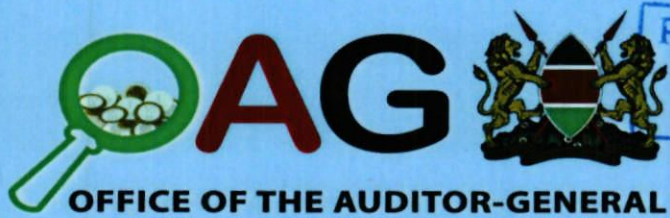


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KISUMU WATER AND SANITATION  
COMPANY LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

PAPERS LAID	
DATE	23/02/2022
TABLED BY	SML
COMMITTEE	—
CLERK AT THE TABLE	CAROLYNE CHEROP

**KISUMU WATER AND SANITATION COMPANY LIMITED**  
**ANNUAL REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020**

The Financial Statements have been prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

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## **COMPANY INFORMATION**

### **Background Information**

The Kisumu Water and Sanitation Company Limited was founded in 2001 and registered under CAP 486 of the laws of Kenya. It began its operations in July 2003 to provide adequate clean potable water and to collect, treat, and dispose sewerage (wastewater) within the jurisdiction of Kisumu City

### **Board of Directors**

Vinod Patel	: Chairman
Salmon Orimba	: Director
Janet Ogot	: Director
Caren Aketch Oloo	: Director
Nirmal Darbar	: Director
Nerry Achar	: Director
Pollyins Ochieng	: Director
Thomas Odongo	: Managing Director
Doris Ombara	: Director
Victor Obaso	: Director
Ben Kitoto	: Director

### **Management Team**

Thomas Odongo	: Managing Director
Simon Ondigo	: Head of Audit and Risk
Evelyne Opiyo	: Head of Human Resources & Administration
Eng. Moses Jura	: Head of Technical Services
Nicholas Moseti	: Head of Finance
Jason Ochola	: Head of Commercial Services
Anthony Ogwang	: Supply Chain Manager
Shem Otieno	: ICT Manager
Eldah Odongo	: Ag. Head of Corporate Affairs & Communication

<b>Registered Office</b>	: Nafaka House
	: Oginga Odinga Street
	: P.O. Box 3210, 40100
	: KISUMU

<b>Auditors</b>	: Auditor General
	: P.O. Box 30084, 40100
	: NAIROBI

<b>Company Secretary</b>	: Equity Secretaries and Registrars
	: Certified Public Secretaries
	: P.O. Box 14868, 00100
	: NAIROBI

<b>Principal Bankers</b>	: Co-operative Bank of Kenya Limited
	: P.O. Box 1511, 40100
	: KISUMU

<b>Chief Legal Advisor</b>	: Ouma Njoga and Company Advocates
	: P.O. Box 2536, 40100
	: KISUMU

**BOARD COMMITTEES**

**FINANCE AND COMMERCIAL COMMITTEE**

Ms. Caren Aketch Oloo : Chair  
Mr. Nerry Achar  
Ms. Janet Ogot  
Mr. Salmon Orimba  
Mr. Thomas Odongo

**AUDIT AND RISK COMMITTEE**

Mr. Nirmal Darbar : Chair  
Mr. Ben Kitoto  
Mr. Nerry Achar  
Ms. Janet Ogot  
Ms. Doris Ombara

**TECHNICAL COMMITTEE**

Mr. Victor Obaso : Chair  
Mr. Salmon Orimba  
Ms. Caren Aketch Oloo  
Mr. Thomas Odongo  
Mr. Pollyins Ochieng

**HUMAN RESOURCE AND LEGAL COMMITTEE**

Mr. Pollyins Ochieng : Chair  
Ms. Doris Ombara  
Mr. Nirmal Darbar  
Mr. Victor Obaso  
Mr. Thomas Odongo

**Kisumu Water and Sewerage Company Limited**

**Annual report and financial statements**

**For the year ended 30th June 2020**

**Board of Directors**

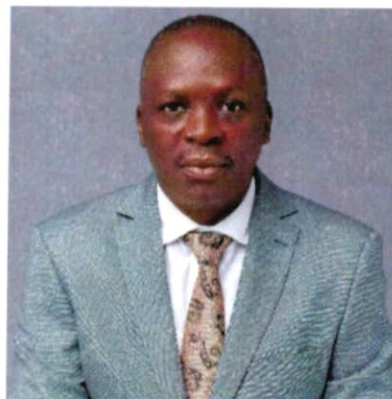


***Vinod Patel***

**Age: 51**

He is a Businessman and a contractor

He is the nominee from the Governor's office  
He is currently the Chairman of Kisumu Water & Sanitation Co. Ltd



***Thomas Odongo***

**Age: 51**

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



***Pollyins Ochieng***

**Age: 60**

Is an Insurer by profession

Attended the college of marine, motor and fire insurance.

Representing consumers/residents



***Nirmal Dabar***

**Age: 52**

Is a hotelier by profession

Attended hotel consul Lobruvet in Switzerland.

He is representing the hotelkeepers and hospitality fraternity



***Ben Kitoto***

**Age: 70**

He is a marketer by profession  
He is qualified in Advanced Salesmanship Marketing  
and Advertising

He is currently representing manufacturers



***Ms. Doris Ombara***

**Age: 60**

Graduated with a Master of Business  
Administration with a Major in Human Resources  
Management and a Bachelor of Education Degree,  
both from the University of Nairobi.

Ms. Ombara is currently the City Manager, City  
of Kisumu.



***Hon. Salmon Orimba***

**Age:53**

Currently serving as the County Executive  
Committee member in charge of Water,  
Environment, Climate Change and Natural Resources  
in the County Government of Kisumu



***George Okong'o***

**Age:43**

Currently serving as the County Executive  
Committee member in charge of Finance and  
Planning in the County Government of Kisumu



***Caren Aketch Oloo***

***Age: 53***

Holds M.A in Sociology and Community Development and B.A in Sociology

Currently the Chairperson of the Finance & commercial Committee of the Board



***Janet Winnie Ogot***

***Age:41***

Holds a Diploma in Purchasing & Supplies Management

She represents women in the Board







***Victor Obaso***






***Age: 60***

He is an accountant with CPA II

He is representing NGOs in the Board of Directors  
Currently the Chairperson of the Technical Committee of the Board

## Management Team

NAME	POSITION	QUALIFICATIONS	PROFESSION
 <p>Mr Thomas Odongo</p>	<p>Managing Director</p>	<p>BA. Economics &amp; Sociology; Executive Diploma in Sales &amp; Marketing</p>	<p>Marketer</p>
 <p>Everlyne Opiyo</p>	<p>Head of Human Resources &amp; Administration</p>	<p>BBA- Management Option, MBA- HRM, CPS</p>	<p>Human Resources Practitioner</p>
 <p>Eng. Moses Jura</p>	<p>Chief Engineer Technical Services</p>	<p>BSc. Civil Engineering</p>	<p>Engineer</p>
 <p>CPA Nicholas Moseti</p>	<p>Head of Finance</p>	<p>MBA Strategic Management , BCOM-Finance, CPA (K)</p>	<p>Accountant</p>

	<p>Head of Audit and Risk</p>	<p>MBA, CPA (K)</p>	<p>Accountant</p>
<p>CPA Simon Ondigo</p>	<p>Supply Chain Manager</p>	<p>MBA, Bachelors in Purchasing and Supply Management</p>	<p>Supply Chain Management</p>
	<p>Supply Chain Manager</p>	<p>MBA, Bachelors in Purchasing and Supply Management</p>	<p>Supply Chain Management</p>
<p>Antony Ogwang</p>	<p>Head of Commercial services</p>	<p>MBA-Finance, BA in Economics, MA in Economics, CPA-K</p>	<p>Business Development</p>
	<p>Head of Commercial services</p>	<p>MBA-Finance, BA in Economics, MA in Economics, CPA-K</p>	<p>Business Development</p>
<p>CPA Jason Ochola</p>	<p>ICT Manager</p>	<p>MBA, BSC, Information Technology/MIS</p>	<p>MIS Specialist</p>
	<p>ICT Manager</p>	<p>MBA, BSC, Information Technology/MIS</p>	<p>MIS Specialist</p>
<p>Shem Otieno</p>	<p>Ag. Head of Corporate Affairs &amp; Communication</p>	<p>MBA Strategic Management, BA in Finance</p>	<p>Communication Expert</p>
	<p>Ag. Head of Corporate Affairs &amp; Communication</p>	<p>MBA Strategic Management, BA in Finance</p>	<p>Communication Expert</p>
<p>Eldah Odongo</p>	<p>Ag. Head of Corporate Affairs &amp; Communication</p>	<p>MBA Strategic Management, BA in Finance</p>	<p>Communication Expert</p>

## **CHAIRMAN'S STATEMENT**

It is my pleasure to report the Company's performance during the financial year and share the achievements we have made and initiatives we have put in place to firmly place KIWASCO on the path to success. This year 2019/2020 we did not post impressive performance in our business as a result of the Covid-19 pandemic that affected the global economy and the water sector at large. Some of the Board's key highlights in the financial year 2019/2020 are tabulated as below;

<b>Performance Indicator</b>	<b>Board Intervention</b>	<b>Impact</b>
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	
Enhanced Internal Controls	The Board has enhanced internal controls in all departments including the Technical, Commercial and Finance and HR and 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 and necessitated risk based audits.	This has led to compliance with the Public Financial Management Act, 2012 and other regulations

### **Acknowledgement**

On behalf of the Board of Directors, I thank the Government of Kenya, Ministry of Water, County government of Kisumu for their invaluable support that has made the Company to prosper.

I extend my sincere appreciation to our development partners and all other stakeholders who have been instrumental in the achievements we have made. Finally, I acknowledge the professionalism and commitment of the entire Kiwasco Board, Management and Staff in executing the mandate of the Company in delivering potable water to Kisumu residents.

Ahsanteni



**Vinod Patel**

**Chairman**

## MANAGING DIRECTOR'S STATEMENT

I am pleased to present our report for the year ending June 2020.

### **Results**

Our Company dropped its turn-over by 2% from **Kshs. 812,060,445.21 to 794,276,149.78**. The profit after tax for the year decreased to **Kshs.3,973,723** from a profit of **Kshs. 9,132,560** in 2019. The decrease in both revenue and profitability is largely attributed to loss of business as a result of the containment measures instituted by the National Government to mitigate the spread and effects of the Covid-19 pandemic among others.

### **Water Distribution and Coverage**

KIWASCO has consistently pursued an expansion programme on water services to improve coverage in line with MDGs and later SDGs on water and sanitation. In the year under review, the coverage improved from 80% to 82%. Although we are still below the sector target of 85% we are proud to report that we are progressively moving towards the sector target. Expansion is targeting Otonglo area, Kolwa, Kajulu and Nyamasaria.

