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ON

**SIBO WATER AND SANITATION
COMPANY LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**



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SIBO WATER AND SANITATION COMPANY LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

SIBO Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

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I. Key Entity Information

Background information

The SIBO Water and Sanitation Company Ltd was established by the 2006 Act of Parliament on 12th June, 2006. The company was formed by Lake Victoria South Water Works Development Agency and initially mandated to provide water and sanitation services within 2 districts of Siaya and Bondo, this has since been enhanced to cover Siaya County as a whole, represented as follows,

1. Siaya area
2. Bondo area
3. Ugenya area
4. Yala area

At the County level, the Company is represented by the County Executive Member responsible for water and sanitation and the County Executive Member responsible for Finance, who together with the other members of the board of Directors are responsible for the general policy and strategic direction of the Company.

Principal Activities

The principal activity of the company is to provide water and sanitation services within the county of Siaya.

Vision

To be the leader in the provision of water and sewerage services in Kenya.

Mission

To provide quality, reliable and affordable water and sewerage services to our customers guided by our Company values, using modern technology and motivated staff to ensure sustainable growth.

Our Mandate

The core responsibilities and mandate of SIBOWASCO as a water service provider are stipulated in Section 78. (1) Of the Water Act 2016 and they include:

- The provision of water services within the area specified in the license; and
- The development of county assets for water service provision.

Directors

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

- | | | |
|--------------------------------|---------------|------------------------------|
| 1. Mr. William Ochieng Oungo | - Chairperson | - Appointed In Nov 2020 |
| 2. Eng. Michael Ogol | - MD | - Appointed In April 2021 |
| 3. Mrs. Linda Ogutu | - Member | - Appointed In May 2022 |
| 4. Mrs. Hellen Akinyi Otieno | - Member | - Appointed In Nov 2020 |
| 5. Eng. Bob Erick Odawa | - Member | - Renewed In Nov 2020 |
| 6. Frost Josiah | - Member | - Appointed In May 2022 |
| 7. C.P.A Benedict Omollo | - Member | - Appointed In August 2022 |
| 8. Angeline Atieno | - Member | - Appointed in February 2023 |
| 9. Walter Okello | - Alt. Member | - Appointed in August 2022 |
| 10. Mr. Owuor Geoffrey Ochieng | - Alt. Member | - Appointed In Nov 2020 |
| 11. | | |

Registered Office

Company Headquarters

Sibo Water and Sanitation Co. Ltd
P.O. Box 214, 40600
Opposite Siaya Police Station
Off Siaya - Boro Road
Siaya, KENYA

Company contacts

Telephone: (254)708558944
E-mail: sibowasco@gmail.com
: info@sibowasco.co.ke

Company Bankers

1. KCB Bank Kenya Limited,
Siaya Branch
P. O. Box 52
SIAYA
2. The Kenya Post Office Savings Bank
Siaya Branch
3. Safaricom PLC
Mpesa pay bill number 233491

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Independent Auditors





Auditor General
Office of the Auditor General.
Anniversary Towers, University Way
P.O. Box 30084-00100
NAIROBI, KENYA

Principal legal advisers






The Attorney General
Office of the Attorney General and State Law Office and Department of Justice
Sheria House, Harambee Avenue.
P.O. BOX 40112 – 00100,
City Square
Nairobi, Kenya.

Kirui Registrars
Certified Public Secretaries and Management Consultant
Ground Floor-Murkiyeny Building
P.O. Box 1087-20200
KERICHO, KENYA.





II. The Board of Directors

Ref	Directors	Details
Board Chairperson	<p>1. Mr. William Oungo</p> 	<p>Age: 38 Years</p> <p>Academic /Professional Qualification: Bachelor of Business Administration {BBA} Mini MBA – Telecoms – London (UK) Bid Process –Telecommunication Authority Of San Luciana ICCP – International Customer Care Skills Passport (UK)</p>
Managing Director	<p>2. Eng. Michael Ogol</p> 	<p>Age : 38 years</p> <p>Academic Professional Qualification: BSc. Mechanical Engineering Member institute of Engineers Kenya</p>
CECM Finance, Planning and Vision 2030	<p>3. CPA Benedict Omollo</p> 	<p>Age: years</p> <p>Academic /Professional Qualification:</p> <ul style="list-style-type: none"> ▪ C.P.A ▪ BCOM – Finance
Alternate member for the CECM finance and Planning	<p>4. CPA Geoffrey Ochieng</p> 	<p>Age: 39years</p> <p>Academic /Professional Qualifications:</p> <ul style="list-style-type: none"> ▪ MBA ▪ BCOM ▪ C.P.A




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Board member	<p>5. Frost Josiah</p> 	<p>Age :60years Academic /Professional Qualification:</p> <ul style="list-style-type: none"> ▪ Corporate Governance ▪ Diploma in international Legal Instruments ▪ Post Graduate Diploma in international Relations & Diplomacy ▪ Bachelor of arts , Political Science
Board Member	<p>6. Eng. Bob Erick Odawa</p> 	<p>Age: 69 years Academic /Professional Qualification:</p> <ul style="list-style-type: none"> ▪ BSc. Mechanical Engineering ▪ Member institute of Engineers Kenya
Board member	<p>7. Mrs. Hellen Otieno</p> 	<p>Age: years Academic/Professional Qualification:</p> <ul style="list-style-type: none"> ▪ Master of Arts – Diplomacy, Development and Security Studies ▪ Bachelor of Arts – in peace and conflict transformation
Board Member	<p>8. Mrs. Linda Ogutu</p> 	<p>Age : years Academic/Professional Qualification :</p> <ul style="list-style-type: none"> ▪ BCOM - procurement and Supply chain Management
Company secretary		<p>Age : 58 ICS Membership No : 0800 Category : practising member</p>

III. Management Team

<p>1. Eng. Michael Ogol</p> 	<p><u>Qualification :</u> BSc. Mechanical Engineering Member of the Engineers Board of Kenya</p> <p><u>Responsibility :</u> Managing Director</p>
<p>2. CPA. Okundi Kevin</p> 	<p><u>Qualification:</u> B.Com - Finance CPA(K) PGD – Tax and Revenue Administration</p> <p><u>Responsibility</u> Finance Manager Appointed in December 2020</p>
<p>3. CPA. George Keter</p> 	<p><u>Qualification:</u> MBA(Finance) B.Com-Accounting CPA(K)</p> <p><u>Responsibility</u> Rick and Internal Audit Manager Appointed in August 2018</p>
<p>4.Eng. Earnest Ondiek</p> 	<p><u>Qualification</u> BSC Civil Engineering Member of Engineers Board of Kenya</p> <p><u>Responsibility:</u> Technical Manager Appointed in February 2022</p>

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<p>6. Evelyne Opiyo</p> 	<p><u>Qualification :</u> MBA – HRM Option Certified Secretaries Bachelor of Business Administration – Management Option</p> <p><u>Responsibility :</u> Human Resource & Admin Manager Joined in August 2022</p>
<p>7. Leonard Ogutu</p> 	<p><u>Qualification :</u> MBA cont. (Finance) B.Com – Accounting</p> <p><u>Responsibility :</u> Commercial and Customer Care Manager Appointed in March 2021</p>
<p>8. Dickson Kipyegon Kirui</p> 	<p><u>Qualification :</u> B.Com – Accounting CPS</p> <p><u>Responsibility :</u> Company Secretary Appointed in 29th March 2019</p>

IV. Chairman's Statement

SIBO Water and Sanitation Company Ltd Was established by the 2006 Act of Parliament on 12th June, 2006. The company was formed by Lake Victoria South Water Works Development Agency and initially mandated to provide Water and Sanitation Services within the 2 districts of Siaya and Bondo, this has since been enhanced to cover Siaya County.

We are gradually improving water and sanitation services provision, through the support received from the County Government of Siaya, Asset developer - Lake Victoria South Water Works Development Agency, the National Government of Kenya and other Development partners like Water Services Trust Fund, Water Services Regulatory Board, Water Resources Authority, Water Services Providers Association, USAID and UNICEF who have all played a key role in our continued growth as a water service provider.

I wish to sincerely thank all the stakeholders, development Partners/Donors for their most kind heart in providing financial and material help .The company has received in the past, mobile water tanker, motor bikes, cold water consumer meters and master meters (DMA 's). All these were realized courtesy of our development partners.

The Commissioning of the AFDB (African Development Bank) funded, Siaya – Bondo water supply project in Yala, by the president on 30th May 2021, as greatly improve our daily water production levels, thus improving water service delivery to residents of Siaya, Bondo and Yala, in addition to reducing the high electricity power bills incurred by the company, making our operations more sustainable and reliable.

The company has been growing from leaps and bounds since we took over as members of the Board of Directors. However, we have experienced several challenges including, huge pending bills, owed by the company to suppliers, high level of non-revenue water, poor and dilapidated infrastructure and limited resources, despite all these hurdles, we as a Board of Directors, have made every effort within our means to sail through the difficulties up to this level.

The Board remains positive that with the implementation of the company's strategic plan and NRW reduction strategies, a turnaround of the company's fortunes will be achieved. And propel it to greater heights of sound management systems, financial and operational stainability.

We are still working hard and hopefully, we shall achieve our core mandate of providing efficient, clean, safe, affordable drinking water and sanitation services to residents of Siaya County.
Thank you.



.....
William Oungo

CHAIRPERSON – BOARD OF DIRECTORS

SIBO Water and Sanitation Company Ltd
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V. Report of the Managing Director

I am delighted to present the Annual Report and financial statements for the year ended 30th June 2023.

The company posted an operating loss of Kshs.37,839,284.49 this resulting from the rise in operating costs, in terms of compliance with the new laws and regulations , price increases as a result of the disruptions in the global supply chains emanating from the War in Ukraine, inflationary pressures and the devaluation of the Kenyan shilling against the US dollar.

The company's internal revenue base fell by 0.3% (Kshs.415, 294.75) from Kshs.139.133 million in the financial year 2021 / 2022 to Kshs.139.549 million by close of the financial year 2022/2023, a miss of Kshs. 53.342M from the budgeted annual target of Kshs.192.892M. translating to a 72.35% budgetary attainment rate.

The company also received external funding of Kshs.25.176 million from the County Government of Siaya and WSTF, in the form of development and recurrent grants amounting to Kshs 11,946,871 for development / Capital expenditures and Kshs 13,229,706 for recurrent expenses.

The corresponding operating expenses stood at Kshs.190.618M as compared to Kshs.169.078 million recorded in the previous financial year. This against a budgeted target of 213.659M translating to an 89.22% budgetary attainment rate.

The company's net non-current assets grew from a net book valuation of Kshs.101.070M to close at Kshs.127.097M, this being attributed to the new water bowser valued at Kshs.9.5M received from the Central Rift Valley Water Works Authority, under the Ugunja, Ukwala and Segwa water project, revaluation of the company's excavator, and two exhauster trucks at Kshs. 5.7M, 4.3M and 3.3M respectively.

During the year, our connections grew from an average of 14,546 to 16,500 connections and the billing figure increased from Kshs. 11.594 million averagely per month to a monthly average of Kshs.11.618 million, this against a budget target of Kshs.13.837 million per month.

On the customer satisfaction front, in terms of reliability and hours of supply, we still have room for improvement, however we continue to align our efforts aimed at ensuring that the company's water treatment plants operate in their most efficient and effective way.

Water production levels, has remained a thorn in our flesh with the AFDB, funded Siaya - Bondo Water supply project, operating at only 63% of its design capacity, with all other production units in our areas operating below 40%, especially Bondo area production units of Asembo and South Sakwa being out of operation for most parts of the year, due to unstable power supply from KPLC, this affected our coverage and reliability which in turn ruined our water sales.

We hope to bridge these production gaps by installation of hybrid solar system and rehabilitation of the intake works in the next financial year by addressing such short comings with the assistance of our development partners.

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So far the company have installed standby pumping unit at Bondo water treatment works, with Plans of installing a standby pumps at South Sakwa, Asembo and Mauna treatment plants to leverage on service hours and reliability of supply.

The Ugunja, Segal and Ukwala water project, is expected to greatly improve access to water in the wider Ugenya area following its anticipated commissioning in the course of the next financial year 2023 / 2024, this will see the company move from borehole schemes in the larger Ugenya area to turbine driven and gravity dependent water distribution network.

In the human resource and administration front, the department managed to resolve major administrative issues both within the organization as well as with the regulatory authorities which has boosted the morale, productivity and discipline amongst our employees. The management is implementing performance contracting to all staff as a way of ensuring quality service provision to our esteemed customers and for improved business performance. This will also ensure effective and smooth administrative operations.

The Non-Revenue Water (NRW) menace poses sustainability threat to the company and a NRW team has been formed with clear terms of reference to steer the implementation of NRW reduction strategies that will ensure that NRW levels are kept at a maximum of 50% from current average of 57% in the financial year 2022 / 2023, through a clear NRW Reduction roadmap. Some of the planned activities to be adopted in the reduction and management of NRW levels, include but not limited to;

- i. Metering of all flat rate connections
- ii. Replacement of stuck and malfunctioned meters
- iii. Customer GIS mapping
- iv. Regular inspection of dormant accounts to establish and regularise illegal water use
- v. Establishment of DMA's for easy of water management
- vi. Ensuring 100% of customers' meter reading and billing.
- vii. Rehabilitation of damaged / dilapidated pipelines.
- viii. Effective control of over flows from storage facilities
- ix. Prompt response to burst and leakages
- x. Embrace use of quality materials for operations and maintenance.
- xi. Staff capacity building through training and benchmarking.
- xii. Strengthening of NRW unit.
- xiii. Rehabilitation of leaking storage tanks in Segal, South Sakwa and Mauna.

