tree seedlings to Schools and other organises groups witin Kisumu in ou our contnued bid to conserve the envrionment.
- d) Donated sanitary essentials to Nyalunya Comprehensive school to mark World Menstrual Hygeiene D: This included over 1,000 sanitary towels, inner wears for both girls and boys and bar soaps.

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2025 which show the state of the company's affairs.

i) Principal activities

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

ii) Results

The results of the company for the year ended June 30, 2025 are set out on page 1. Below is summary of the profit or (loss) made during the year.

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

iii) Dividends

The company has not declared dividends for the year ended 2025

iv) Directors

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

Auditors

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

By Order of the Board

Name: Thomas Odongo



Signature.....

Date...28/08/2025.....

Corporate Secretary/Secretary to the Board

12. Statement of Directors' Responsibilities

Section 164 of the Public Finance Management Act, 2012 and companies Act 2015 require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year and the operating results of the Company for that Year.

The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

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

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

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2025, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the company financial statements as well as the adequacy of the systems of internal financial control.

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

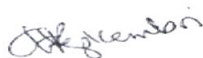
Statement of Directors' Responsibilities (Continued)

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

Approval of the financial statements

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

Signature:



Name: Phyllis Chepkemboi
Chairperson of the Board

Signature:



Name: Thomas Odongo
Managing Director

REPUBLIC OF KENYA



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisumu Water and Sanitation Company Limited set out on pages 1 to 49, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of

significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Long-Outstanding Trade Receivables

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

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

2. Unconfirmed Customer Deposits

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

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

3. Unsupported Travelling and Subsistence Expenses

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.168,583,976 in respect of general and other operating expenses as disclosed in Note 11 to the financial statements. Included in the amount was Kshs.27,697,965 in respect of travelling and subsistence. Review of imprest records revealed unsupported imprests with the relevant documents such as attendance sheets and invitation letters amounting to Kshs.688,200. Further, the imprests were not surrendered within seven (7) working days after returning to duty station contrary to Regulation 93(5) of the Public Finance Management (County Government) Regulations, 2015 which requires that a

holder of a temporary Imprest shall account for or surrender the Imprest within seven (7) working days after returning to duty station.

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

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

Emphasis of Matter

Budgetary Control and Performance

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

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several matters were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Control, Risk management and Governance respectively. Review of the status during the audit of Kisumu Water and Sanitation Company in 2024/2025 revealed the following four (4) issues remained unresolved:

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

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

1.1. Proposed Kamaler Water Network Extension Works Within Kisumu City

Review of the project file and expenditure records revealed that a firm was awarded the tender for the proposed Kamaler Network Extension Works within City of Kisumu at a contract sum of Kshs.37,541,853 with a contract period of six (6) months and a completion date of 10 September, 2025. Review of supervision progress report of October, 2025

revealed that the contract period elapsed 4 months ago with certified works at 98 % and works done valued at Kshs.41,440,211, resulting in an unsupported additional contract amount of Kshs.3,898,358.

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

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

1.2. Water Networks Overhaul at Milimani Estate within Kisumu City

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

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

2. Engagement of Casuals for more than 3 Months

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

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

3. Non- Compliance with Employment Act on Acting Positions

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

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

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

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

4. Failure to Maintain Imprest Register

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

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

5. Non-Compliance with Law on Ethnic Composition

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

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

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

6. Irregular Recruitment of Staff

Review of the human resource records revealed that Management irregularly and uncompetitively recruited nine (9) employees who were on internship program and temporal terms without following the recruitment procedures contrary to Section 3.8.1 of the Kisumu Water & Sanitation Company Limited Human Resource Policy & Procedures

Manual (2023) on recruitment procedures which states that KIWASCO's policy on Talent Acquisition is to ensure that human resources requirements in terms of numbers and talent for the business are identified and sustainable in the short terms and long term in line with company business strategy.

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

7. Late Remittance of Statutory Deduction

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

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

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

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

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

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

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

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

9. Non – Revenue Water

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

In the circumstances, Management was in breach of Water Service Regulatory Board guidelines.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Failure to Update ICT Policy

Review of the Company's ICT Policy revealed that the policy was last revised in January, 2020. However, the policy has not been reviewed since its revision contrary to paragraph 10(1) of the Policy that mandates review after every three years. As a result, the Policy has remained outdated despite significant changes in technology, rendering it ineffective in guiding the Company's current ICT governance, security, and operational framework.