The company continues to balance production from Dunga and Kajulu to benefit from reduction in costs due to the use more use of Kajulu Water works that supplies water through gravity as opposed to pumping from Dunga Water Works that attracts high cost of electricity, this change in mix has had a profound impact on our energy cost. The combined installed capacity for Dunga and Kajulu, the two water sources for Kisumu is 82,000m<sup>3</sup>/d. This is projected to supply Kisumu adequately until the year 2032. The projections on source reliability will have to be reviewed given the impact of climate change on water sources.

The focus on service expansion has shifted to work on distribution networks that are expanding coverage all around the City. Discussions with development partners to fund the new distribution network and replacement of old dilapidated networks in the City Centre are on-going. Kisumu is now 115 years old and some of the water infrastructure is as old as the city.

### **Sanitation**

The existing sewerage system has continued to support the expansion of water supply in the City. The two treatment plants with a combined treatment capacity of 17,700m<sup>3</sup>/d have been adequately treating the waste water. Quality has improved significantly and meet the requirements of the EMCA Act with regard to standards of discharge of liquid waste to water bodies. The average BOD<sub>5</sub> was 25.9mg/l which is below the threshold required by the EMCA of 30mg/l. Sewerage coverage increased to 20% after the completion of expansion works under LTAP Project.

The Company currently focuses on the sanitation services which covers both onsite sanitation and the conventional sewerage management system. Through this, the Company was able to win a grant from the

Water Sector Trust Fund (WSTF) to improve the sanitation coverage in the low income areas of Obung'a in a project dubbed Up-scaling Basic Sanitation in the Urban Areas (UBSUP)

Vandalism and theft of water and waste water assets continue to plague the town's development. Various strategies have been muted including use of non-ferrous materials as manhole covers, pipelines etc. A strong control regime on the trade of ferrous material may be the only route to reduce the intensity of vandalism currently experienced on the ground. The County Assembly can pass an appropriate legislation to deal with the problem.

### **Quality Assurance**

The Company is committed to supplying water of the highest quality to our esteemed consumers. In the period under review, water quality compliance to KEBS standards was 96%. The bench-mark is 95%. KEBS continue to conduct surveillance audits on our system as part of fulfillment of requirement to retain ISO 9001:2015 standard. The audits give us comfort that our systems will continue to support the quality standards required by the Regulator.

### **Commercial Operations and Customer Service**

The Company has continued to elevate customer service to be the core of our operations. This was articulated through the published Customer Service Charter that has not only expressed our commitment to the customers but provided the service standards the customer should expect.

Our complaints resolution stood at 95% using the recently introduced telephone hotline. Hours of water supply improved from 24.5hours/day to 24hours/day. All metered customers received a bill each month and the collection efficiency was 93%. Our customers need to support us more by paying the bills not only promptly but adequately. The public bodies still cannot pay monthly bills due to their unique structure of resource flows, but more needs to be done in this area to avoid accumulation of large debts. We are moving towards digital meter reading, electronic bill distribution and electronic payment platforms in an effort to improve our customer service.

### **Pro-Poor Services**

The Delegated Management Model (DMM) continues to offer us the best platform for service delivery to the informal settlement. In the period under review, DMM numbers remained at 33 in the year including peri-urban areas like Nyawita, Otonglo and Chiga. The platform continues to support our mission of improving access and affordability of water in the poor areas of the City. We are committed to extending this to areas that would benefit immensely from this approach.

## **Non-Revenue Water (NRW) Management**

NRW continues to be a key challenge to not only KIWASCO but almost the entire water sector. The company realized an average loss reduction of 46% to the current 36.6% in 2019 and 2020 respectively; this is however still high and was largely attributed to the change in consumption patterns due to Covid-19 pandemic. A Strategic Plan developed together with our partners to tackle the problem did not receive funding to implement the zoning of the network into District Metering Areas (DMA) for ease of localizing leakages. The Company nevertheless implemented programmes that could be funded internally. Although NRW is progressively reducing, the rate of reduction requires a push. Negotiations are still on-going to receive this financial support. The National Government through JICA has identified Kisumu as one of the towns to benefit from a bilateral project intended to reduce NRW in Kenya.

## **ICT and Innovation**

A number of innovations have been introduced to improve customer service leveraging on ICT. During the year under review, the Company introduced an Enterprise Resource Planning (ERP) system with the aim of integrating all the departments in a single system. The Company also expanded Geographical Information System (GIS) to map meters on the ground to improve access and accuracy in meter reading. The same platform is being used to locate weak points in the distribution system that are prone to frequent bursts. The replacement of old pipes is hence highly targeted. We have improved bill query, repositioned Facebook and Twitter as channels of customer communication, expanded Mpesa collection and targeting introduction of an electronic collection platform that integrates all mobile money channels.

The feasibility studies to produce bottled water, energy from faecal waste and commercializing dried sludge to be sold as manure are still on-going. The effort received a boost with a donation of a generator from our partners in the Netherlands who are keen to see us transit from thought to action. The program suffered a setback when we lost over 1 million euros grant from African Water Facility due to bureaucratic challenges at the Treasury.

## **Conclusion**

I wish to thank the Board, the County Government, Water Services Regulatory Board (WASREB) for the support extended to the Company in the year. I look forward to enjoying similar support in the coming year.



Thomas Odongo

**Managing Director**

## REVIEW OF THE COMPANY'S PERFORMANCE FOR FY 2019/2020

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

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

*KIWASCO* develops its annual work plans based on the above 7 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Company achieved its performance targets set for the FY 2019/2020 period for its strategic pillars except for revenue growth and profitability which was largely 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.	82% Coverage
		Improve the water distribution network.	
	Increase water service coverage through network expansion		
	Increased sewer coverage from 16% to 30%	Improvement of the waste water treatment facilities.	
		Expansion of the sewer network	
2. Operational Efficiency	Reduced NRW from 37% to 25%	Active leak detection	36.6% NRW in June 2020
		Eliminate illegal connections	
		Pressure management	
		Improve meter accuracy	
		Develop NRW reduction framework	
	Improved operational efficiencies	Modernize and automate all operations in water treatment plants	Dosing process already automated
		Improve the operations of the water distribution network	
	100% safety and optimal utilization of resources	Improve the operations at the waste water plants and pumping station	99% efficiency in sewer distribution
		Improve operations of the sewer network	
	100% adherence to drinking water and waste water standards and regulations	100% safety and optimal utilization of resources	Strengthen internal controls
Ensure effective asset protection			
100% adherence to drinking water and waste water standards and regulations		Improve water quality assurance infrastructure	Implemented
	Implement water safety plan - WSPs		
	Implement waste water standards		
3. Customer Service	Increased	Strengthen customer service management systems	85% Customer satisfaction

Strategic Objective	Performance indicator	Strategic Activities	Achievement
	customer satisfaction level from 71% to 80%	Entrench a customer focus culture among all employees	achieved and call centre established
		Establish a customer care centre	
		Improve on the levels of customer satisfaction	
		Improve customer engagements and loyalty	
		Develop and implement a customer focused Marketing Strategy	
4. Pro-poor initiatives	Improve access in the low income area from 78% to 90%	Increase access in the low income areas	82% achievement
		Develop policies and strategies aimed at Pro-poor sector	
		Reduce NRW in LIAs	
		Adopt appropriate technologies	
	Sustain Pro poor initiatives	Enhance Community participation	Continuous exercise
		Develop partnerships	
Implement sustainable initiatives			
5. Financial Sustainability	Improve revenues by 10% (From 52M per month to 85M per month)	Improve revenue collection efficiency	ERP system implemented to improve efficiency.
		Improve billing efficiency	
		Increase number of water and sewer connections	
		Enhance alternative revenue streams	
	Improve cost efficiency from 90% to 95% (cost management)	Automation of operations	ERP system in place
		Ensure efficient supply chain management process	
		Manage staff costs	Continuous exercise
		Reduce operational costs	
	Improve Financial Management and Accountability	Ensure effective budgeting process	Continuous exercise
		Adopt financial best practices	Continuous exercise in addition to new ERP system
		Adhere to regulatory and statutory obligations	
		Ensure effective audit and reporting practices	
		Strengthen financial management system	
		Procure an integrated financial management system	
	Reduce accounts receivables by 50% (From 180M to 90M by 2022)	Develop a Debt Management Structure	Debt policy approved by the Board
		Develop a debt management policy framework	
		Provide for bad and doubtful debts	
	Mobilize required resources	Improve credit rating	Grants & donations received from various partners
		Develop a resource mobilization strategy	
Develop funding proposals			
Develop sustainable partnerships			
6. Institutional Strengthening	Improve employee productivity from 79% to 85%	Attract and retain competent staff	Continuous exercise
		Undertake a staff rationalization exercise	
		Implement a responsive organization structure	

Strategic Objective	Performance indicator	Strategic Activities	Achievement
		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 65% satisfaction
		Improve staff welfare	
		Improved working environment	
		Provide adequate office infrastructure	
		Provide employees with working tools	
	Strengthened human resources function	Develop, review and implement institutional policies and procedures	ERP system implemented
		Develop integrated human resources information management system	
	Improved institutional visibility and branding	Implement the organization core values	Continuous exercise
		Undertake a culture change programme	
		Improve employee branding	
		Improve company branding	
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	
		Undertake annual board evaluations	
	Reduced exposure to risks	Implement enterprise wide risk management framework	Continuous exercise
		Protect company assets	
		Develop a business continuity plan	BCP and Emergency response plan implemented
		Develop a COVID-19 Management Framework	
		Ensure effective Audits	Continuous exercise
	Improved stakeholder relations	Undertake stakeholder engagements	Done annually
		Ensure annual reporting to stakeholders	
		Ensure fulfilment of external/statutory requirements	
		Develop sustainable partnerships	
	Increased Lobbying	Lobby for increased resources	Continuous exercise
		Lobby for supportive legislation and regulations	

NOTE: The above objectives have been anchored in the Balance Score Cards (BSC) which is the performance management tool applied by the Company to all staff to ensure effective monitoring and evaluation. Performance appraisals are undertaken semi-annually to monitor progress

## **CORPORATE GOVERNANCE STATEMENT**

### **Preamble**

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 eleven directors, ten 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.

### **Information to the Board**

The Directors are given timely information on key activities of the business regularly.