Finally, on behalf of the management team of SIBO water and Sanitation Company, I wish to thank the Board of Directors for the prudent guidance and direction and the entire staff for their dedication and hard work, the customers for their support, and to all the stakeholders of the company. I also wish to express my gratitude to Water Sector Trust Fund (WSTF), Lake Victoria South Water Works Development Agency, Siaya County Government and Kenya Integrated Water, Sanitation and Hygiene (KIWASH) for their continued support to the company that has enabled us to make the much needed difference in pursuit of our stated mission and vision.

Thank you very much.



.....
CPA. Isaiah Wasonga Adipo
Ag. Managing Director

VI. Statement of Performance against Predetermined Objectives for FY 2021/2022

Strategic objectives as espoused in the company's Strategic Plan (2018 – 2023) with revised targets as per our Performance improvement plan and Performance Contract.

1. Increase water supply coverage from 36% to 52% by the year 2023

- The target of 52% has been achieved as at March 2021, Necessitating an upward adjustment of the target to 60% by close of the FY 2022/ 2023 as per the Performance Contract (PC)

2. Increase sanitation coverage from 30% to 100% by the year 2023 and increase sewerage coverage from current 114 connections to 2528 connections by 2023.

3. Maintain water quality standards at 95% and above

- We are currently (as at March 2021) at 95% drinking water quality, with a revision of the target to 100% has contained in the performance improvement plan (PIP) and Performance Contract (PC) to be achieved by 30th June 2024.
- Towards this end the company has budgeted to acquire a multipara meter spectrophotometer machine in addition to cleaning our sedimentation tanks and overhaul of filter media in all our treatment plants.

4. Reduce Non-Revenue Water (technical and commercial water losses) from 62% to 42%

5. Currently our NRW component stands at an average of 57% (as at June 2023), with a target to reduce to 50% by close of the FY 2023/2024.

6. To ensure 100% safety and optimal utilization of company resources

Towards this end management has budgeted for the cost of valuing the company's assets with priority given to assets that have been depreciated to zero value (to be achieved by the end of the financial year 2023 / 2024).

7. Ensure 100% automation and integration of all business processes by June 2020

- The company has so far installed an ERP system, however only the billing and HR modules are currently active, the system has a technical, finance / Accounting and Procurement modules that are pending activation, and the finance department is currently using quick book software despite the lack of integration between the two systems.

8. To increase customer satisfaction level from 65% to or above 85% by 2023

- There was an intended customer satisfaction survey planned for the year 2020, however owing to the prevailing Covid – 19 pandemic, the exercise was postponed. The current prevailing customer satisfaction levels are therefore unknown pending the exercise which is scheduled for in the FY 2023 / 2024

9. Improve O&M cost coverage from 50% to 100%

- The company currently attains an O&M cost coverage of 75% as at 30th June 2023.
- With a target of attaining 100% O&M cost coverage by close of the financial year 2023 - 2024

10. Increase revenue collection ratio from 92% to 100% by 2020/21.

- The company currently attains a collection efficiency of 95% as at 30th June 2023, this is however inclusive of current billing and old debts component recovered within the month.
-

11. To increase current Revenue base from Kshs. 5M to Kshs. 15 M per month by 2022

- The company currently averages a monthly revenue base of 11.6M as at 30th June 2023

12. Reduce accounts receivables of Kshs.46 million to Ksh.7.2 million by 2022.

- Our accounts receivables as at 30th June 2023 stood at 115,961,805. With the boards mandating a monthly collection of 4M out of the outstanding amount.

13. Strengthen financial, human resource & procurement management systems

14. Ensure staff alignment to optimum productivity ratio-staff metering ratio of 8 to 1000 connections

- the company currently has on average 11,070 active customer connections against a staff population of 126.

This translates to 88.56 (89 staff) or 37 extra staff members above the regulators recommendations.

15. Improve SIBOWASCO's image and visibility through branding

- The company is involved in tree planting exercise at its pap kakan sewerage treatment plant to aid in improvement of air quality of the surrounding area.

16. Build board capacity for good corporate governance.

17. Improve stakeholder relations

VII. Corporate Governance Statement

Company Governance is a system of rules practices and process by which a company is directed and controlled.

Company Governance involves many stakeholders e.g. shareholders, senior management, customers, suppliers, financiers, the government and the Community. It also provides framework for attaining SIBOWASCO objectives and includes practically every sphere of management from action plans and internal controls to performance measurement and Company disclosure.

The Board of Directors is pivotal in governance, and can have major ramifications for equity valuation.

Communicating a company's Company governance is a key component of community and investor relations. The company outlines its Company leadership, constitutive documents, Board charter, committee charter and articles of incorporation.

Good Company governance creates a transparent set of rules and controls in which Shareholders, Directors and Officers have aligned incentives.

For this purpose we have considered some areas of Company governance in Sibowater and Sanitation Company Limited as follows:-

1. Number of Board meetings

Committees	–	Twelve(22)
Full Board	–	Four (4)
Special Board Meetings	–	Seven (2)
Annual General Meeting	–	One (1)

2. Attendance to Board meetings

Committees	–	99%
Full Board	–	100%
Average for both	–	99%

3. Succession plan

Article 93 B of the Company's Articles of Association deals with Board succession policies and period in office.

The Article specifically provides for retirement of two thirds of the stakeholder Directors. This then leaves a third for institutional memory and succession.

4. Existence of a Board charter

A Board Charter is a policy document that clearly defines the respective roles, responsibilities and authorities of the Board of Directors (both individually and collectively) and management in setting the direction, the management and the control of the organization.

5. Process of appointment and removal of Directors

The Procedure for appointment and removal of Directors are clearly stated in the Company's Act No. 17 of 2015 and the Company's Articles of Association.

The procedure under Article 68 (i), (ii), (iii) and (iv) clearly spells out the size of the Board, background of the Directors, eligibility criteria and stakeholder participation

6. Procedure. Further, Article 84 deals with disqualification of Directors. The Companies Act further provides procedures for removal of Director.

7. Roles and functions of the Board

Article 73 of the Company's Articles of Association spells out the powers, duties, functions and authorities of SIBOWASCO Board. It states that the Board of Directors shall adhere to the Memorandum and Articles of Association whose first object is to be an agent of the Water Services Board. Specifically, the Board of Directors shall:

- i. Before commencing business sign the code of ethics as circulated by WASREB.
- ii. Have a schedule of full Board meetings at the end of every year for the next year.
- iii. Have only one full Board meeting in every quarter.
- iv. Inform the respective County Government (CECM in charge of water services) of other meetings not within the schedule of Board meetings.
- v. Employ and define the limits of authority of the Managing Director and other top executives in a schedule of duties.
- vi. Approve an Annual budget, Procurement plan and Annual work plans.
- vii. Devote sufficient time to their responsibilities.

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- viii. Have an approved organizational structure and adhere to the staff productivity ratio guideline by WASREB.
- ix. Have a performance management and appraisal system in place.
- x. Map out communication strategy for both internal and external liaisons.
- xi. Embark on benchmarking with other WSP to constantly monitor management performance and the financial progress of the company.
- xii. Evaluate its own performance at least once every year based on the Service Provision Agreement.
- xiii. Ensure that the company is properly managed and for the attainment of lawful objectives.
- xiv. Ensure that the company's affairs are not managed or conducted in a manner oppressive to any of its shareholders or for fraudulent purposes.
- xv. Ensure that the company complies with all statutory requirements including directives issued by WASREB.
- xvi. Ensure that sitting allowances and other expenditures of the Board and its committees do not exceed two percent of the annual recurrent budget for a WSP for efficiency purposes;

8. Induction and training

An induction program is a structured way of providing Board members with all the information and the support they need to be confident and productive in their role.

The aim is to help new members to understand the organization, the environment in which it operates, and their role in making the organization a success.

Continual training and development keeps Board members abreast of acceptable activities, policies, rules and regulations impacting the organization. This also involves training them on the ever changing business environment, new technology and their challenges.

9. Board and member performance

Article 73 (i) of the Company's Articles of Association clearly states that the Board shall evaluate its performance once every year and set up achievable action points to assess its performance as a whole and that of individual members including the Managing Director.

The resultant report is then presented to the shareholders.

10. Conflict of interest

Conflict of interest is a transaction or relationship which presents or may present a conflict between a Board member's obligations to the Company and the Board member's personal, business or other interests.

The Company has a conflict of interest register.

The Companies Act No. 17 of 2015 and the Company's Articles of Association clearly spell out the provisions and sanctions of non-compliance with the same.

Board remuneration

Article 73 (h) (5) clearly states that the Board shall set up an independent ad Hoc Committee to fix the remuneration of Directors which must remain within the benchmark set by WASREB.

The total Board expenditure for the financial year was Kshs.**3, 101,630.00**.


Ethics and conduct

The Code of conduct and ethics defines business conduct of the Directors of SIBOWASCO and embodies their commitment to pursue the highest standards of ethical conduct. The code is intended to describe areas of ethical risk, provide guidance to Directors and helps foster a culture of honesty, transparency and accountability.

Article 68 (IV) (7) of the Company's Articles of Association clearly states that Directors Must sign the code of ethics before commencing the day's business. The Directors signed a code of ethics and conduct.

Governance Audit

A Governance Audit is an independent assessment of an organization with a view to expressing an opinion on the adequacy and effectiveness of the organization's policies, systems, practices and processes. It is an objective assurance engagement.



Kirui Registrars
Certified Public Secretaries and Management Consultant
Ground Floor Murkiyeny Building
P.O. Box 1087-20200
KERICHO, KENYA

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VIII. Management Discussion and Analysis

PERFORMANCE OVERVIEW

1.1 INTRODUCTION

The management of SIBOWASCO hereby presents to the shareholders and stakeholders reports and statements on the financial performance of the company for the financial year ended 30th June 2023.

1.2 REVENUES

The company achieved a total income of **Kshs.164, 725,872** against a budgeted figure of **Kshs.279, 761,851** representing a **58.88%** budget attainment rate or a **Kshs.115, 035,979** short fall from the budgeted projections. On a year to year comparison, there was a **15.367%** decrease on the total realized incomes as compared to the previous year's total income which stood at **Kshs.194, 634,864**.

These incomes were made up of company water sales at **Kshs.110,844,574** sewerage sales at **Kshs.8,176,269** Bowser, Excavator and Exhauster services at **Kshs.5,552,491**, meter rent at **Kshs.6,857,250**, grants from County Government at **Kshs.12,678,689** {being in support of recurrent expenses - electricity bills}, and a total of **Kshs.12,497,890** also being received from WSTF towards the Obet – Mauna Water Project, other miscellaneous income stood at **Kshs.8,118,710**.

	2022 / 2023	2021 / 2022	VARIANCE	%
Water Sales	110,844,574.00	114,642,349.00	(3,797,775.00)	(3.31)
Sewerage sales	8,176,269.00	7,593,996.00	582,273.00	7.67
Excavator, Exhauster & Bowser services	5,552,491.00	4,405,450.00	1,147,041.00	26.04
Meter Rent	6,857,250.00	6,115,700.00	741,550.00	12.13
Grants from the County Government	12,678,689.00	23,790,291.00	(11,111,602.00)	(46.71)
Other Incomes	8,118,710.00	6,376,504.00	1,742,206.00	27.32
Grants from Other External Donors	12,497,890.00	31,710,574.00	(19,212,684.00)	(60.59)
	164,725,873.00	194,634,864.00	(29,908,991.00)	(15.37)

The Company also achieved an average monthly billing of **Kshs.11.618 Million**, as compared to **Kshs.11.594 Million** achieved in the previous financial year, translating to a **Kshs.24, 000** or a **0.21%** increase in average monthly billing.

The average prevailing rate of Non-Revenue Water level at **57%** against a sector benchmark of **<25%**. The management has developed performance improvement plan as outlined on page xiv under the report of the managing director.

1.3 EXPENDITURES

The company incurred a total expenditure of **Kshs.214, 604,825** both recurrent and development expenditures, as compared to **Kshs.197, 671,801.35** incurred in the FY 2021 / 2022. Translating to a deficit of **Kshs. -49,878,952** (164,725,872 – 214,604,825).

The total expenditure of **Kshs.214, 604,825** comprised of **Kshs.190, 618,284** in recurrent expenses (being 88.82% of total expenditures), with capital expenditures amounting to **Kshs.23, 986,541** (being 11.18% of the total expenditures).

In Comparison to the budget (budgetary absorption rate), the performance was as below.