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

2. Operation of Two Accounting Systems

Review of the intangible assets' records revealed that the Company entered into a Service Level Agreement with a firm on 27 September, 2021 to provide support services for the Company's Microsoft Dynamic Navision ERP BC365 on premise services at

annual consideration of Kshs.1,945,000 to replace the Pastel ERP that had been in use. However, review of payment records revealed that the Company paid Kshs.45,600 for system registration renewal for the Pastel ERP, an indication that the Company was still using the system and that the Company's books of accounts were being operated and maintained in two different accounting systems since 2021, Pastel and Microsoft Navision Dynamics. No explanation has been given for running the two parallel accounting systems long after the transition period.

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

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

3. Understaffing of Internal Audit Department

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xxvii to xxv is consistent with the financial statements; and
- iii. The auditable part of the Directors' remuneration report on page 22 has been properly prepared in accordance with the Companies Act, 2015

Basis for Conclusion

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

Responsibilities of the Management and the Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Company'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 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 comply with the authorities which govern them and that public resources are applied in an effective way.

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015. Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2025

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

14. Statement of Profit or Loss & Other Comprehensive Income for The Year Ended 30 June 2025

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Financial Position as at 30 June 2025

	Note	2024-2025	2023-2024
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	20	577,714,241	552,916,279
Intangible assets	21	-	1,731,300
Deferred tax	26	5,014,071	5,014,071
Total Non-Current Assets		582,728,312	559,661,650
Current Assets			
Inventories	27	71,645,762	70,317,081
Trade and receivable	28a	316,703,688	294,107,253
Staff Recoverable	28c	489,731	-
Prepayments and deposits	28d	13,792,646	12,560,664
Tax Recoverable (VAT)	29	28,761,122	28,761,122
Bank and cash balances	30	100,161,902	102,242,671
Total Current Assets		531,554,851	507,988,792
TOTAL ASSETS		1,114,283,163	1,067,650,442
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	31	100,000	100,000
Revaluation reserve	32	121,181,296	121,181,296
Retained earnings	34	218,466,193	218,394,232
Total Capital and Reserves		339,747,489	339,675,528
Non-Current Liabilities			
Borrowings	36	142,054,342	149,890,889
Trade and other payables	39	192,319,731	179,966,898
Capital Grants	43	160,550,892	169,779,675
Total Non-Current Liabilities		494,924,966	499,637,462

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

15. Statement of Financial Position as at 30 June 2025

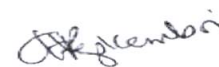
	Note	2024-2025	2023-2024
		Kshs	Kshs
Current Liabilities			
Borrowings	36	5,870,598	8,291,364
Trade and other payables	40	266,053,063	211,010,640
Current tax	44	7,503,316	8,861,379
Provision for liabilities and charges	45	183,732.00	174,069.00
Total Current Liabilities		279,610,709	228,337,451
TOTAL EQUITY AND LIABILITIES		1,114,283,163	1,067,650,442

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



.....
Name: Thomas Odongo
Managing Director

.....
Name: CPA Nicholas Moseti
Head of Finance
ICPAK No. 14413



.....
Name: Phyllis Chepkemboi
Chairman of the Board

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

16. Statement of Changes in Equity for the Year Ended 30 June 2025

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Cash Flows for the Year Ended 30 June 2025

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

18. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2025

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

Note:

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

19. Notes to the Financial Statements

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.

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs	1 January 2026

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.

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2025.

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

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

iii. Early adoption of standards

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continues)

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.

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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:

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

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

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 as 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

i) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Company is recognized in net assets and not in the statement of financial performance.