### **Conflict of Interest**

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

### **Committees of the Board**

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

**The Board has four Committees namely:**

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

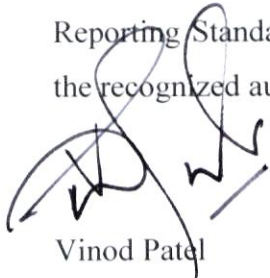
**Internal Controls**

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

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

**Accountability and Audit**

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



Vinod Patel

**Chairman**



Thomas Odongo

**Managing Director**

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### **Budget Absorption for FY 2019/2020**

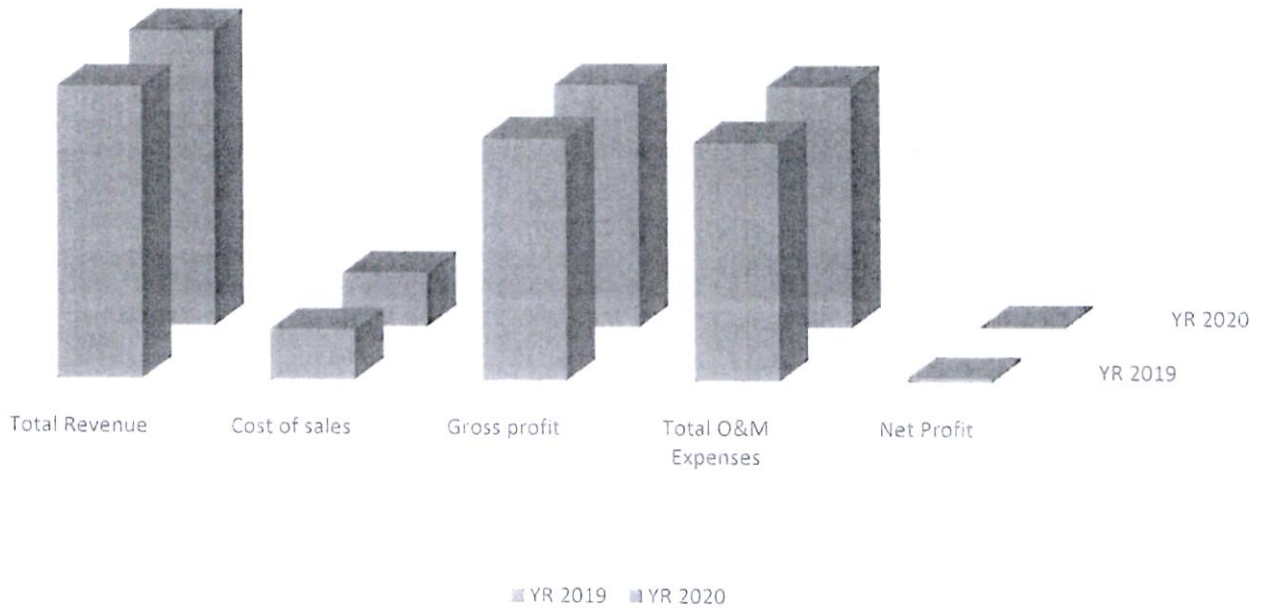
DESCRIPTION	Budgets 2019/2020	Actual 2019/2020	% ABSORPTION
Total Revenue	938,155,758	844,743,719	90%
Total costs	947,890,866	39,088,136	89%

The absorption rate of the estimated revenue budget for the year was 90% against the expenditure absorption of 89%.

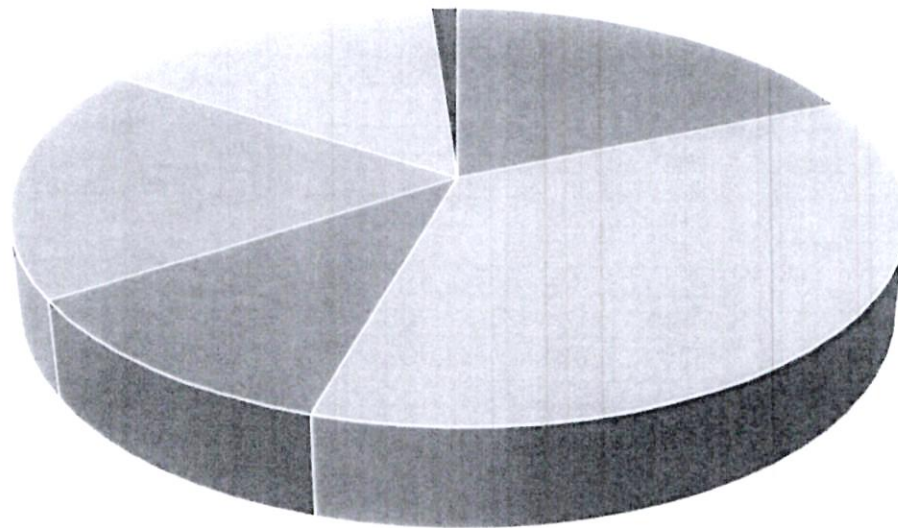
Description	2020 ( Ksh)	2019 ( Ksh)	Variance (Ksh)	Percentage
Sales	794,276,150	812,060,445	17,784,295	-2.19%
Cost of Sales	(154,760,716)	(148,009,849)	(6,750,867)	4.56%
Gross Profit	639,515,433	664,050,596	24,535,163	-3.69%
Other Operating Income	50,467,569	30,119,675	20,347,894	11.13%
Total Expense	839,088,136	830,158,449	8,929,686	1%%
Net Profit/(loss)	3,973,723	9,132,560	(5,158,837)	-56%
Fixed assets	306,228,589	275,727,293	30,501,295	11.1%
Long -Term Liabilities	256,424,408	252,106,067	4,318,341	1.7%
Current Assets	317,376,604	258,291,410	59,085,194	23%
Current liabilities	314,192,990	232,898,565	81,294,425	35%
Total Assets	623,605,192	534,018,703	89,586,489	17%
Total Liabilities	570,617,398	485,004,632	85,612,766	18%

- i. The decline in profitability in the Financial year ended 2020 was attributed to decline in revenue by 2.19% occasioned by Covid-19 containment measures and loss of business due to demolitions.
- ii. The cost of production marginally increased by 4.56% due increased consumption/production during the year compared to previous financial year.
- iii. Total costs of operations in the year realized a marginal increase of 1%
- iv. The Company's fixed assets grew by 11.1% while the long-term Liabilities grew by 1.7%
- v. Total assets and total liabilities realized the a growth rate of 17% and 18% respectively in the year under review.

## Performance Analysis

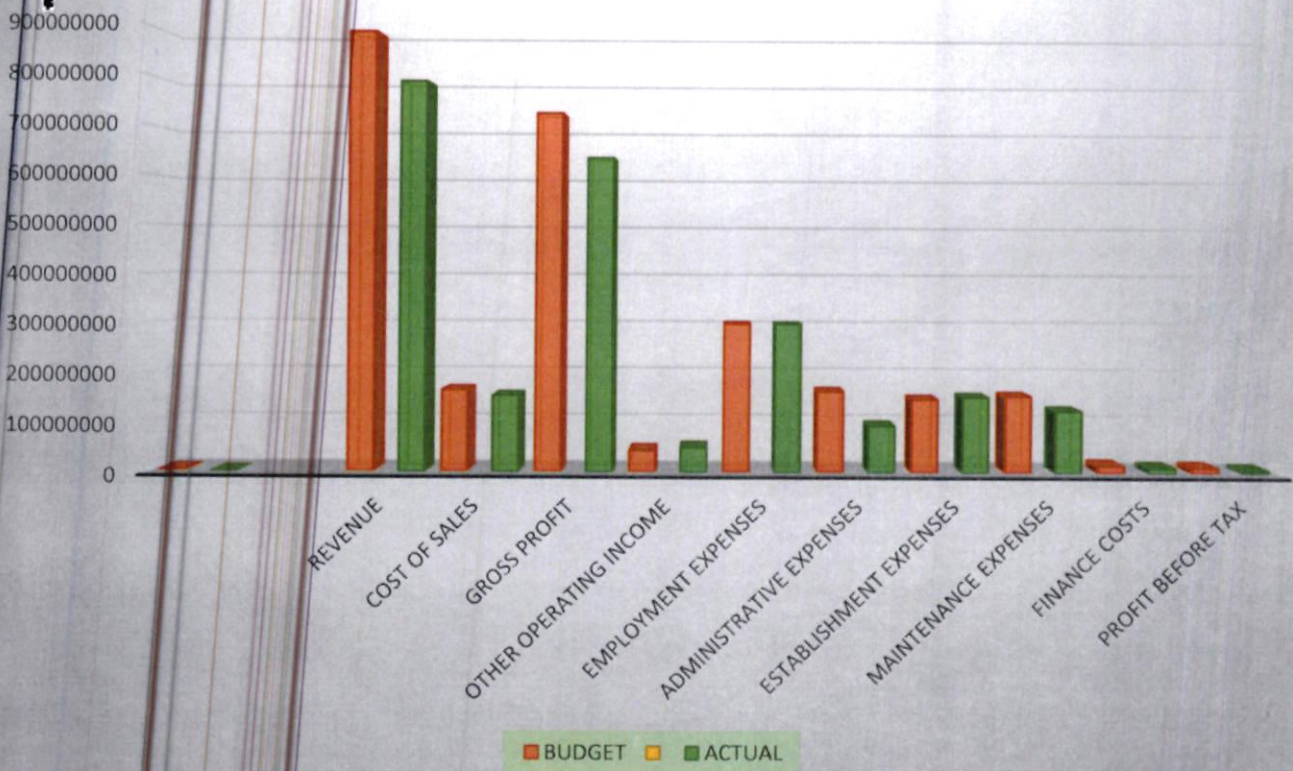


## Expense Analysis 2020

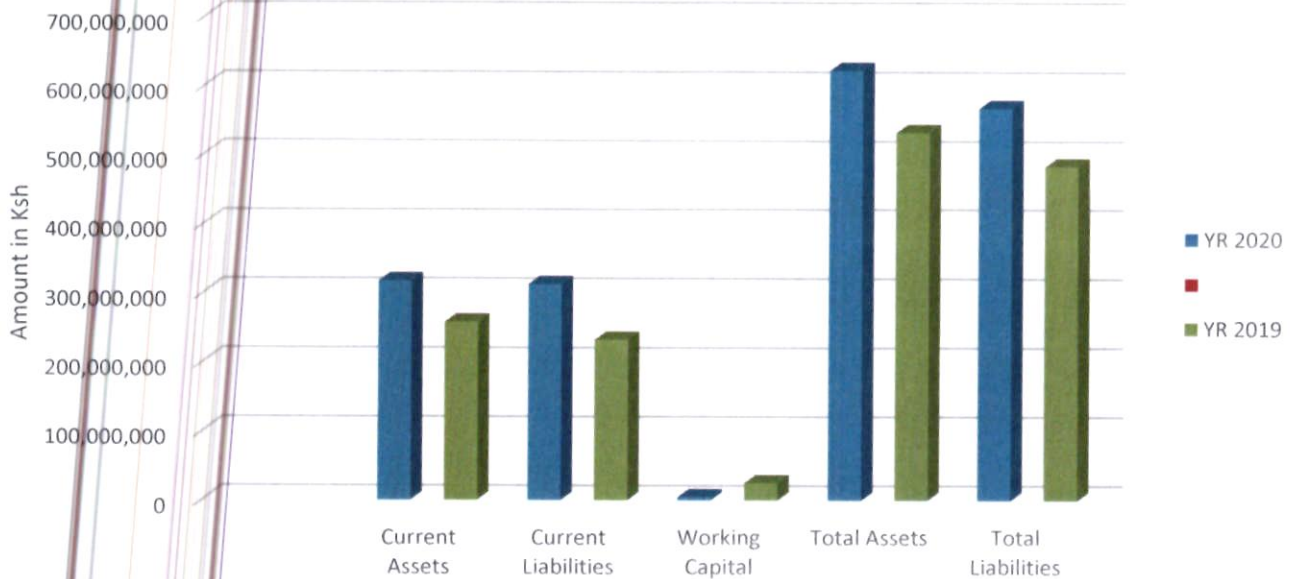


- Cost of sales
- Employment expenses
- Administrative expenses
- Establishment expenses
- Maintenance expenses
- Finance costs