	Budgeted Figures	Actual Expenditures	Variance	%
Capital Expenditures	65,607,224.00	23,986,541.00	41,620,683.00	36.56
Recurrent Expenditures	213,659,696.00	190,618,284.00	23,041,412.00	89.22
Total	279,266,920.00	214,604,825.00	64,662,095.00	76.85

With a cost recovery rate (internally generated funds / total operating expenses) of 72.208% {139,549,294 / 190,618,284 (page 1)}, being a drop of 7.38% from last year's rate of 82.27%, against a sector benchmark of >_100%.

1.4 FINANCIAL POSITION

The company attained net fixed assets of **Kshs.127.097Million** due to new assets acquired and those handed over to the company in the course of the financial year.

The current assets stood at **Kshs.133.107 Million** against current liabilities of **Kshs.158.013Million**, giving a current ratio of **0.842:1** against a recommended ration of **2:1**.

1.5 COMPLIANCE WITH STATUTORY REQUIREMENTS

The company is committed to paying all statutory obligations as and when they fall due. These levies and fees are WASREB, WRMA and LVSWSB levies. There has been a cash flow challenge crippling this commitment over the past and presently. The company will strive to pay current continuous liabilities to such bodies as and when they fall due in the subsequent years.

Amounts owed to these bodies as at 30 June 2023 stood as follows;

WASREB -	24,236,744.25
WARMA -	9,507,288.74
OAG -	3,384,000
WCSO -	280,000
WASPA -	244,800
LVSWWDA -	35,583,930
TOTAL	<u>72,736,759.99</u>

1.6 RISKS

The company faces several risks that might impede the achievement of its objectives. The major risks identified are;-

- i. Harsh economic conditions prevailing in the country due to the impacts of the Ukraine – Russia war and the resultant disruption in the global supply chain and the increase in The commodity prices used by the company in its operations – chemicals, fuel, pipes and Fitting.
- ii. Credit risk resulting from debtors not paying all their bills as and when they fall due.
- iii. Water pollution due to human activities such as farming, disposal of grease and oil into storm Water drainage system.
- iv. Flooding resulting from global warming and climate change, this has brought operational Challenges as a result of submerged treatment works at South Sakwa and Asembo bay.
- v. Destruction of water supply and sewerage network during road constructions and Rehabilitations.
- vi. Inadequate funds for network expansion and maintenance.
- vii. Delay in receiving support from Development partners
- viii. High maintenance costs owing to the dilapidated status of supply networks and treatment Plants.
- ix. High inflation rates against constant approved tariff from WASREB.

1.7 DEVELOPMENTS

During the period under review, the company undertook the following capital projects. Below is a summary listing of the company's projects

PROJECT NAME	FINANCIER	STATUS
1 Rehabilitation of Abura Dam	County Government of Siaya in conjunction with the World Bank	The project is to be funded by the World Bank through the CGS with the Environmental Impact Assessment report already shared with the donor Procurement process done and the project launched by the Governor the project is expected to cost Kshs.44.1M and is scheduled to be completed within 6months
2 Ugunja, Segwa and Ukwala water supply and Sanitation project	Africa Development Bank through the National Government to the tune of Kshs.1.1 billion	Project is 96% completed
3 Mauna - obet water project	Water Sector Trust Fund to the tune of Kshs.16,403,480.10 SIBOWASCO to the tune of Kshs. 3,124,472.40	project is 98% completed

The company still expects to have more development partnerships that can provide interventions towards, Non-Revenue Water reduction through plant and network rehabilitations and increased metering efficiency so as to achieve sustainable operations.

1.8 CHALLENGES

The company still experiences several challenges crippling its smooth operations. The following are some of the challenges:

- i. High level of outstanding bills due to lack of attainment of 100% collection efficiency and poor service levels which results into customer apathy towards water bills payment.
- ii. Low levels of budgetary attainment, especially with regards to projected revenues, this largely resulting from the impacts of the prevailing high cost of living.
- iii. Low cost recovery due to old dilapidated system which increases operational costs.
- iv. Vandalism of existing infrastructure by the public especially on the clear water and waste water pipelines and manhole covers.
- v. Poor commercial financing access due to poor Asset ratio since most of the assets are developed and owned by Lake Victoria Water Works Development Agency hence the Company's Balance sheet cannot offer loan security.
- vi. High Non-Revenue Water levels occasioned by both commercial and technical losses due to old network system and illegal connections.
- vii. Low network coverage hence low service coverage within the service area High staff turnover rate
- viii. Destruction of water catchment area thereby threatening sustainability of water sources
- ix. Non reliable power supply from the KPLC grid.
- x. Mushrooming of boreholes within our area of jurisdiction.

IX. Environmental and Sustainability Reporting

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

Sustainability strategy and profile

An effective external monitoring system is necessary for directors and core management team, in order to ensure that sustainable development policies, objectives and management systems are appropriate for the complex and rapidly changing world in which their business operates.

SIBOWASCO gathers Information on key subjects, including:

- New and proposed legislation;
- Industry practices and standards;
- Competitors' strategies;
- Community and special interest group policies and activities;
- Trade union concerns;
- Technical developments, such as new process technologies.

***i)* Environmental performance**

SIBOWASCO has developed an Environmental policy which contains laws and policies addressing water and air pollution, chemical and oil spills, smog, drinking water quality, land conservation and management, and wildlife protection, such as the protection of endangered species

***ii)* Employee welfare**

SIBOWASCO has a Human resource policy that guides the hiring process and whether company takes into account the gender ratio, stakeholder's engagements and the company usually has annual salary increment to improve welfare of its employees. The company also has an annual training plan to improve skills and managing careers of its employee. Appraisal is done on yearly basis and the company rewards employees who have shown great improvement. The company currently drafting a policy on safety and compliance with occupational Safety and Health Act of 2007, (OSHA)

iii) Market place practices-

The organisation should outline its efforts to:

Responsible competition practice.

- a) The company recruits the right personnel, train to develop their skills and retain them through a competitive reward system to tame issues like anti-corruption. Staff are encouraged to be neutral politically, we ensure we provide fair competition and respect our competitors(i.e. water vendors and water bowser) by selling and distributing water at fair prices
- b) **Responsible Supply chain and supplier relations**
The company maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.
- c) **Responsible marketing and advertisement**
SIBOWASCO gives the market products that are of high quality and increased publicity that meet the standards set by various regulatory bodies. The company endeavours to reduce customer response time to complain.

Product stewardship

SIBOWASCO endeavors to use water in a way that is socially equitable, environmentally sustainable and economically beneficial. This is achieved through a stakeholder inclusive process that involves site and catchment based action.

Corporate Social Responsibility / Community Engagements

Community engagement is one of the key pillars of corporate social responsibility (CSR), alongside the concern with the workplace, the marketplace and the environment.

Sibowasco will involve itself in Community involvement by:

- support a local charity with financial contributions
- sponsor a local event
- organize clean-up events
- volunteer in local schools or community projects

X. Report of the Directors

The Directors submit their report together with the unaudited financial statements for the year ended 30 June 2023 which shows the state of the company's affairs.

i) Principal activities

The principal activity of the company is to provide water and sanitation services within Siaya County.

ii) Results

The results of the company for the year ended 30 June 2023 are set out on page 1 – 44.

iii) Dividends

The Directors do not propose any dividend for the year ended 30 June 2023 due to the losses made by the company in the year.

iv) Directors

The members of the Board of Directors who served during the year are shown on page iii in accordance with the regulation of the company's articles of association.

v) Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with Constitution of Kenya. Chapter 12, Part 6, Article 229(4), and the Public Audit Act 2015.

Which states that

Within six months after the end of each financial year, the Auditor-General shall audit and report, in respect of that financial year, on:-

- The accounts of the national and county governments;
- The accounts of all funds and authorities of the national and county governments;
- The accounts of all courts;
- The accounts of every commission and independent office established by this Constitution;
- The accounts of the National Assembly, the Senate and the county assemblies;
- The accounts of political parties funded from public funds;
- The public debt and the accounts of any other entity that legislation requires the Auditor-General to audit.

By Order of the Board

Name.....

Signature.....

Date..... 12/03/2024.....

Corporate Secretary/Secretary to the Board

SIBO Water and Sanitation Company Ltd

Annual Report and Financial Statements for the year ended June 30, 2023

Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and section 68 of the State Corporations Act, require the Directors to prepare financial statements in respect of that company at the end of the financial year/period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes:

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

The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international financial reporting standards (IFRS), and in the manner required by the PFM Act and the States Corporations act.


The Directors are of the opinion that the company's financial statements give a true and fair view of the states of company's transactions during the financial year ended June 30th, 2022 and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

The financial statements were presented to the Board on 12th March 2024 and signed on its behalf by:

Approval of the financial statements

The company financial statements were approved by the Board on 12th March 2024 and signed on its behalf by:

Signature 

Signature 

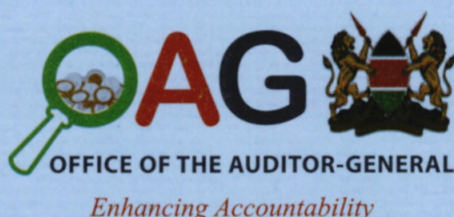
Name *Steven Oyicho*

Name *ADIPA ISATAY*

Chairperson of the Board

Managing 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 SIBO WATER AND SANITATION COMPANY LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of SIBO Water and Sanitation Company Limited set out on pages 1 to 75, which comprise of the statement of

financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the SIBO Water and Sanitation Company Limited as at 30 June, 2023, 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 Public Finance Management Act, 2012, Companies Act, 2015 and the Water Act, 2016.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of cash flows reflects a decrease in cash and cash equivalents amount of Kshs.8,722,300. However, recalculation of the amounts reflected results to a decrease of Kshs.25,355,210 resulting to a variance of Kshs.16,632,910 which was not explained or supported. Further, the statement reflects capital grants amount of Kshs.11,946,871 which was not supported or explained.

In the circumstances, the accuracy of the statement of cash flows as presented could not be confirmed.

2. Long Outstanding Receivables

The statement of financial position and as disclosed in Note 20 to the financial statements reflects trade and other receivables balance of Kshs.115,961,805. Review of the ageing analysis revealed that receivables amounting to Kshs.144,723,589 were more than 120 days old.

In the circumstances, the recoverability of trade receivables amounting to Kshs.144,723,589 is doubtful.

3. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.137,297,920 as disclosed in Note 26 to the financial statements. This balance reflects an increase of Kshs.21,942,077 when compared with the prior year balance of Kshs.115,355,843. Further, the schedule provided for the audit revealed that payables amounting to Kshs.97,291,639 had been outstanding for four (4) to six (6) years and it is not clear how Management intends to settle these debts.

In addition, the trade and other payables balance of Kshs.137,297,920 includes a balance of Kshs.26,133,094 in respect to other payables, which in turn includes amounts of Kshs.526,766, Kshs.810,575 and Kshs.564,964 in respect to NSSF, NHIF and PAYE respectively which had not been remitted as at 30 June, 2023. These statutory deductions continued to attract penalties and interest which were avoidable.

In the circumstances, the long outstanding payables may expose the Company to payment of interest and penalties which are avoidable.

4. Unreconciled Variance in Customer Deposits

The statement of financial position and as disclosed in Note 27 to the financial statements reflects customer deposits balance of Kshs.24,099,885 which represents an increase of Kshs.4,461,742 from Kshs.19,638,143 held by the Company as at 30 June, 2022. However, review of the bank statement for deposit account revealed a balance of Kshs.7,494,077 as at 30 June, 2023 leading to a variance of Kshs.16,605,808 which was not explained or reconciled.

In the circumstances, the accuracy of customer deposits balance of Kshs.24,099,885 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the SIBO Water and Sanitation Company 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.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget of Kshs.279,761,851 and actual amounts on comparable basis of Kshs.164,725,870 respectively resulting in under funding of Kshs.115,035,981 or 41% of the budget. Similarly, the Company spent Kshs.214,604,825 against an approved budget of Kshs.279,266,920 resulting in an under-expenditure of Kshs.64,662,095 or 23% of the budget.

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

2. Failure to Disclose Material Uncertainty on Going Concern

The statement of financial position reflects an amount of Kshs.133,107,314 in respect of total current assets and an amount of Kshs.161,397,806 in respect current liabilities

resulting to a negative working capital of Kshs.28,290,492. Further, the Water Company continues to make losses of Kshs.37,839,284 during the year (Kshs.1,020,840 in 2022). This implies that the continued operations of the Company are dependent on the continued financing by the County Government and its creditors. Management has not disclosed such material facts in these financial statements.

My opinion is not modified in respect of these matters.

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 were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the previous year, several matters were reported under report on financial statements, report on lawfulness and effectiveness in use of public resources and report on effectiveness of internal controls, risk management and governance. No reason has been provided for failure to address these matters.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Obtain Asset Ownership Documents

Audit inspection carried out on Obet -Mauna Water Project revealed that the water tank was situated in a private school known as Rising Star Academy. However, the Management did not provide ownership documents for the land where the tank is situated. In addition, no explanations were provided as to why the land transfer process had not been initiated.

Further, included in the property plant and equipment balance of Kshs.127,097,695 are motor vehicles valued at Kshs.27,944,526 whose ownership documents are not in

the name of the Company but are registered in the names of their original owners; private companies and other Government agencies.