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

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

j) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

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

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

k) Borrowing costs

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

n) Trade and other payables

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

o) Retirement benefit obligations

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

p) Provision for staff leave pay

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

q) Exchange rate differences

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

Kisumu Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

r) Budget information

The original budget for FY 2024-2025 was approved by the Board of Directors on 29th June 2025. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

Accordingly, the Company's governing body's did not approve any additional appropriations but reallocated the funds on the 2024-2025 budget. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section XVII. of these financial statements.

s) Service concession arrangements

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

t) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continues)

u) Subsequent events

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

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

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

7. Grants Income

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

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2024-2025
	Kshs	Kshs	Kshs	Kshs	Kshs
Water Sector Trust Fund	-	-	-	-	-
Ministry	-	-	-	-	-
Other partners	-	-	-	-	-
Total	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

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

9. Staff Costs

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

- i. Gross Salary and allowances include Basic pay and house allowances for permanent and
- ii. Temporary staff wages relate to contracted staff on either one year or three-year contracts payable monthly.

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- 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.

10. Production expenses

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

Kisumu Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General and Operations Expenses

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

12. Board Expenses

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. Maintenance Expenses

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

14. Establishment Expenses

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Depreciation and Amortization Expenses

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

16. Finance costs

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

17. Income Tax Expense/(Credit)

Current taxation

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2024-2025	2023-2024
	Kshs	Kshs
Profit before taxation	71,961	3,061,492
Tax at the applicable tax rate of 30%	-	-
Current tax		
Prior year under-provision		
Tax effects of expenses not deductible for tax purposes	-	-
Tax effects of income not taxable	-	-
Tax effects of excess capital allowances over depreciation/amort	-	-
Deferred tax prior year over-provision		
Total	-	-

18. Earnings Per Share

The company realized a loss for the year under review hence no EPS calculation. The earnings per share is calculated by dividing the profit after tax by the average number of ordinary shares in issue during the year of 5,000 (2024-2025) 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.

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Property, Plant and Equipment

2024-2025	Land	Building	Plant, meters and machinery	Motor vehicles, including motor cycles	Office equipment, furniture & fittings	Computers & related equipment	Work in progress	Project assets	Total
Cost or Valuation									
At July 1, 2024	65,000,000	211,905,900	301,095,742	42,525,001	61,867,408	12,978,700	-	213,937,909	909,310,660
Additions		-	8,957,475	1,621,400	12,259,254	2,968,216	46,687,970	-	72,494,315
Revaluation and Transfers									-
Disposals									-
At June 30, 2025	65,000,000	211,905,900	310,053,218	44,146,401	74,126,662	15,946,916	46,687,970	213,937,909	981,804,975
Depreciation									
At July 1, 2024		6,882,022	179,432,834	25,916,075	21,497,953	6,206,218	-	116,459,279	356,394,381
Impairment Loss / Write-offs									-
Charge for The Year	-	5,125,597	16,327,548	4,557,582	6,578,589	2,922,209	-	12,184,829	47,696,353
Eliminated on Disposal									-
At June 30, 2025	-	12,007,619	195,760,382	30,473,656	28,076,542	9,128,428	-	128,644,107	404,090,734
Net Book Value at June 30, 2025	65,000,000	199,898,280	114,292,836	13,672,745	46,050,120	6,818,488	46,687,970	85,293,802	577,714,241

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

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

Kisumu Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

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

20 (b) Property, Plant and Equipment at Cost

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

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Project assets – plant and Equipment	213,937,909	128,644,107	85,293,802
Land	65,000,000	-	65,000,000
Buildings	211,905,900	12,007,619	199,898,280
Leasehold improvements	46,687,970	0	46,687,970
Plant and machinery	310,053,218	195,760,382	114,292,836
Motor vehicles, including motorcycles	44,146,401	30,473,656	13,672,745
Computers and related equipment	15,946,916	9,128,428	6,818,488
Office equipment, furniture, and fittings	74,126,662	28,076,542	46,050,120
Total	981,804,975	404,090,734	577,714,241

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

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

Kisumu Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Intangible Assets

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

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

22. Investment Property

The Company does not have or maintain any Investment Properties

23. Right-of-use assets

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

24. Fixed Interest Investments (Bonds)

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

25. Quoted Investments

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

Kisumu Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Deferred Tax Asset

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

	2024-2025	2023-2024
	Kshs	Kshs
Balance at beginning of the year	5,014,071	5,014,071
Credit to revaluation reserve		
Under provision in prior year		
Income statement charge/(credit)		
Balance at end of the year	5,014,071	5,014,071