## 2020 Budget Performance



## Assets Growth



Kisumu Water and Sanitation Company Ltd (KIWASCO) exists to improve lives through the provision of quality water and sanitation services to residents of Kisumu. This is our driving force behind everything we do and is what guides us to deliver our strategy, which is founded on Customer Value Proposition (CVP). KIWASCO's CVP is aimed at achieving high levels of Customer Experience (CX) which is the product of any interaction between KIWASCO and *customers* over the duration of their relationship. In order to achieve positive customer experience, and in line with creating distinctiveness, KIWASCO proposes to its customer Reliability, Accessibility and Quality of water and sanitation



### 1. Sustainability strategy and profile

The top management recognises that there are many threats to the sustainable supply of reliable and safe water that has the confidence of the consumer at all times. In that regard we decided to develop and implement a climate resilient Water Safety Plan (CR-WSP). WSP is a comprehensive risk assessment and risk management approach that encompasses all steps in water supply from catchment to consumer. It involves collaborating with all relevant stakeholders to effectively deal with all the risks identified by putting in place control measures, management best practices, identify some upgrades to the system and develop relevant supporting programs to ensure water supplied meets all the relevant health based targets and is sustainable.

### 2. Environmental performance

KIWASCO has put in policies that ensures that our operations are done in a sustainable manner. Environmental management practices in place ensures that we protect the environment we operate in by putting in place proper waste water treatment practices, elimination of harmful waste discharges to the environment from all the installations by embracing cleaner production practices. We have also put in place measures that guide participation in environmental conservation activities alongside other stakeholder; tree planting activities in all our plant and along river Kibos where

water is abstracted, river and lake shore clean-up activities among some of the successes achieved by the environmental committee in the organization.

We are committed to the continued efforts by all stakeholders to achieve sustainable management of our environment and the catchment area where we operate.

### **3. Employee welfare**

The Company uses Balanced Score Card (BSC) as our performance management system to drive a balanced performance in all key areas of our operations to achieve better overall performance. Training and capacity development occupy a key space in our agenda to empower staff to perform at optimal level. Targeted trainings are offered in areas where skill gaps are noted. Staff are also encouraged to self-enroll for courses of interest to help improve on their skills and hence opportunities. In the year under review, the Company also participated in Water Companies (WASCO) games that was hosted in Embu County.

The Company has an Occupational Safety and Health (OSHA) policy that aims at providing a safe working environment for its staff and other stakeholders

### **4. Market place practices-**

- a) Responsible competition practice – Integrity remains the main core value of the Company; this ensures fair and honest dealings with the customers and all stakeholders. Staff sign a code of conduct annually that prohibits them from corrupt practices including being actively involved in political activities. The tariff charged by KIWASCO is approved and gazetted by the regulator i.e. Water Services Regulatory Board (WASREB) after a consultative forum of all the stakeholders and is monitored regularly for adherence. The area of operation is also clearly demarcated to avoid encroachment and conflict with competition
- b) Responsible Supply chain and supplier relations - Suppliers are identified through a competitive bidding process as provided for in the Public Procurement and Assets Disposals Act 2015 and Public Procurement and Assets Disposals Regulations 2020. The Company has adopted framework contracting form of engagement with our suppliers and sign either one year or two year contracts with the suppliers on-boarded after the tendering process depending with the nature of the supply. Our payment terms is 45 days from the date of invoice which is explicitly stated in the bid documents and this has proven convenient with our suppliers. Occasional delays in payment occur due to unavoidable circumstances but in such cases, we notify our suppliers in advance.
- c) Responsible marketing and advertisement - Transparent, Professional and Effective communication i.e. timely relaying of information to clients through available channels like text messages, social media, clinics, face to face. The company also upholds the principle of

confidentiality and does not disclose to any third party the customer details unless authorized by in writing by the client while upholding regulations/standard established by the regulator towards provision of services.

- d) Product stewardship - The prevailing tariff are fixed by the regulator WASREB to protect the consumer from price related exploitation. Elaborate mechanisms and regulations are also in place to safeguard the interest of the client i.e. customer service charter, Maji voice, water tribunal.

#### 5. **Community Engagements-**

We support CSR activities in line with our CSR Policy that guides our engagement with our key Stakeholders. We remain firmly committed to causes that positively impact our society and influence sustainability of our business. In the year, we supported a number of causes e.g. the Governor's Christmas Fund, World Water Day, World AIDS Day, Friends of River KISAT (clean-up of River KISAT) and Football for WASH.

## REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 30 June 2020 which disclose the state of affairs of the company.

### PRINCIPAL ACTIVITIES

The principal activities of the company are:

- i) To provide and distribute a constant supply of water for commercial, industrial and domestic purposes within the jurisdiction of County Government of Kisumu.
- ii) To be responsible for the provision and maintenance of water and sewerage services within the jurisdiction of County Government of Kisumu.

RESULTS	2020 Shs	2019 Shs
Profit before tax	5,655,583	12,021,671
Tax	<u>(1,681,860)</u>	<u>(2,889,111)</u>
Profit for the year	<u><u>3,973,723</u></u>	<u><u>9,132,560</u></u>

### DIVIDEND

The directors do not propose a dividend for the year.

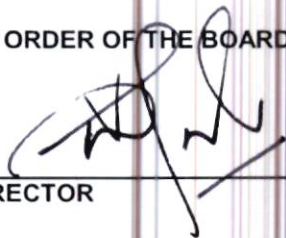
### DIRECTORS

The directors who held office during the year and to the date of this report are shown on page ii.

### AUDITORS

The company's auditor is the Auditor General and continues in office in accordance with section 159(2) of the Companies Act.

BY ORDER OF THE BOARD



DIRECTOR

KISUMU

29<sup>TH</sup> SEPTEMBER 2020



DIRECTOR

KISUMU

29<sup>TH</sup> SEPTEMBER 2020

**STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES**

The Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit and loss for that year. It also requires the directors to ensure that the company maintains 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.

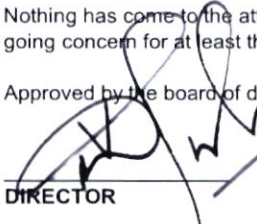
The directors accept the responsibility for the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine what is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances;

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial position of the company as at 30 June 2020 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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.

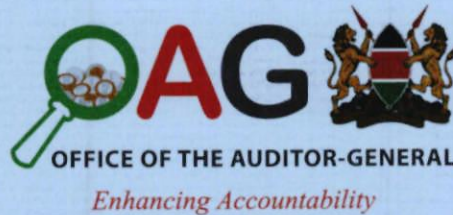
Approved by the board of directors on 29<sup>TH</sup> SEPTEMBER 2020 and signed on its behalf by:

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON KISUMU WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

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### 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 27, which comprise the statement of financial position as at 30 June, 2020, and the statement profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and 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 purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kisumu Water and Sanitation Company Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### Unsupported Trade and Other Receivables

As disclosed in Note 13 to the financial statements, the statement of financial position reflects a balance of Kshs.254,915,333 under trade and other receivables which includes an amount of Kshs.8,372,163 in respect of prepayments and deposits whose supporting documents such as detailed schedules and invoices were not provided for audit review.

Consequently, the accuracy of the balance of Kshs.8,372,163 of trade and other receivables as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu Water and Sanitation Company Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other

ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.894,431,758 and Kshs.794,276,150 respectively resulting to an under-funding of Kshs.100,155,608 or 11% of the budget. Similarly, the Company expended Kshs.684,327,419 against an approved budget of Kshs.782,601,102 resulting to an under-expenditure of Kshs.103,193,593 or 13% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

#### **Non-Compliance with National Cohesion and Integration Commission Act, 2008**

Review of the staff establishment records of the Company revealed that the Company has three hundred and twenty-eight (328) staff members out of which two hundred and eighty-five (285) representing 87% are from the dominant ethnic community in the area. This is contrary to the National Cohesion and Integration Commission Act, 2008 section 7(1) which states that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff, and (2) no public establishment shall have more than one third of its staff from the same ethnic community.

Consequently, the Management breach of the law.

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

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

### Conclusion

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

### Basis for Conclusion

#### 1.0 Non-Revenue Water Management

Review of water production records revealed that during the year under review, the Company produced 10,525,356m<sup>3</sup> (equivalent to Kshs.221,032,476 at a cost price of Kshs.21 per m<sup>3</sup> of water). The amounts recorded differ with the billing records which indicate that 6,666,980m<sup>3</sup> (equivalent to Kshs.140,006,580) of water was sold during the period resulting to unaccounted for water of 3,858,376m<sup>3</sup> equivalent to Kshs.81,025,896 which represents 37% of the total water produced. This translates to unaccounted for water (UFW) of 12% above the allowable loss of 25%.

In the circumstances, the existence of an effective control to safeguard against water loss through spillage or illegal connections cannot be established.

#### 2.0 Non-Gazettement of Regular Tariff Adjustment

During the year under review, the Company achieved a turnover of Kshs.794,276,150. However, it was noted that the last time the water tariff structures for the Company were gazetted was on 24 March, 2017 which covered three (3) financial years 2016/2017, 2017/2018 and 2018/2019. The latest tariff structures approval from the Water Regulatory Management Authority (WARMA) was not provided for verification, an indication that the prevailing tariffs have not been gazetted but the old tariffs of 2016/2017 to 2018/2019 continue to be in use.

In the circumstances, the Company has failed to gazette new tariff rates and continues to apply expired tariffs.

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 control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from my examination of those books:
- iii. The Company's statement of financial position and statement of comprehensive income are in agreement with the accounting records; and

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal control 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 control, risk management and governance.