In the circumstances, ownership and security of the project on a private land and ownership of the motor vehicles valued at Kshs.27,944,526 and could not be confirmed.

2. Non-Compliance with Law on Ethnic Composition

During the year under review, the total number of employees of the Company were one hundred and thirty-five (135) out of which one hundred and twenty-two (122) or 90% of the total number were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008, which provides that all public establishments shall seek to represent the diversity of the people of Kenya in the employment of staff and that no public establishment shall have more than one third of its staff from the same ethnic community.

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

3. Excess Non-Revenue Water

Review of records provided for audit revealed that 2,532,234 cubic meters were available to customers for sale. However, only 1,099,992 cubic metres were billed to customers, resulting to Non-Revenue Water (NRW) of 1,432,242 cubic metres or 57%. The allowable NRW rate according to Water Service Regulatory Board (WASREB) guidelines is 25%, resulting to NRW above the allowable rate by 32%, representing 799,184 cubic metres of water with an estimated loss of revenue of Kshs.27,971,440 at the rate of Kshs.35 per cubic metre.

The significant level of NRW may negatively impact on the Company's profitability and is a risk to the sustainability of its operations.

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 Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Incomplete Fixed Assets Register

The statement of financial position and as disclosed in Note 16 to the financial statements reflects property, plant and equipment balance of Kshs.127,097,695. However, the assets register maintained by Management did not have details such as name of asset, date of purchase and cost, class and category of asset, tag numbers, invoice numbers, serial numbers and conditions of the assets. In addition, physical verification carried out revealed that the assets had not been tagged/coded.

In the circumstances, the security of the assets could not be confirmed.

2. Lack of Information Technology (ICT) Policy

Review of the policies in place revealed that the Company did not have an ICT Policy and disaster recovery plans. In the event of a disaster, the Company is likely to lose data, which may affect planning, decision making and operations. Further, the Company did not have an IT steering and risk management committee.

In the circumstances, the Company's plans to achieve its IT strategic objectives could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting method and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 March, 2024

SIBO Water and Sanitation Company Ltd.


Annual Report and Financial Statements for the year ended June 30, 2023

XII.Statement Of Profit or Loss & Other Comprehensive Income For The Year Ended 30 June 2023.

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023.

	NOTE	2022 - 2023	2021 - 2022
		Kshs	Kshs
Revenue			
Operating Revenue	6	137,987,448.75	138,417,114.00
Grant Income	7	13,229,705.60	28,486,565.00
Other Income	8	1,561,845.00	716,885.00
Total Revenues		152,778,999.35	167,620,564.00
Expenses			
Staff Costs	9	61,906,373.48	56,047,746.00
General and Operational Expenses	10	90,702,304.81	80,477,704.00
Board Expenses	11	3,101,630.00	5,859,406.00
Maintenance Expenses	12	14,845,973.56	14,151,046.00
Depreciation and Amortization Expenses	13	20,062,001.99	12,543,005.00
Total Expenses		190,618,283.84	169,078,907.00
Profit / (Loss) Before Taxation		(37,839,284.49)	(1,458,343.00)
Income Tax Expense / (Credit)		-	(437,502.90)
Profit / (Loss) After Taxation		(37,839,284.49)	(1,020,840.10)
Other Comprehensive Incomes			
Profit / (Loss) After Taxation		(37,839,284.49)	(1,020,840.10)
Total Comprehensive Income for the Year		(37,839,284.49)	(1,020,840.10)

The financial statements were approved by the Board on 12th March 2024 and signed on its behalf by :



Ag.Managing Director
CPA. Isaiah Wasonga Adipo



Head of Finance
Okundi Kevin
26225



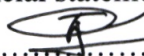
Chairperson of the Board
William Oungo


SIBO Water and Sanitation Company Ltd.
Annual Report and Financial Statements for the year ended June 30, 2023

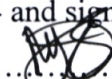
XIII. Statement of Financial Position as at 30 June 2023

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023			
		2022 / 2023	2021 / 2022
		Kshs	Kshs
ASSETS			
Non-Current Assets	Note		
Property, plant and equipment	16	127,097,695	101,070,129
Intangible assets	17	-	-
Total Non - Current Assets		127,097,695	101,070,129
Current Assets			
Inventories	19	7,095,922	7,368,283
Trade and other receivables	20	115,961,805	114,724,833
Bank and cash balances	21	10,049,587	18,771,887
Total Current Assets		133,107,314	140,865,002
Total Assets		260,205,008	241,935,131
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	22	100,000	100,000
Revaluation Reserves	23	36,360,865	
Retained Earnings	25	(56,828,483)	11,490,060
Capital reserve	34	62,257,235	50,380,370
Capital and Reserves		41,889,617	61,970,430
Non-Current Liabilities			
Deferred Income Liability	28	56,917,585	44,970,714
Total Non-Current Liabilities		56,917,585	44,970,714
Current Liabilities			
Trade and other payables	26	137,297,920	115,355,843
Customer deposits	27	24,099,885	19,638,143
Total Current Liabilities		161,397,806	134,993,986
TOTAL EQUITY AND LIABILITIES		260,205,008	241,935,131

The financial statements were approved by the Board on 12th March 2024 and signed on its behalf by:


.....
CPA Isaiah Wasonga Adipo
Ag. Managing Director


.....
Okundi Kevin
Head of Finance


.....
William Oungo
Chairman of the Board

26225


XIV. Statement of Changes in Equity for the Year Ended 30 June 2023

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023								
	Ordinary share capital	Revaluation reserves	Capital Reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
At July 1, 2021	100,000		39,076,199	-	(16,249,965)	-	29,260,585	52,186,819
New capital issued	-							
Revaluation gain								
Transfer to capital Reserves (note 28)	-		11,304,171	-		-	(11,304,171)	-
Transfer of excess depreciation on revaluation	-	-	-	-	-	-	-	-
Deferred tax on excess depreciation	-		-	-	-	-	-	-
Prior Year Adjustment					28,760,865			
Fair value adjustment on quoted investments	-		-	-	-	-	-	-
Profit for the year	-		-	-	(1,020,840)	-	-	(1,020,840)
Capital/Development grants received during the year (note 28)	-		-	-	-	-	27,014,300	27,014,300
Transfer of depreciation/amortisation from capital fund to retained earnings	-		-	-	-	-	-	-
Dividends paid – prior year	-		-	-	-	-	-	-
Interim dividends paid – current year	-		-	-	-	-	-	-
Proposed final dividends	-		-	-	-	-	-	-
At June 30, 2022	100,000		50,380,370	-	11,490,060	-	44,970,714	106,941,144

SIBO Water and Sanitation Company Ltd
Annual Report and Financial Statements for the year ended June 30, 2023

At July 1, 2022	100,000		50,380,370	-	11,490,060	-	44,970,714	106,941,144
Issue of new share capital	-		-	-	-	-	-	-
Revaluation gain								
Transfer to capital reserves (bowser handed over from CRVWDA)	-		9,500,000	-	-	-	-	-
Transfer of excess depreciation on revaluation	-		-	-	-	-	-	-
Revaluation		7,600,000						
Deferred tax on excess depreciation	-		-	-	-	-	-	-
Prior Year Adjustment	-	28,760,865	5,760,865	-	(28,760,865)	-	-	-
Prior Year Adjustment - Omitted depreciation on JCB					(1,440,216)			
Prior Year Adjustment - decrease in inventories					159,326			
Prior Year Adjustment - reinstatement of corporation tax credit					(437,503)			
Fair value adjustment on quoted investments	-		-	-	-	-	-	-
Profits for the year	-		-	-	(37,839,284)	-	-	(37,839,284)
Capital/Development grants received during the year (note 28)	-					-	11,946,871	11,946,871
Transfer of depreciation/amortisation from capital fund to retained earnings	-		-	-	-	-	-	-
under statement of trade and other payables			(3,384,000)					
Dividends paid – prior year	-		-	-	-	-	-	-
Interim dividends paid – current year	-		-	-	-	-	-	-
Proposed final dividends	-		-	-	-	-	-	-
At June 30, 2023	100,000	36,360,865	62,257,235	-	(56,828,483)	-	56,917,585	98,807,202.46


The financial statements were approved by the Board on 12th March 2024 and signed on its behalf by :



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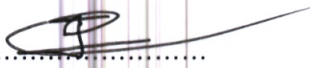


 Chairperson of the Board
 William Oungo

(V. Statement of Cash Flows for the Year Ended 30 June 2023

	Note	2022 / 2023	2021 / 2022
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating Revenues	6	137,987,449	138,417,114
Non - Operating Revenue			
Other incomes	8	1,561,845	716,885
Grants	7	13,229,706	28,486,565
Customer deposits	27	4,461,742	4,573,116
Total Receipts		157,240,742	172,193,680
Payments			
staff costs	9	61,906,373	56,047,746
board Expenses	11	3,101,630	5,859,406
General and Operations Expenses	10	90,702,305	80,946,445
Maintenance	12	14,845,974	14,151,046
Total Payments		170,556,282	157,004,643
Net Cash from / (used in) Operating Activities		(13,315,540)	15,189,037
Cash Flows from Investing Activities			
Purchase of Property, plant and Equipments (PPE)	16	(23,986,541)	(12,394,260)
Net cash from / (used in) investing Activities		(23,986,541)	(12,394,260)
Cash flows from Financing Activities			
Capital Grants		11,946,871	27,014,300
Net Cash From / (Used in) Financing Activities		11,946,871	27,014,300
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(8,722,300)	1,247,255
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21	18,771,887	17,524,632
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		10,049,587	18,771,887


The financial statements were approved by the Board on 12th March 2024 and signed on its behalf by :



 Ag.Managing Director
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 Head of Finance
 Okundi Kevin
 26225



 Chairperson of the Board
 William Oungo


XVI. Statement of Comparison of Budget & Actual Amounts for the Period Ended 30 June 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023						
	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Operating Revenue	170,764,158		170,764,158	137,987,449	32,776,709	80.81
Non - Operating Revenue	22,128,060		22,128,060	1,561,845	20,566,215	7.06
Grants	86,869,633		86,869,633	25,176,577	61,693,056	28.98
Finance Income			-	-	-	
Other Gains		-	-	-	-	
Total Revenues	279,761,851	-	279,761,851	164,725,870	115,035,981	58.88
Expenses						
Staff Costs	62,982,449		62,982,449	61,906,373	1,076,076	98.29
Board Expenses	3,725,600		3,725,600	3,101,630	623,970	83.25
General and Operations Expenses	108,779,517		108,779,517	90,702,305	18,077,212	83.38
Maintenance	17,772,130		17,772,130	14,845,974	2,926,156	83.54
Depreciation and Armortization	20,400,000		20,400,000	20,062,002	337,998	98.34
Finance Costs			-	-	-	
Total Recurrent Expenditure	213,659,696		213,659,696	190,618,284	23,041,412	89.22
Profit or Loss	66,102,155		66,102,155	(25,892,413)	91,994,568	
			-	-	-	
Capital Expenditure	65,607,224		65,607,224	23,986,541	41,620,683	36.56
Total expenditure	279,266,920	-	279,266,920	214,604,825	64,662,095	76.85

The financial statements were approved by the Board on 12th March 2024 and signed on its behalf by :


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William Oungo

Notes

Non - realization projected Water sales

1. Delay in project completion dates, in projecting its annual water sales figures / volumes, the management had incorporated production figures from the Segwa, Ugunja and Ukwala water project, which had been anticipated to begin production test runs within the 3rd quarter of the FY 2021 / 2022, however owing unresolved land compensation issues and challenges in identification of suitable turbines for the source river water, the project suffered considerable delays.

2. delay in Abura dam and Siaya treatment works rehabilitation, the company had projected the intended rehabilitation works to last 6 months, upon which the company had anticipated an additional daily production of 3500m³ of water from the plant to Siaya town, in addition to the water received from Yala treatment plant, however owing to delays in the projects commencement, this was not achieved. (Project is currently 85% completed).

3. Delays in commencement of the last mile connectivity project, coupled with long and frequent halt in works.

Lack of realization of projected external support

1. Grants from the Government and other donor support

The noted under performance with regards to budgeted grants, resulted from partial release of funds budgeted as capital grants / support from the County Government of Siaya, sighting delayed funds release from the National Government / Treasury, budgetary cuts and alterations made at the assembly level, in total disregard of the prior agreed figures between the water department and the company.

The company budgeted for 15M in capital support from the County Government of Siaya, with no funds being transferred to the Company as at close of the FY 2022 / 2023.

Note: PFM Act section 164(2) ii and iv requires a County Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.