27. Inventories

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

- a. 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
- b. General stores items constitute of minor fittings such seals and wires used for disconnection of meters etc.
- c. Water chemicals are for treatment of water to the quality required for consumption
- d. Water meters are the primary source of the company revenue as they are used to measure consumption of water hence generation of revenue

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

- e. Pipes and fittings are generally used for extension of pipe networks and for repair and maintenance in case of bursts and leakages
f. Electrical items include electro mechanical tools for maintenance of pumps and motors
g. Hardware materials include sand, ballast and other hardware tools used in the filters and for making manhole covers
n. Stationery and general supplies are used to facilitate administrative functions and for reporting purposes
i. Uniforms and protective clothing are given to staff for their safety at work place as recommended by Occupational safety and Health (OSH) policy guidelines

28. Trade and Other Receivables

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

28 (a) Trade Receivables

	2024-2025	2023-2024
	Kshs	Kshs
Gross trade receivables	316,703,688	294,107,253
Provision for doubtful receivables		-
Net trade receivables	316,703,688	294,107,253

at June 30, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	58,599,155	71,424,193
Between 30 and 60 days	31,384,794	19,381,046
Between 61 and 90 days	20,294,950	11,765,387
Between 91 and 120 days	15,745,227	10,163,420
Over 120 days	190,679,562	182,302,631
Total	316,703,688	295,036,676

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 (b) Reconciliation of Impairment Allowance for Trade Receivables

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

28 (c) Staff Receivables

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

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

Reconciliation of Impairment Allowance for Staff Receivables

Description	2024-2025	2023-2024
	Kshs	Kshs
At the beginning of the year	33,840	5,000
Additional provisions during the year	-	471,840
Recovered during the year	(33,840)	(443,000)
Written off during the year		
At the end of the year	-	33,840

28 (d) Prepayments and Deposits

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Tax Recoverable (Value Added Tax)

	2024-2025	2023-2024
	Kshs	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

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

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2024-2025	2023-2024
		Kshs	Kshs
a) Current account			
KCB	1240290837	226,203	50,715
Co-operative Bank	1136012931300	8,203,297	519,947
Co-operative Bank	1136012931301	2,854,602	444,581
Co-operative Bank	1100012931300	565	3,137,207
Equity Bank	0290265172985	650,220	229,969
NCBA Bank – Pamoja Trust	1126750083	460,490	450,799
NCBA – EU-WOP project	8349710022	3,138,630	5,269,114
Post Bank	0744130005547	1,000	379,507
National Bank of Kenya - Collection Account	7700570280	2,157,234	344,181
Co-operative Bank - CSLG A/C	01141012931300	44,150,280	86,171,954.50
Diamond Trust Bank	0846441001	609,151	-
Sub- total		62,451,672	96,997,975
b) On – call deposits			
National Bank of Kenya - ESCROW A/C	7700636028	341,320	341,320
Co-operative Bank - ESCROW A/C	01100129313001	37,000,000	2,800,000.00
Sub- total		37,341,320	3,141,320

Kisumu Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

31. Ordinary Share Capital

	2024-2025	2023-2024
	Kshs	Kshs
Authorized:		
5000 ordinary shares of Kshs 20 par value each	100,000	100,000
Issued and fully paid:		
5000 ordinary shares of Kshs 20 par value each	100,000	100,000

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

32. Revaluation Reserve

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

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

Revaluation surpluses are not distributable.

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.

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34. Retained Earnings

The retained earnings represent amounts available for distribution to the Company's shareholders. Undistributed retained earnings are utilised to finance the Company's business activities including network expansions to meet the coverage level as required by the Regulator (WASREB). The retained earnings for the year is as indicated in the statement of Changes in Equity in note 16.