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

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

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

The Board of Directors is also 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**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

01 February, 2022

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR  
 ENDED 30 JUNE 2020**


	Notes	2020 Shs	2019 Shs
Revenue	1	794,276,149.78	812,060,445
Cost of sales	6	(154,760,716)	(148,009,849)
<b>Gross profit</b>		639,515,433	664,050,596
Other operating income	2	50,467,569	30,119,675
Employment expenses	4	(301,780,340)	(271,545,724)
Administrative expenses	26	(94,249,739)	(142,986,377)
Establishment expenses	27	(153,182,955)	(151,859,126)
Maintenance expenses	28	(125,288,550)	(109,448,260)
<b>Operating profit</b>		15,481,418	18,330,784
Finance costs	5	(9,825,835)	(6,309,113)
<b>Profit before tax</b>		5,655,583	12,021,671
Tax Charge	7	(1,681,860)	(2,889,111)
<b>Profit for the year</b>		3,973,723	9,132,560
<b>Total comprehensive income for the year</b>		3,973,723	9,132,560
<b>Dividend:</b>			
Proposed final dividend for the year	8		
<b>Total dividend for the year</b>		-	-

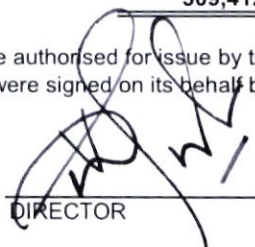
The significant accounting policies on pages 6 to 12 and the notes on pages 13 to 25 form an intergral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Notes	2020 Shs	2019 Shs
<b>CAPITAL EMPLOYED</b>			
Share capital	24	100,000	100,000
Revaluation reserve		1,176,114	1,176,114
Retained earnings		51,711,680	47,737,957
<b>Shareholders' fund</b>		<b>52,987,795</b>	<b>49,014,071</b>
<b>Non-current liabilities</b>			
Borrowings	9	43,920,162	69,175,859
Trade and other payables	14	140,872,699	131,632,271
Grants	17	71,631,547	51,297,938
		256,424,408	252,106,067
		<b>309,412,203</b>	<b>301,120,138</b>
<b>REPRESENTED BY</b>			
<b>Non current assets</b>			
Property, plant and equipment	10	281,180,868	270,713,222
Intangible Asset		20,033,650	
Deferred tax	11	5,014,071	5,014,071
		306,228,589	275,727,293
<b>Current assets</b>			
Inventories	12	32,394,679	26,918,380
Trade and other receivables	13	254,915,333	209,655,654
Cash and cash equivalents	29	30,066,592	21,717,375
		317,376,604	258,291,410
<b>Current liabilities</b>			
Trade and other payables	14	291,965,922	220,158,321
Provision for liabilities and charges	15	4,702,008	1,269,670
Borrowings	9	4,372,626	-
Current tax	7	13,152,434	11,470,573
		314,192,990	232,898,565
<b>Net current assets</b>		<b>3,183,614</b>	<b>25,392,845</b>
		<b>309,412,203</b>	<b>301,120,138</b>

The financial statements on pages 1 to 25 were authorised for issue by the Board of Directors on 29th September 2020 and were signed on its behalf by:

  
CPA Nicholas Moseti  
Head of Finance  
ICPAK no.14313

  
DIRECTOR

  
DIRECTOR

The significant accounting policies on pages 6 to 12 and the notes on pages 13 to 25 form an integral part of these financial statements.

Kisumu Water and Sanitation Company Limited  
 Annual report and financial statements  
 For the year ended 30th June 2020

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	Share capital Shs	Revaluation Reserve Shs	Retained earnings Shs	Total Shs
<b>Year ended 30 June 2019</b>					
At start of year	24	100,000	1,176,114	38,605,397	39,881,511
		<u>100,000</u>	<u>1,176,114</u>	<u>38,605,397</u>	<u>39,881,511</u>
Total comprehensive income for the year	-	-	-	9,132,560	9,132,560
Dividends Payable				-	-
		<u>100,000</u>	<u>1,176,114</u>	<u>47,737,957</u>	<u>49,014,071</u>
<b>Year ended 30 June 2020</b>					
At start of year		100,000	1,176,114	47,737,957	49,014,071
At start of year		100,000	1,176,114	47,737,957	49,014,071
Total comprehensive income for the year	-	-	-	3,973,723	3,973,723
Dividends payable reversed:				-	-
		<u>100,000</u>	<u>1,176,114</u>	<u>51,711,680</u>	<u>52,987,794</u>

The significant accounting policies on pages 6 to 12 and the notes on pages 13 to 25 form an integral part of these financial statements.

*Kisumu Water and Sanitation Company Limited*  
*Annual report and financial statements*  
*For the year ended 30th June 2020*

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 Shs	2019 Shs
<b>Operating activities</b>			
<b>Cash generated from operations</b>	16	70,975,950	61,435,253
Gratuity Paid		-	-
Tax paid		-	(7,679,361)
Net cash generated from operating activities		70,975,950	53,755,892
<b>Investing activities</b>			
Purchase of property, plant and equipment	10	(66,208,957)	(94,754,587)
Intangible Asset		(10,991,588)	
Disposal/Impaired		5,475,600	2,879,500
Net cash (used in) investing activities		(71,724,944)	(91,875,087)
<b>Financing activities</b>			
Increase in water deposits	14	9,240,428	7,665,225
Grant received	17	30,566,688	-
Borrowings Received	9	13,845,752	39,343,385
Borrowings Paid	9	(34,728,823)	-
Interest paid	5	(9,825,835)	(6,309,113)
Donations received	9	-	-
Repayment of finance leases			-
Net cash from financing activities		9,098,210	40,699,497
Increase in cash and cash equivalents		8,349,216	2,580,303
<b>Movement in cash and cash equivalents</b>			
At start of year		21,717,376	19,137,073
Increase/(Decrease)		8,349,216	2,580,303
At end of year	29	30,066,592	21,717,376

The significant accounting policies on pages 6 to 12 and the notes on pages 13 to 25 form an integral part of these financial statements.

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	ORIGINAL BUDGET 2019/2020 Shs	ADJUSTMENTS 2019/2020 Shs	FINAL BUDGET 2019/2020 Shs	ACTUAL ON COMPARABLE 2019/2020 Shs	PERFORMANCE/ DIFFERENCE 1.00 Shs
Revenue	1	924,431,758	(30,000,000)	894,431,758	794,276,150	(100,155,608.22)
Cost of sales	6	(165,289,764)	0	(165,289,764)	(154,760,716)	10,529,047.52
<b>Gross profit</b>		759,141,994	(30,000,000)	729,141,994	639,515,433	(89,626,560.70)
Other operating income	2	24,624,000	19,100,000	43,724,000	50,467,569	6,743,568.76
Employment expenses	4	(295,956,651)	(6,000,000)	(301,956,651)	(301,780,340)	176,310.72
Administrative expenses	26	(163,684,591)	0	(163,684,591)	(94,249,739)	69,434,851.93
Establishment expenses	27	(154,263,045)	6,000,000	(148,263,045)	(153,182,955)	(4,919,909.88)
Maintenance expenses	28	(135,938,328)	(19,100,000)	(155,038,328)	(125,288,550)	29,749,777.70
<b>Operating profit</b>		33,923,380	(30,000,000)	3,923,380	15,481,418	11,558,038.53
Finance costs	5	(13,658,487)	0	(13,658,487)	(9,825,835)	3,832,651.86
<b>Profit before tax</b>		20,264,893	(30,000,000)	(9,735,107)	5,655,583	15,390,690.39
Tax Charge	7	(6,079,468)	0	0	(1,681,860)	(1,681,860.08)
<b>Profit for the year</b>		<u>14,185,425</u>	<u>(30,000,000)</u>	<u>(9,735,107)</u>	<u>3,973,723</u>	<u>13,708,830.31</u>
<b>Total comprehensive income for the year</b>		<u>14,185,425</u>	<u>(30,000,000)</u>	<u>(9,735,107)</u>	<u>3,973,723</u>	<u>13,708,830.31</u>

**NOTE:**

- i. Projected revenue was adjustment downwards due to the effects of Covid-19 pandemic which affected sales
- ii. Other incomes were increased to cater for the donation of Kshs.19M for the Chiga project by Viten Evides International (VEI)
- iii. Employment expenses increased to cater for enhanced contracts and omitted staff in the organisation structure & budget
- iv. Administrative expenses budget remained unchanged while performance was due to austerity measures instituted by the Company to mitigate the effects of Covid-19 pandemic which had affected the revenue
- v. Establishment expenses were marginally above budget despite reduction in budget allocation to support employment costs. Amortisation of intangible assets and closure of the ongoing project led to increased depreciation for the year. These are non-cash items
- vi. Maintenance expense adjusted upwards to cater for Chiga project donation by VEI but spending still within budget.
- vii. Favourable terms with the bank led to reduction of finance costs i.e. interest only on disbursed loan amounts
- viii. Reduction in profitability compared to last financial year due to loss/reduction of revenue

The significant accounting policies on pages 6 to 12 and notes on pages 13 to 25 form an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Basis of preparation

The financial statements are prepared under the historical cost basis except for the measurement at revalued amounts of certain items of property, plant and equipment and financial instruments at fair value, impaired assets at their estimated recoverable amounts. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It requires management to exercise judgement in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity.

The financial statements have been prepared in accordance with the PFM Act 2014 and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all years presented.

#### Going Concern

The financial performance of the company is set out in the Director's report and in the statement of comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in note 20.

Based on the financial performance and position of the company and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

The financial statements comply with the requirements of the Kenyan Companies Act. The statement of comprehensive income represents the profit and loss account referred to in the Act while the statement of financial position represents the balance sheet referred to in the Act.

### Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

Adoption of new and revised International Financial Reporting Standards (IFRS)

#### *i. New standards and amendments to published standards effective for the period ended 30 June 2016*

There were no new and revised IFRSs that were effective in the current year that had impact on the amounts reported in these financial statements

#### *ii. Impact of new and amended standards and interpretations on the financial statements for the period ended 30 June 2016 and future annual periods*

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 construction Contracts and the related interpretations when it becomes effective.

#### *iii. Early adoption of standards*

The Company did not early-adopt any new or amended standards in the financial period.

**NOTES**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Critical Accounting Judgements and Key sources of estimation uncertainty**

In the process of applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

**i. Critical Judgements in applying accounting policies**

There are no critical judgements apart from those involving estimations (in ii below), that the directors have made in the process of applying the company's accounting policies and that are the most significant effect on amounts recognised in the financial statements.

**ii. Key sources of estimation uncertainty**

**Impairment losses** - At the end of each period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indications exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit which the asset belongs.

**Property, plant, equipment and intangible assets**- Management reviews the useful lives of property plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

**Contingent liabilities** - As disclosed in note 26 to these financial statements, the company is exposed to various contingent liabilities in the normal course of business including a number of legal cases. The directors evaluate the status of these exposures on a regular basis to assess the probability of the company incurring related liabilities. However, provisions are only made in the financial statements where, based on directors' evaluation, a present obligation has been established.

**c) Significant judgements made by management in applying the company's accounting policies**

**Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and/or performance of services, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future

- i) Sale of water is recognised upon delivery of water and customer acceptance.
- ii) Sale of services are recognised upon performance of the services rendered by reference to the stage of completion of the service contract.

**Operating Expenses**

Operating expenses comprise the fair value of the consideration paid or payable for the purchase of goods and services in the ordinary course of business and are stated net of Value Added Tax (VAT). The Company recognises operating expenses when the expense can be reliably measured and is probable that it has been incurred.

**NOTES**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d) Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings (the functional currency), at rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated. Assets and liabilities at reporting date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale, are included in other comprehensive income.