However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

Budget notes: Provide explanation of differences between actual and budgeted amounts (10% over/ under) Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

XVII. Notes to the Financial Statements

1. General Information

SIBO Water & Sanitation Company Ltd is established by and derives its authority and accountability from the Company's Act 2015. The Company is wholly owned by the Government of Kenya, through the County Government of Siaya and is domiciled in Kenya. The Company's principal activity is provision of water & sanitation services.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in *Note* 3, 4 and 5.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2022*

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

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

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements OR The directors have elected to early adopt xxx and they expect xx to be the impact of the adoption of the entity financial statements.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

b) In-kind contributions

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

c) Property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

d) Depreciation and impairment of property, plant and equipment

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

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

Item	Years	Rates
Freehold Land		%
Leasehold Land		%
Buildings and civil works		4%
Infrastructure works		4%
Plant and machinery		25%
Motor vehicles, including motor cycles		25%
Computers and related equipment		30%
Office equipment, furniture and fittings		12.5%
Water meters and leak detection equipment's		12.5%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

e) Intangible assets

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

These costs are amortized over the estimated useful life of intangible assets from the year that they are available for use, usually over three years.

f) Amortization and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

h) Inventories

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

i) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end, at 25%. Bad debts are written off after all efforts at recovery have been exhausted and when the necessary approval to write off is granted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

j) Taxation

i) Current income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies

k) Cash and cash equivalents

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

l) Trade and other payables

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

m) Provision for staff leave pay

Employees' entitlements to annual leave are recognized as they accrue. A provision is made for the estimated liability for annual leave at the reporting date.

n) Budget information

The original budget for FY 2022-2023 was approved by the Board of Directors on 27th June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Company recorded additional appropriations of 000 on the 20-20 budget following the governing body's approval. The Company's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the

financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Comprehensive income has been presented under section 000 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. Significant Judgments and Sources of Estimation Uncertainty

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

State all judgements, estimates and assumptions made: e.g.

NOTES TO THE FINANCIAL STATEMENTS (Continues)

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

(include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

NOTES TO THE FINANCIAL STATEMENTS (Continues)

6. Operating Revenue

6.OPERATING REVENUE		
	2022/2023	2021 / 2022
	Kshs	Kshs
Water Sales	110,844,574	114,642,349
Sewerage Services	8,176,269	7,593,996
Billing for other Services	18,966,606	16,180,769
Total	137,987,449	138,417,114

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

6a. Billing for Other Services		
	2022 / 2023	2021 / 2022
Meter Rent	6,857,250	6,115,700
Commercial Trucks (Exhauster,Bowser, Excavator)	5,552,491	4,405,450
Miscellaneous Water Income	682,145	963,960
Mileage Charge	2,952,920	2,265,500
Meter sales	147,000	38,009
Reconnection Fees	556,000	247,000
Statement Fees	5,000	11,000
Change of Tenancy	7,600	10,600
Convenience Fees	291,200	29,400
New Connection Charges	1,907,000	2,072,750
Sale of Sludge/ Refuse	-	-
Sewer Connection	-	15,000
Disconnected by request	8,000	6,400
TOTAL	18,966,606	16,180,769

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7. Grants Income

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Operational grants from Government entities	13,229,706	28,486,565
Recurrent / Operational grants from other agencies		
Capital grants amortized	11,946,871	27,014,300
Donations from County Governments		
In Kind contributions/ donations from other agencies	-	-
Total	25,176,577	55,500,865

[Provide a detailed analysis of grants received from the Government in the table below:]

Name of Entity sending the grant	Amount recognized in the Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2021-2022
	KShs	KShs	KShs	KShs	KShs
County Government of Siaya	12,678,687	-	0	12,678,687	28,486,565
WSTF - CLSG	551,019	11,946,871.00		12,497,890	27,014,300
Total	13,229,706	11,946,871.00	0	25,176,577	55,500,865

The capital grants amortized in the Financial year ended 30th June 2023, relates to WSTF contribution for the Obet Mauna water project in Ugenya area					
The project commenced on 6th April 2022.					
The project is a co - funded project between the company and the water sector trust fund (WSTF) to the tune of Kshs.19,527,952.50 with SIBOWASCO contributing a total sum of Kshs.3,124,472.40 while WSFT total contribution to the project being a total of Kshs.16,403,480.10					
As at 30th June 2023, a total of Kshs.12,497,890 had been received from WSTF towards the project, with Kshs.551,019 being earmarked for Administrative costs and other accompanying measures, on while a total of kshs.11,946,871 being marked for capital works.					

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Other Income

	2022 / 2023	2021 / 2022
	Kshs	Kshs
late payment penalty	-	231,500
levy	-	-
illegal connection penalties	1,433,730	485,385
Sale of tender documents	-	-
Company House Rent	76,400	
Staff Surcharges and Penalties	51,715	
Total	1,561,845	716,885

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Staff Costs

Description	2022 / 2023	2021 / 2022
	Kshs.	Kshs.
Gross Salaries and allowances	50,706,800	43,747,320.00
Casual Workers Wages	2,639,893	1,727,261.00
Employer's Contributions to National Social Security Schemes	822,920	271,400.00
Employers Contributions to pension scheme	935,526	880,539.00
Provision for Leave Pay		-
Gratuity Provisions	6,801,235	9,001,121.00
Fringe Benefit tax		
Staff welfare		420,105.00
Total	61,906,373	56,047,746

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. General and Operations Expenses

Description	2022 / 2023	2021 / 2022
	Kshs.	Kshs.
Chemicals	15,038,176	12,155,126.00
Electricity	35,082,705	33,151,665.00
Fuel, Oil, Lubricants and Gases	8,948,773	4,374,323.00
Bulk water Costs		
Office Supplies[printing and stationery]	716,106	535,809.00
Uniform and Protective Clothing		
Telecommunication / Internet charges	1,364,255	831,111.00
Postage and Courier	41,670	33,170.00
Water, Sewerage and Office Electricity	375,095	685,332.00
Insurance	239,943	745,836.00
Rent and Rates	78,000	48,000.00
Hire of Equipments and Vehicles		
Claims and Compensations	44,050	989,900.00
Domestic Travelling and Subsistence	3,245,475	4,066,748.00
Driver subsistence allowance (bowser Driver Night out)	67,200	77,700.00
Staff Training and Development		977,500.00
Bank charges	156,490	206,278.00
Security Services	4,992,000	5,609,615.00
Agency Commissions		
Publicity and Advertising	417,638	51,800.00
Audit Fees	464,000	464,000.00
Legal Fees	597,500	665,500.00
Consultancy Fees	2,711,763	3,298,815.00
Licensing and Levies	363,700	613,000.00
Sports and Recreation		
Stakeholders's expenses	442,650	307,618.00
Donations / CSR	228,000	88,000.00
Hospitality Expenses	71,745	48,670.00
Research and Development		
Conservation Expenses		
Increase / (decrease) Provision for bad and doubtful debt	408,209	600,053.00
Others [specify]		
Water quality testing	209,105	125,620.00
WARMA - abstraction charges	8,305,216	2,229,919.00
WASREB Regulatory Levies	5,004,844	4,501,719.00
Taxes on Kiwash donated pick - up truck	-	604,611.00
Penalties and interest charges	1,715	1,799,052.00
Staff welfare	982,282	752,940.00
Decrease / (increase) in inventories		
Monitoring and Evaluation cost (CMT Monitoring facilitation)	104,000	307,015.00
Total	90,702,305	80,946,445

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Board Expenses

	2022 / 2023	2021 / 2022
Description	Kshs	Kshs
Chairman Honoraria	440,000	480,000
Sitting Allowances	1,375,690	2,315,070
Medical Insurance		
Induction and Training	564,500	1,189,020
Travel and Accommodation	721,440	1,875,316
Other allowances		
Total Board Expenses	3,101,630	5,859,406

12. Maintenance Expenses

	2022 / 2023	2021 / 2022
Description	Kshs	Kshs
Plant and Equipments	3,777,340	1,925,176
Buildings	219,450	142,760
Infrastructural Networks	5,801,263	8,483,440
Grounds	-	51,800
Motor vehicles	3,355,238	1,810,520
Software	1,692,683	1,737,350
ICT		
Furniture		
Water meters		
Access roads		
Total Maintenance Expenses	14,845,974	14,151,046

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13. Depreciation and Amortization Expenses

	2022 / 2023	2021 / 2022
Description	Kshs	Kshs
Property, Plant, and Equipments (note 16)	20,062,002	12,543,005
Right of Use Assets		
Intangible Assets	-	
Investment Property carried at cost		
Total Depreciation and Amortization	20,062,002	12,543,005

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Earnings Per Share

The earnings per share is calculated by dividing the profit after tax of Kshs. (37,839,284.49) by the average number of ordinary shares in issue during the year of 5,000 shares.

There were not dilutive or potentially dilutive ordinary share as at the reporting date.

15. Dividend Per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM). At the AGM to be held before the end of 2023, a final dividend in respect of the year ended June 30, 2023 of Kshs. 00 (2023: Kshs. 00) for every ordinary share of par value of Kshs. 00 is to be proposed. An interim dividend of Kshs. 00 (2023: Kshs. 00) for every ordinary share of par value of Kshs. 00 was declared and paid during the year. This will bring the total dividend for the year to Kshs. 00(2023: Kshs. 00).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. Property, Plant and Equipment

2021 / 2022	Freehold land	Buildings & civil works 4%	Plant and machinery 25%	Motor vehicles, including, motor cycles 25%	Computers & related equipment 30%	Office equipment, furniture & fittings 12.5%	Capital work in progress	Water Meters 12.5%	TOTAL
COST OR VALUATION									
At July 1, 2021	-	38,063,684	6,599,252	4,494,593	3,188,880	213,568	15,932,113	12,084,500	80,576,590
Additions	-	10,269,542	968,888	7,393,600.00	717,894	14000	742,183	15,288,153	35,394,260
Revaluation				16,150,000					16,150,000
Transfers	-	-	-	-	-	-	-	-	-
Disposals	-	-	0	0	0	0	-	-	-
At June 30, 2022	-	48,333,226	7,568,140	28,038,193	3,906,774	227,568	16,674,296	27,372,653	132,120,850
DEPRECIATION									
At July 1, 2021	-	2,943,413	4,718,012	4,204,835	3,188,880	213,568	-	3,267,063	18,535,771
Charge for the year	-	1,905,274	966,956	6,004,020	215,368	1,750	-	3,421,582	12,514,950
Impairment loss	-	-	0	0	0	0	-	-	-
Eliminated on disposal	-	-	0	0	0	0	-	-	-
At June 30, 2022	-	4,848,687	5,684,968	10,208,855	3,404,248	215,318	-	6,688,645	31,050,721
NET BOOK VALUE									
At June 30, 2022	-	43,484,539	1,883,172	17,829,338	502,526	12,250	16,674,296	20,684,008	101,070,129

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Property, Plant and Equipment (Continued)

2022 / 2023	Freehold land	Buildings & civil works 4%	Plant and machinery 25%	Motor vehicles, including motor cycles 25%	Computers & related equipment 30%	Office equipment, furniture & fittings 12.5%	Capital work in progress	Water Meters 12.5%	TOTAL
COST OR VALUATION									
At July 1, 2022	-	48,333,226	7,568,140	28,038,193	3,906,774	227,568	16,674,296	27,372,653	132,120,850
Additions	-	200,000	6,761,748	10,051,700.00	363,000	40,000.00	16,070,093		33,486,541
Revaluation - GKB 087R Exhauster				4,300,000.00					4,300,000
Revaluation - GKB 675G Exhauster				3,300,000.00					3,300,000
Prior year adjustment - Omitted Revaluation Value of JCB				5,760,865.00					5,760,865
Transfers	-	-	0	0	0	0	-	-	-
Disposals	-	-	0	0	0	0	-	-	-
At June 30, 2022	-	48,533,226	14,329,888	51,450,758	4,269,774	267,568	32,744,389	27,372,653	178,968,256
DEPRECIATION									
At July 1, 2022	-	4,166,310	5,684,968	10,208,855	3,404,248	215,318	-	6,688,644	30,368,343
Prior year adjustment(acc depre on JCB for the fy 2021 - 2022)				1,440,216					1,440,216
Charge for the year	-	1,941,329	2,510,912	11,857,161	324,268	6,750	-	3,421,582	20,062,002
Impairment loss	-	-	0	0	0	0	-	-	-
Eliminated on disposal	-	-	0	0	0	0	-	-	-
At June 30, 2023	-	6,107,639	8,195,880	23,506,233	3,728,516	222,068	-	10,110,226	51,870,561
NET BOOK VALUE									
At June 30, 2023	-	42,425,587	6,134,008	27,944,526	541,258	45,500	32,744,389	17,262,427	127,097,695

Work in progress relates to the Bar kowino and the Obet – Mauna water projects funded by WSFT

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		CAPITAL ADDITIONS DURING THE YEAR 2022 / 2023			
1)	Building & Civil Works				
	Being payment for MINYIRI cOMMUNITY WATER KIOSK				50,000.00
	Being payment for Minyiri Community water kiosk				50,000.00
	Being payment for Minyiri Community water kiosk				50,000.00
	Being payment for Minyiri Community water kiosk				50,000.00
					200,000.00
2)	Plant, Machniery & Equipments				
	Being supply of submersible motor in Ugunja slaughter				167700
	Being supply of filter media and minor repairs of filter chambers				1045208
	Being additional supply of 980 sacks for filter media				67808
	Being supply of Yala Plant parts for servicing				3380493.1
	Being service of Yala motor pumps				1470000
	Being wiring of control panel of low lift motor at Bondo				79340
	Being supply of submersible pump Sega water supply				317000
	Being water pump for KDH Bowser				44000
	Being water pump for KCA Bowser				44000
	Being paymnet for KENYA POWER-PLANT REHABILI UPGRADE OF MAUNA				146199
					6,761,748.10
3)	Computers				
	PRINTER AND COMP FOR HRM				53,000.00
	Being supply of office laptop for areas and routers				310,000.00
					363,000.00
4)	Furniture and Fittings				
	payment for office chair for the MD				40,000.00
					40,000.00
5)	Cold Water Consumer Meters				
					-
6)	Motor Vechiles including Motor Bikes				
	Being repair of KBH 260V engine overhaul				156,700.00
	Being supply of Motor cycle				145,000.00
	Being repair and repaint of water bowser				250,000.00
	being new water bowser handed over by Central Rift Valley Water Workks Development Authority				9,500,000.00
					10,051,700.00
7)	Capital Works in Progress				
	Obet - Mauna water project				16,070,093.00
					16,070,093.00
					33,486,541.10
	TOTAL CAPITAL EXPENDITURE				33,486,541.10

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Valuation

Land and buildings, xxx etc were valued by xxx independent valuer on xxx on xxx basis of valuation. These amounts were adopted on xxx.