35. Deferred Tax Liability

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

36. Borrowings

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

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

The analyses of the domestic borrowing is as follows:

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

37. Lease Liability

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

38. Retirement Benefit Obligations

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

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

39. Trade and Other Payables – Non-current Liabilities

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

40. Trade and Other Payables –Current Liabilities

	2024-2025	2023-2024
	Kshs	Kshs
Trade payables	86,797,837	76,936,170
Conservancy fee – County Government of Kisumu	91,041,230	63,253,860
Accrued expenses	76,904,762	54,172,464
Other payables	7,208,696	7,547,608
Lake Victoria South Water Works Development - Outstanding	4,100,538	9,100,538
Total	266,053,063	211,010,640
Ageing analysis:		
Under one year	210,698,665	126,606,384
1-2 years	41,552,288	63,303,192
2-3 years	13,802,110	21,101,064
Over 3 years		
Total	266,053,063	211,010,640

41. Analysis of Customer Deposits

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

42. Analysis of County Government Contribution

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

	2024-2025	2023-2024
	Kshs	Kshs
At the beginning of the year	15,743,834	26,660,396
Additional declared during the year		
Amortized during the year		(10,916,562)
Balance at end of the year	15,743,834	15,743,834

43. Capital Grants

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

2023-2024				2023-2024
	Kshs	Kshs	Kshs	Kshs
	At start of year	Additions	Write-back	At end of year
Nyalenda project	589,486	-	(73,686)	515,800
Lake Victoria South Water Works Development	76,019	-	(9,502)	66,517
Water Service Trust Fund & Others	40,080,759	-	(5,010,095)	35,070,664
WSTF - CSLG II	-	86,171,955	-	86,171,955
Other Grants	46,808,816		(5,851,102)	40,957,714
WWF Nyangori	-	7,996,600	(999,575)	6,997,025
Total	87,555,081	94,168,555	(11,943,960)	169,779,675

Kisumu Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

44. Taxation Payable

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

45. Provisions

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

Provisions details

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

46. Notes to The Statement of Cash Flows

	2024-2025	2023-2024
	Kshs	Kshs
(a) Reconciliation of operating profit/ (loss) to cash generated from/ (used in) operations		
Profit or loss before tax	71,961	3,061,492
Depreciation	47,696,353	50,768,823
Amortisation	1,731,300	5,874,062
(Gain)/loss on disposal of property, plant and equipment	-	-
Interest Expense		
Grants Write-back	(10,625,563)	(11,943,960)
Operating profit/(loss) before working capital changes	38,874,051	47,760,417
(Increase)/decrease in inventories	(1,328,681)	(2,339,313)
(Increase)/decrease in trade and other receivables	(24,318,148)	(86,408,338)
Increase/(decrease) in trade and other payables	55,042,423	57,999,685
Increase/(decrease) in retirement benefit obligations	9,663	(43,193)
Increase/(decrease) in provision for staff leave pay	-	-
Cash generated from/(used in) operations	68,279,309	16,969,258
(b) Analysis of changes in loans		
Balance at beginning of the year	158,182,252.70	110,835,100.00
Receipts during the year		-
Repayments during the year	47,347,153	47,347,152.70
Repayments of previous year's accrued interest	-	-
Accrued interest	-	-
Balance at end of the year	205,529,405	158,182,253
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	99,792,992	100,139,295
Cash in hand	368,910	2,103,376
Balance at end of the year	100,161,902	102,242,671
(d) Analysis of interest paid		
Interest on loans	31,427,756	25,414,811
Interest on bank overdraft		
Interest on lease liabilities		

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Interest on loans capitalized	-	
Balance at beginning of the year	-	
Balance at end of the year (note 35(b))	-	
Interest paid		
(e) Analysis of dividend paid		
Balance at beginning of the year	-	
2025 interim dividends paid	-	
Balance at end of the year	-	
Dividend paid	-	

Other Disclosures

47. Related Party Disclosures

County Government of Kisumu

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

Other related parties include:

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transactions with related parties

	2024-2025	2023-2024
	Kshs	Kshs
a) Sales to related parties		
Water sales to Govt. agencies – County Government of Kisumu	26,378,880	21,045,881
Others (Specify)		
Total	26,378,880.00	21,045,881
b) Purchases from related parties		
Rent expenses paid to Government agencies (NCPB)	-	2,972,008
Training and conference fees paid to Government agencies	-	
Others (specify)		
Total	-	2,972,008
c) Grants from the Government		
Grants from National Government agencies (WSTF)	131,798,067	16,069,892
Grants from County Government		
Donations in kind		
Total	131,798,066.93	16,069,892
d) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	-	-
Payments for goods and services for conservancy services (CG)	13,390,884.34	35,957,910
Total	13,390,884.34	35,957,910
e) Key management compensation		
Directors' emoluments	8,525,256	8,241,034
Compensation to key management	36,821,232	40,677,201
Total	45,346,488	48,918,235