**e) Property, plant and equipment**

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on buildings is provided on a straight line basis over its estimated useful life of 40 years.

Freehold land is not depreciated

Leasehold land is depreciated over the remaining period of the lease

Depreciation on other assets is calculated on the reducing balance basis to write down the cost of each asset, to its

	<b>Rate %</b>
Buildings	2.5 (Straight line)
Plant, machinery and meters	12.5
Motor vehicles and cycles	25
Furniture and fittings	12.5
Computer equipment	30

Capital work in progress is not depreciated.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

**NOTES (CONTINUED)**

**f) Intangible assets**

**Computer software**

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives which are estimated to be 5 years on a straight line basis.

**g) Financial instrument**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

**Financial assets**

The company's financial assets which include cash and bank balances and trade and other receivables fall into the following category:

**Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date.

All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairment losses are taken into account for determining operating profit.

**Financial liabilities**

The company's financial liabilities which include borrowings, current tax and trade and other payables fall into the following category:

**Other financial liabilities:** These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

**NOTES (CONTINUED)**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**g) Other Financial liabilities (continued)**

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility.

All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**h) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the direct purchase value and all costs attributable to bringing the inventory to its current location and condition and is stated on a first-in first-out (FIFO) basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expenses.

**i) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

In statement of financial position, bank overdrafts are included within borrowings in current liabilities

**j) Share capital**

Ordinary shares are classified as equity.

**k) Dividends**

Proposed dividends are disclosed as a separate component of equity until declared. Dividends are recognised as a liability in the period in which they are approved by the shareholders

**l) Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss.

**Current tax**

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

**Deferred tax**

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

No deferred tax asset/liability was recognised in the year under review

**NOTES (CONTINUED)**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**m) Accounting for leases**

Leases of property, plant and equipment, where the company assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at cost. Each lease payment is allocated between the liability and finance charges. The interest element is charged to profit or loss over the lease period and is included under finance costs. Such property, plant and equipment are depreciated over its useful life.

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**n) Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the company has present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and amount has been reliably estimated. Provisions for future operating losses are not recognised.

The amount recognised as provisions is the best estimate of the present value of expenditures expected obligation using pre-tax rate that reflects the current market assessment of time value of money and the risks specific to the obligation. Increase in provisions due to passage of time is recognised as interest expense in profit or loss under finance costs.

**o) Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

**p) Retirement benefit obligations**

Employee entitlements to gratuity and long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

The company operates a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The assets of this scheme are held in a separate trustee administered fund. The company's contributions to the defined contribution retirement benefit scheme are charged to profit or loss in the year to which they relate. The company has no further payment obligations once the contributions have been paid.

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

**q) Grants**

Grants related to assets, including non-monetary grants at fair value are presented in the statement of financial position by setting up the grant as deferred income.

The grant is recognised as income on a systematic and rational basis over the useful life of the asset.

**NOTES (CONTINUED)**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

r) **Borrowing costs**

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset based on either on actual cost on specific borrowing or in the case of general borrowings, based on a weighted average cost.

Capitalisation of borrowing costs ceases when all activities necessary to prepare the asset for its intended use or sale are complete. All other borrowing costs are recognised in profit or loss.

s) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Kisumu Water and Sanitation Company Limited  
Annual report and financial statements  
For the year ended 30th June 2020

**NOTES**

	<b>2020</b>	<b>2019</b>
	Shs	Shs
<b>1. Revenue</b>		
Sale of Water/Sewerage and services	794,276,150	812,060,445
<b>2. Other operating income</b>		
Illegal connections	824,295	2,172,486
New water connections	5,378,926	7,634,270
Reconnection fees	46,302	1,033,151
Sewer agreement forms	0	94,200.00
Sewer connection	582,887	408,490
Tender income	0	51,000
Water connection forms	0	249,096
Surcharge on meter loss	2,313,135	2,146,320
Other miscellaneous income	6,204,934	535,198
Other Income - Donations	23,239,942	9,318,339
Exhauster Services	1,644,070	1,754,330
Write back of grants	10,233,078	4,722,796
<b>Total other operating income</b>	<b>50,467,569</b>	<b>30,119,675</b>
<b>3. Operating profit</b>		
The following items have been charged in arriving at operating profit:		
Establishment expenses (Note.27)	111,274,856	125,925,782
Depreciation on property, plant and equipment (Note 10)	41,908,099	25,933,344
Administrative costs (Note.26)	88,308,718	115,101,405
Admin Expenses - Auditors' remuneration		
- Current year	580,000	580,000
Trade receivables - impairment	-	-
Repairs and maintenance (Note.28)	125,288,550	109,448,260
Staff costs (Note 4)	301,780,340	271,545,724
<b>4. EMPLOYMENT EXPENSES</b>		
Salaries and wages	238,307,340	207,059,886
Other staff costs	23,745,990	27,636,553
Gratuity (Note 15)	3,432,338	1,269,670
Allowances in lieu of leave	1,318,303	445,181
Pension costs:		
- Defined contribution scheme	13,738,646	13,648,739
- National Social Security Fund	796,200	697,200
Staff medical expense	20,046,650	19,412,771
Staff welfare	195,823	1,178,825
DIT Levy	199,050	196,900
	<b>301,780,340</b>	<b>271,545,724</b>
<b>5. FINANCE COSTS</b>		
Interest on Bank loan - Co-op Bank (OBA Project)	9,035,103	5,518,381
Interest on IPF - Medical Insurance	790,732	790,732
	<b>9,825,835</b>	<b>6,309,113</b>
<b>6. COST OF SALES</b>		
Opening inventories of chemicals	3,864,390	2,185,908
Water chemicals	92,163,347	90,543,199
Electricity	62,128,380	59,145,132
Closing inventories of chemicals	(3,395,401)	(3,864,390)
<b>Total cost of sales</b>	<b>154,760,716</b>	<b>148,009,849</b>

**NOTES (CONTINUED)**

<b>7. Tax</b>	<b>2020 Shs</b>	<b>2019 Shs</b>
Brought forward	11,470,573	16,260,823
Current tax	1,681,860	2,889,111
Tax paid	0	(7,679,361)
	<u>13,152,434</u>	<u>11,470,573</u>
Amount that would arise using the basic rate as follows:		
Profit before tax	<u>5,655,583</u>	<u>12,021,671</u>
Tax calculated at a tax rate of 30% (2020: 30%)	1,696,675	3,606,501
Tax effect of:		
- expenses not deductible for tax purposes	16,230,739	9,082,161
- income not subject to tax	(16,245,554)	(9,799,551)
- overprovision of current tax in prior years	-	-
<b>Tax charge</b>	<u>1,681,860</u>	<u>2,889,111</u>
<b>Tax charge for the year</b>	<u>1,681,860</u>	<u>2,889,111</u>

**8. Dividends**

Payment of dividend is subject to a withholding tax at the rate of 5% for residents and 10% for non-residents or 0% where holding is by a resident company holding more than 12.5%. There was no Dividends declared in the year under review

<b>9. Borrowings</b>	<b>2020 Shs</b>	<b>2019 Shs</b>
Coop Bank -OBA Project Loan	48,292,788	69,175,859
	<u>48,292,788</u>	<u>69,175,859</u>
Maturity Analysis:		
<b>Non-current</b>		
Co-oP Bank OBA Project Loan	<u>43,920,162</u>	<u>69,175,859</u>
	<u>43,920,162</u>	<u>69,175,859</u>
<b>Current</b>		
Coop Bank - OBA Project Loan	4,372,626	-
Asset Finance	-	-
	<u>4,372,626</u>	<u>-</u>
<b>Total borrowings</b>	<u>48,292,788</u>	<u>69,175,859</u>

Finance leases are secured by a right over the leased assets i.e.an All Asset Debentures.

Weighted average effective interest rates at the year end was 13%.

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the weighted average rates mentioned above.

In the opinion of the directors, it is impracticable to assign fair values to the company's long-term liabilities due to inability to forecast interest rate.

The carrying amounts of the company's borrowings are denominated in the Kenya Shillings.

The entire loan amount is classified as longterm due to a moratorium on interest payment in the first year of the loan.

NOTES (CONTINUED)

10.(a) Property, plant and equipment  
Year ended 30 June 2020

	Leasehold improvements Shs 2.50%	Plant, machinery and meters Shs 12.5%	Motor vehicles and cycles Shs 25%	Furniture and fittings Shs 12.5%	Computer equipment Shs 30%	Capital work-in- progress Shs 12.5%	Project Assets Shs 12.5%	Real Assets Total Shs
<b>Cost or Valuation</b>	<b>2.50%</b>	<b>12.5%</b>	<b>25%</b>	<b>12.5%</b>	<b>30%</b>			
As at 1st July 2019	1,138,554	212,475,807	20,933,683	12,104,275	12,357,430	100,118,574	69,351,882	428,480,205
Additions	-	29,750,540	-	1,090,848	3,730,590	31,636,979	-	66,208,957
Impairment	-	(5,475,600)	-	-	-	-	-	(5,475,600)
Transfers to Finished Assets	-	-	-	-	-	(122,713,490)	122,713,490	-
Reclassification to Intangible Assets	-	-	-	-	-	(9,042,062)	-	(9,042,062)
<b>As at 30th June 2020</b>	<b>1,138,554</b>	<b>236,750,747</b>	<b>20,933,683</b>	<b>13,195,123</b>	<b>16,088,020</b>	<b>-</b>	<b>192,065,373</b>	<b>480,171,499</b>
<b>Depreciation</b>								
As at 1st July 2019	375,641	90,381,097	15,938,685	7,294,315	9,545,121	-	34,232,122	157,766,982
Reversal on impairment/Acc. Dep	-	(684,450)	-	-	-	-	-	(684,450)
Charge for the year	19,073	18,210,650	1,248,750	737,601	1,962,870	-	19,729,156	41,908,099
<b>As at 30th June 2020</b>	<b>394,714</b>	<b>107,907,297</b>	<b>17,187,435</b>	<b>8,031,916</b>	<b>11,507,991</b>	<b>-</b>	<b>53,961,279</b>	<b>198,990,631</b>
<b>Net book value - 30th June 2020</b>	<b>743,840</b>	<b>128,843,449</b>	<b>3,746,249</b>	<b>5,163,207</b>	<b>4,580,029</b>	<b>-</b>	<b>138,104,094</b>	<b>281,180,868</b>