16 (b) Property, Plant and Equipment at Cost

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

	COST	ACCUMULATED DEPRECIATION	NBV
	KSHS	KSHS	KSHS
Land			
Buildings	48,533,226	6,107,639	42,425,587
Plant and machinery	14,329,888	8,195,880	6,134,008
Motor vehicles, including motor cycles	51,450,758	23,506,233	27,944,526
Computers and related equipment	4,269,774	3,728,516	541,258
Office equipment, furniture and fittings	267,568	222,068	45,500
Water meters	27,372,653	10,110,226	17,262,427
Software	3,420,000	3,420,000	-
	149,643,867	55,290,561	94,353,306

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

	Cost or valuation	Normal annual depreciation charge
Plant and machinery	4,286,240	1,071,560
Motor vehicles, including motor cycles		
Computers and related equipment	3,188,880	956,664
Office equipment, furniture and fittings	213,568	26,696
Software		
	7,688,688	2,054,920

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. Intangible Assets

	2022 / 2023	2021 / 2022
	Kshs	Kshs
COST		
At July 1	3,420,000	3,420,000
Additions		-
Disposals	-	-
At June 30	3,420,000	3,420,000.00
AMORTISATION		
At July 1	3,420,000	2,280,000
Charge for the year	-	1,140,000
Disposals	-	
Impairment loss	-	
At June 30	3,420,000	3,420,000.00
NET BOOK VALUE		
At June 30	-	-

Provide short appropriate explanations as necessary in relation to what constitutes the intangible assets]

This relates to the company's billing and ERP system – pick pay system

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Right-of-use assets

	BUILDING	PLANT	EQUIPMENT	TOTAL
	KSHS	KSHS	KSHS	KSHS
Costs				
As at 1 July 2020	17,760,817.00	4,286,240.00	213,568.00	22,260,625.00
Additions	20,302,867.00	2,313,012.00		22,615,879.00
As at 30 June 2021	38,063,684.00	6,599,252.00	213,568.00	44,876,504.00
Additions	10,269,542.00	968,888.00	14,000.00	11,252,430.00
As at 30 June 2022	48,333,226.00	7,568,140.00	227,568.00	56,128,934.00
Additions	200,000.00	6,761,748.10	40,000.00	7,001,748.10
As at 30 June 2023	48,533,226.00	14,329,888.10	267,568.00	63,130,682.10
Accumulated Depreciation				
As at 1 July 2020	1,420,866.00	3,068,199.00	200,870.00	4,689,935.00
charge for the year	1,522,547.00	1,649,813.00	12,698.00	3,185,058.00
As at 30 June 2021	2,943,413.00	4,718,012.00	213,568.00	7,874,993.00
charge for the year	1,933,329.00	966,956.00	1,750.00	2,902,035.00
As at 30 June 2022	4,876,742.00	5,684,968.00	215,318.00	10,777,028.00
charge for the year	1,941,329.03	2,510,911.90	6,750.00	4,458,990.93
As at 30 June 2023	6,107,638.72	8,195,879.78	222,068.00	14,525,586.50
Carrying Amounts				
As at 30 June 2021	35,120,271.00	1,881,240.00	-	37,001,511.00
As at 30 June 2022	43,456,484.00	1,883,172.00	12,250.00	45,351,906.00
As at 30 June 2023	42,425,587.28	6,134,008.33	45,500.00	48,605,095.60

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Inventories

	2022 / 2023	2021/2022	Variance
	Kshs	Kshs	Kshs
Water treatment Chemicals	227,155	958,417	(731,262)
Meters			-
Motor vehicle spare parts (tyres and parts)	1,100,400	861,286	239,114
Stationery and general stores	320,475	426,360	(105,885)
Pipes & Fittings	5,245,942	4,948,220	297,722
Water Tanks	129,570	129,570	-
Solar Batteries	44,430	44,430	-
Electrical Fittings	27,950		27,950
Motorbikes Tyres			-
	7,095,922	7,368,283	(272,361)
	=====	=====	=====

19b Decrease / Increase in inventories	FINANCIAL YEAR		(INCREASE) / DECREASE
	2022 - 2023	2021 - 2022	
	7,095,922	7,368,283	(272,361)

[Provide short appropriate explanations as necessary]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20.) Trade and Other Receivables

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Trade receivables (note 20a)	115,731,882	114,507,255
Deposits and prepayments		
VAT recoverable	-	-
Staff receivables (note 20b)	229,923	217,578
Other receivables	-	-
	115,961,805	114,724,833
Gross trade and other receivables	115,961,805	114,724,833
Other: Provision for bad and doubtful receivable	-	-
Net trade and other receivables	115,961,805	114,724,833

20 (a) Trade Receivables

	2022 / 2023	2021 / 2022
	Kshs	Kshs
Siaya Area	50,425,021	50,662,025
Bondo Area	61,257,844	58,222,773
Yala Area	26,844,974	34,582,317
Ugenya Area	16,997,483	9,209,225
HQ Suspense Account	(1,216,146)	
Gross trade receivables	154,309,176	152,676,339
Provision for bad and doubtful receivables	(38,577,294)	(38,169,085)
		(408,209)
Net trade receivables	115,731,882	114,507,255
At June 30, the ageing analysis of the gross trade receivables was as follows:		
30 days and below	2,198,522	2,175,257.84
Between 31 and 60 days	1,160,646	1,148,364.62
Between 61 and 90 days	2,282,180	2,258,030.75
Between 91 and 120 days	3,944,240	3,902,503.76
Over 120 days	144,723,589	143,192,182.49
Gross trade receivables	154,309,176	152,676,339
	=====	=====

[Entities to provide the aging analysis relevant to their institution.]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 (b) Staff Receivables

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Gross staff loans and advances	229,923	217,578
Provision for impairment loss		
Net staff loans		
less: Amounts due within one year		
Amounts due after one year		

staff receivables were made up of staff imprest account at 10,000 and staff salary advance at Kshs 219,923

[Provide short appropriate explanations as necessary]

21. Bank and Cash Balances

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Cash at bank	9,394,338	10,926,612
Office Petty cash (cash in hand HQ petty cash float)	271	271
Mobile Money account (Mpesa paybill - 233491)	654,978	7,845,004
	10,049,587	18,771,887
	=====	=====

BANK BALANCES AS AT 30TH JUNE 2023			
BANK	DETAILS	BALANCE (KSHS)	REMARKS
KCB,Siaya - 1108257674	Customer Deposits Account	7,494,077.20	Customer Deposits
KCB,Siaya - 1106893026	Expenditure account	865,276.90	Current Account
Post Bank	Revenue Collection Account	12,000	Mainly used for revenue collection
KCB,Siaya - 1108257437	Revenue Collection Account	12,919	Main Account for receiving water billing Revenue
KCB Grant account - WSTF - 1282782533	conditional liquidity support	150	
Cooperative bank - 01141259793100	Obet Mauna Water Project	208,109	
KCB,Siaya - 1235073211	Bar Kowino -Nyawita water Project	801,805	Current Account
Total		9,394,337.66	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2022 -2023	2021 - 2022
		KShs	KShs
a) Current account			
Kenya Commercial bank		9,394,338	10,926,883.03
Equity Bank, etc			0
Sub- total		9,394,338	10,926,612.03
b) On - call deposits			
Kenya Commercial bank			0
others			
Sub- total			0
c) Fixed deposits account			
Kenya Commercial bank			0
Sub- total			0
d) Staff car loan/ mortgage			
Kenya Commercial bank			0
Bank B			0
Sub- total			0
e) Others(specify)			0
Cash in transit			0
cash in hand		271	271
M pesa		654,978	7,845,004.00
Sub- total		655,249	0
Grand total		10,049,587	18,771,887

22. Ordinary Share Capital

	2022 / 2023	2021 / 2022
	Kshs	Kshs
Authorised:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====
Issued and fully paid:		
5000 ordinary shares of Kshs.20 par value each	100,000	100,000
	=====	=====

[Provide short appropriate explanations as necessary]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. Revaluation Reserve

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

Having fully depreciated its fleet of motor vehicles to zero in the FY 2020 - 2021, the decided to carry out a valuation exercise of its vehicles, considering that the vehicles were still mechanically sound and were still being used by the company and deriving economic benefits to the company.

The revaluation exercise was conduct in two lots, with the 1st lot being under taken in the financial year 2021 – 2022 on 1st November 2021, with the second lot being carried out on 16th June 2023, by Links Valuers and Assessors Limited.

JOURNAL ENTRIES			
23	Narations	DR Motor Vehicle A/C	CR Revaluation Reserve A/C
FY 2021 / 2022			
			-
	Being revaluation of KBV 680Z	1,550,000.00	1,550,000.00
	(ii) KBH 260V	990,000.00	990,000.00
	(iii) KBV 681Z	1,780,000.00	1,780,000.00
	(iv) KBV 679Z	1,780,000.00	1,780,000.00
	(v) KCM 185S	2,050,000.00	2,050,000.00
	(vx) KCH 969Q	1,950,000.00	1,950,000.00
	(vxx) KBT 215N	3,250,000.00	3,250,000.00
	(vxx) KCA 032F	2,800,000.00	2,800,000.00
	KCJ 231A	3,450,000.00	3,450,000.00
	KDA 291P	3,400,000.00	3,400,000.00
	JCB - EXCAVATOR	5,760,865.00	5,760,865.00
		28,760,865.00	28,760,865.00
FY 2022 /2023			
	GKB 087R - EXHAUSTER	4,300,000.00	4,300,000.00
	GKB 675G - EXHAUSTER	3,300,000.00	3,300,000.00
		7,600,000.00	7,600,000.00
		36,360,865.00	36,360,865.00
Revaluation carried out by : - Links Valuers and Assessors limited			

24. Fair Value Adjustment Reserve

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

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25. Retained Earnings

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023	
	Retained earnings
At July 1, 2021	(16,249,965)
New capital issued	
Revaluation gain	
Transfer to capital Reserves	
Transfer of excess depreciation on revaluation	-
Deferred tax on excess depreciation	-
Prior Year Adjustment	28,760,865
Fair value adjustment on quoted investments	-
Profit for the year	(1,020,840)
Capital/Development grants received during the year	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-
Dividends paid – prior year	-
Interim dividends paid – current year	-
Proposed final dividends	-
At June 30, 2022	11,490,060
At July 1, 2022	11,490,060
Issue of new share capital	-
Revaluation gain	
Transfer to capital reserves (bowser handed over from CRVWDA)	
Transfer of excess depreciation on revaluation	
Revaluation	
Deferred tax on excess depreciation	-
Prior Year Adjustment	(28,760,865)
Prior Year Adjustment - Omitted depreciation on JCB	(1,440,216)
Prior Year Adjustment - decrease in inventories	159,326
Prior Year Adjustment - reinstatement of corporation tax credit	(437,503)
Fair value adjustment on quoted investments	
Profits for the year	(37,839,284)
Capital/Development grants received during the year	
Transfer of depreciation/amortisation from capital fund to retained earnings	-
Dividends paid – prior year	-
Interim dividends paid – current year	-
Proposed final dividends	-
At June 30, 2023	(56,828,483)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. Trade and Other Payables

	2022 - 2023	2021 / 2022
	Kshs	Kshs
Trade payables	38,428,066	29,465,887
Accrued expenses - Statutory Levies	72,736,760	65,508,729
Revenues received in advance		
Retention / contract Monies		
Employee Payables		
Other payables	26,133,094	20,381,227
	137,297,920	115,355,843
At June 30, the ageing analysis of the gross trade payables was as follows:		
30 days and below	5,041,895	4,233,559
Between 31 and 60 days	5,458,720	4,591,163
Between 61 and 90 days	3,474,740	2,918,503
Over 91 days	123,322,565	103,612,619
Gross trade Payables	137,297,920	115,355,843
NB:		
Accrued Statutory Levies relate to amounts owed to water sector statutory bodies i.e WARMA, LVSWBS, WASPA, WASREB and OAG		

27. Customer Deposits

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Opening Balance	19,638,143	15,065,027
Add: deposits received during the year	4,461,742	4,573,116
Less: refunded deposits during the year	-	-
Closing balance	24,099,885	19,638,143
	-	-