48. Capital Commitments

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

Kisumu Water and Sanitation Company Ltd
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

49. Contingent Assets and Liabilities

Contingent Assets

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

Contingent Liabilities

	2024-2025	2023-2024
	Kshs	Kshs
Contingent liabilities		
Court case xxx against the entity		
Bank guarantees in favour of subsidiary		
Contingent liabilities arising from contracts including PPPs		
Total		

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

50. Financial Risk Management

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

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Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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

	Total amount	Fully performing	Past due but not Impaired	Past due and Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2025				
Trade Receivables	316,703,688	316,703,688		
Other Receivables	43,043,499	43,043,499		
Investments	-			
Bank balances	100,161,902	100,161,902		
Total	459,909,090	459,909,090	-	-

At 30 June 2024 (previous Year)				
Trade Receivables	294,107,253	294,107,253		
Other Receivables	41,321,786	41,321,786		
Investments	-	-		
Bank balances	102,242,671	21,436,125		
Total	437,671,710	356,865,164	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

vi) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2024-2025	2023-2024
	Kshs	Kshs
Revaluation reserve	121,181,296	121,181,296
Retained earnings	218,466,193	218,394,232
Capital reserve	100,000	100,000
Total funds	339,747,489	339,675,528
Total borrowings	147,924,940	158,182,253
Less: cash and bank balances	100,161,902	102,242,671
Net debt/(excess cash and cash equivalents)	47,763,038	89,398,975
Gearing	14%	27%

51. Incorporation

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

52. Events After the Reporting Period

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

53. Currency

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

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

XIX. Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Long outstanding Trade debtors	Long-outstanding debts have been identified and we are actively following up with the customers. Recovery plans have been put in place, including payment reminders and negotiations for settlement.	Not Resolved	Ongoing
2	Long outstanding Trade and other payables	The company has initiated measures to enhance collections from outstanding debtors and from other sources to clear these debts as they fall due	Not Resolved	Ongoing
3	Non-Revenue Water Management	Strategies developed to manage the losses	Not Resolved	Ongoing
4	Non-Compliance with law on Ethnic and gender balance	The company will be considering taking into account this issue for future recruitments.	Not Resolved	Ongoing

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

Signature:



Thomas Odongo
 Managing Director:

Date....28/08/2025.....

Kisumu Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2025

Appendix II: Projects Implemented By the Company

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

Status of Projects completion

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

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

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

Kisumu Water and Sanitation Company Ltd
TAX COMPUTATION - 2025

PIN NO: P051152355T

	Kshs.	Kshs.
Profit before tax		71,961
Add:		
Depreciation	47,696,353	
Amortization	1,731,300	
Staff Airtime @ 30%	1,579,910	
Gifts and Donations	1,564,076	52,571,639
		<u>52,643,600</u>
Less:		
Wear and tear allowance	(43,246,473)	
Grants income	(25,894,455)	(69,140,927)
Adjusted loss for the year		<u>(16,497,327)</u>
Loss b/f		-
Adjusted taxable loss		<u><u>(16,497,327)</u></u>
Total Tax liability@ 30%		<u><u>-</u></u>

WEAR AND TEAR SCHEDULE

	Class II 10% Kshs.	Class III 10% Kshs.	Class IV 10% Kshs.	Total Kshs.
W.D.V as at 01/07/2024	5,536,835	17,678,358	265,743,415	288,958,608
Additions	2,968,216	1,621,400	21,216,729	25,806,345
	<u>8,505,051</u>	<u>19,299,758</u>	<u>286,960,144</u>	<u>314,764,953</u>
Wear and tear allowance	(2,551,515)	(4,824,939)	(35,870,018)	(43,246,473)
W.D.V as at 30/06/2025	<u>5,953,536</u>	<u>14,474,818</u>	<u>251,090,126</u>	<u>271,518,480</u>