10.(b) Property, plant and equipment  
Year ended 30 June 2018

	Leasehold improvements Shs 2.50%	Plant, machinery and meters Shs 12.5%	Motor vehicles and cycles Shs 25%	Furniture and fittings Shs 12.5%	Computer equipment Shs 30%	Capital work-in- progress Shs 12.5%	Project Assets Shs 12.5%	Total Shs
<b>Cost</b>	<b>2.50%</b>	<b>12.5%</b>	<b>25%</b>	<b>12.5%</b>	<b>30%</b>			
As at 1st July 2018	1,138,554	183,180,721	19,916,183	10,970,257	10,422,224	41,625,298	69,351,882	336,605,118
Additions	0	32,174,586	1,017,500	1,134,018	1,935,206	58,493,277	-	94,754,587
Transfers/Disposal/Impairment	-	(2,879,500)	-	-	-	-	-	(2,879,500)
<b>As at 30th June 2019</b>	<b>1,138,554</b>	<b>212,475,807</b>	<b>20,933,683</b>	<b>12,104,275</b>	<b>12,357,430</b>	<b>100,118,574</b>	<b>69,351,882</b>	<b>428,480,205</b>
<b>Depreciation</b>								
As at 1st July 2018	356,079	73,401,774	14,273,686	6,607,178	8,339,846	-	29,215,014	132,193,576
Reversal on impairment	-	(359,938)	-	-	-	-	-	(359,938)
Charge for the year	19,562	17,339,262	1,664,999	687,137	1,205,275	-	5,017,109	25,933,344
<b>As at 30th June 2019</b>	<b>375,641</b>	<b>90,381,097</b>	<b>15,938,685</b>	<b>7,294,315</b>	<b>9,545,121</b>	<b>-</b>	<b>34,232,122</b>	<b>157,766,982</b>
<b>Net book value - 30th June 2019</b>	<b>762,913</b>	<b>122,094,709</b>	<b>4,994,998</b>	<b>4,809,960</b>	<b>2,812,308</b>	<b>100,118,574</b>	<b>35,119,760</b>	<b>270,713,223</b>

**NOTES (CONTINUED)**

**11 Deferred tax**

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30%. (2020:30%). There was no movement in the year under review as shown below:

	2020 Shs	2019 Shs
At start of year	(5,014,071)	(5,014,071)
(Credit)/charge to profit or loss (Note 7)	<u>-</u>	<u>-</u>
At end of year	<u><u>(5,014,071)</u></u>	<u><u>(5,014,071)</u></u>

Deferred tax (assets) and liabilities, deferred tax charge/(credit) to other comprehensive income and deferred tax charge/(credit) to equity, deferred tax charge/(credit) in profit or loss are attributable to the following items:

	At start of year Shs	(Credit) to profit or loss Shs	At end of year Shs
<b>Deferred tax (assets)</b>			
Provisions	<u>(5,014,071)</u>	<u>0</u>	<u>(5,014,071)</u>
<b>Net deferred tax (asset)</b>	<u><u>(5,014,071)</u></u>	<u><u>-</u></u>	<u><u>(5,014,071)</u></u>

**12 Inventories**

	2020 Shs	2019 Shs
Chemicals	3,395,401.00	3,864,390
Consumables	<u>28,999,278.00</u>	<u>23,053,990</u>
	<u><u>32,394,679</u></u>	<u><u>26,918,380</u></u>

**13 Trade and other receivables**

Trade receivables	201,375,910	167,745,803
Less: Offset of Inherited County Government bills	0	0
Less: provision for impairment/Credits awarded	<u>-</u>	<u>(6,961,778)</u>
Net trade receivables	201,375,910	160,784,025
Prepayments and deposits (Appendix c)	8,372,163	6,861,257
Other receivables (Appendix d)	29,394,510	29,529,531
Receivable from related parties (Note 13 on movements)	<u>15,772,751</u>	<u>12,480,841</u>
	<u><u>254,915,333</u></u>	<u><u>209,655,655</u></u>

**NOTES (CONTINUED)**

13 Trade and other receivables (continued)	2020 Shs	2019 Shs
<b>Movement in related parties balances</b>		
At start of year	12,480,841	7,054,961
Additions in the year - Bills	9,347,159	12,197,183
Bills paid by the County government	(6,055,249)	(6,771,303)
At end of year	<u>15,772,751</u>	<u>12,480,841</u>

Related party referred to here is the County Government of Kisumu formerly Municipal Council of Kisumu (MCK). KIWASCO is a wholly owned subsidiary of the County Government of Kisumu and supplies water to various institutions and premises owned and operated by the County Government of Kisumu.

**Movement in impairment provisions**

At start of year	-	32,282,563
Additions	-	-
At end of year	<u>-</u>	<u>32,282,563</u>

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

The company's credit risk arises primarily from trade receivables. The directors have not made a provision for the portion of the receivable whose recovery is in doubt this year.

The carrying amounts of the company's trade and other receivables are all denominated in Kenya Shillings.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

14 Trade and other payables	2020 Shs	2019 Shs
<b>Non current</b>		
Water deposits	114,212,303	104,971,875
County Government of Kisumu - Contributions	26,660,396	26,660,396
Offset of Contributions by KIWASCO debts	0	0
	<u>140,872,699</u>	<u>131,632,271</u>

Non-current liabilities above include water deposits received from customers to mitigate the company against losses which may arise from non payment of water consumed and bills raised. The deposits are refundable on demand by the customers in case of transfer or movement from the premises. An annual provision of Ksh.1,200,000 (Current liability) is estimated to be refunded within one financial year of operations.

**NOTES (CONTINUED)**

14 Trade and other payables (continued)	2020 Shs	2019 Shs
<b>Current</b>		
Trade payables	110,209,140	76,653,178
County Government of Kisumu - Conservancy fee	59,370,419	35,668,570
Accruals (Appendix a)	35,369,553	17,953,351
Other payables (Appendix b)	14,220,229	12,586,640
County Government Lease Fees	35,496,044	35,496,044
Lake Victoria South Water Services Board Levy	36,100,538	40,600,538
Water deposits	1,200,000	1,200,000
Offset of County Government liabilities with debts	0	0
	<u>291,965,922</u>	<u>220,158,321</u>
<b>Total trade and other payables</b>	<u>432,838,621</u>	<u>351,790,592</u>

**Movement in County Governemnt of Kisumu (formerly MCK)- Contributions**

At start of year and as previously stated	26,660,396	26,660,396
<b>Prior year adjustment:</b>		
Water deposit	-	-
As restated	26,660,396	26,660,396
Amount offset against irrecoverable water debtors taken over at inception	0	0
	-	-
At end of year	<u>26,660,396</u>	<u>26,660,396</u>

In the opinion of the directors, the carrying amount of trade and other payables approximate to their fair value.

The carrying amounts of the company's trade and other payables are all denominated in Kenya Shillings.

The maturity analysis of trade and other payables is as follows:

	2020 Shs	2019 Shs
Within three months	115,609,140	82,053,178
Three to twelve months	176,356,782	138,105,143
Over one year	<u>140,872,699</u>	<u>131,632,271</u>
	<u>432,838,621</u>	<u>351,790,592</u>

**15 Provisions for liabilities and charges**

At start of year	1,269,670	0
Charge to profit or loss (Note 4)	<u>3,432,338</u>	<u>1,269,670</u>
	4,702,008	1,269,670
Utilised during the year	<u>-</u>	<u>-</u>
At end of year	<u>4,702,008</u>	<u>1,269,670</u>

**NOTES (CONTINUED)**

16 Cash generated from operations	2020 Shs	2019 Shs		
Reconciliation of profit before tax to cash generated from operations:				
Profit before tax	5,655,583	12,021,671		
<b>Adjustments for:</b>				
Depreciation on property, plant and equipment (Note 10)	41,908,099	25,933,344		
Amortisation of intangible assets (Note 10)				
Depreciation reversal - Impairment loss on meters (Note 10)	(684,450)	(359,938)		
Interest expense (Note 5 )	9,825,835	6,309,113		
Increase/(decrease) provision for liabilities and charges (Note 15)	3,432,338	1,269,670		
Grants written back (Note 17)	(10,233,078)	(4,722,795)		
Changes in working capital:				
- Increase in Inventories (Note 12)	(5,476,299)	(10,491,296)		
- Increase in trade and other receivables (Note 13)	(45,259,679)	17,490,358		
- Increase in trade and other payables (Note 14)	71,807,601	13,985,126		
Prior year adjustment - Trade payables				
Cash generated from operations	<u>70,975,951</u>	<u>61,435,253</u>		
<b>17 Grants</b>				
	<b>At start of year</b>	<b>Advance during the year</b>	<b>Write back to income</b>	<b>At end of year</b>
<b>Year ended 30 June 2020</b>				
Nyalenda project	1,005,636		(125,704.46)	879,931
Lake Victoria South Water Services Board	129,686		(16,210.77)	113,475
Water Service Trust Fund & Others	31,924,246	12,464,047	(5,548,536.66)	38,839,757
RIAT OBA Project	5,774,322	30,566,688	(4,542,626.28)	31,798,384
Other Grants - WIP	12,464,047	(12,464,047)	-	0.00
	<u>51,297,938</u>	<u>30,566,688</u>	<u>(10,233,078)</u>	<u>71,631,547</u>
<b>Year ended 30 June 2019</b>				
Nyalenda project	1,149,298	-	(143,662)	1,005,636
Lake Victoria South Water Services Board	148,212	-	(18,526)	129,686
Water Service Trust Fund	36,484,853	-	(4,560,607)	31,924,246
Other Grants	18,238,370	-	-	18,238,370
	<u>56,020,733</u>	<u>0</u>	<u>(4,722,795)</u>	<u>51,297,938</u>
<b>18 Related party transactions and balances</b>		<b>2020 Shs</b>	<b>2019 Shs</b>	
i) <b>Sale of goods and services</b>				
Sale of water to related parties - county of Kisumu		<u>9,347,159</u>	<u>12,197,183</u>	
ii) <b>Purchase of goods and services</b>				
Lease charges and levy from related parties - County of Kisumu		<u>0</u>	<u>36,047,578</u>	
iii) <b>Outstanding balances arising from sale and purchase of goods/service and other contractual agreements</b>				
Receivable from related parties (Note 13)		<u>15,772,751</u>	<u>12,480,841</u>	
Payable to related parties (Note 14)		<u>59,370,419</u>	<u>35,668,570</u>	

**NOTES (CONTINUED)**

**18 Related party transactions and balances (Continued)**

<b>Key Management personnel compensation</b>	<b>2020 Shs</b>	<b>2019 Shs</b>
Short term employee benefits	33,604,128	26,889,348
Post employment benefits (Ref: Employment benefits)	4,686,589	3,408,498
	<u>38,290,717</u>	<u>30,297,846</u>

**19 Risk management objectives and policies**

**Financial risk management**

The company's activities expose it to a variety of financial risks: market risk (including interest rate risk) credit risk and liquidity risk.

The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of excess liquidity.

**(a) Market risk**

*- Interest rate risk*

The company has no interest bearing assets and as a result its cashflows are substantially independent of changes in market interest rates.

The company's exposure to interest rate risk arises from current borrowings. Borrowings obtained at different rates expose the company to interest rate risk. Borrowings obtained at fixed rates expose the company to fair value interest rate risk except where the instruments are carried at amortised cost

	<b>2020 Shs</b>	<b>2019 Shs</b>
Effect on profit-(decrease)	<u>(9,825,835)</u>	<u>(6,309,113)</u>

The table above summarises the effect on post-tax profit had interest rates been 1 percentage point higher, with all other variables held constant. If the interest rates were lower by 1% point, the effect would have been the opposite.