These are funds held as security for issuance of cold water meters to customers, as such they are refundable to the customers upon cessation of being a customer to the company. The funds are recognized under non-current liabilities in the company's books.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. Deferred Income

	2022 / 2023	2021 - 2022
	Kshs	Kshs
National / County Government	56,917,585	44,970,714
International Funders		
Public contributions and donations		
Total deferred income	56,917,585	44,970,714
	-	-

The deferred income movement is as follows:

	County government and WSTF	International funders	Public Contributions and donations	Total
Balance brought forward	44,970,714			44,970,714
Additions	12,497,890			12,497,890
Transfers to Capital fund				-
Transfer to income statement	551,019			551,019
Other transfers				-
Balance carried forward	56,917,585			56,917,585
	-	-	-	-

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DEFERRED INCOME LIABILITY ACCOUNT			
Date	Amount	Naration	
1st July 2022 - bal b/f	44,970,714	Being opening balance relating to amounts received from WSTF under the Bar kowino Nyawita water project and 15M county development support for the FY 2021/ 2022 and amounts received from WSTF under the CLSG (quick start quick finish capital pro	
Additions during the year			
- Being grant from WSTF under Obet Mauna Water Projects	12,497,890.00		
less : recurrent portion of the grant recognised in the income statement	(551,019.00)		
	11,946,871		
30th june 2023 bal c/f	56,917,585		
DEFERRED INCOME LIABILITY ACCOUNT			
Date	Amount	Naration	
1st July 2021 - bal b/f	29,260,585.00	Being opening balance relating to amounts received from WSTF under the Bar kowino Nyawita water project and county development support for the FY 2020/ 2021	
Additions during the year			
- Being grant from WSTF under the CLSG for capital projects	12,014,300.00		
- Being Capital development grant from the CGS in the FY 2021 / 2022	15,000,000.00		
	27,014,300.00		
Tranfers during the year			
- Being transfers to the Capital reverse account	(11,304,171.00)	being conditional grant from the CGS in the FY 2020/2021 transferred to the capital reserve account following completion of the earmarked projects	
30th june 2022 bal c/f	44,970,714.00		
DEFERRED INCOME LIABILITY ACCOUNT			
Date	Amount	Naration	
1st July 2020 - bal b/f	17,956,414.00	Being opening balance relating to amounts received from WSTF under the Bar kowino Nyawita water project	
17th June 2021 - additions during the year	11,304,171.00	being conditional grant from the CGS aimed at SIBO turn around strategy	
30th june 2021 bal c/f	29,260,585.00		

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. Notes to The Statement of Cash Flows

	2022 / 2023	2021 / 2022
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		-
Operating profit/(loss)	(37,839,284)	(1,458,343)
Depreciation	20,062,002	12,543,005
Amortisation	-	
(Gain) / loss on disposal of property, plant and Equipments		
Operating profit/(loss) before working capital changes	(17,777,282)	11,084,662
(Increase)/decrease in inventories	272,361	159,326
(Increase)/decrease in trade and other receivables	(1,236,972)	(1,939,159)
Increase/(decrease) in trade and other payables	18,558,077	(17,271,043)
Increase/(decrease) in retirement benefit obligations		
Increase/(decrease) in provision for staff leave pay		
Cash generated from/(used in) operations	(183,817)	(7,966,214)
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	10,049,316	18,771,616
Cash in hand	271	271
Balance at end of the year	10,049,587	18,771,887

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Other Disclosures

30. Financial Risk Management

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

The company's financial risk management objectives and policies are detailed below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(i) Credit risk

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

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

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

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	Total amount Kshs	Fully performing Kshs	Past due not impaired Kshs	Past due and Impaired Kshs
At 30 June 2023				
Trade Receivables	154,309,176.00	5,641,348.00	-	148,667,829.00
Other Receivables	0	0	0	0
Investments	0	0	0	0
Bank balances	10,049,587	10,049,587	0	0
Total	164,358,763	15,690,935	-	148,667,829
At 30 June 2022				
Trade Receivables	152,676,339	5,581,653	0	147,094,686.25
Other Receivables	0	0	0	0
Investments				
Bank balances	18,771,887	18,771,887	0	0
Total	171,448,226	24,353,540	-	147,094,686

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Credit Risk (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The company has significant concentration of credit risk on amounts due from 000

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

ii) Liquidity risk management

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

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the

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table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	1 month and less	Between 31days - 90 days	91days and over	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	6,664,090.63	7,311,264.59	123,322,564.79	137,297,920.01
Deferred income			56,917,585.00	56,917,585.00
Total	6,664,091	7,311,265	180,240,150	194,215,505
At 30 June 2022				
Trade payables	4,233,559.00	7,509,666.00	103,612,619.00	115,355,844.00
Deferred income			44,970,714.00	44,970,714.00
Total	4,233,559	7,509,666	148,583,333	160,326,558

(iii) Market risk (*Tailor as appropriate*)

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Department in charge of risk management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

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

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a) Foreign currency risk

The Company has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv) Capital Risk Management

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

	2022 - 2023	2021 - 2022
	Kshs	Kshs
Revaluation reserves	36,360,865	
Retained earnings	(56,828,483)	11,490,060
Capital Reserves	65,641,235	50,380,370
Total Funds	45,173,617	61,870,430
Total borrowings		
less: cash and bank balance	10,049,587	18,771,887
NET debt / (excess cash and cash equivalent)	(10,049,587)	(18,771,887)
Gearing	(0.22)	(0.30)

Going concern risk

The company is currently cannot break even owing to the high operation cost, coupled with a lack of a cost reflect tariff, leading to the company selling water at rates well below its production costs.

With the company majorly depending on subsidies and good will from both the county government and suppliers to sustain its operations. As part of its turnaround strategy the company has applied for an upwards review of its operating tariff to reflect the rise in its cost of operations.

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The company has also formed an NRW reduction team, to curtail case of water theft and other technical losses.

31. Incorporation

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

32. Events After the Reporting Period

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

33. Currency

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

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34. Capital reserves

	Capital Reserve
At July 1, 2021	39,076,199
New capital issued	
Revaluation gain	
Transfer to capital Reserves	11,304,171
Transfer of excess depreciation on revaluation	-
Deferred tax on excess depreciation	-
Prior Year Adjustment	
Fair value adjustment on quoted investments	-
Profit for the year	-
Capital/Development grants received during the year	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-
Dividends paid – prior year	-
Interim dividends paid – current year	-
Proposed final dividends	-
At June 30, 2022	50,380,370
At July 1, 2022	50,380,370
Issue of new share capital	-
Revaluation gain	
Transfer to capital reserves (bowser handed over from CRVWDA)	9,500,000
Transfer of excess depreciation on revaluation	-
Revaluation	
Deferred tax on excess depreciation	-
Prior Year Adjustment	5,760,865
Prior Year Adjustment - Omitted depreciation on JCB	
Prior Year Adjustment - decrease in inventories	
Prior Year Adjustment - reinstatement of corporation tax credit	
Fair value adjustment on quoted investments	-
Profits for the year	-
Capital/Development grants received during the year	
Transfer of depreciation/amortisation from capital fund to retained earnings	-
under statement of trade and other payables	(3,384,000)
Dividends paid – prior year	-
Interim dividends paid – current year	-
Proposed final dividends	-
At June 30, 2023	62,257,235

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XVIII. Appendices

APPENDIX 1: JOURNAL ENTRIES TO SUPPORT PRIOR YEAR ADJUSTMENTS

JOURNAL ENTRIES							
				DR		CR	
Retained Earnings				28,760,865			
Revaluation Reserves						28,760,865.00	
Being journal entries to capture the revaluation value of motor vehicles done in the FY 2021 / 2022 and to correct the retained earning closing balance as at 30th June 2023							
Motor Vehicles				5,760,865.00			
Capital Reserves						5,760,865.00	
being journal entries to capture the revaluation value of the JCB - Backhoe done in the FY 2021 - 2022, however omitted from the depreciation schedule							
Income Statement (Depreciation Expense)				1,440,216.25			
Motor vehicles						1,440,216.25	
being journal entries to capture the depreciation charge on the JCB -Backhoe, omitted in the FY 2021 / 2022							
Retained Earnings				159,326.00			
Income Statement						159,326.00	
being reinstatement of the decrease in inventories amounting to Kshs.159,326, treated as an expenditure in the FY 2021 - 2022 leading to over statement of the operating loss							
Income statement				(437,502.80)			
Retained Earnings						(437,502.80)	
being journal entries to correct / reinstate the 30% corporation taxes charged on the operating losses of Kshs.(1,458,343) realised in the FY 2021 / 2022							

APPENDIX 2: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Unexplained Variance in Customer Deposits	<p>The noted variance, between the actual funds held in the bank and the amount stated in the financial statement, as a liability (customer deposits). Results from borrowings made from the customer deposit account to the tune of 7,930,413.80.</p> <p>The balance of Kshs.4, 252,189.2 (12,182,603 – 7,930,413.80) relates to customer deposits paid over the period the management of the company was under the National Water Corporation. The same not being remitted to the company during the transition from National Water to the current set up of the company, with the company only taking over the customers at the time.</p> <p>The management has communicated to the National Water Corporation on the status of customer deposits paid over the period they were responsible for water provision.</p>	Not resolved	30 th June 2025
2.	Unsupported Financial Statement Balances 2.1. Property, Plant and Equipment	<p>The assets under query were developed under the Aduoyo – Kokise Water Supply Distribution project, which was a co - funded project between SIBOWASCO and an external donor – Franciscan Sister of St. Anna Lwak Siaya Region (Chalice).</p> <p>As at the time of the audit all the supporting documentation in terms of payment certificates, Completion/ discharge letter were with the donor. The management has however since obtained copies of the same, and availed them for the auditor's</p>	resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>verification and examination in support of the additions to the property, plant and equipment.</p> <p>See below breakdown of the Kshs.20,302,867 in respect of additions to buildings and civil works during the year, with the donor contributing a total of 19,257,383.76 with SIBO contributing 2,963,194.96</p> <p>See annex 2 – Completion certificate / recommendation letter / discharge letter from the donor to the contractor and payment certificates in support of the kshs.20,302,867 addition to building and civil works.</p> <p>The surface pump with complete 3 phase, was not purchased separately by SIBOWASCO, it was acquired under the Aduoyo – Kokise water project (phase 2 – bill item No.6) and formed part of the Donors contribution to the project (the pump was purchased by the contractor and a payment certificate sent to the donor for payment, with the assets only being handed over to SIBOWASCO to run and manage upon completion of the water project)</p> <p>See annex 2a – payment certificate and delivery note for the surface pump with complete 3phase panel system.</p>		
	2.2 Prior year adjustment	<p>This resulted from an error of omission, caused by the failure to capture revaluation reserves under the capital and reserves section of the balance sheet, following revaluation of the company’s motor vehicles, leading to the amount being captured as a prior year adjustment to reconcile / close the statement of changes in equity to the balance sheet. (See annex 3 – revaluation report)</p> <p>This has since been corrected in the Financial Statements for the year 2022 / 2023 by passing the necessary adjusting journal entries.</p>	resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Prior year comparison was mistakenly made against reported figures for the FY 2019 / 2020 instead of those for the FY 2020 / 2021.</p> <p>It should however be noted that the cash and cash equivalents at the beginning of the year of Kshs.17, 524,632 (opening balance for cash and cash equivalent) showed the correct closing balance as at 30th June 2021, as such the accuracy of the cash flows statement as reported for the FY ended 30th June 2022 was accurate.</p> <p>Other than the restatement of the previous year's comparative figures, there are no other adjustment to be made to the statement of cash flows for the period ending 30th June 2022 as the opening balance for cash and cash equivalents was correctly stated.</p> <p>Management has since amended the statement of cash flows to reflect the correct previous year comparative figures as shown below.</p> <p>This will be captured in the subsequent financial statement for the FY 2022 / 2023 as an explanatory note for the auditor's verification of the same.</p>		
4.	Budgetary control and performance	<p>A) Non - realization projected Water sales</p> <p>1. Delay in project completion dates, in projecting its annual water sales figures / volumes, the management had incorporated production figures from the Sega, Ugunja and Ukwala water project, which had been anticipated to begin production test runs within the 3rd quarter of the FY 2021 / 2022, however owing unresolved land compensation issues and challenges in identification of suitable turbines for the</p>	Not resolved	30 th June 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>source river water, the projected suffered considerable delays.</p> <p>2. delay in Abura dam and Siaya treatment works rehabilitation, the company had projected the intended rehabilitation works to last 6 months, upon which the company had anticipated an additional daily production of 3500m³ of water from the plant to Siaya town, in addition to the water received from Yala treatment plant, however owing to delays in the projects commencement, this was not achieved. (Project is currently 98% completed).</p> <p>3. Delays in commencement of the last mile connectivity project, coupled with long and frequent halt in works, (see annex 4)</p> <p>The last mile connectivity project is a National Government funded project, which was earmarked to bring on board an additional 3000 customer connections. The project was to commence in August 2020 and run for one year to August 2021, however the project commenced in April 2021 and it's still ongoing to date.</p> <p>4. The hot and dry weather experienced in the country for the larger part of last, lead to reduced flows and level of water in river Yala, this forced the company to scale back on its planned daily production levels, resulting from the reduced amounts of water being extracted from the river.</p> <p>5. The reduced flow rates and volume of the river also resulted into reduced pressures at the header tanker leading to shut down of the turbines, this forced the company to largely rely on the two stand by power driven high lift pump sets for the evacuations, further impacting the daily output of the plant.</p> <p>6. Low yields from the Ugenya borehole schemes</p> <p>The hot and dry weather also resulted into receding water table, negatively impacting on the daily yields from the company's operated borehole schemes in Ugenya (Sega, camunya and ukwala). Further</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>hindering the company from attaining its planned daily production out.</p> <p>7. Floating bodies in river Yala</p> <p>The much published cases of dead bodies being found floating in river Yala, also negatively impacted on the daily production levels of the company, as each time a body was discovered in the river, the company was forced to halt production and embark on pre chlorination exercise, further negatively impacting on the planned daily production levels.</p> <p>B) Lack of realization of projected external support</p> <p>1. Grants from the Government and other donor support</p> <p>The noted under performance with regards to budgeted grants, resulted from partial release of funds budgeted as capital and recurrent support from the County Government of Siaya, sighting delayed funds release from the National Government / Treasury and budgetary cuts and alterations made at the assembly level, in total disregard of the prior agreed figures between the water department and the company.</p> <p>The company budgeted for 10M in recurrent support with only 8.7M being paid out to KLPC by the County Government towards settlement of electricity bills</p> <p>With only 15M being transferred to the Company in the form of Development support from a budgeted figure of 31.8M</p>		
5 Basis For Conclusion	1.Late submission of	The management takes full cognizance of the failure to meet the statutory timelines for the submission of the	Not resolved	Management complied with the submission

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Financial statements	annual financial statements, and seeks to comply with the statutory regulations in the next financial year. (See annex 5 – submission of the FY 2022/ 2023 financial statements to the OAG).		time for the financial 2022-2023
	2.Doubtful Recoverability of receivables	<p>The management has initiated the following steps towards recoverability of its outstanding debts.</p> <p>I. steps towards recover of outstanding balances</p> <ol style="list-style-type: none"> 1. Engagement of an external debt collector to go after its hard core debtors, while also offering training and advices, to the company’s own internal debt recovery unit. The external debt collector as so far recovered a total of Kshs.15,353,338 (see annex 6f – collection report for the external debt collector) 2. Establishment of an internal debt collection unit, to ensure 100% collection efficiency 	Not resolved	End of financial 2024 –2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>of the company's current debt (see annex 6g – debt collection report for the internal debt collection unit).</p> <ol style="list-style-type: none"> 3. Engaging and seeking the assistance of the CECM water to aid in follow up of amounts owed to the company. 4. Issuance of demand letters to customers with long outstanding debts 5. Entering into Part payment agreements with customers to ensure continued supply as the customers service their accrued water bills 6. Adoption of digital pre-paid meters, these meters will be installed to customers with huge outstanding balances, every water token purchased will be apportioned toward debt repayment and current consumption. 7. Purchase of motor bikes to facilitate 		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>movement of the debt recovery unit</p> <p>8. Creation of schemes to enhance coordination and bring about closer engagement and follow up with customers.</p> <p>See annex – 6a deployment letter of the internal debt collection coordinator,</p> <p>6b email discussion with Maji Milele on the acquisition of the prepaid meters,</p> <p>6c sample demand letters to customers,</p> <p>6d sample part payment agreements with customers</p> <p>6e contract with the external debtor collector (Collection Africa Limited)</p>		
	3. non-compliance with affirmative action	The management has always endeavored to place / announce all job vacancies occurring within the company publicly in the local dailies and posting the same on its website, all this aimed at attracting people	Not resolved	Progressive realization (by end of fy 2029 - 2030

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>from diverse backgrounds and ethnicities.</p> <p>In our external advertisement, we have always stressed that we are all-inclusive, and mentioned that we give equal employment opportunity to all.</p> <p>Unfortunately, we only get majority of applicants from one ethnic group. Going forward we will ensure to adhere to the Constitution of Kenya 2010 that requires representation of Kenya's diverse communities, on both gender balance, and people with disabilities.</p> <p>In our recent recruitment of scheme managers, the company adhered to the constitutional requirement on gender balance and ethnic diversity by recruiting one lady and two gentlemen, out of which two were Luo and one luhya.</p>		
	4. irregular board meetings	The management acknowledges the findings of the auditors, we however wish to state that the extra special board meetings was necessitated by the need to	Not resolved	FY 2022 - 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>consider the below listed matters which required the attention of the full board.</p> <ul style="list-style-type: none"> a) Special board meeting on 17/09/2021 – review of draft financial statements b) Special board meeting on 26/10/2021 – exit interview for the HRM c) Special board meeting on 8/03/2022 – interview panel to fill the 3 positions of non-executive directors for the retiring directors d) Special board meeting on 09/03/2022 – pre AGM meeting of the company directors e) Special board meeting on 21/06/2022 – review of the draft budget statement f) Special board meeting on 28/04/2022 – interview of the HRM position applicants 		

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		<p>Going forward the management commits to comply with the requirements of the presidential Circular OP/CAB.9/1A Part A (3) dated 11 March, 2020, in the subsequent financial years.</p> <p>(See annex 8 - attendance register for the board meetings and the minutes)</p>		
5.Unremitted statutory deductions	5.1 income tax	<p>The part payment agreement entered between the Company and KRA had granted a waiver of the accrued penalties and interest, with the company obligated to only clear the outstanding principal amount of Kshs.2, 840,074. (See annex 9)</p> <p>Despite the company's strained cash flow position, the management has ensured full compliance and remittance of its monthly tax obligations. In the FY ended 30th June 2022, a total of Kshs.5,742,438 was paid to KRA, with kshs.5,115,175 being payments towards the monthly Paye deductions for the year, while kshs.627,263 being directed towards</p>	Not resolved	FY 2024 - 2025

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		settlement of the outstanding tax liability.		
	5.2 National hospital insurance fund deduction	<p>The outstanding amount currently stands at Kshs.669, 255 as at 30th September 2023. (See annex 9) following a reduction of Kshs.221, 270</p> <p>The management has mitigated the risk of incurring additional penalties from the fund, having fully remitted the principal amounts, the outstanding balances fully relates to the accrued interests and penalties, despite the strained cash flow position of the company, the management currently remits all its statutory deduction by the due dates and its fully committed to clear all unremitted deductions.</p>	Not resolved	FY 2024 - 2025
6. Loss of revenue	Loss of revenue	The management has adopted a raft of strategies aimed at reduction of NRW, this measures have yielded positive results in terms of reduction of the prevailing NRW rate from the 59% as at the close of the FY 2021/ 2022 to currently stand at	Not resolved	FY 2026 - 2027

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>54% as at the end of September 2023 (see annex 10 – NRW report for the month of September 2023).</p> <p>1. Involvement of the water police unit to curb cases of illegal connection and vandalisms of water infrastructure. (See annex 10)</p> <p>2. Customer identification surveys – aimed at updating customer data base, identification of illegal connections, identification of bursts and leaks, replacement and servicing of faulty and stuck meters (see annex 10)</p> <p>3. Repair / rehabilitation of water storage tanks; - works have been done to Nyasanda, Sega, Siaya technical and South Sakwa clear water tanks, aimed at eliminating water losses from leakages of such tanks.</p> <p>4. Establishment of a billing Analysis team; - Monitoring of consumption trends, to flag off any unexplained drop / rise on a customer’s monthly</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>consumption and those with low / zero billings being earmarked for field visits has this may be due to bypasses or meter tampering.</p> <p>5. Inactive accounts; - Impromptu checks / monitoring of cut off accounts / sealed / Dormant accounts to confirm the actual status (to discourage water theft) and persuade the customers to be engaged on part payment agreement for reconnection purposes.</p> <p>6. Unmetered accounts; - All flat rate accounts have been metered to ascertain actual consumption instead of estimate.</p> <p>7. Gate locked: - Customers with gate locked cases are reached on phones, or plans to read them over the weekends are made to capture the actual consumption or</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>otherwise they are enlightened to self-read their meters and send meter photos for actual billings.</p> <p>8. Customers identification surveys – door to door customer survey aimed at customer data clean up, identification of potential customer, unearthing of illegal connections</p> <p>9. Impromptu field inspections / audit; - meter reading inspections to verify the data shared by the meter reader against the actual status on the ground, accounts status verification (dormant, active, meter status).</p> <p>8. Identification of unread accounts: - Attempt to reduce the number of unread accounts that is informed by the task allocated to the meter readers vis-a-vis the accounts</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>read are noted and meter readers informed of the locations for actual meter reading and billing of the said accounts. In addition, stringent measures are taken on meter readers who do not meet their reading targets and are inconsistent in reading a particular account.</p> <p>9. Metering of flat rate accounts; - aimed at ensuring all customers are billed for actual volumes consumed, thus eliminating cases of over and under billing.</p> <p>10. Routine Servicing of Meters; - servicing of invisible / faulty meters is being done on a continuous process. This will help to eliminate estimated billings.</p> <p>11. Installation of DMA's and servicing of Bulk production meters;- to better account for water that</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>is channeled to each area / zone and also better calculate the volume of water produced.</p> <p>12. Bursts / leaks: - all staff / customers are encouraged to report any burst / leak observed on the company's WhatsApp platform. The repair task is then assigned to an artisan online, via the company's ERP system. The artisan reports completion of the assigned repair works online, which is then verified by his supervisor and the works are marked close in the system. This is aimed at ensuring high quality of repair works and reduced turnaround time from the date the burst / leak is reported to the date it is repaired.</p> <p>13. Acquisition of motor bikes to enhance field</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		inspections, line patrolling, meter reading and quick response to bursts and leaks.		
Basis for conclusion	Lack of Ownership of motor vehicles	<p>Most of the identified assets relates to the Siaya – Bondo water project, which is yet to be handed over officially to the company, this was a project developed by the National Government via Lake Victoria South Water works Development Agency, however with the coming of devolution under the new constitutions, provision of water services was devolved to the Counties, implying that water related assets and infrastructure developed by the National Government and its agencies should be handed over to the County Governments for onward assignment to the water service providers to run. However following the folding up of the Transition Authority before conclusion of its work and the partial implementation of its reports, the transfer of assets from the National to the County Governments has remained pending.</p> <p>The management has however on several occasions</p>	Not resolved	FY 2025 - 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>requested Lake Victoria South Water Works Development Agency, being the assets developer as per the new Water Act 2016, for transfer of the assets and handover of their corresponding ownership documents. (See annex – 11) to no avail.</p> <p>The company recognizes the assets on its books, in keeping with the accounting principles of prudence and substance over form, the company recognizes the assets under its books considering that its bears all the benefits and risks incidental to the ownership of the assets such as repair, maintenance, operational and insurance costs.</p>		

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report.

Name ADILA ISAH
 Signature 

SIBO Water and Sanitation Company Ltd
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Managing Director

Date.....

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Appendix II: Projects Implemented By the Company
Projects

Projects implemented by the Company Funded by development partners.

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1. Rehabilitation of Abura Dam and Treatment plant	1	County Government of Siaya and World Bank		44.1M	yes	no
2.Obet Mauna water supply project	2	Sibowasco and Water Sector Trust Fund (WSTF)	12months	19,527,952.50	yes	yes
3. Ugunja, Segu and Ukwala Water supply and sanitation project	3	Africa Development Bank – through the Ministry of Water and Irrigation via LVSWWDA and CRVWWDA	3years	1.1 billion	yes	no

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Status of Projects completion

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

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1 Ugunja, Sega and Ukwala Water supply and sanitation project	1.1 billion		96% pending installation of turbines and construction of the turbines house			Africa Development bank
2 Obet Mauna water supply project	19,527,952.50	15,622,362	98% Pending branding and construction of chambers	19,527,952.50	19,527,952.50	Sibowasco and WSTF
3 Rehabilitation of Abura Dam and Treatment plant	44,100,000.00		98% complete	44,100,000.00		World Bank and the County Government of Siaya

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Appendix III- Inter-Entity Confirmation Letter



SIBO WATER AND SANITATION COMPANY LTD
P.O. BOX 214 – 40600
SIAYA

SIBOWASCO wishes to confirm the amounts disbursed to us as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 th June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [COUNTY GOVERNMENT OF SIAYA] (Kshs.12,678,687) as at 30 th June 2023				Amount Received by Sibowasco (KShs.12,678,687) as at 30 th June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter- Ministerial (C)	Total (D)=(A+B+C)		
	December 2022	7,213,607				7,213,607	
	March 2023	3,000,000				3,000,000	
	April 2023	75,000				75,000	
	May 2023	1,786,393.40				1,786,393.40	
	June 2023	603,687				603,687	
Total		<u>12,678,687</u>				<u>12,678,687</u>	

In confirm that the amounts shown above are correct as of the date indicated.
Head of Accountants department of beneficiary entity:
 Name D. K. Kariuki Sign [Signature] Date 12/03/24