**(b) Credit risk**

Credit risk arises mainly from cash and cash equivalents and trade and other receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors, when determining credit limits.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

**NOTES (CONTINUED)**

**19 Risk management objectives and policies (continued)**

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Notes 9 and 16 discloses the maturity analysis of borrowings and trade and other payables.

**20 Capital management/Commitment**

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing services commensurately with the level of risk;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong asset base to support the development of business.
- to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares.

As at the reporting date, the company had sufficient cash and cash equivalents to adequately cover its borrowings.

**21 Commitments**

	<b>2020</b>	<b>2019</b>
	<b>Shs</b>	<b>Shs</b>
Operating lease commitments		
Operating lease payable within one year	-	20,365,348

**22 Incorporation**

Kisumu Water and Sewerage Company Limited is incorporated in Kenya under the Companies Act as a private limited liability company and is domiciled in Kenya.

**23 Presentation currency**

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

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<b>NOTES (CONTINUED)</b>	<b>JUNE 2020 Shs</b>	<b>JUNE 2019 Shs</b>
<b>24. Share capital</b>		
<b>Authorised:</b>		
5,000 (2019: 5,000) ordinary shares of Shs. 20 each	<u>100,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
5,000 (2019: 5,000) ordinary shares of Shs. 20 each	<u>100,000</u>	<u>100,000</u>
<b>Total cost of sales</b>		

The company is owned by County Government of Kisumu who hold 99.9% of the total shares.

**25 Contingent Liabilities**

The Company has contingent liabilities in respect of legal claims arising in the Ordinary course of business. There were active litigations against the company as the reporting date are being handled by the company's legal team.

<b>26. ADMINISTRATIVE EXPENSES</b>	<b>2020 Shs</b>	<b>2019 Shs</b>
Staff uniform and protective clothing	2,355,746	2,169,785
Board Expenses	6,749,124	11,920,204
Board retreat and annual general meeting	4,258,852	2,429,460
Advertising and publicity	3,910,935	8,457,376
Tenders	641,718	331,476
Bank charges and commissions	2,912,057	3,124,888
Training	3,672,634	6,665,542
Postages and telephones	11,431,564	8,115,805
Vehicle running expenses	20,468,552	22,964,954
Travels and subsistence	8,931,964	11,536,486
Printing and stationery	4,454,230	5,793,394
Sporting Activities	5,148,501	0
Audit fees	0	0
- Current year	580,000	580,000
ICT expenses	5,734,494	869,860
Debt collection	709,200	858,200
Bad debts Provision	0	32,282,563
Legal and professional fees an subscriptions	3,365,683	3,893,999
Consultancy	2,559,500	14,565,642
Office expenses	6,084,285	6,421,745
Donations	280,700	5,000
<b>Total administrative expenses</b>	<u>94,249,739</u>	<u>142,986,377</u>

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**NOTES (CONTINUED)**

	<b>2020</b>	<b>2019</b>
	<b>Shs</b>	<b>Shs</b>
<b>27. ESTABLISHMENT EXPENSES</b>		
Lease fees	0	20,365,348
Conservancy fee	26,503,490	19,869,080
LVSWSB Levy	0	15,682,230
LTAP - operating Lease	4,000,000	5,000,000
WASREB levy	31,334,513	23,160,198
WRA levy	8,463,423	7,130,905
NEMA	10,000	420,000
KEBS levy	400,000	411,760
WASPA	225,000	225,000
Office rent	2,751,091	2,718,284
Office Repairs and maintenance	4,270,111	2,891,250
Electricity	548,916	649,415
General insurance	1,360,481	1,460,820
Security expenses	17,885,990	16,841,820
Impairment loss on meters	4,791,150	2,519,562
Depreciation on property, plant and equipment	41,908,100	25,933,244
Amortisation of Intangible assets	5,008,412	0
Water Bills	3,722,278	6,580,111
<b>Total establishment expenses</b>	<b>153,182,955</b>	<b>151,859,026</b>
<b>28. MAINTENANCE EXPENSES</b>		
Opening inventories of consumables	23,053,990	14,241,177
Network maintenance	108,306,138	93,513,400
Sewerage maintenance	6,093,446	5,998,406
Sanitation	3,749,575	
Laboratory reagent	3,448,405	2,937,298
Water pump maintenance	1,144,209	8,240,208
Electrical items	8,492,066	7,571,761
Closing inventories of consumables	(28,999,278)	(23,053,990)
<b>Total maintenance expenses</b>	<b>125,288,550</b>	<b>109,448,260</b>
<b>29 Cash and cash equivalents</b>		
Cash in hand	433,264	1,297,184
Cash at bank	29,633,328	20,420,192
	<b>30,066,592</b>	<b>21,717,375</b>

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the above. Details of bank accounts, account numbers and year end balances for every account comprising the above totals are annexed in page 24 of this financial statements

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**NOTES (CONTINUED)**

**30 Intangible Asset**

**Year ended 30 June 2020**

	<b>work-in- progress Shs</b>	<b>Intangible Assets 5 Years</b>	<b>Total Shs</b>
<b>Cost</b>			
As at 1st July 2019	9,042,062	-	9,042,062
Transfers to finished project	(9,042,062)	9,042,062	-
Additions	-	16,000,000	16,000,000
Disposal	-		
<b>As at 30th June 2020</b>	<b>-</b>	<b>25,042,062</b>	<b>25,042,062</b>
<b>Depreciation</b>			
As at 1st July 2019	-	-	-
Charge for the year	-	5,008,412.48	5,008,412
<b>As at 30th June 2020</b>	<b>-</b>	<b>5,008,412</b>	<b>5,008,412</b>
<b>Net book value - 30th June 2020</b>	<b>-</b>	<b>20,033,650</b>	<b>20,033,650</b>

NOTES (CONTINUED)

31 Bank Register for Cash & Cash Equivalent (Note 14)  
 As at year ended 30 June 2020

NAME OF THE CORPORATION	NAME OF BANK (BANKERS)	BANK ACCOUNT NUMBERS	BANK BRANCH	CURRENCY	CASH BOOK BALANCE	BANK BALANCE
					AS AT 30/06/2020	AS AT 30/06/2020
Kisumu Water and Sewerage Company	Cash on Hand	N/A	N/A	KSH	0.00	N/A
Kisumu Water and Sewerage Company	Cooperative Bank of Kenya	01100012931300	KISUMU	KSH	24,646,215.72	24,646,215.72
Kisumu Water and Sewerage Company	Cooperative Bank of Kenya	01136012931300	KISUMU	KSH	1,838,133.08	1,838,133.08
Kisumu Water and Sewerage Company	Cooperative Bank of Kenya	01136012931301	KISUMU	KSH	1,791,999.50	4,749,162.36
Kisumu Water and Sewerage Company	Petty Cash	N/A	N/A	KSH	22,546.00	N/A
Kisumu Water and Sewerage Company	Cash on Hand - Mpesa	N/A	N/A	KSH	410,718.00	N/A
Kisumu Water and Sewerage Company	NIC Bank - Pamoja Trust	1001789399	KISUMU	KSH	440,592.98	440,592.98
Kisumu Water and Sewerage Company	Post bank	0744130005547	KISUMU	KSH	9,300.00	9,300.00
Kisumu Water and Sewerage Company	Equity Bank	0290265172985	KISUMU	KSH	86,261.69	86,261.69
Kisumu Water and Sewerage Company	Cash on Hand - Airtel	N/A	N/A	KSH	0.00	N/A
Kisumu Water and Sewerage Company	Cash on Hand - Jambopay	N/A	N/A	KSH	0.00	N/A
Kisumu Water and Sewerage Company	NCBA UBSUP Project		KISUMU	KSH	820,824.85	820,824.85

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**APPENDICES**

	<b>2020</b>	<b>2019</b>
	<b>Shs</b>	<b>Shs</b>
<b>a. ACCRUALS</b>		
PAYE outstanding	1,884,887	2,643,492
NSSF outstanding	722,474	719,694
NHIF outstanding	317,250	267,200
Special PAYE	178,266	442,099
WASREB Levy	21,334,563	4,965,898
Accrued Salaries & Wages	1,530,658	1,349,677
WRMA	5,073,212	3,802,179
WASPA	0	0
NITA	16,500	16,250
IPF Medical & General Insurance	2,471,744	2,006,862
KEBS	100,000	0
KENAO	1,740,000	1,740,000
	<u>35,369,553</u>	<u>17,953,351</u>
<b>b. OTHER PAYABLES</b>		
Voluntary contribution	4,378,998	3,272,494
Union dues outstanding	487,470	1,111,449
Pension outstanding	9,277,154	6,612,540
NUWASE	76,607	78,457
Suspense Account	0	1,511,700
	<u>14,220,229</u>	<u>12,586,640</u>
<b>c. PREPAYMENTS</b>		
Telephone deposits	57,000	57,000
Electricity deposits	848,859	892,900
Internet	17,400	17,400
Creditors with Debit balances	0	876,801
Staff medical & General insurance	7,448,904	5,017,156
	<u>8,372,163</u>	<u>6,861,257</u>
<b>d. OTHER RECEIVABLES</b>		
VAT	28,761,122	28,761,122
Staff advances	633,388	768,409
	<u>29,394,510</u>	<u>29,529,531</u>

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**PERIOD COVERED: 12 MONTHS**

**e. TAX COMPUTATION**

	KShs.	KShs.
Profit as per financial statements		5,655,583
<b>Add:</b> Depreciation of property, plant and equipment	41,908,099	
Airtime: 30% of Shs. 7,047,006.15	2,114,102	
Impairment loss on meters	4,791,150	
Amortisation of Intangible assets	5,008,412	
Donations	280,700	54,102,463
		59,758,047
<b>Less:</b> Wear and tear allowance	43,918,768	
Impairment loss on meters		
Write back of grants	10,233,078	(54,151,846)
<b>ADJUSTED TAXABLE PROFIT</b>		<u>5,606,200</u>
<b>Tax thereon @ 30%</b>		<u>1,681,860</u>
<b>Tax payable</b>		<u>1,681,860</u>

**WEAR AND TEAR SCHEDULE**

	Class (iv) 30% KShs.	Class (iii) 25% KShs.	Class (ii) 12.50% KShs.	Total KShs.
W.D.V brought forward	3,207,816	5,567,342	155,345,790	164,120,948
Additions	3,730,590	-	57,002,767	60,733,357
Prior year adjustments (Project assets)			122,713,490	122,713,490
Disposal/Impairment	(4,791,150)	0	0	(4,791,150)
	2,147,256	5,567,342	335,062,047	342,776,645
Wear and tear allowance	(644,177)	(1,391,835)	(41,882,756)	(43,918,768)
W.D.V carried forward	<u>1,503,079</u>	<u>4,175,506</u>	<u>293,179,291</u>	<u>298,857,877</u>

